

GROWTH AND STRUCTURE OF INDUSTRIAL SECTOR IN HIMACHAL PRADESH

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This paper has addressed the issue of industrial growth in Himachal Pradesh at aggregate as well as districts level with various policies that state government has adopted for promoting the industrialization. The findings revealed that over the time period government of Himachal Pradesh has created a set of institution and implemented several industrial polices for encouraging the industrialization in the state. As a result growth of industrial sector in the state has improved after the economic reform and especially after the announcement of special package by Government of India to the Himachal Pradesh. The growth pattern of different industries shows that, over the period, highest growth has been observed in the Food Processing Industry followed by Miscellaneous Engineering, Pharma Products, Plastics, Packaging's, Electricals and Electronics, whereas, the lowest growth has been recorded in the industries like Foot wears, Aromatic/Medical Herbs Based Shop, Chemicals and Automobiles. Apart from this disparity in the growth of industrial sector has been widen across the districts over the time. Advance districts like Solan, Sirmour and Una have become more industrialized as compared to backwards districts because of their location and availability of better infrastructure facilities.

INTRODUCTION

The Industrial sector of India has witnessed a transition from a state-led development model to a neoliberal paradigm with the implementation of economic reform since 1991, with less government control, which has brought about a great deal of changes in the policy structure with respect to the size of the government in terms of expenditures, taxes and enterprises, legal structure and security of property rights, regulation of labour and business. As a result Indian states and union territories have also come up with large number of policies for promoting industrial sector, especially through incentives like tax exemption, foreign direct investments (Burange 1999). States like Gujarat, Maharashtra, and Karnataka, Tamil Naidu, Haryana, Punjab and many more have implemented their own industrial policy to boost the industrial production and Himachal Pradesh is no exception in this direction. Since the full-fledged state, Government of Himachal Pradesh has taken many steps for industrial development particularly in the last two decades. As a result the growth of industrial sector especially manufacturing sector in the state has shown a significant improvement in the Gross State Domestic Product (from 12.18 per cent in 1995-96 to 14.38 in 1990-00) and across small scale and large medium sector. Large medium sector has improved 8.7 times from 1990-91 to 2001-02 and investment in this sector has been expanded by 11.7 times from 1990-91 to 2000-01. On the other hand, small scale units have gone up by 4.2 times and investment has grown by 4.5 times during the same period (Himachal Pradesh Human Development Report 2002). Therefore, this present study has tried to examine the impact of state level policy initiatives on the structure and growth performance of industrial sector of Himachal Pradesh.

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Available literature signposts at the national level, that there has been growth acceleration in the organised sector (Kumar 2006; Goldar 2009; Kennan and Raveendran 2009) where investment has boomed and foreign capital has flowed in (Thomas 2013; Bhat 2014; Sen and Das 2015; Vashisht 2016). But the growth has not increased employment opportunities in a significant measure (Ghosh and Roy 2007; Das 2007; Unni et al 2001; Majumder 2006; Kumar 2006; Goldar 2009). Indeed, India's growth in the post-globalization period has been led by skill-intensive services, and manufacturing too has become increasingly skill-intensive (Majumder 2006; Kumar 2006; Goldar 2009).

Few studies have examined the performance of industrial sector at state level. Goldar (1989) examined the spatial variation in the rate of industrial growth for twelve major states of India during 1960-61 to 1985-86 using kinked exponential model. He argued that after the mid-sixties states have witnessed deceleration in industrial growth rate, but during the mid-seventies most of states have undergone recovery. The states which constitute larger share in the industrial sector (like Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka) have neither experienced any growth nor any improvement in the industrial sector over the time. After the mid-seventies two states have experienced deceleration in the growth rate were Madhya Pradesh and Kerala. In similar way Albin (1990) studied the role of structural and regional factors for explaining the growth of industrial sector of Kerala. He has suggested that Kerala industrial sector had not grown at par with the southern states. Industries wise analysis have shown that, in terms of employment and output most of the industries have experienced deceleration in the growth rate since seventies. In 1999, Burange analysed the industrial growth and structure in the context of Maharashtra. He had found that in the composition of industrial sector Maharashtra economy underwent significant changes with the dominance of intermediate and capital goods industries. During the decade of eighties to first half of nineties Maharashtra realized high growth rate in fixed capital resulting in employment drop. Further in 2004, Trivedi has done her study on manufacturing productivity with respect to some major states of India during 1980-81 to 2000-01. She claimed that there are large differences in productivity and growth rate among the states. Further, Mitra (2007) examined the performance of industrialization and its impact on poverty for major Indian states from 1979-80 to 1997-98. The result of his analysis suggested that industrialization has no significant impact on poverty reduction across the states. Kumar (2006) focused on the growth, employment, wages and productivity for Punjab manufacturing sector using two digit data for the period 1980-2001. The analysis of his study suggested that the manufacturing sector of Punjab has not experienced jobless growth in the decades of eighties like the national manufacturing. But in the decade of nineties the growth of employment has slowed down which raised the questions on manufacturing capacity of Punjab to generate additional employment. Ghose and Roy (2007) emphasis on inter-state disparity in the growth and determinants of wage rate for industrial labour in India and claimed large degree of variation in the wage rate of industrial labour at state level.

Existing studies are largely associated with the major states of India and few have analysed the growth of industrial sector in the context of emerging economies like Himachal Pradesh. Therefore, the present study is an effort in this direction to analyse the growth of industrial sector in Himachal Pradesh at aggregate as well as district level. Furthermore, this study also tries to investigate that, what are the policies that the state government has adopted for promoting of

industrialization. This study would make the significant contribution in the existing literature at the state level by considering Himachal Pradesh especially and the findings might be very useful to reduce the variation of industrial development at district level in Himachal Pradesh. The rest of the paper is structured as follows. The next section provides the details of methodology. Section third deals with the various government policies for industrial development. Section fourth provides the result and discussions and followed by conclusions.

METHODOLOGY

The study is primarily based on the secondary data and basic data source for the study are Industrial Department, Government of Himachal Pradesh and Central Statistical Organisation (CSO) data published by Economic and Political weekly Research foundation (EPWRF). The time period of the study is considered from 1991-92 to 2013-14 which is further divided in to sub-periods. The analysis has been done on the basis of small scale and large medium industries at states level as well as district levels. For this purpose three main important variables has been analysed i.e. number of enterprises, investment and number of employment for state as well as districts levels.

Concept of Small Scale and Large Medium Industries

Historically, the definition of small scale and large medium sector has changed since 1950. According to Micro Small Medium Enterprises Development Act, 2006 the Micro Small Medium Enterprises are divided in to two part i.e. Manufacturing and Services Enterprises. Any enterprises involved in the manufacturing or production of goods relating to any industry specified in the first schedule to industries (Development 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 called Manufacturing Enterprises. Manufacturing Enterprises are basically defined on the basis of investment in Plant and Machinery. Within manufacturing sector investment limit more than ₹25 lakh but does not exceed ₹5 crore known as small enterprises. While investment in plant and machinery more than ₹ 5 crore but less than ₹ 10 crore termed as medium Enterprises.

On the other hand, any enterprises engaged in services activities and defined in term of investment in equipment termed as Service Enterprises. Within Service Sector investment in equipment more than ₹ 10 lakh but less than ₹ 2 crore known as small enterprises and the investment in equipment more than ₹ 2 crore but less than ₹ 5 crore termed Medium Enterprises. (See more details in the Ministry of Micro Small and Medium Enterprises, Government of India).

POLICIES FOR INDUSTRIAL DEVELOPMENT IN HIMACHAL PRADESH

Himachal Pradesh is one of the new emerging industrial states in the country. With the objective of developing the industrial sector, Industrial Department of the state is formulating various industrial policies periodically. Apart from this, state government has created various agencies and organization with the task of industrial development in the state. The list of various important policies, agencies and organization and their objectives are discussed below.

Department of Industries, Government of Himachal Pradesh

The Department of Industries is responsible for overall development of industrial sector in Himachal Pradesh. It works with network of district industries centres and extension officer at district and block level. The main functions of the department are like registration of small scale industries, general and technical consultancy, recommend various units for financial assistance to

financial institutions, development of infrastructure facilities for industries, maintain the record relating to industries, allotment of plot to industrial units etc. Apart from this two single window clearance agencies are also functioning in the two industrial areas Baddi and Parwanoo at Solan district.

Himachal Pradesh State Industrial Development Corporation (HPSIDC)

Himachal Pradesh State Development Corporation (HPSIDC) was established in the year 1966 for the promotion of small scale and large medium industries. It is one of the important agency of the state government which is working for the promotion and establishment of industrial units in the state. It is fully owned by the state government. It act as one of the most financial institution in the state and provides long term loan for the industrial projects. The important functions of HPSIDC are development of industrial area, provision of long term loan, creation of infrastructure facilities, provides guidance and assistance to entrepreneurs and escorts services to entrepreneurs.

Himachal Pradesh Financial Corporation (HPFC)

Himachal Pradesh Financial Corporation (HPFC) was set up in the 1967 with the objectives of promotion of small and medium industries in the state with special attention to spread the industrial activities in rural, backwards and semi urban areas of the state. It is owned by the Himachal Pradesh government with Small Industrial Development Bank of India (SIDBI) and working under the state control. The list of various financial assistance schemes provided by the corporation for entrepreneurs are marketing and equipment finance scheme, single window scheme and a special scheme for ex-servicemen.

Himachal Pradesh State Handicrafts and Handloom Corporation (HPSHHC)

It came in to exist in the 1974 with aim of promotions and development of handloom and handicrafts industries in the state. It provides various type of training and financial and raw material assistance to artisan/ weavers. Apart from this it also supports entrepreneurs for setting their units in the state and provides marketing facilities for handloom and handicraft product through showroom.

Himachal Pradesh Center for Entrepreneurship Development (HPCED)

It was established in the Solan district with the objectives of providing training to potential entrepreneurs for setting their own unit in the state. It organize various workshops and programmes for the motivation and promotion of entrepreneurship especially to youth of the state (Himachal Pradesh Human Development Report 2002).

Industrial Policies and Other Initiatives

The growth of industrial sector in any economy mainly depends upon its effectives and systematic industrial policies. In this direction Industrial Department of the state is formulating industrial policies periodically. It has announced various industrial policies like Industrial Policy 1996, Industrial Policy Guideline 1999, Industrial Policy 2004, and Industrial Policy 2013. Key objectives of these policies are like raise industrial development in those areas in which have maximum comparative advantages, encourage private players for promoting infrastructure, give more emphasis for balance development, promote khadi, handicrafts, handloom, cottage and tiny industries, link all the industrial areas with all the facilities, regulate industries in the state with less number of laws, reform the labour laws, special discount to 100 per cent export oriented units, simplify the process of land allocation to industrial units, encourage IT, tourism and

biotechnological, hydroelectric power and agro based industries, increase the share of manufacturing up to 25 per cent of state domestic product. Apart from the objectives government of Himachal Pradesh is participating in several festivals, fairs and exhibitions organised in the various parts of the countries and in the international level for the promotion of manufacturing products. It is also participating in district level events through HIMBUNKAR for the marketing of Handloom products. Till now sixteen proposals have been accepted by the Government of India for these events (Economic Survey of Himachal Pradesh, 2015-16).

Central Special Incentives and Concessions

In 2003 Central Government has announced special packages to the states of Himachal Pradesh and Uttarakhand in the form of concessions in tax rate and Central excise duty. List of these incentives and concessions are follow: On outright basis 100 per cent excise duty exemption to industries for 10 years when they start production, 100 per cent income tax exemption for first 5 years, after that 30 per cent for companies, 25 per cent for additional 5 years when they start production in the whole state, provides a capital investment subsidies for new and existed industrial units up to 15 per cent for their plant and machinery subject to maximum limits of 30 lakh, under the growth Centre assistant scheme funding pattern raise from 10 to 15 crore for per Centre and also changed the funding pattern from 2:3 to 4:1 between government of India and SIDBI under the Integrated Infrastructure Development Centre (IIDC) Scheme. In similar way funding pattern between government of India and states also changed form 50:50 to 90:10 under the Deen Dayal Hathkarga Protsahan Yojna. Under the Prime Minister Rojgar Yojna (PMRY) government has made provision for 15 per cent subsidies of total cost of the project with a maximum limit of up to 15000 per entrepreneur.

PERFORMANCE OF INDUSTRIAL SECTOR IN HIMACHAL PRADESH

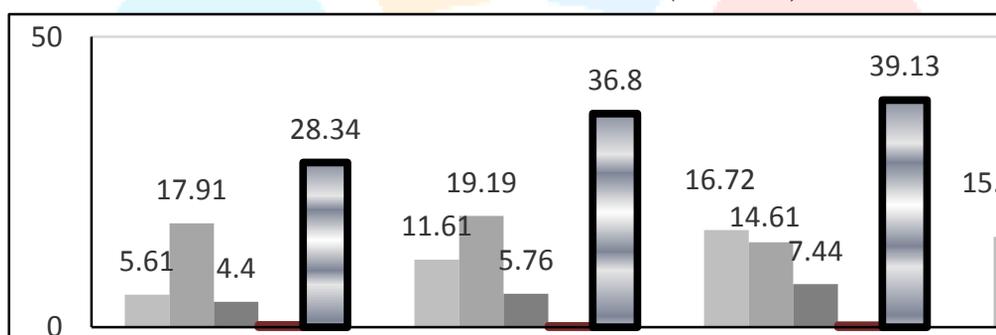
Industrial sector consist of four sub-sectors namely manufacturing, construction, electricity gas and water supply and mining and quarrying. Manufacturing further divided in to two parts i.e. registered and unregistered manufacturing. The results of growth of industrial sector with respect to different period have been shown in the Figure 1. The figure clearly indicates that over the period the contribution of industrial sector in state domestic product has been grown substantially. It has increased from 28.34 per cent in 1990-91 to 36.8 in 2000-01 and further to 39.13 per cent in 2010-11. Thereafter it starts declining and reached to the level of 35.76 per cent in 2013-14. However, the sub-sectors have not followed the same pattern. It has been observed that during 1990-91 and 2000-01 the construction sector contributing highest to the state domestic product. The other two sub-sectors that has gained highest improvement in the growth path are manufacturing and electricity, gas and water supply. The manufacturing activity in the state has grown from 5.61 per cent in 1990-91 to 11.61 per cent in 2000-01 and further to 16.72 per cent in 2010-11. Whereas the electricity gas and water supply has grown to 5.76 per cent in 2000-01 from 4.4 per cent in 1990-91 and further to 7.44 per cent in 2010-11. The period after 2010-11 growth in the all sub-sectors have declined in the industrial sector, which may be due to the expiry of special industrial package for Himachal Pradesh.

Growth Pattern of Small Scale and Large Medium Industries

The growth pattern of small scale and large medium industries in Himachal Pradesh is shown with the help of three important variables like number of enterprises set up, investment and number of

employment. The growth pattern of small scale and large medium industries are shown in the Table 1. The results clearly indicate that during the study period small scale and large medium industries in the state has grown with many up and down swings. But what is interesting to observe is that during the first half of 1990s the small scale units has achieved highest growth rate in term of number of units set up in the state. The investment and employment growth for this period has been reported around 20.42 and 3.49 per cent. In case of large medium industries growth of number of units set up is observed around 7 per cent, while the investment and employment growth around 16.32 and 10.20 per cent during the same period. However, the growth rate that is achieved by small and large medium units has not remain consistent in the next periods (1996-97 to 1998-99 and 1999-00 to 2002-03). There has been sharp decline in the number units, investment and employment in both type of industries during this phase.

Figure 1
Contribution of Industrial Sector (in Percent)



Source: Author's Calculations Based on EPWRF data 2014.

However, there is again revival of growth in both type of industries in the state during the next two periods. During the period from 2003-04 to 2005-06 growth of number of units set up in the state has slightly improved to 2.68 percent, investment to 10.58 per cent and employment to 4.14 per cent in case of small scale industries. While in case of large medium industries number of units, investment and employment has grown to 16.75, 10.82 and 9.14 per cent respectively. These figures clearly indicate that the growth of number of units and employment in large medium industries was much faster than that of small scale industries, while in case of investment both the type of industries reflect similar pattern.

The period from 2006-07 to 2008-09 growth of small scale industries has further improved in term of number units set up, investment and employment in the state. In this period growth of number of units, investment and employment was around 2.69, 44.06 and 6.98 percent. This growth pattern in case of large medium industries was slightly differs from that of small scale industries. In this period growth of number of units and employment in large medium industries has declined sharply to 10.83 and 8.51 percent. Despite of declined in the number of units and employment in large medium industries the investment has increased to 19.38 per cent in this period. Therefore, the years starts from 2003-04 to 2008-09 are the golden years for industrial growth in the state of Himachal Pradesh. There are two main reasons for highest industrial growth rate during this period. First is special industrial package announced to the state of Himachal Pradesh and Uttarakhand by the Union Government and second is the Industrial Policy 2004 of Himachal

Pradesh. Through this package large number of incentives and concession are provided to the industries like concession in tax rate and central excise duties. The key incentives which are provided to the industries through the industrial policy 2004 are exemption in electricity duty, special discount in power for 100 per cent export oriented units, transport subsidies to industries for furnished goods and raw materials etc. (See more details about the special package on incentives and concession to the Himachal Pradesh and Uttarakhand, 2003).

The industrial growth trend observed by Himachal Pradesh is almost similar to that of national trend. During the period 1991-92 to 1995-96 there is a sharp jump in the India's industrial growth rate reflect the positive impact of liberalization, while the next six years is reflected the stagnation in the industrial output and job loss in the country. Recovery in the industrial growth is observed in the first half of 2000s followed by again deceleration in the industrial growth during the period of financial crises 2008-09 (Thomas 2013). During this period India's industrial export has registered negative growth rate. In case of Himachal Pradesh there has been also a sharp decline in the industrial growth since 2009-10 to 2013-14. During this period growth in both categories of industry has declined. The reasons may be the expiry of various type of incentives provided by the state as well as the Union government and impact of the Global financial crises faced by the country.

Table 1

Annual Average Growth of Small and Large Medium Scale Industries in Himachal Pradesh

Years	Average Annual Growth of Small Scale Industries			Average Annual Growth of Large Medium Industries		
	Units	Investment	Employment	Units	Investment	Employment
1991-92 to 1995-96	3.66	20.42	3.49	7.12	62.32	10.2
1996-97 to 1998-99	3.13	6.68	3.49	5.84	13.4	5.18
1999-00 to 2002-03	2.58	5.91	3.2	3.02	3.4	3.47
2003-04 to 2005-06	2.68	10.58	4.14	16.75	10.82	9.14
2006-07 to 2008-09	2.69	44.06	6.98	10.81	19.38	8.53
2009-10 to 2013-14	2.31	18.26	4.32	3.39	16.05	3.97

Source: Author's Calculations Based on the Data of Industrial Department, Government of Himachal Pradesh

Growth of Industries after the Special Package

It is noted that after the special package was announced by the Central Government during the period from 2003 to 2014, around 17744 units established in the state. About 1074 units set up in the large medium sector and 16670 units are established in the small scale sector. The category wise growth of industries suggest that, highest growth have been seen in the Food Processing Industry followed by Miscellaneous Engineering, Pharma Products, Plastics, Packaging's, Electricals and Electronics, whereas the lowest growth has been recorded in the industries like Foot wears, Aromatic/Medical Herbs Based Shop, Chemicals and Automobiles. In case of small scale sector the growth pattern of different industries is almost similar to that of growth of industries at aggregate. As far as the large medium sector is concerned, the industries which have experienced highest growth are Pharma Products, Textiles, Food Processing, Electronics and Steel, while the lowest growth has been seen in the industries like Foot wears, Chemicals and Packaging's. It is important to note is that over the time no growth has been registered in many

industries like IT based, Mineral Water Bottling, Handicrafts, Wool and Wool Products and Horticulture and Agro based in both small and large medium sector. The matter of concern is that growth of industries has not been experienced according to the various policies of states. For example one of the aim of state government policies is to encourage the agro based, Handicrafts and IT based Industry but over the period there has been registered no growth in these industries.

Table 2
District Wise Share of Small Scale Industries (in Percent)

District	2002			2013		
	No. of Units	Investment (in crore)	Employment	No. of Units	Investment (in crore)	Employment
Advance						
Kangra	26.61	20.96	26.93	23.1	5.48	18.35
Mandi	9.85	9.21	9.18	10.12	1.8	7.46
Shimla	9.24	6.36	7.96	8.94	1.33	5.66
Sirmour	8.95	23.54	13.77	8.29	18.28	10.11
Una	8.09	9.33	7.97	8.84	7.42	8.07
Solan	7.77	12.51	7.94	13.31	61.42	30.93
Total (A)	70.51	81.91	73.75	72.6	95.73	80.58
Backward						
Hamirpur	7.75	5.2	6.57	7.33	1.08	4.68
Kullu	6.78	4.93	7.73	6.56	1.24	6.48
Bilaspur	6.37	4.18	5.43	6.01	1.2	3.86
Chamba	5.02	3.01	4.14	4.54	0.6	2.83
Lahaul & Spiti	1.84	0.34	1.15	1.48	0.06	0.73
Kinnaur	1.72	0.43	1.21	1.5	0.09	0.85
Total (B)	29.48	18.09	26.23	27.42	4.27	19.43
Himachal	29479	685.42	126594	39648	6530	221842

Source: Author's Calculations Based on the Data of Industrial Department, Government of Himachal Pradesh.

Growth Pattern of SSI and LMI at Districts Level

Disparity in industrial growth in Himachal Pradesh across the districts is a matter of deep concern. Despite of various efforts of the state government gap between districts has become widen. This section provides the district wise growth of small scale and large medium sector in the state. To know the districts wise disparity in the industrial growth this study has classified the entire state in to two category i.e. advance and backward districts on the basis of number of units in both type of industries. In small scale sector advance districts includes Kangra Mandi, Shimla, Sirmour, Una and Solan, whereas backward districts consist of Hamirpur, Kullu, Bilaspur, Chamba, L. & Spiti and Kinnaur. In case of large medium sector advance districts includes Kangra Bilaspur, Shimla, Sirmour, Una and Solan, whereas the backward districts comprise of Hamirpur, Kullu, Mandi, Chamba, L. & Spiti and Kinnaur.

Districts wise growth pattern of small scale sector in term of number of enterprises, investment and employment are presented in the Table 2 for two periods i.e. 2002 and 2013. The statistics clearly indicate that there is a large degree of disparity in the industrial growth at the district levels. In 2000, out of total, about 70.51 per cent small scale industries are found in the advance districts and 29.48 per cent are found in the backward districts. Within advance districts Kangra is in the top and Solan is in the lowest position. On the other hand, in the backward districts

Hamirpur is in the top and Kinnaur is in the lowest position. But in 2013 small changes in the number of small scale industries has been observed in the state. The proportion of advance districts has marginally improved to 72.6 per cent whereas the proportion of backward district has declined to 27.42 per cent of total small scale units. Apart from this with in advance districts the proportion of Solan district has improved with speedy rate and reach to the level of 13.31 per cent and become second most industrialized district in the state next to the Kangra.

Table-3
District Wise Share of Large Medium Industries (in Percent)

District	2002			2013		
	No. of Units	Investment (in crore)	Employment	No. of Units	Investment (in crore)	Employment
Advance						
Kangra	3.14	0.9	2.69	1.61	1.93	1.78
Bilaspur	1.57	16.28	4.16	1.01	4.22	2.78
Shimla	2.09	1.41	1.84	1.21	1.58	1.56
Sirmour	72.25	69.4	72.65	20.12	8.36	13.26
Una	4.19	0.8	3.07	6.44	11.7	6.15
Solan	15.71	10.84	14.78	68.81	72.03	73.93
Total (A)	98.95	99.63	99.19	99.2	99.82	99.46
Backward						
Hamirpur	0	0	0	0	0	0
Kullu	0.52	0.26	0.18	0.4	0.13	0.18
Mandi	0.52	0.11	0.63	0.4	0.05	0.35
Chamba	0	0	0	0	0	0
Lahaul & Spiti	0	0	0	0	0	0
Kinnaur	0	0	0	0	0	0
Total (B)	1.04	0.37	0.81	0.8	0.18	0.53
Himachal	191	2363	29382	497	11171	59927

Source: Author's Calculations Based on the Data of Industrial Department, Government of Himachal Pradesh.

As far as the investment is concerned, in 2000 highest proportion of investment has been observed in the advance districts i.e. 81.91 per cent with maximum share of Sirmour and the Kangra districts and rest are found in the backward districts. During the 2013, the investment capacity of the small scale units has increased in the state with highest proportion of districts like Solan and Sirmour. Although, the number of units in the Kangra are high but their capacity to investment are very low as compared to Solan and Sirmour. The scenario of employment also reveals almost similar pattern to that of number of units and investment at the districts levels with small variations. In 2000 around 73.75 per cent of employment has been generated by the advance districts with highest share of Kangra and Sirmour districts. Rest has been generated by the backward districts with highest proportion of Kullu. However, in 2013 number of employment has increased in the advance districts with highest proportion of Solan and Kangra districts. However, the share of backward districts has declined in total employment. In the similar way the growth pattern of large medium sector at district wise are presented in the Table 3. The table clearly shows that over the period there has been increase in the disparity among the districts in term of large medium sector. About more than 98 per cent units, investment and employment are founds in the advance districts and rest are in the backward districts. Within the advance district Solan,

Sirmour and Una are observed highly industrialized districts in the state. In the year 2000 Sirmour has been in the top position in all the indicators, whereas in 2013 the Solan has become the highly industrialized district with highest share of all the indicators.

Within the backward districts Mandi and Kullu are contributing around less than 2 per cent share of total in all the three indicators in both periods. However, in other four districts there has been no single large medium unit established during the study period. From the above discussion it is clear that the gap between advance and backward districts has been widen over the period. Over the time Government of Himachal Pradesh has given more emphasis only for three districts Sirmour, Solan and Una. Reasons may be they are located near to neighboring states and well connected with the transportation facilities like road and railway and became the Industrial hub of the state.

Table 4

District-wise Status of Selected Indicators in Himachal Pradesh

<i>District/Years</i>	<i>Literacy Rate (%)</i>		<i>Road Length (%)</i>		<i>No. of Scheduled Commercial Banks (%)</i>		<i>Urbanization (%)</i>	
	<i>2001</i>	<i>2011</i>	<i>2007</i>	<i>2012</i>	<i>2007</i>	<i>2012</i>	<i>2001</i>	<i>2011</i>
Bilaspur	77.8	84.59	9.80	9.10	5.60	5.00	3.69	3.65
Chamba	62.9	72.17	12.40	14.50	6.10	5.50	5.80	5.25
Hamirpur	82.5	88.15	11.50	9.80	6.90	6.70	5.07	4.56
Kangra	80.1	85.67	35.20	31.10	18.80	19.00	12.14	12.53
Kinnaur	75.2	80.00	4.90	4.70	2.30	2.10	-	-
Kullu	72.9	79.40	9.00	10.90	5.90	6.50	5.05	6.01
Lahaul & Spiti	73.1	76.81	8.70	8.00	1.10	0.90	-	-
Mandi	75.2	81.53	30.40	32.40	12.40	12.60	10.24	9.10
Shimla	79.1	83.64	32.20	33.50	16.20	15.60	28.08	29.24
Sirmaur	70.4	78.80	18.00	19.20	5.90	6.20	8.00	8.30
Solan	76.6	83.68	17.50	17.30	12.30	13.00	15.31	14.84
Una	80.4	86.53	10.50	9.40	6.70	6.90	6.62	6.52

Source: Authors' calculation based on the data of Department of Economics and Statistics Government of Himachal Pradesh

District-wise Status of Selected Indicators in Himachal Pradesh

District-wise Status of selected indicators such as literacy rate, road length, number of schedule commercial banks and urbanization are given in the Table 4. This will help to understand the disparity in industrial growth across the districts and available infrastructure in the state across the districts. In term of literacy rate the districts like Hamirpur, Kangra and Una in 2011 are the top performers at start of the 2000's. In both the periods' literacy rate of all three districts are above the total literacy rate of state. On the other hand the districts such as Chamba remain lowest in both the periods, and in comparison to 2001 the position of other districts has been changed in 2011. In term of road length and number of schedule commercial banks the situation is different across the districts. The three districts such as Kangra, Mandi, and Shimla have remained in top position in road length and number of schedule commercial banks because of their largest population. The district such as Lahaul-Spiti, and Kinnaur have remained lowest in all the indicators because of their hilly location. However, the position of the other districts such as Chamba, Kullu and Sirmour has improved marginally in term of road length and urbanization. The three districts such as Shimla, Solan and Kangra, are in top position in term of urbanization.

SUMMARY AND CONCLUSIONS

After the economic reform many of the Indian states has given the more emphasis on the industrial development. But the extent literature is primarily related national and major Indian states. Moreover, few have analysed the growth of Industrial sector in the context of emerging economies like Himachal Pradesh. Therefore, the present study has examined the industrial policies adopted by the Government of Himachal Pradesh in India and evaluated the growth and structure of industrial sector in aggregate as well as district level. As the Himachal Pradesh is one of the emerging state in the industrial sector, for encouraging the industrialization Government of Himachal Pradesh has created a set of institution such as Department of Industries, HPSIDC, HPFC, HPSHHC, HPCED and other important agencies. Apart from this government of Himachal Pradesh has implemented several industrial policies for industrial development in the state. These organization and polices have played important role in expanding the industrial capacity with the aim of making state as industrial hub in the country.

The systematic and periodical polices by the state have positive impact on the growth of industrial sector in the state. The growth of industrial sector of Himachal Pradesh continued to rise substantially since last two decades. This can be seen in the form of share of industrial sector in the gross state domestic product. The growth of industrial sector can also be seen in the form of small scale and large medium industries. Over the period both type of industries in the state has grown with large number of variation in term of number of units, investment and employment. The highest growth has been seen in all three indicators i.e. number of units, investment and employment during the 1991-92 to 1995-96 and the period start from 2003-04 to 2008-09. This may be the impact of economic reform, state level industrial policies, and Central Government special package announced to the state of Himachal Pradesh. But the industrial sector of the state is highly benefited from Industrial Policy 2004 and the Special Package of Central Government. The key incentives provided to the industries through the Industrial Policy 2004 are exemption in electricity duty, special discount in power for 100 per cent export oriented units, transport subsidies to industries for furnished goods and raw materials. Through the Special Package, large number of incentives and concession are provided to the industries like concession in tax rate and central excise duties. The categories wise growth of industries reveals that highest growth has been seen in the Food Processing industry followed by Miscellaneous Engineering, Pharma Products, Plastics, Packaging's, Electricals and Electronics. It is up to some extent according to the objective of the state industrial policy. For example one of the objectives of the state is to encourage the industries like IT, Biotechnology, Hydropower, Tourism and Food Processing. But state is unable to provide an environment to grow in many industries like Handicrafts, IT based industries, Horticulture, Agro based industries and Mineral and water bottling in spite of huge comparative advantage in these industries. Therefore, to improve the growth these industries strong policy initiatives are needed.

Disparity in industrial growth across the district is a matter of serious concern. In spite of various efforts of the state gap between districts has risen. Advance districts become more developed in relation to backward districts. In the advance districts more than 95 per cent industrial units, employment and investments has taken place in case of large medium sector. In case of small scale sector the proportion of these activities are around 70 per cent and rest are found in the backward districts in both the cases. Within advance district three districts namely Solan, Sirmour

and Una become highly industrialized districts because of two reasons. First they are close propinquity to neighboring state of Punjab, Haryana, Uttarakhand and union territory of Chandigarh. Second, in 2003 Government of India has announced a Special Packages of incentives to the state of Himachal and Uttarakhand as a result most of the business houses prefer to establish their units in the border districts because of better availability of raw materials and better connectivity of roads and railways from the neighboring's states and Union territory of Chandigarh. These border districts will have the same policy incentives and concession as are applicable to the other districts of the state. Therefore border area of Himachal Pradesh to Punjab, Haryana, Uttarakhand and Chandigarh become highly developed in term of industrialization.

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