

Research based recommendations for relevant policy provisions pertaining to MSME enterprises in Uttar Pradesh, based on a comparative analysis of best policies and practices across various states

Provisions for MSME Policy in UP

POLICY WHITE PAPER

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Executive Summary

Uttar Pradesh is a land of immense opportunity, however the real value unlocking is yet to happen. A region which has a highly dense population providing a huge consumer base, with advantage of agrarian economy and young population is yet to be perceived as an Industrial destination. The state is yet to realize the true potential of the region and reap the demographic dividend. The reasons are several, however we studied the policy framework and its impact on attracting industrial investments to the state.

The research was conducted for 14 states other than Uttar Pradesh, which are perceived as Industrially Developed, Industrially Developing, Industrially backward and Industrially Grooming (Prospective Developed) States. State like Gujarat, Haryana and Punjab, which have been known as the preferred destination for industrial setups now strategically inclined towards global outreach, yet protecting and promoting the interest of their MSME Entrepreneurs. State which are yet to make a mark on the national industrial landscape, such as Chhattisgarh and Rajasthan are aggressively showcasing itself as an emerging destination with a slew of incentives and policy initiatives for attracting industrial investment.

Modernization is the key to attaining big responsibility in today's changing environment. Modern and technology savvy states such as Kerala, Karnataka and Andhra Pradesh, are attracting big ticket investments yet they are leaning towards the development and strengthening of their MSMEs in their respective states. Kerala, Rajasthan as well as Haryana to some extent are taking their state to digital platform for the MSME sector. Infrastructure development has played a key role in garnering strength to the overall state economy and Tamil Nadu has been pioneer in emphasizing on it.

Country is shifting its intention to Manufacturing and there is need for the state to emphasize on creating manufacturing units by supporting industrialization. It cannot be ignored that MSME sector forms the backbone of economic progress and overall development of any state because of its extensive contribution to the industrial productivity as well as generation of employment. It is been marked that MSME generates more employment than the large enterprises. Thus, industrialization with social outcome has to be the major push for the

economy to grow prosperously. However, it is been seen that a large chunk of Uttar Pradesh labour migrate to other states for better opportunity.

Such negative perception by the domicile labour marks the state as industrially under-developed state because the number of units in the state is not on par with the number of population. Moreover, Uttrakhand has attracted more units & industrialization is on high in the state because of its aggressive policy. It is also seen that innovation drives growth and so more research oriented units grow creating an innovative environment and Karnataka has supported the innovation more preferably than other state. In addition to all these, revealing the fact again that MSME forms the backbone of any state and it contributes for almost 60% of the total industrial output in Uttar Pradesh.

There are four more important aspects that make state unfriendly for business environment. First, as per the National Crime Record Bureau, Uttar Pradesh is the worst state in terms of law and order. Secondly, red-tapism is a major concern in Uttar Pradesh. Thirdly, the state does not have good connectivity with rail/air as well as with Uttrakhand which is an Industrially Grooming state. Fourthly, land is not available for the new industry as even the allotted land for industry is not been developed. Such issues are impediment for Industrial growth of Uttar Pradesh

Methodology for study

The study was conducted using secondary research method by studying the Industrial Policy of various states as well as primary research method using interview technique. The study includes 15 states including Uttar Pradesh i.e. Gujarat, Tamil Nadu, Rajasthan, Andhra Pradesh, Madhya Pradesh, Chhattisgarh, Telangana, Karnataka, Uttrakhand, Orissa, Kerala, Punjab, Haryana, Maharashtra & Uttar Pradesh. These states MSME centric policy were given detailed attention and benchmarked for analysing the best policy and practices across states. After benchmarking the best practices, direct inputs from the entrepreneurs and industry representatives were taken which was further enhanced by taking opinions of practicing professionals & advisors.

Benchmarking step involved analysis of best practices of different states component wise to the current state of affairs in Uttar Pradesh. Secondly, the feedback from Entrepreneurs helped in the Identification & Assessment of gaps which further rationalized the process of evaluating the existing policy and areas of improvement were identified. Thirdly, the Expert Opinions bridged the identified gaps which may be of help to improve the current policy.

Introduction

Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. SMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. SMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country

SMEs also play a significant role in Nation's development through its high contribution in GDP, significant export earnings, location wise mobility, capacities to develop appropriate indigenous technology, import substitution, contribution towards defence production & competitiveness in domestic and export markets. Thus, MSME's continue to be an important aspect in the Indian Economy.

History of MSME

The Micro, Small and Medium Enterprises Development Organization [earlier known as Small Industries Development Organization (SIDO)] was set up in 1954 as an apex body for sustained and organized growth of micro, small and medium enterprises. Within next two years, the National Small Industries Corporation, the Khadi and Village Industries Commission and the Coir Board were also set up. The era provided the supportive measures that were required to nurture MSEs, in the form of reservation of items for their exclusive manufacture, access to bank credit on priority through the Priority Sector Lending Program of commercial banks, excise exemption, reservation under the Government Purchase Program and 15% price preference in purchases, infrastructure development and establishment of institutes for entrepreneurial and skill development. MSME – Development Institutes [earlier known as Small Industries Service Institute (SISI)] were set up all over India to train youth in skills/entrepreneurship. Tool Rooms were established with German and Danish assistance for providing technical services essential to MSEs as also for skill-training. At the State level, District Industries Centres were set up all

over the country. Testing Centres were set up for quality certification and new Tool Rooms as well as Sub-contracting Exchanges were established. The Small Industries Development Bank of India (SIDBI) and a Technology Development and Modernization Fund were created to accelerate finance and technical services to the sector.

MSME in Uttar Pradesh

MSME sector in U.P has played an important role in providing large scale employment opportunities at lower capital cost and helped in industrialization of rural and backward areas, thereby reducing regional imbalance. 52,231 MSME units were set up in U.P during 2014- 2015 with a total capital investment of Rs. 4512.51 Crores which provided employment to 4.17 lakh persons. As per the reports of RBI, there are 1076243 MSME units in U.P as on 31.12.2015. It is having 5,238,568 MSME establishments with total % share of 11.55 which is the second state after West Bengal which is having % share of 11.62 in terms of the number of MSMEs established as per the Annual Report of MSME by Government of India.

Future Ahead

As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector contributes 45% of the manufacturing output and 40% of total exports of the country. Currently, the Sector consists of 36 million units, and as of this year, provides employment to over 80 million persons. More than 6000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country.

Two things that make the MSMEs crucial to 'Make in India' are the labour to capital ratio in MSMEs i.e. more employment generation potential and the overall growth in the sector is much higher than in the large industries, and secondly, help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. Thus, growth in the MSMEs can directly lead to better equity and inclusion in the Indian Economy.

Component of policy: Labour

1. Employment Generation

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Chhattisgarh:** For employing differently-able person, there is reimbursement of 25% of its salary until he/she is made the permanent employee.
- ii. **Tamil Nadu:** Additional 5% subsidy on Plant & Machinery for employing 25 people for 3 years within 5 years of its existence in industrially backward area and in agro based industries for MSME.
- iii. **Andhra Pradesh:** For SC/ST entrepreneurs, 50% Reimbursement of cost involved in skill up-gradation and training local manpower limited to Rs 5,000 per person
- iv. **Rajasthan:** Employment Generation Subsidy up to 20% of VAT and CST which have become due and have been deposited by the enterprise, for seven years. The benefit is applicable to Agro Processing and Agro Marketing sector only, but not applicable to cattle feed, fish feed and poultry feed industry
- v. **Gujarat:** The state in order to promote regional employment, provides that an enterprise will have to employ at least 85% of the total employment and 60% of supervisory and managerial staff from local persons to be eligible for Capital and Interest subsidy.

Existing provisions in Uttar Pradesh

In UP Industrial Policy no such provision has been made to support employment generation

Requirements in Uttar Pradesh

Since it is known that MSME generates more employment when compared to large enterprises, providing MSME units with a subsidy would incentivize employment generation that would ultimately help the state, both, industrially and socially. On recognizing the relevance of an employment generation subsidy, the entrepreneurs opine that the subsidy would create an ecosystem that encourages employee generation while promoting setting up of new establishments.

Analysis and Recommendations

Since employability is one of the biggest challenge for the state, UP should focus on creating more and more employment through MSMEs. An additional subsidy on Plant & Machinery may be considered for augmenting the effort of employment creation.

2. Flexibility of engagement

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Tamil Nadu:** In Tamil Nadu Industrial Policy, 2014 labour sector modification have been taken with respect to employment conditions to include flexible working hours for women in terms of shorter and longer working hours, 24x7 operations (3 shifts), employment of women in the night shift and flexibility in hiring contract labour.

Existing provisions in Uttar Pradesh

In UP Industrial Policy features employment flexibility as per the above best practice similar to that of Tamil Nadu. Under the IT policy, the state administration allows IT and ITES companies to have 24x7 operations (to run in three shifts) and employment of women in all three shifts.

Requirements in Uttar Pradesh

Flexibility in engagement of labour encourages a positive business environment that lets businesses adapt to changing business scenario. While recognizing the important flexibility in engagement for growth of employment opportunities, the entrepreneurs opine that creating differential wages for firms employing less than 50 workers is irrelevant while making compliance unnecessarily tedious.

Analysis and Recommendations

Tamil Nadu has taken this initiative and so as implemented for IT Sector in the UP IT & Start-up policy 2016, same has to be implemented for other sectors too. 24*7 engagement of women employees has been encouraged for IT and ITes segments, we feel that the same should be encouraged for Industrial production as well. Labour reforms are desired in order to make UP an industrial hub.

3. Minimum wages

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Rajasthan:** Rajasthan has a minimum wage of Rs 207 for unskilled labour, Rs 217 for semi-skilled, Rs 227 for skilled and Rs 277 for highly-skilled labour.

Existing provisions in Uttar Pradesh

In contrast to the above rates, Uttar Pradesh specifies a minimum wage of Rs.284.63 for unskilled, Rs.313.09 for semi-skilled and Rs.350.71 for the skilled labour.

Requirements in Uttar Pradesh

A requirement of minimum wage unfairly dis-incentivizes units complying with the policy, while higher wages would rob the unit's capability to remain competitive in national and international markets.

On considering the practical implications of minimum wage requirement, the entrepreneurs opine that the regulated wage should not be too far removed from the labour market which potentially induces distortions and non-compliance, while a lower wage would increase the attractiveness of the state for new investments.

Analysis and Recommendations:

The availability and prevailing rates for labour in different regions, within the state is different. The market dynamics vary for Lucknow, Meerut or Balia, hence the fixation of minimum wage rate for labour, should be done on the basis of regions with different level of development and the prevailing market conditions. The state government may adopt the categorization model adopted by the Uttarakhand Government for notifying various districts based on socio economic parameters and the priority of industrial development of the region. However the minimum wage rate should lead the market rate for labour, hence creating labour interest towards industries.

4. EPF Reimbursement

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Orissa:** In Orissa, 100% of expense incurred by Micro & Small unit for 5 years, in respect of EPF for female employees is reimbursed, while the same is 75% for male employees. In case of Medium Units, the reimbursement is 50% for Male and 100% for Female of the EPF Expense incurred, for 3 years.

Existing provisions in Uttar Pradesh

As per the existing industrial policy, reimbursement of expense incurred for EPF to the extent of 50% for next 3 years after 3 years of setting up unit. The benefit is available to units which provide employment to 100 or more workers. As per the IT & Startup Policy, UP reimburses 100% of the total EPF amount paid for IT/ITeS Professionals of Uttar Pradesh domicile with employment for continuous 1 year subject to maximum of RS 20 lacs per annum for 5 years.

Requirements in Uttar Pradesh

Since it has been observed that many employees refrain from registering their employees due to the cumbersome Labour Laws, the state should not only ease the compliances but also provide incentives on EPF that increases the industry's attractiveness in the job market, as well. This will promote employment generation by MSMEs

Analysis and Recommendations

The cost of Social Security should be a shared agenda for the Government and the MSMEs. However the level of incentive should be reducing in nature when applied for Micro enterprises, Small and Medium enterprises.

Also, it has been recommended in the One Man Committee Report for MSME Policy of Central Government that, 'efforts should be made to provide social security cover for micro entrepreneurs'. Hence the benefit should cover all social security element instead of just Provident Fund reimbursement.

Taking cue from Orissa, we recommend that the benefit should be extended to all manufacturing units which employ more than 10 employees, for a minimum period of 5 years and if possible then Micro Entrepreneurs may be exempted completely.

5. Employment of Disabled

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Chhattisgarh:** Any MSME, on providing permanent employment to disabled persons shall receive reimbursement of 25% of their net salary/remuneration as subsidy amount until they are kept in permanent employment.

Existing provisions in Uttar Pradesh

The state government has provision for job reservation, concession for various services, incentive for marriage etc. However, as of today UP does not provide any incentive to MSME or industry to absorb the disabled population.

Requirements in Uttar Pradesh

Uttar Pradesh being the largest state is also home to the largest population of disabled people in India, with more than 41 Lakh people as per 2011 census. Given the vast scale, it is important to proactively work towards providing livelihood opportunities for such population and MSME can play a major role in absorbing such candidates. However the current policy is silent on this front.

Analysis and Recommendations

If the MSMEs are suitably incentivized, they can create livelihood opportunities for the disabled population of the state. This will not only create a suitable opportunities for the disabled but also makes the MSME more socially responsible and relevant. It has been observed that people with disability has a higher sense of association with the organization which they work for, which in turn solve the problem of employee retention to some extent. *We can adopt the model of Chhattisgarh and provide 25% incentive towards the net salary being paid to people with disability.*

Component of policy: Exemptions/Assistance from taxes and duties

1. Stamp Duty Exemption

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** 100% refund of stamp duty on purchase/ leasing of land for establishment of enterprise including Industrial Estates developed by HSIIDC/ private developer in 'D' category blocks, 75% in 'C' category blocks and 50% in 'B' Category blocks within 5 years from the date of filing of EM
- ii. **Karnataka:** The state government offers the up-to 100% exemption of stamp duty to MSME entrepreneurs
- iii. **Punjab:**
 - a. Small and Medium entrepreneurs shall enjoy 100% exemption from payment of Stamp Duty as levied by the state
 - b. In the case of Stamp Duty exemption, the investor needs to submit a bank guarantee equivalent to sum of stamp duty applicable, valid up to the date of commercial production/operations
 - c. In case of sale/ transfer of land/building prior to the date of commercial production / operations, the stamp duty availed shall be refunded
 - d. Refund of stamp duty shall be allowed for land or building which has been purchased/leased up to 3 years prior to the date of submission of application or after the date of application, by the same entity
- iv. **Andhra Pradesh:** 100% of stamp duty and transfer duty paid by the industry on purchase or lease of land meant for industrial use shall be reimbursed. 100% of stamp duty for lease of land/shed/buildings, mortgages and hypothecations shall be reimbursed. All the reimbursements shall be done within 6 months
- v. **Rajasthan:** The state government provides for 50% exemption on stamp duty
- vi. **Uttarakhand:** 100% Stamp duty exemptions in the region will be provided to MSMEs established in category A, B and C region, while 50% duty shall be exempt in category D region
- vii. **Chhattisgarh:**
 - a. All eligible MSME entrepreneurs will get complete exemption from stamp duty

- b. On Deeds executed for purchase/lease of land, shed and buildings and on deeds of transfer of land lease (excluding land for mining lease)
- c. Up to 3 years on the execution of deeds related with loan & advances from the date of sanction of loan by bank/financial institutions.
- d. On purchase of agriculture land within 2 years of receipt of land acquisition compensation amount up to the extent of amount received as compensation by the affected land owners for the land acquired for industrial areas/ industrial purpose/ plots reserved for industrial purpose/ industrial areas (excluding land for mining lease).
- e. On purchase/lease of land for Industrial areas/ Industrial park to be established in private sector sanctioned/approved by the Govt. of India/State Government and on industrial units established in those areas/parks.
- f. On purchase/ lease of land by the Chhattisgarh State Industrial Development Corporation limited for industrial area/industrial plot/industrial purposes, land bank and for creation of infrastructure.
- g. On purchase/sale deeds of purchase of closed/sick industrial unit.
- h. On purchase/ lease of land for establishing film studio, editing studio.
- i. On purchase/ lease of land for establishing logistic hub, warehousing, old storage and grain silo

Existing provisions in Uttar Pradesh

As per existing norms, UP provides 100% Exemption in Eastern, Bundelkhand and Central region in addition to some other specific sectors, besides which the exemption provided ranges from 75% & 50%.

Requirements in Uttar Pradesh

For any enterprise, stamp duty adds to the cost of up-front investment that acts as a deterrent for smaller or newer enterprises to scale up or set-up operations.

Analysis and Recommendations

The current state of affairs in UP seem to be at parity with other industrially developed states, however the benefit should cover the whole state and should be extended to the western region as well. Also the new setups hence we do not recommend any increment or modification in the provisions

2. VAT/CST/GST Incentive

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Andhra Pradesh:**
 - a. For micro and small industries, 100% of net VAT/CST/SGST shall be reimbursed for a period of 5 years from the date of commencement of commercial production.
 - b. For medium industries, 75% of net VAT/CST/SGST shall be reimbursed for a period of 7 years from the date of commencement of commercial production or up to realization of 100% fixed capital investment, whichever is earlier
- ii. **Uttarakhand:** VAT will be reimbursed from the date of commencement of production. MSMEs in category- A regions may receive 100% reimbursement for the first 5 years and 90% thereafter, while the MSMEs in category B region may receive 100% reimbursement for the first 5 years and 75%, thereafter.
- iii. **Haryana:** The state government has initiated 'PRANETA' (Professionals and New Entrepreneur Tax Assistance) Scheme with the MSMEs, both manufacturing & services, in mind. Under the Scheme, professional & technically qualified entrepreneurs would not be required to pay any State tax upto Rs. 3 crore for 3 years.
- iv. **Punjab:** SMEs in the state are allowed to retain 75% VAT and 50% CST as incentive for a period of 7 years, with maximum cumulative incentive of 50% of the Fixed Capital Investments.

Existing provisions in Uttar Pradesh

There is no general VAT reimbursement/incentive for the MSME entrepreneur of the region. However, the manufacturers who export through export houses in accordance to sub section (3) of section 5 of Central Sales Tax Act 1956 in the course of export, will be provided the facility of input tax refund or set-off facility related to the sale to export houses for export outside India.

Requirements in Uttar Pradesh

VAT incentive can be a game changer for the MSME entrepreneurs in the region. Currently they compete with MSMEs of different region who enjoy additional incentive and hence the advantages of costs. The entrepreneurs from the state feel that state government should actively look into the matter and provide suitable handholding to such enterprises.

Analysis and Recommendations:

The MSME entrepreneurs need active handholding to remain competitive in the landscape. The policies adopted by states such as Andhra Pradesh, Punjab or Utrakhand keeps the MSMEs of UP at a disadvantage. UP should aggressively pursue development of the Industrial MSMEs and match the incentives provided by Andhra Pradesh, Utrakhand and Punjab, if not more.

Post GST implementation, there burden of compliance and filig is expected to increase significantly. In light of this, the government may even plan to create a facilitation desk at Udyog Bandhu specially troubleshooting issues pertaining to GST. Any incentive towards GST compliance will be very beneficial in transitioning to GST and increase the tax base for the state.

3. Internet Usage Reimbursement

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, the best practice has been recognized in Uttarakhand where the state provides 50% reimbursement of Internet usage cost in Category A & B of an IT/ITES unit.

Existing provisions in Uttar Pradesh

As per the IT Policy 2012, UP does not provide reimbursement for expense incurred for internet usage.

Requirements in Uttar Pradesh

The backbone for functioning of IT/ITES sector is internet. To be progressive and drive growth within the state, the development of the sector is of utmost importance which could potentially be encouraged by reimbursing such expense. On considering the reality of the sector, the entrepreneurs opine that such reimbursement is not consequential and doesn't really incentivize the units.

Analysis and Recommendations:

Post demonetization the adoption of digital payments and now post GST implementation from July 1, digital connectivity will be of utmost importance to all ventures. Currently the mobile penetration has nearly reached 98% in the country but broadband penetration is much lower. The state government should take appropriate initiative to make Digitally Connected UP a reality. Direct incentivising the MSME is not desired beyond what is being offered by the Central Government but low cost broadband penetration is need of the hour.

Internet usage reimbursement up to 50% may be considered for IT/ITES units along some other sectors wherever fits in.

4. Water usage

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, best practice has been recognized in Telangana, where the state reserves 10% of water consumption for Industrial units.

Existing provisions in Uttar Pradesh

As per the existing policy, UP does not have such policy of reservation of water for industrial use.

Requirements in Uttar Pradesh

Since water is a key component required for industrial processes in many sectors, the state, to prevent the impact of water shortage on industrial growth, should consider such reservations for industrial units, especially the manufacturing units. On considering the reality of potential of impact of water shortages on industrial operations, the entrepreneurs feel the policy should be reviewed.

Analysis and Recommendations

As per recent reports in the media, UP utilizes more water per capita, compared to other states, despite under industrialised. So it can be inferred that high water usage may not be attributable to industrial use. However since the state is now pushing towards industrialization, it is advisable that conservation of water should be encouraged and made part of the policy framework.

Though there is scarcity of water and the state government intention is to safeguard water for living purpose, industrial usage of water is set to increase. Suitable water conservation measures should be promoted or incentivized and made solely reserved for industries

5. Reimbursement for Water & Energy Audit

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** 75% reimbursement on cost for water and energy audit subject to maximum of 1 lacs and 2 lacs respectively
- ii. **Gujarat:** Gujarat has 75% reimbursement on cost of water and energy Audit subject to maximum of Rs50,000.
- iii. **Maharashtra:** Maharashtra has 75% reimbursement on cost of water & energy audit limited to Rs1 lac for water and 2 lacs for energy.
- iv. **Andhra Pradesh:** GoAP will provide assistance by a way of 50% grant limited to Rs 1 lakh for water audit and Rs 2 lakh for energy audit to micro and small enterprises in Andhra Pradesh.

Existing provisions in Uttar Pradesh

UP does not have a policy to reimburse the cost incurred on water and energy audit.

Requirements in Uttar Pradesh

Audit of water and energy consumption essentially analyses a facility to infer ways to alter the usage of utilities to minimize the negative impact of the industry on the environment. To promote the regular analyses on such parameters, the state should bear the cost of the audit so as to reduce the energy & water consumption, thereby reducing the cost impact.

On recognizing the requirement of minimizing the usage of utilities from cost and the environment perspective, the entrepreneurs opine that such a reimbursement would be a sensible and a relevant assistance.

Analysis and Recommendations

UP wish to swiftly increase industrialization, however such rapid industrialization without check would deplete the water reserve and increase energy shortfall, in the state. Since audit will improve the compliance and encourage fulfilment of norms, it should be suitably promoted. Gujarat and Maharashtra has the best practice in this regard and UP should also adopt this practice to promote water and energy audit. Such reimbursement would improve the compliance of the norms and at the same time promote conservation of resources.

6. Reimbursement for equipment to Conserve Water/Energy

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** 50% subsidy on cost of capital equipment required for undertaking measures to conserve energy, subject to maximum of Rs. 20 lakh. Subsidy up to 50% on the cost of capital equipment to conserve water or for water harvesting subject to maximum of 20 lakh
- ii. **Karnataka:** For practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption, the incentive is provided to the tune of 10% of capital cost (maximum Rs.5 Lakh)
- iii. **Maharashtra:** The state provides 50% financial assistance subject to a maximum of Rs.5 lacs for investment to be incurred on equipment that conserves water & energy.
- iv. **Gujarat:** The existing as well as new enterprise taking action for saving in consumption of Energy and Water will be eligible for assistance under this scheme
 - a. 25% of cost of equipment recommended by the Auditing authority subject to maximum Rs. 20 lakhs one time assistance will be eligible during the operative period of the scheme.
 - b. The assistance on cost of equipment will be eligible subject to the condition that saving in energy/water minimum by 10% of average monthly consumption of previous 12 months before audit.

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP does not provide such financial assistance.

Requirements in Uttar Pradesh

As conservation of water & energy is of prime importance to any state, such financial assistance would encourage industries to set up water & energy conservation equipment that benefits the state on multiple fronts of environment and the community in addition to economic benefit.

On recognizing the requirement of minimizing the usage of utilities from cost and the environment perspective, the entrepreneurs opine that such a reimbursement would be a sensible and a relevant assistance.

Analysis and Recommendations

UP wish to swiftly increase industrialization, however such rapid industrialization without check would deplete the water reserve and increase energy shortfall, in the state. Water and energy conservation in all respect should be promoted and incentivized.

UP should provide financial assistance in the form of subsidy of 50% on cost of capital equipment required for undertaking measures to conserve water and energy, subject to maximum of Rs. 20 lakh

Component of policy: Power/Electricity Charges

1. Electricity Duty

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Punjab:** Small and Medium enterprises shall be exempt from payment of Electricity Duty on Power, including Captive Power consumed by the same Unit or exported to PSPCL, shall be available to Units, with the proviso that any contributions made out of the Electricity Duty levied, such as those deposited in the Social Security Fund etc, shall not be exempted. MSMEs will receive 100% duty exemption for 7 years with maximum benefit limited to 100% of the fixed Capital Investment
- ii. **Haryana:** 100% exemption for 7 years for all new enterprise in 'B', 'C' & 'D' category Blocks.
- iii. **Andhra Pradesh:** Andhra Pradesh is one of the states selected for the centrally-sponsored "power for all" scheme. This scheme will ensure 24x7 quality and reliable across the state. Fixed power cost reimbursement is proposed to be provided at Rs 1.00 per unit for 5 years from the date of commencement of commercial production. This will apply to open access units as well
- iv. **Rajasthan:** Exemption from payment of 50% of Electricity Duty for seven years. For units into tourism sector, the benefit shall be restricted to 25% of the Electricity Duty
- v. **Chhattisgarh:** Only new and eligible MSME units will be extended this benefit

	SC/ST		General	
	Micro & Small	Medium	Micro & Small	Medium
Industrially Developing				
General	10 years	10 years	5 years	5 years
Priority	10 year	10 years	7 year	7 years
Industrially backward				
General	10 years	10 years	7 years	7 years
Priority	12 year	12 years	10 year	10 years

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP provides 100% exemption of duty for 10 years, paid on electricity expense only to newly set-up units.

Requirements in Uttar Pradesh

Currently the electricity duty, borne by the units in the state, is 7.5% of Demand and Energy Charges, is significantly higher than any other state. The entrepreneurs opine that, the resultant extra burden of heavy duty, drives up the cost of their products making them uncompetitive in the market.

Analysis and Recommendations

UP also provide electricity duty exemption at par with other states, for new setups. However, the duty charge for existing setups, has been major concern since the last few years. State should find out measure to rationalize the duty charge and make it as competitive as possible for the existing unit to be competitive on their cost.

2. Power Tariff

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Telangana:** The state provides fixed power cost reimbursement for Micro & Small unit for 5 years for Rs1.5 per unit.
- ii. **Karnataka:** Micro enterprises with power connection up to 10 HP will be extended with refund facility of power tariff to an extent of Rs 1.00 per unit, for a period of 3 years
- iii. **Andhra Pradesh:** Fixed power cost reimbursement is proposed to be provided at Rs 1.00 per unit for 5 years from the date of commencement of commercial production
- iv. **Haryana:** A subsidy of Rs. 2 per unit only for Micro and Small Enterprise in 'C' and 'D' Category blocks for 3 years
- v. **Uttarakhand:** Reimbursement of electricity bills is only available in category- A & B area. However this facility will not be applicable to Hotel/Motel, Resort, Guest House, Steel Rolling Mill, Electric Furnace and other heavy Power consumption enterprises.

Sanctioned Load	Quantum of Reimbursement	
	Category A	Category B
Up to 100 KVA	100% for the first 5 year and 75% thereafter	100% for the first 5 year and 60% thereafter
Above 100 KVA	60%	50%

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP does not have provision for fixed power cost reimbursement.

Requirements in Uttar Pradesh

Power tariff is comparatively higher in UP than the other states. Since, the effective cost is very high and scarce availability it creates an issue for units to operate competitively in markets.

Entrepreneurs feel that power supply should be maintained throughout the day and in case of any cuts, they should be reimbursed for any losses they might incur since the losses due to cutting of power supply has far reaching effects for labour and raw material cost.

Analysis and Recommendations

Seamless availability of power has been a pertinent challenge to the industries in UP and they had to look at alternate means of power which further increase their cost of production. Given the circumstances, without affordable power the manufactured products lose their cost competitiveness in the national and international market. *The state government lay stress on making the power available to the industries and that too at an affordable tariff. The power tariffs need to be rationalized and some reimbursement/subsidy may be considered on the lines of Haryana and Karnataka.*

3. Captive Power Plant

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Orissa:** The state exempts units of electricity duty that set-up a power plant for energy extraction from non-conventional sources for captive consumption.
- ii. **Karnataka:** Subsidy of Rs 0.50 per unit of Captive Power Generated and consumed through Solar & Wind Energy sources only.
- iii. **Punjab:** Electricity Duty exemption is not available on Captive Power exported to entities other than PSPCL.

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP provides 100% exemption from electricity duty for setting up a captive power plant. In addition to the above, the state also provides incentive for setting-up solar power plant of 5MW for captive use.

Requirements in Uttar Pradesh

To promote non-conventional energy from renewable sources that is comparatively eco-friendly, the entrepreneurs opine that terms for solar power should be rationalized to incentivize its usage compared to traditional energy sources.

Analysis and Recommendations

UP has followed good practice in this regard. However, UP may consider to provide exemption/subsidy for setting up captive power plant from non-conventional sources. Such subsidy could be related to the capital cost and exemption of 100% on electricity duty

4. Power Related: Open Access

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

i. Punjab:

a. Open Access Power:

1. Open access to intra-state distribution system is allowed to consumers subject to certain operational constraints as per the following schedule that is subject to revisions :

Phases	Consumer Category	Open Access to be allowed by
Phase-I	Demand \geq 15 MW	01 January 2001
Phase-II	Demand \geq 3 MW	01 April 2006
Phase-III	Demand \geq 1 MW	01 April 2008

2. The Commission may allow Open Access to consumers with demand of less than 1 MW at any time as it may consider feasible;
- b. No lock-in-period is imposed on units opting to increasing the load of the connection after having it reduced previously.
 - c. Uninterrupted power supply is insured for industries necessitating continuous processes.

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, Uttar Pradesh does not have any provision for open access power.

Requirements in Uttar Pradesh

If the generator of power is will be allowed to sell directly to the consumer, condition of power distribution in UP would settle to some extent. A minimum threshold for open access could be 500 KW beyond which open access should be permitted. On the other hand, recognizing the reality of power

shortages and the costs associated to energy, entrepreneurs opine that a policy that permits sharing of electricity among the members of industrial area would considerably ease their plight.

Analysis and Recommendations

Punjab has provision of Open Access and also provide continuous supply of power. Though quality of power has been increased since the last few years, UP must emphasize on the utility of the power. By allowing Open Access, industry can be empowered for better utilization of power through sharing.

5. Alternate energy usage incentive (Green energy such as solar, wind, bio-gas)

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, best policies/practices has been recognized in Karnataka, where the state provides financial assistance to the extent of 10% of cost of using of energy generated from a non-conventional source subject to maximum of Rs 5 lacs.

Existing provisions in Uttar Pradesh

As per the existing Solar Policy, the state provides incentive for setting-up solar power plant of 5MW for captive use.

- a) Also all the incentives provided under the Uttar Pradesh State Industrial Policy – 2012, will be applicable on the setting up of power plants based on solar energy
- b) Expenditure on the construction of transmission line and substation will be borne by the State government on all the projects in the Bundelkhand region

Requirements in Uttar Pradesh

The non-conventional energy is abundant, renewable, pollution-free and eco-friendly. Thus, UP must emphasize promotion of alternate source of energy by providing incentives for using renewable energy options.

Analysis and Recommendations

The state already has a separate Solar Policy to promote use of renewable energy, which promotes usage of alternate energy for the purpose of industrial units.

Component of policy: Land Related

1. Land Rebate

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** Higher FAR of 150% has been provided with approval of HEPB and reduced EDC charges up to 50% for MSME
- ii. **Telangana:** Telangana provides a rebate of 25% of the cost of land in industrial estate subject to maximum of Rs10 lakh for MSME.
- iii. **Andhra Pradesh:** GoAP shall provide 25% rebate in land cost limited to Rs 10 lakh in Industrial Estates/ Parks for all entrepreneurs, while for SC/ST entrepreneurs the rebate shall be 50%, up to Rs 20 Lakhs.
- iv. **Rajasthan:** The concession in land price to different categories will be provided for in the RIICO disposal of Land rules, 1979.
- v. **Chhattisgarh (SC/ST):** In Industrial areas, 100 % exemption of land premium shall be given on land allotment for establishing Industries and service enterprises. Rate of lease rent will be Rs 1 per acre per year.
- vi. **Chhattisgarh (Gen):** For MSME in industrially developing region, 50% exemption in land premium will be given to priority industry. While in industrially backward areas 50% exemption in land premium will be given to general industry and 60% to priority industry

Existing provisions in Uttar Pradesh

UP does not have such provision as per its Industrial Policy, 2012. However, a rebate of 25% is provided only for IT unit setup in tier II & III cities and Electronics manufacturing unit at prevailing sector rates.

Requirements in Uttar Pradesh

Industrialization in the state is slowing down. Land rates have been growing exponentially which makes it riskier for new enterprises to invest in the state. In such scenario there is need for rebate on land to encourage investment in the state.

On realizing the unavailability of land at affordable prices for new industries in UP, despite of numerous plots lying vacant, the entrepreneurs recognize corruption being a severe bottleneck in development of industries in UP.

Analysis and Recommendations

Telangana and Andhra Pradesh both have the best practice with respect to rebate on land. However in Uttar Pradesh, the land rates have increased drastically taking away the viability of industrial investments.

The rates at which the UPSIDC provides land, is nearly 4 time the rate at which private developer can provide land to industrial setups. The state government should look into the matter and rationalise the land rate for allotment of industrial plots. If the same seems difficult then it should consider providing rebate on land for industrial usage, in order to promote industrialization in the state.

2. Land Conversion

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:** Karnataka has a provision to reimburse 100% of the land conversion charge for converting agricultural land to industrial for MSME units.
- ii. **Rajasthan:** The state government provides for 50% exemption on land conversion charges. No conversion order required for up to 2500 square meters land from MSE or 5% use of agriculture land for agri-business or if entire land is used for I.T. No conversion charges for green industries as declared by Rajasthan Pollution Board.
- iii. **Punjab:** Punjab doesn't charge such conversion and the same is done without requiring approval for conversion of land from agricultural land to industrial land.
- iv. **Andhra Pradesh:** GoAP shall reimburse 25% of land conversion charges for industrial use limited to Rs 10 lakh
- v. **Chhattisgarh:**
 - a. The prevailing rate for transfer of land in industrial areas and out of industrial areas allotted through Industries Department/ any of its agencies will be decreased.
 - b. Necessary amendments will be made after examination for exemption from "Agriculture Land Ceiling Act" for the agricultural land to be purchased for establishment of Industrial Project/ Industries

Existing provisions in Uttar Pradesh

UP does not have such provision as per its Industrial Policy, 2012. Current charges are 1% of the DM circle rate

Requirements in Uttar Pradesh

The process of conversion of land in UP is a tedious task. To ease the situation of Land shortage, entrepreneurs opine that lease hold plots should be permitted to be converted to Freehold which would potentially release large portions of hitherto underutilized plots under the ambit increasing the potential of industrialization in the state while generating incremental revenue for the state government. Even

after repeated efforts we are no closer to resolve the issue of conversion to freehold property. From feedback, a suggestion has been derived that entrepreneurs are in favour for 'Right of conversion of property under UPSIDC clusters'.

Analysis and Recommendations

Rajasthan and Punjab have the best practice with respect to Land Conversion. UP should adopt a policy to exempt/reimburse land conversion charge. Moreover, some specific units like Agri Business units or units requiring only small area should be allowed automatic conversion of land. In addition to this, conversion of lease hold to free hold should be thoroughly sought as this has also been proposed by the One Man Committee Report.

3. Land Reservation

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Tamil Nadu:** There is 20% reservation for MSME in all industrial estates of Tamil Nadu.
- ii. **Telangana:** 30% to 40% reservation for MSME in industrial area developed by TSIIC
- i. **Haryana:**
 - a. Up to 25% of plots in HSIIDC industrial estates would be earmarked for identified services that support manufacturing.
 - b. In unsaturated industrial estates, 10% of plot would be reserved for allotment to NRI/FDI projects
- iii. **Karnataka:** 20% of the land is reservation for MSME in area developed by KIADB.
- iv. **Andhra Pradesh:**
 - a. Reserve 15% of total area of land for MSME industries in any 2 of developed Industrial Parks of APIIC in every district, which will not be less than 40 acres of developed land in every district and allot land in government run Industrial Areas
 - b. Of the land reserved for MSME industries in its plots/ industrial estates, APIIC shall allocate 15% of plots to Scheduled Caste Entrepreneurs, 5% of plots to ST Entrepreneurs, 20% for Backward Classes and 5% for Minorities.
 - c. Of the land reserved for MSME industries in its plots/ industrial estates, APIIC shall allocate 10% of number of plots to Women Entrepreneurs.
- v. **Rajasthan:** In the new industrial areas developed by RIICO, 30% plots will be reserved for MSME.
- vi. **Chhattisgarh:** For providing the facility of free of cost allotment of land in industrially developing areas 25% and in industrially backward areas 50% of the land-blocks maintained in all industrial areas will be reserved.

Existing provisions in Uttar Pradesh

UP provides for reservation of industrial land to SC/ST – 10%, OBC – 15%, minority – 10%, Women – 5%, Disabled – 2%, Ex-Army man – 3%. However no provision has been made for allocation of industrial plots to MSME units.

Requirements in Uttar Pradesh

As has been observed through extensive research, MSME generates more employment compared to large enterprises. The state should recognize the multi-fold benefits of MSMEs and should thus encourage them by introducing industrial estate reservation for MSME.

Analysis and Recommendations

Tamil Nadu, Telangana and Karnataka, provide for certain provision for the reservation of industrial area to MSME setups.

In order to boost the MSME segment, the state should provide for some reservation for the MSME in all industrial estate of Uttar Pradesh. UP should also consider adopting the economic criteria based reservation and move away from the policy of caste/religion based reservation. Such reservation could in the range of 15% to 30%, thereby promoting investment in industrial MSMEs

4. Land Diversion

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Chhattisgarh:**
 - a. For Land diversion, full authority for land diversion at the District level will be given to the concerned District Collector and re-fixation of the land revenue after diversion will also be done by the Collector within a time limit of 30 days. For this purpose necessary amendments in the land revenue code will be done
 - b. In view of classification of investors, all categories of entrepreneurs who have established eligible new micro and small industries will get 100% exemption from the land diversion fee (on having industrial purpose) up to a maximum limit of 5 acres of land.

Existing provisions in Uttar Pradesh

UP currently does not have such provisions and does not authorise the local administration in this regard.

Requirements in Uttar Pradesh

As has been observed by several experts, such provision are not needed for balanced growth of the region.

Analysis and Recommendations

Chhattisgarh is been fairly aggressing in devising a policy to attract industrial investments, as a result they have also provided for full authority to DM, in respect to diversion of land. However looking at the demographic profile of UP such provisions may be not be suitable in the state, and should be skipped from the policy.

5. Land (Property) Tax

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Punjab:** Small and Medium enterprises shall get 100% exemption for tenure of 7 years with maximum benefit capped at 100% of the Fixed Capital Investments. A Unit which is assessed for Property Tax at any time during the Eligibility Period shall be exempt from payment of Property Tax.
- ii. **Rajasthan:** Exemption from payment of 50% of Land Tax for 7 years
- iii. **Chhattisgarh:** After thorough examination, necessary amendments will be made/ Notification will be issued to keep all the industrial areas/parks out of the purview of Local Bodies to avoid double taxation by Local Bodies in all the industrial areas approved by Government of India/ State Government

Existing provisions in Uttar Pradesh

UP does not provide for any such exemption to the state MSMEs, as on date.

Requirements in Uttar Pradesh

As has been observed by several entrepreneurs that property tax rebate or exemption can help in creating an industry pro image for the state. However provisions should be made to check any misuse of the same in the hands of the beneficiary

Analysis and Recommendations

Punjab has initiated a suitable practice in this regard, by providing 100% exemption to SMEs. UP should also consider to provide such reimbursement/exemptions to the SMEs in the state, this would further promote interest in industrial investment in state. Such exemption could range in between 40% to 60%.

6. Industrial Area/Estate by Private

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Karnataka:** The private Industrial Estates will be setup with the minimum of 50 to 75 acres of land in the most potential talukas to expedite the development of Small and Micro Sector. To encourage private sector participation in development of industrial estates/ parks following incentives and concessions shall be offered:
 - a. **Equity participation:** The State Government will share up-to 20% of infrastructure cost to a maximum of Rs. 10 crore per project as its equity in capital investment.
 - b. **Deferred Payment:** Bulk land acquired by Government / KIADB will be leased out to the proponent on the basis deferred payment, to ease the initial burden of the proponent
 - c. **Incentives for adopting best practices:** Costs incurred for energy efficient initiative and other best practices adopted in the industrial estates / parks shall be reimbursed to the tune of 25% of the cost subject to a ceiling of Rs 10 Crore per project
- ii. **Madhya Pradesh:** The state provides financial assistance to the extent of 15% of the cost of developing Industrial Estate/Park by private parties subject to fulfilment of 50 acre and 5 units limited to a maximum of Rs 5 crores.
- iii. **Rajasthan:** The state government will encourage private sector investment in setting up industrial parks and clusters
- iv. **Chhattisgarh:** In the case of acquisition of private land and transfer of government land for the industrial purpose (Land Bank) the service charges to be received for allotment of acquired private land/ government land are
 - a. A. – 5% amount of the land acquisition value payable to the District Administration for acquisition of private land.
 - b. B. – 10% amount on the amount equal to the price of land acquisition for allotment of private/government land
- v. **Chhattisgarh:** It is clarified that in the private/government allotment cases made outside the industrial areas, the 10% land allotment service charge payable to the Department of Commerce & Industries/CSIDC shall be added in the land value. The 5% land acquisition fee payable to the District Administration shall not be included in the calculation of land premium

Existing provisions in Uttar Pradesh

Developer of industrial area or industrial estate in private sector will be provided 25% reimbursement from stamp duty paid, subject to the condition that the industrial area or industrial estate has been developed and at least 50% land has been sold within three years from the date of purchase of land

Requirements in Uttar Pradesh

Government has limited source of support. It has various other stakes involved in its purview. Hence privatization should be promoted and land banks need to be created for industries. Currently, while setting-up industries on private estate, a score of charges and excessive regulations are imposed which restrict the development of sustainable functional industries. The state government should sacrifice its revenue so as to encourage development of private Industrial areas in the state.

Additionally it is been proposed by the One Man Committee Report for MSME Policy by Central Government that, “Land Bank be created by State Governments with support from the Central Government to promote them for Industrial development”.

Analysis and Recommendations

Karnataka and Madhya Pradesh promotes the Industrialization of State by Private Investment. UP should adopt a policy for development of Industrial Area by Private Investment, to promote the interest/investment in the state. Such policy could cover the following aspects.

1. Equity participation provision similar to Karnataka may be adopted
2. Dedicated power line expenses should be reimbursed or shared
3. The development charges levied by the development authority should be waived.
4. Interest subsidy on loan should be given for both purchase and development of land.
5. 100% stamp duty exemption/reimbursement on purchase & sale both

Component of policy: Assistance & Support to facilitate capital access

1. Capital Investment Subsidy

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:**
 - a. **For new setups:** For C & D category blocks, the incentive shall be 75% of VAT/SGST net paid for first 7 years, 35% for next three years, while for B category block the incentive will be 50% for first 5 years, 25% for next three years, subject to 100% of fixed capital investment.
 - b. **For expansion projects:** For C & D category blocks, the incentive shall be 75% of VAT/GST net paid for first 7 years, 35% for next three years while in B category blocks the incentive will be 50% for first 5 years, 25% for next three years, provided at least 50% additional investment in plant and machinery for expansion/ diversification subject to 100% of fixed capital investment of the expanded FCI
- ii. **Uttarakhand:** Fixed capital investment on plant, machinery and work shed will be admissible for investment promotion, MSME in the state are given capital subsidy of 40% (max up to Rs 40 Lakh) in category A region, 35% (max up to Rs 35 Lakh) in category B region; 30% (max up to Rs 30 Lakh) in category C region; 15% (max up to Rs 15 Lakh) in category D region. Women entrepreneurs of the region are promoted by giving 25% Capital Subsidy (maximum Rs 25 lacs)
- iii. **Rajasthan:** Investment subsidy of 30% of VAT and CST which have become due and have been deposited by the enterprise for 7 years. Additional 10% for eligible women, SC, ST and persons with disabilities. Additional 20% exemption for MSMEs in most backward areas while tenure extended to 10 years for MSMEs in backward areas
- iv. **Karnataka:**
 - a. The state offers additional subsidy for Micro enterprises, thereby augmenting the smaller marginalized entrepreneur in the region. The Subsidy for Micro enterprise goes up to 25-30% while for others it is between 15-20%.
 - b. Additional subsidy is also provided to Women, Minority, Physical challenged and Ex-Servicemen Entrepreneurs of 5% subject to maximum of Rs 2.00 lakhs, Rs 5.00 lakhs and Rs 7.5 lakhs for Micro, Small and Medium manufacturing enterprises respectively.

- c. The state also offers additional subsidy to SC/ST entrepreneurs in the region. The Subsidy for such enterprise goes up to 35-40% while for others it is between 15-20%
- v. **Andhra Pradesh:**
- 15% investment subsidy on fixed capital investment subject to a maximum of Rs 20 lakhs for micro and small enterprises. Investment subsidy will also be extendable to the identified service activities related to industries setup anywhere in the State
 - 35% investment subsidy on fixed capital Investment by SC & ST Entrepreneurs and additional 10% investment subsidy for SC Women & ST Women Entrepreneurs, with a maximum limit per unit of Rs 75 lakhs
 - 25% investment subsidy on fixed capital investment by women entrepreneurs, with a maximum limit per unit of Rs 30 lakhs.
- vi. **Gujarat:**
- Capital Investment Subsidy of 10% of loan amount disbursed by Bank/ Financial Institute with the maximum amount of Rs 15 lakhs in Municipal Corporations areas.
 - Capital Investment Subsidy of 15% of loan amount disbursed by Bank/ Financial Institution with the maximum amount of Rs 25 lakhs in the areas other than Municipal Corporations.
- vii. **Chhattisgarh:** The state provides differentiated incentives to SC/ST, General category entrepreneurs

	SC/ST		General	
	Micro & Small	Medium	Micro & Small	Medium
Industrially Developing				
General	40% or Rs 40 Lakh	35% or Rs 80 Lakh	30% or Rs 30 Lakh	30% or Rs 60 Lakh
Priority	40% or Rs 80 Lakh	35% or Rs 100 Lakh	35% or Rs 60 Lakh	35% or Rs 70 Lakh
Industrially backward				
General	40% or Rs 80 Lakh	35% or Rs 90 Lakh	30% or Rs 60 Lakh	35% or Rs 70 Lakh
Priority	40% or Rs 120 Lakh	45% or Rs 125 Lakh	35% or Rs 80 Lakh	45% or Rs 100 Lakh

Existing provisions in Uttar Pradesh

UP provides interest free loan for fixed capital investment subject to a minimum of Rs 5 crores for 7 years or to the extent of 10% of annual turnover, or equivalent to VAT/CST paid, whichever is lower.

Requirements in Uttar Pradesh

The state should incentivize setting up of labour intensive/jobs-oriented industries by subsidizing the capital cost to reduce risk-assessment of such industries ultimately benefiting from its initiative of industrialization.

Entrepreneurs request that the benefit accorded to large enterprises with investments over 500Crores in terms of VAT and other investment subsidies be extended to include MSMEs in the ambit as well.

Analysis and Recommendations

Uttarakhand and Chhattisgarh has the most aggressive outlook towards development of the industrial setups in their region, as a result they providing the most attractive incentive structure. UP should adopt also adopt an aggressive approach to make the state a preferred destination for industrial setups. More attractive capital investment incentive is desired to attract investment in the state.

UP currently provides for VAT related capital investment subsidy which does not impact much in reducing the investment burden on the entrepreneur. Any reimbursement/subsidy with respect to Capital encourage Entrepreneurs for new unit and should be should be provided ranging from 30% to 40% of fixed capital investment excluding land, to promote industrial investments in the state.

2. Interest Benefits

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:**
 - a. 5% for Micro & Small Enterprises on term loan or maximum up to Rs. 10.00 lakh per year for 3 years in 'B', 'C' & 'D' Categories Blocks and shall not exceed amount of net VAT/SGST paid during the relevant year.
 - b. 5% for Micro & Small Enterprises on term loan for expansion/diversification which are not covered under CLCSS of GoI or maximum up to Rs. 10.00 lakh per year for 3 years in 'B', 'C' & 'D' Categories Blocks subject to maximum of net VAT/SGST paid in that relevant year
- ii. **Karnataka:** Interest subsidy of 5% and 3% on term loans to Micro and Small respectively for a maximum tenure of 6 years.
- iii. **Uttarakhand:** MSME in the state are given interest subsidy of 10% (max up to Rs 8 Lakh/unit/year) in category A region, 8% (max up to Rs 6 Lakh/unit/year) in category B region; 6% (max up to Rs 4 Lakh/unit/year) in category C region; NIL in category D region. Women entrepreneurs of the region are promoted by giving 6% interest subsidy (maximum Rs 5 lacs per unit per annum).
- iv. **Andhra Pradesh:** Interest subsidy on the term loan taken for fixed capital investment by New Micro and Small Enterprises in excess of 3% per annum subject to a maximum reimbursement of 9% per annum for a period of 5 years from the date of commencement of commercial production
- v. **Gujarat:** Enterprise will have to remain in production for 5 years from the date of commercial production and total quantum of interest subsidy (State + Central) in any case shall not exceed the total interest paid to Bank/ Financial institution.
 - a. Interest subsidy of 5% with the maximum amount of Rs 25 lakhs per annum for period of 5 year in Municipal Corporation areas.
 - b. Interest subsidy of 7% with the maximum amount of Rs 30 lakhs per annum for period of 5 year for in the areas other than mentioned at (a) above.
 - c. 1% additional interest subsidy to SC/ST entrepreneur, physically challenged entrepreneur, Women entrepreneur in manufacturing and service sector

- d. 1% additional interest subsidy to young entrepreneur below age of 35 years on the date of sanction of loan
- e. Maximum rate of Interest subsidy to an enterprise will not be more than 9% & 7% where the rate of interest subsidy is 7% & 5% respectively
- f. Only new MSME of Service sector, will be eligible for Interest subsidy of 5% with the maximum amount of Rs 25 lakhs per annum for 5 years on the term loan of machinery and equipment anywhere in the state

vi. **Chhattisgarh:**

	SC/ST		General	
	Micro & Small	Medium	Micro & Small	Medium
Industrially Developed				
General	75% or 20 Lakh for 6 years	75% or 25 Lakh for 6 years	40% or 10 Lakh for 5 years	25% or 10 Lakh for 5 years
Priority	75% or 25 Lakh for 7 year	75% or 40 Lakh for 7 year	50% or 15 Lakh for 6 year	50% or 20 Lakh for 5 year
Industrially backward				
General	75% or 40 Lakh for 6 years	75% or 40 Lakh for 6 years	50% or 20 Lakh for 6 years	50% or 25 Lakh for 5 years
Priority	75% or 50 Lakh for 7 year	75% or 60 Lakh for 7 year	60% or 30 Lakh for 7 year	60% or 40 Lakh for 7 year

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP Provides interest subsidy/reimbursement to:

- a) **Benefits to new industrial set ups in Eastern, Bundelkhand and Central region**, for units other than textile industry: Interest on loan for Plant & Machinery: Subsidy of 5% for 5 years with a maximum limit of Rs. 50 Lakh.
- b) **Benefit to units in textile industry**: Subsidy of 5% for 5 years for new textile units in Eastern, Bundelkhand and Central Region, the maximum limit of Rs 1 crore while for other region it will be maximum Rs 50 Lakh.
- c) **Benefits for interest on loan for Infrastructure facilities**: Subsidy of 5% for 5 years with a maximum limit of Rs. 100 Lakh

- d) **Benefits to Women MSME entrepreneurs:** The state also provide for interest subsidy for women entrepreneurs. Under this scheme, a subsidy on the interest of the loan, taken by women entrepreneurs, 5% subject to a maximum of Rs. 50,000/- per unit, per year, up to five years, is provided, so that the competitiveness of entrepreneurs may be improved
- e) **Benefit to IT/ITeS Ventures:** Interest subsidy of 5% per annum for a period of 7 years on the rate of interest paid on the loans obtained from scheduled banks/FI, subject to maximum of 1 Crore per annum per unit.
- f) As per the Government order dated February 19, 2016 various districts of the state has been categorised as A, B and C to provide suitable assistance to **MSMEs**
 - a. MSMEs in category B districts: 5% of interest subsidy with maximum limit of Rs 3 lakh per unit per year, for 5 years
 - b. MSMEs in category C districts: 7% of interest subsidy with maximum limit of Rs 3 lakh per unit per year, for 5 years

Requirements in Uttar Pradesh

Interest adds to the total investment cost which induces a burden on cash flows for any new or expanding businesses. Hence, subsidizing/reimbursing would encourage new or expanding businesses by lowering the outflow of cash. UP currently provides immense support to units investing amounts above Rs 500 Crore. Similar support should be extended to MSMEs to encourage growth of the sector overall.

Analysis and Recommendations

Uttarakhand and Chhattisgarh has the most aggressive outlook towards development of the industrial setups in their region, as a result they providing the most attractive incentive structure. UP should adopt also adopt an aggressive approach to make the state a preferred destination for industrial setups. More attractive interest subsidy/reimbursement is desired to attract investment in the state.

Since most of the project funding is provided for a period of 7 years, a suitable interest subsidy of minimum 7 years should be provided and at least 50% interest burden should be reduced by such incentive.

3. Creation of Fund for MSMEs

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:**
 - a. Interest free loan of up to 50% of assessed net VAT for initial 4 year subject to the maximum of 100% of total value of fixed assets.
 - b. Additionally, a 25% of the net VAT paid will be refunded as grant for a period of 4 years subject to maximum of 50% of the total fixed assets value.
- ii. **Maharashtra:** The state in conjunction with SIDBI has set up State Specific Funds with a corpus of Rs 200 crore.
- iii. **Andhra Pradesh:** GoAP will create a fund of Rs 100 Crore in FY 2015-16 to support the revival of MSMEs across the State. The fund should be specifically utilized to achieve the goals of speedy revival, additional employment generation, enhance market linkages and discipline the management of MSMEs to create a robust Eco-system.
- iv. **Rajasthan:** Rajasthan Finance Corporation (RFC), a state government undertaking, shall provide credit to MSME enterprises on easier terms under its loan schemes. Credit of up-to 5 crore can be availed by young entrepreneurs (up-to age of 45 years) for setting up new enterprise with interest subsidy of 6% applicable up to a maximum credit limit of Rs 90 lakh.
- v. **Uttarakhand** government has created a special MSME development fund to facilitate development of MSMEs in the region.
- vi. **Punjab** has a dedicated fund of Rs 150 Crores to help establishing new industry.

Existing provisions in Uttar Pradesh

As per the existing Industrial Policy, 2012, UP does not have such funds. The previous Government of Uttar Pradesh has announced to establish a Seed fund with an initial Corpus of Rs 100 Crores in phases to promote Incubators and mobilize start-ups in the state of Uttar Pradesh. The fund shall act as fund of funds.

The Uttar Pradesh government in 2015 also announced the setting up of State Innovation Fund worth Rs 50 crore to promote innovation in the region. An Innovation Cell would be set up to assist in operation of the Council and the Fund

Recently formed government in UP has announced that Rs 1,000 Crore fund will be established to fund the risk capital.

Requirements in Uttar Pradesh

Promoting ventures in the state would require funds to facilitate rapid industrialization. Such a corpus created by the state would provide funds which are easily accessible to the unit making the state business friendly. It has also been recommended in the One Man Committee Report to establish a separate 'SME Equity Investment Fund' by the Ministry of MSME to be managed by a professionally run entity of fund managers.

Analysis and Recommendations

Punjab and Maharashtra has the best initiative with respect to 'Creation of Fund'. As being promoted by the state government, state should make it a more generalized fund so that all industry in the state can be benefitted by the corpus.

State level financial institutions such as UP Finance Corporation should be revived for financing Micro, Small and Medium Enterprises (MSMEs), through which implementation of the Central government and the State government schemes will be ensured. Also a bigger corpus of fund should be created for MSMEs, given the quantum of MSME in the state.

SIDBI Venture Capital Limited has created state/segment focussed funds in collaboration with state governments of Maharashtra and West Bengal. UP can create a similar fund in collaboration with SVCL to support MSME and Start-ups of the state.

4. SME Exchange Support – Listing of SMEs

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Rajasthan:** With a view to encourage SMEs to raise funds through the route, assistance will be provided to the extent of 10% of the expenditure incurred, subject to maximum of Rs2.5 lakh one time after successful raising of equity.
- ii. **Gujarat:** The MSME shall be assisted with 20% expenditure incurred on raising of fund through SME Exchange, subject to maximum benefit of Rs5 lakhs one time after successful raising of equity as per approved scheme by SME during the operative period of the scheme

Existing provisions in Uttar Pradesh

UP does not have such policy provision.

Requirements in Uttar Pradesh

Ideally, the entrepreneurs should have easy access to fund through SME Exchange which allows them to focus on growth and expansion of their business. The state needs to support the listing on the SME Exchanges for SME's.

Analysis and Recommendations

SMEs can raise funds through SME exchange of India. However the cost so incurred for list is reasonably high and as a result many SMEs do not consider this as an alternative to raise funds. Listing of SMEs not only help in accessing funds but also add to the credibility of the state, which in turn will help in attracting investment in the state.

Rajasthan and Gujarat both promote the SME listing by supporting for its expenditure. UP may also adopt similar policy of supporting MSMEs and encourage accessing funds though SME listing. An incentive support of up to 10 lakh may encourage several SMEs. The same has also been recommended

in the One Man Committee Report. The Government should meet a part of expenditure of SMEs incurred by them in the initial listing of their equity on the SME exchanges. This part reimbursement of listing expenditure could either be limited up-to 50% of the total listing expenditure or Rs.10 Lakhs whichever is lower.

5. Venture Capital Access

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Gujarat:** The state has set up GVFL which funds the Promoter's margin money requirement for the setting up projects, with funds placed at disposal of GVFL by Industries commissioner. The entrepreneur setting up an MSME with innovative technology will be assisted to raise promoter contribution in the form of equity or loan through GVFL with following terms.
 - a. The GVFL will consider extending support to such entrepreneur to formulize the project and preparation of project report. GVFL will appraise the project and extend support to get loan from commercial bank.
 - b. The assistance as promoter's contribution will be 20% of project cost maximum up-to Rs 50 lakhs
- ii. **Karnataka:** Karnataka also emphasizes on the creation of Venture Capital Fund to Support Start-up.
- iii. **Andhra Pradesh:** GoAP shall facilitate raising funds through SME Exchange, dedicated stock exchange for trading the shares / securities of SMEs, offered by both BSE and NSE, as per SEBI guidelines

Existing provisions in Uttar Pradesh

UP does not specify a generalized Venture Capital Fund. However recently the new government of UP has announced that Rs 1,000 Crore fund will be established to fund the start-ups in the state.

Requirements in Uttar Pradesh

Units were earlier provided funds through government run institutions such as UPFC and 'Picup', but such institutions are not functional anymore. State industrialization growth was high when these state run funding company were providing funds to the Entrepreneurs. Also the Venture capital fund only facilitate investment into high growth enterprises, as a result it remain nearly inaccessible to MSMEs.

A MSME specific venture capital fund need to be created along with revival of State Finance Commission and other Development Finance Institution in the state. Also the VCs and PEs that preferentially support enterprises in UP, should be supported and encouraged.

Analysis and Recommendations

Gujarat has been supporting the start-ups and MSMEs through GVFL which invest into the Technology and Innovation driven Ventures. Similar facilitation may also be introduced in UP through UPFC should to provide seed fund and growth fund to enterprises. UP may consider creation of Start-up and Innovation fund in collaboration with SIDBI to support MSME and Start-ups of the state.

Apart from providing direct funds, facilitating industries in capital access is highly desired. Since the state has not been known as the preferred business destination, the fund raising alternatives have little developed in the region. Unlike Delhi, Punjab, Maharashtra, Gujarat and Karnataka. It is advisable to create a special team under the provision of 'Udyog Bandhu' to engage relevant VC, PE and other alternate investment firms to help raise risk capital, by the MSMEs and start-ups of the region.

6. Project Report Subsidy

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Chhattisgarh (SC/ST):** Project report subsidy of 1% of fixed capital investment or Rs 1.5 Lakh (in Industrially developed regions) and 1% of fixed capital investment or Rs 2.5 Lakh in industrially backward region
- ii. **Chhattisgarh (Gen):**
 - a. Project report subsidy of 1% of fixed capital investment or 1 Lakh in Industrially developed regions and 1% of fixed capital investment or 2 Lakh in industrially backward region
 - b. Project profiles of potential industries in the district prepared through Micro, Small and Medium Enterprise Institute and other approved agencies in the State will be provided to entrepreneurs free of cost

Existing provisions in Uttar Pradesh

In UP only sector specific subsidy on Project Report is provided. Likewise, 50% assistance on cost of DPR is provided for expenditure incurred in Agro and Food Processing unit subject to maximum of 5 lacs, is being provided.

Requirements in Uttar Pradesh

Entrepreneurs know the art of risk taking however active technical and business handholding is needed by even serial entrepreneurs. It has been observed that MSME entrepreneurs start on their own with little technical and financial understanding of the venture and learn in their journey by making some costly mistakes. A detailed project report can help the entrepreneur understand the technical and financial aspects of the venture, which in turn reduces the risk of big mistakes or Sickness in the units.

Organized setup can be created if such timely intervention become the norm of starting a new venture. Since it involves upfront costs, and MSME entrepreneur always struggles with affordability, such mechanism of working should be promoted though adequate incentives. This will work as a preventive method to reduce sickness amongst the MSME industries.

Analysis and Recommendations

Chhattisgarh has the best subsidy for Project Report which is for all units depending upon the Capital Investment. Taking cue from other states, UP may also consider providing subsidy on Project Report for all units in all sectors for MSMEs.

Moreover, States government can potentially partner with a competent association to create credible project reports that are pre-vetted by FI/Banks. Pre-approved sector specific project reports may also be created and made readily available to promote investment in a desired sector. UP has done something similar with dairy business however it a brief report and not a detailed project report as desired.

7. CGTMSE Fee waiver/reimbursement

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** One time contribution of Rs. 100 Crore to CGTMSE of GoI for Collateral Free Credit Guarantee cover of Rs. 1000 crore shall be made for advancing loans up to maximum of Rs. 1 crore by the lending institutions to Micro & Small enterprises
- ii. **Orissa:** Orissa provides 100% reimbursement on guarantee fee charge for CGTMSE.
- iii. **Rajasthan:** Reimbursement of one time service processing fees charged by NSIC/State Agency/Financial Institution for documentation, subject to maximum of 0.5% of the loan amount or Rs 25,000, whichever is less. The limit for Women, SC/ST and specially abled entrepreneur shall be up to Rs 50,000
- iv. **Gujarat:** Assistance as reimbursement of 100% annual Service fees paid to Bank/financial Institution by Women entrepreneurs, SC/ST & physically challenged entrepreneurs for availing of collateral free term loan under CGTMSE, for the period of five year
- v. **Andhra Pradesh:** GoAP shall facilitate loans under CGTMSE Scheme.

Existing provisions in Uttar Pradesh

UP does not specify any relaxation with respect to CGTMSE fee/charge.

Requirements in Uttar Pradesh

MSME can avail a collateral free loan but such loan is not being promoted by the banks operational in the state. There is need to promote such loan for the Entrepreneurs to take advantage of this and participate in the industrialization of the state.

It is recommended by the 'One Man Committee for MSME Policy of Central Government' about E-Tracking of MSME loan proposals and creation of Database of credit to MSME sector. The Committee recommends that a comprehensive e-Portal should be established by the Ministry of MSME which should be available to all MSME applicant borrowers throughout the country so that they can register

their loan applications on such portal against acknowledgement number and the bank should provide complete information about disposal of such applications. Any loan applicant should be able to track the current status of his/her application by logging on to such electronic platform / portal.

Analysis and Recommendations

Such portal as recommended by the 'One Man Committee Report' could be implemented with support of the central government.

In addition to that, Collateral free loans is a worthwhile assistance and many states have initiated reimburses of the service fee of CGTMSE collateral free loan for MSMEs upto the limit of Rs 1 crore. This limit has recently been increased to Rs 2 crore by the central government. UP should also consider providing incentive for accessing the fund through CGTMSE scheme and create a help desk to facilitate funding under this channel by coordinating with the banks.

8. FDI facilitation in existing and new setups

Best Policies/practices across States in India

The Government of India, Department of Industrial Policy & Promotion & FICCI has joined hands to start Invest India which is an official Investment Promotion and Facilitation Agency which facilitate investment in India.

On studying industrial policies/practices of multiple states, *we have not come across any focussed support for FDI infusion in any state, however the states do connect for institutional fund raising:*

- ii. **Haryana:** In unsaturated industrial estates, 10% of plot would be reserved for allotment to NRI/FDI projects
- iii. **Andhra Pradesh:** GoAP shall constitute an MSME Facilitation Desk to provide one-stop solution to all MSME related queries/grievances. To further support the same, a helpline shall be established for ensuring better reach and coordination between GoAP and the MSME sector. MSME associations shall be co-opted in the Facilitation Desk to ensure establishment of a timely and methodical feedback channel
- iv. **Chhattisgarh:** For simplified procedure of Industrial Investment at District and State level for Industrial projects of more than Rs. 10 Crores, which will provide full support and guidance. Single certificate will be issued by clubbing all consents In place of various operational consents for different activities in single premises. And in future the operational consent will be single

Existing provisions in Uttar Pradesh

Like any other state, UP also do not have state focussed, FDI facilitation desk.

Requirements in Uttar Pradesh

In order for state to be competitive on global aspects, there is need for the state to facilitate a route for FDI in the state. Such FDI not only infuses investment into the state but also acts as a promotional mechanism for the state and generates more investment into the state. State should emphasize on this element and should bring a state chapter of the Invest India i.e. Invest Uttar Pradesh.

The entrepreneurs feel that, a progressive step, this will raise technological levels of industries while contributing the skill sets in the state.

Analysis and Recommendations

Government of India as established Invest India under Department of Industrial Promotion and Planning. The mandate for such centre is to facilitate investment in Industrial set ups.

Thus, Invest India like mechanism with special incentives is encouraged to facilitate FDI in the state. UP may establish a FDI focused mechanism under its UP Investment Centre initiative, which is already engaging with NRI and facilitate investment in the state. Since this is a new initiative, hence not much results have come out so far.

9. NRI engagement in development

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, best practice has been recognized in Gujarat where the state has taken up a major initiative for the promotion of Business & Entrepreneurship by connecting them to NRI's by establishing Trade Facilitation centre in other Countries. These centres work closely with the industrialists and investors in foreign countries that facilitate free-flow of information of policies/practices and growth activities encouraging engagement and FDI infusion.

In Haryana, if there is any unsaturated industrial estates, 10% of plot would be reserved for allotment to NRI/FDI projects.

Existing provisions in Uttar Pradesh

UP has a facilitation centre in New Delhi which provides information and co-ordinate for encouragement of Non Resident Indians for more investment in the State. Based on need, more such centres may be established in other States or cities of the State. Uttar Pradesh Investment Centre, New Delhi will also be made a member of the Overseas Indian Facilitation Centre of Ministry of Overseas Indian Affairs, Government of India

Non-resident Indians of Uttar Pradesh origin will be attracted to maximize investment in the State. They will be invited to invest in land development, infrastructure, mining and service sector.

Requirements in Uttar Pradesh

Fund infusion in the state for Mega and Ultra Mega industrial project is definitely a need for the state. Such establishment not only create direct employment but also help growth of the economy on the whole. There are numerous ways in which UPites may be of help to the state. Engaging the NRIs/UP alumnus, by making them partners of growth, will not only help in building a positive image of the state, but also instil a sense of belonging in them.

Their contribution can be on the front of providing technically know how, creating or accessing Intellectual property, accessing international funds, image building of the state as a suitable investment destination, facilitating international trade, engagement with relevant stakeholder for Infrastructure development in the state, etc.

Analysis and Recommendations

As Gujarat has benefitted through global reach, UP can also benefit by engaging the Alumnus of UP (UPites established outside UP). The modus operandi towards such initiative should be to engage them in various initiative of the state and take technical, networking, financial and policy help from them. The initiative started by UP Government for NRI outreach should be continued in a focussed approach for engaging them productively in the development of the state.

UP Trade Facilitation centre in other countries can be set up to promote Trade. Such centre would act as Study centre as well as Trade facilitation center and would engage with the NRI for study cum facilitating investment in the state.

10. Margin Money Subsidy

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Andhra Pradesh:** Seed capital assistance, to First Generation Entrepreneurs to set-up Micro Enterprises, up to 10% of the Machinery cost, which will be deducted from the eligible investment subsidy. For SC/ST entrepreneurs the assistance will be 25% of the machine costs while for female entrepreneurs, the assistance will be 15% of the machine cost.
- ii. **Chhattisgarh (SC/ST):** To the industries of up to the capital investment of Rs 5 crores, 25% of the Project Cost will be given as Margin Money Subsidy from the Tribal Sub-Plan / ST Special share scheme of the state govt., the maximum limit of the subsidy will be Rs 40 Lakh
- iii. **Chhattisgarh (Gen):** Women Entrepreneurs, Retired Soldiers and Nasal affected person and entrepreneurs of Disabled category of the state will get 25% Margin Money Subsidy on capital investment of Rs 5 crores for establishment of new industry, maximum limit will be Rs 35 Lakh
- iv. **Uttarakhand:** Chief Minister's Self Employment Scheme on the pattern of erstwhile Prime Minister's Rojgar Yojana (PMRY). Micro Enterprises in Industry, Services and Business Sector will be provided smaller loans up-to Rs 5 lakh for manufacturing and Rs 3 lakh for business and service sector through the Banks. Margin Money Assistance will be provided in urban areas at 15% to 25% and 25 to 35 % in rural areas.

Existing provisions in Uttar Pradesh

Under CMEGP scheme Government will provide 90% of the margin money (or borrowed money), which it has fixed at 35% (Rs 8.75 lacs) of the total project cost (25 lacs). State government will directly fund Rs 7, 87,500 and remaining will be arranged as loan

In order to promote the micro entrepreneurs in the region, Youth self-employment scheme has been initiated under which 25% of the capital required for the manufacturing projects of upto Rs 25 lakh (maximum margin money of 6.25 Lakh) and service projects of upto Rs 10 Lakh (maximum margin money of 2.5 lakh)

Requirements in Uttar Pradesh

Entrepreneurs who have the risk appetite for industrial venture should be supported adequately by facilitating alternatives means of funding their projects. Financing or facilitating the arrangement of Margin Money/ Entrepreneur Risk Capital/ Seed Capital is one such alternative.

Several state governments have realised that need and established mechanism to support risk capital provisions for first generation entrepreneurs. Though UP already has a mechanism of CMEGPP which support industrial projects of up to 25 lakhs, however the same has been discontinued post new government formation at the state.

Analysis and Recommendations

Chhattisgarh has been aggressive in its policies for setting up industrial projects and specially facilitating the MSME entrepreneurs in the state. They provided some special case margin money subsidy. The state government should reinstate the CMEGP scheme and extend its benefit to Micro and Small entrepreneur. The Fixed investment limit may be enhanced to Rs. 50 Lakh from current Rs 25 lakh. Also administrative efforts should be made to ensure that the benefits of the scheme reaches every corner of the state.

Component of policy: Sickness, Insolvency and Rehabilitation

1. Financial Rehabilitation Plan for Sick Unit

Best Policies/practices across States in India

There is a new act of Insolvency & Bankruptcy Code, 2016 for the resolution of sick units. It sets the time frame as 180 days within which the liquidation or rehabilitation has to be made. In addition to this national code, on studying industrial policies/practices of multiple states, following best policies/practices have been recognized in case of sick units:

- i. **Maharashtra:** For Revival of Sick Units, the state provide rescheduling of State Government dues for 5 years with Simple Interest of 7% per annum. In addition, Maharashtra also has an Amnesty Scheme for Unviable units for suitable exit, with complete waiver of interest and penalty if the principled amount is paid in one instalment.
- ii. **Andhra Pradesh:** Andhra Pradesh Micro & Small Enterprises Facilitation Council established by GoAP, as per MSMED ACT 2006, to prevent sickness of MSEs on account of delayed payments by the government
 - a. **Interest rebate:** 6% interest subsidy will be provided to all identified/ eligible sick units, subject to maximum of Rs 2 lakh per year for a maximum period of three years
 - b. **Taxes:** Arrears of payment for purchase tax, sales tax and interest towards non-payment of sales tax shall be deferred for 3 years from the date of grant of revival package
 - c. **Energy Charges:** Capital Cost charges will be subsidized to the extent of 15% of interest charged from out of the percentage of the total interest charged, subject to a maximum limit Rs 5 lakh for 3 years.
- iii. **Rajasthan:** An eligible sick Micro and Small enterprise for its revival shall be granted benefits and incentives as given below:
 - a. **VAT & other taxes:** The enterprise may be allowed to pay outstanding demand in such instalments as may be approved by the SLSC subject to maximum of 36 instalments. SLSC may also recommend for waiver of interest
 - b. **Electricity bill:** Facility of paying arrears of electricity bills to concerned Electricity Distribution Company in 6 half yearly instalments. Interest waiver of max Rs 25,000 and penal charges waiver of max Rs 25,000
 - c. **Stamp duty:** 100% exemption from payment of stamp duty on transfer of eligible sick enterprise to new management.
 - d. Any incentives, if sanctioned earlier, under any scheme of Government of Rajasthan shall continue for the unexpired eligibility period.

Existing provisions in Uttar Pradesh

UP also provide some assistance with respect to power cut for eligible sick units. Also, the government has notified at several times about the rehabilitation for economically viable unit and new Exit policy for unviable closed unit but no concrete step has been taken.

- a) Current and future VAT dues of up to Rs 100 Lakh may be recovered in 5 years in equal annual instalments
- b) Electricity dues:
 - a. Minimum consumption guarantee may be removed for Sick units.
 - b. Old dues shall be settled once the rehabilitation package has been finalized
 - c. No surcharge will be levied on the sick units

Requirements in Uttar Pradesh

The approach mentioned in Insolvency and Bankruptcy Act for handling rehabilitation efforts need to be adopted. UP currently has 84,064 Sick Units in state which is the highest throughout the country. To ease the situation the state government should facilitate & support rehabilitation of sick & viable units by providing support in addition to the Bankruptcy & Insolvency code. A separate financial institution can be introduced that provide finance to entrepreneur of the sick unit or its acquirer.

UP can perhaps lead the country by coming out with a plan to help the entrepreneur of a failed unit get discharge followed by financial assistance to start a project afresh. Entrepreneurs feel that the Bankruptcy and Insolvency Code will not benefit MSMEs.

It is also recommended in the One Man Committee Report for MSME Policy of Central Government that, “Micro and small enterprises play a major role in employment generation in the country and the Bankruptcy Code may cause avoidable hardship for them. It is therefore suggested that a study may be undertaken to assess the likely impact of the code on the MSME Sector”.

Analysis and Recommendations

A national Insolvency and Bankruptcy code is already coming into force, however some state specific measures can also be taken, similar to Maharashtra. Maharashtra has scheme on the basis of viability and non-viability of the unit. Thus, State sick units should be revived by re-scheduling their dues on interest

basis for the viable unit. State must also emphasize on the Exit mechanism of the units by providing complete waiver of the interest & penalty if the principle amount is paid in single instalment.

A detailed and comprehensive approach is required for the sick units of the state. State should study the impact of bankruptcy code on the MSMEs and create a policy framework for rehabilitation of sick unit and provide provision for exit to non-corporate should.

2. Financial Rehabilitation Plan & Assistance

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Andhra Pradesh:** GoAP will create a fund of Rs100 Crore in FY 2015-16 to support the revival of MSMEs across the State. The fund would be specifically utilized to achieve the goals of speedy revival, additional employment generation, enhance market linkages and discipline the management of MSMEs to create a robust Eco-system.
- ii. **Gujarat:** MSME shall be reimbursed, for preparing the diagnostic report from expert/ expert agency, 50% of cost of Draft Rehabilitation Scheme as assistance subject to maximum Rs1 lakh to sick enterprise.

Existing provisions in Uttar Pradesh

UP has provided for VAT and Electricity Duty exemptions for reviving the sick units.

Requirements in Uttar Pradesh

To revamp the organizational structure of the state, all non-functional departments, such as PICUP or UPFC, of the state need to be restructured. The state needs efficient financial bodies that not only focus on development and promotion of new enterprises, but at the same time also help in reduction of sickness and revival of sick units in the state.

Analysis and Recommendations

Andhra Pradesh has created fund whereas Gujarat reimburses the cost of diagnostic study. Such incentives may be introduced and fund may be created by UP Government, to support the rehabilitation of the state units. State organization like PICUP and UPFC should be restructured for them to start functioning in their main operation. To make such bodies efficient and effective, these could potentially be made in PPP model.

Component of policy: Environment Conservation

1. Pollution Control

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** 50% financial support or maximum of Rs. 25 lakh on capital cost for setting up of Effluent Treatment Plant and for installation of Air Pollution Control Devices for Micro and Small Enterprise
- ii. **Karnataka:** One time capital subsidy up-to 50% of the cost of Effluent Treatment Plants (ETPs) subject to ceiling of Rs. 100 lakhs per setup. Also incentive is given to deploy Zero discharge process with benefit of 50% of cost (max. Rs 5 lakh).
- iii. **Kerala:** Kerala provides 25% assistance on cost for investment in Effluent Treatment Plant subject to maximum of 1 crore.
- iv. **Chhattisgarh:** Chhattisgarh provide 25% subsidy for investment in technology lowering carbon footprints subject to maximum of 10 lacs.
- v. **Rajasthan:**
 - a. Provides land for CETP at the 50% of the prevailing rate and financial assistance of 50% on the capital cost of CETP.
 - b. RIICO will provide land at 50% of the prevailing rate and the state government will provide 50% of the capital cost of establishment of Common Effluent Treatment Plant (CETP) by industrial associations/ SPV of industrial area, subject to a ceiling of Rs 20 Crore in projects without ZLD and Rs 4 crore in projects with ZLD. The state government funding shall also be restricted to Rs 1.5 Crore MLD for a CEPT project without ZLD
 - c. The state government shall bear 50% of the capital cost, maximum up to Rs 25 Lakh, incurred by the SMEs for establishment of Effluent Treatment Plant (ETP)
- vi. **Gujarat:** The Enterprise will have to observe pollution Control measures as prescribed by GPCB or other competent authority to be eligible for interest and capital subsidy

Existing provisions in Uttar Pradesh

UP provides a rebate of 5% on interest on capital required for developing Drainage System to Industry Association or Groups in Industry. Also, in its recent MSME policy CETP, ETP has been encouraged.

Requirements in Uttar Pradesh

Investment in pollution control technology would cost to the small industries in the state and discourage investment in controlling pollution. Also, the pollution control is hurting even the green industries in the state. No guidance and technical support is provided to the Entrepreneurs for such activity. Considering the industrially backward state of UP, the government should share greater financial burden for taking care of the environment

Analysis and Recommendations

Kerala, Rajasthan & Haryana to some extent has the best incentives to promote Environmental concern in their region. *UP may also provide/promote investment in pollution control by providing land at concessional rate for CETP as well as capital subsidy for setup of CEPTs.* The awareness drive should also be conducted to educate the entrepreneurs in the region towards pollution control.

2. Rain/Waste Water Harvesting

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:** Small & Medium Mfg. enterprises in all Zones shall be given incentive to the tune of 50% of cost (max. Rs 1 lakh) for rain water harvesting and 50% of cost (max. Rs 5 lakh) for waste water harvesting

Existing provisions in Uttar Pradesh

UP promotes rain water harvesting but has not provided explicitly the support for it, as per the Industrial Policy, 2012.

Requirements in Uttar Pradesh

Rain/Waste water harvesting has been needed in states with little of less monsoon rains. Since UP has been fortunate to receive sufficient rains, it is presumed that such measures are not required in the state. Given the continued reduction in ground water levels across the state, it is very important to lay emphasis on such measures of water conservation. Also since the demand of water as per the Central Water Commission is witnessing year-on-year growth, the state should promote rain/waste water harvesting.

Analysis and Recommendations

Karnataka has the best incentive to promote Rain/Waste water harvesting in the state. *UP should also encourage such measure by providing adequate support and suitably incentivized for investment in such technologies.* Moreover, awareness campaign should be made for to encourage units to adopt this measure.

3. Environment clearance

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:** Government may examine the possibility of exempting all MSME projects falling under the green category and not included in the list of polluting industries from obtaining CFE/ CFO from Karnataka State Pollution Control Board (KSPCB).
- ii. **Rajasthan:** For 88 Green category industries, the receipt of deposit of fees will be considered as 'NOC' from the Rajasthan State Pollution Control Board (RPCB). Mapping of NIC codes for each of the 88 categories is being completed and will further facilitate the process
- iii. **Chhattisgarh:** Renewal period of consent to operate the industries issued by Chhattisgarh Environment Conservation Board will be increased to 5 years for red category of industries, 10 years for orange category of industries and 15 years for green category of industries.

Existing provisions in Uttar Pradesh

UP promotes Non-polluting micro and small enterprises which operate without deforming or harming the form of buildings and which do not pollute land, water and atmosphere, will be allowed to run in residential areas.

- a) Pollution Control Department, in consultation with Small Industries Department, has declare the list of such non-polluting enterprises.
- b) Enterprises, which are non-polluting and which do not cause damage to buildings, will also be allowed in multi-storey apartments. Necessary provisions will be made in building by-laws/regulations for the construction of such buildings

Requirements in Uttar Pradesh

Ministry of Environment has already notified a new categorization scheme for various industries – White, Green, Orange and Red category. The purpose of the categorization is to ensure that the industry is established in a manner which is consistent with the environmental objectives.

Uttar Pradesh government has taken few steps to ease setup of white and green industries. The eased norms allow for their setup in multi storey complexes and in residential areas. However for other industries in orange and red category, the clearance still remains a challenge.

Analysis and Recommendations

States like Rajasthan, Karnataka and Chhattisgarh has taken initiative to ease the process of environmental clearance of green industries. As like Chhattisgarh, UP too had consent period of 5, 10 & 15 years, however the mechanism has been changed 2, 3 and 5 years respectively. *This either should be re-set for orange and green category or the procedural measures should be made easy or automatic for the consent of NOC*

4. Carbon Footprint Lowering Technology

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:**
 - a. To promote usage of non-conventional energy sources, an incentive of 10% on capital cost (maximum Rs 5 lakh) is given
 - b. Provides 25% incentive to new unit for cleaner production measures
- ii. **Andhra Pradesh:**
 - a. 35% subsidy on cost of plant & machinery for specific cleaner production measures limited to Rs 35 lakhs for MSME, provided the measures are certified by Andhra Pradesh Pollution Control Board
 - b. 25% subsidy for sustainable green measures on total fixed capital investment of the project (excluding cost of land, land development, preliminary and pre-operative expenses and consultancy fees) with a ceiling of 50 crore
- iii. **Chhattisgarh:** Any MSME if adopting any technology to reduce Carbon Footprint, will be given a subsidy of 25% on cost of machinery, subject to maximum of Rs 10 Lakh.

Existing provisions in Uttar Pradesh

UP promotes usage of renewable energy and has a separate policy to encourage investment in Solar Power plants in the state. The policy also provides for industrial solar captive power plants. However the state currently does not have any other mechanism to reduce carbon footprint.

Analysis and Recommendations

Andhra Pradesh and Chhattisgarh have provided for special incentives for promoting clean production measures. UP may also consider adopting more aggressive incentives towards promoting clean production measures which would reduce the carbon footprint and rate the enterprises or state 'Green State'. This would also add to the brand positioning of UP.

Component of policy: Research & Development

1. Incubator/Accelerator

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. Karnataka:**
 - a. In order to extent technical support to MSME Sector it is proposed to establish the Technology Development Centre at NIMZ Tumkur with budgetary support of Rs 150 to Rs 200 crores funded by Ministry of MSME, GOI for which State Govt. will provide 15 acres of land free of cost
 - b. Technology Business Incubation Centre: 25% of the project cost (with a maximum limit of Rs 50 lakhs)
- ii. Gujarat:** Gujarat provides ICREATE (International Centre for Entrepreneurship and Technology) which provides end to end services for nurturing the start-up ecosystem. It offers support of 6 to 24 months to individuals seeking grooming, preparation & incubation support. It has approved 20 incubators so far as Nodal Institutions while another 18 being in process.
- iii. Haryana:** Under the design scheme of India, the State would refund the contribution of industries of Rs. 1 lakh per program. Also, State Government would provide 20% of the designing cost out of the 40% contribution to be made by the Industry.
- iv. Rajasthan:**
 - a. Plug and play facilities will be encouraged to be set especially in the sectors of IT, Garment Making, Electronics and ESDM.
 - b. RIICO/RSIC would develop flatted factory complexes, including plug and play facilities, for MSMEs. The allotment shall be only to non-polluting enterprises.
 - c. Rapid incubation centre shall be established in each district of the state for encouraging MSME setups
 - d. A 3D and robotics laboratory would be setup with aid from state government of Rs5 crore.

Existing provisions in Uttar Pradesh

The Uttar Pradesh government in 2015 announced the setting up of State Innovation Fund worth Rs 50 crore to promote innovation in the region. An Innovation Cell would be set up to assist in operation of the Council and the Fund.

Uttar Pradesh has also started plug-&-play based incubation centres at Lucknow and Ghaziabad with around 13 e-SETU rural incubation centres at district level. For promoting establishment of new incubators, the state, in the first phase, is encouraging institutes, such as IIT/NIT/IIM, and Government colleges to set up new incubators or accelerators.

1. Host Institutes shall be provided capital grant of max 50% for IT infrastructure setup, subject to maximum of Rs 25 lakhs
2. The selected incubators shall get the financial support up to the tune of 5 Lacs per year for 5 years covering the deficit of the operational expenditure of Incubators.

The previous Government of Uttar Pradesh has announced to establish a Seed fund with an initial Corpus of Rs 100 Crores in phases to promote Incubators and mobilize start-ups in the state of Uttar Pradesh. The fund shall act as fund of funds. The recently formed government has also announced to form a fund of funds to fund start-ups and innovative MSMEs in the region.

Requirements in Uttar Pradesh

While creating the policy, the state needs to adopt a fail but fail-fast mind-set where entrepreneurship is encouraged despite facing failures. Since India is a start-up nation, by providing sufficient infrastructure the state would be able to derive additional benefit. There is need to establish incubators as a Nodal Institute in the state.

Infrastructure of government owned and even private engineering colleges (degree and diploma) can be used for R&D by existing units and for innovation and enterprise creation by new entrepreneurs. To realize this it will be necessary to either mandate or incentivize the institutions to actively take part in research and development. Alternatively, the state could subsidize the cost of R&D incurred by entrepreneurs individually.

Analysis and Recommendations

Central government has initiated the Atal Innovation Mission under which it is setting up best facility incubators across country. The state government should take advantage of this program and engage its higher education institutions to take grant under Atal Innovation Mission and establish several world class incubators in the state. Even such incubator can be set up in PPP mode with private investments, if the state government take it up on priority then several such setup may be created across state.

Individually, Gujarat has one of the best Incubator initiative across the country and Andhra Government has setup a world class incubator at Hyderabad. UP government currently promotes incubator setup under its Electronic Policy and the new government has already recently announced that it would establish the largest incubator facility in Lucknow. Such centre needs to be promoted as Nodal Institution.

2. IPR support

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** Financial support by reimbursement of 50% of the actual expenses (including filing fees, consultancy fees, search fees and maintenance fees) with a maximum of Rs. 25 lakh for both domestic and international patents
- ii. **Gujarat:** Individual/ any legal entity will be eligible for assistance under the scheme. 75% of cost /expenditure incurred subject to maximum Rs.25 lakhs for obtaining Patent registration of developed product.
- iii. **Orissa:** Orissa provides 100% reimbursement on cost of obtaining patent, maximum 10 lacs.
- iv. **Andhra Pradesh:** 75% subsidy on the expenses incurred for patent registration limited to Rs 5 Lakhs for MSMEs while for Trademark it is 50% or Rs 25,000, whichever is less. SC/ST entrepreneurs are eligible for 100% subsidy limited to 3 lakhs for micro and small enterprises.
- v. **Chhattisgarh (SC/ST):** Any MSME established by the entrepreneur of SC/ST category in the State, shall be reimbursed 60% of the amount spent in obtaining patent up to a maximum limit of Rs.6 Lakh
- vi. **Chhattisgarh (Gen):** Any MSME established by the entrepreneurs of general category in the State, shall be reimbursed 50% of the amount spent, maximum Rs 5.00 Lakh

Existing provisions in Uttar Pradesh

UP has notified in its industrial policy about providing assistance for obtaining intellectual property rights.

Requirements in Uttar Pradesh

The Startup India policy has been initiated to support the commercialization of innovation and also to promote innovation driven ventures. The central government provide for 80% incentive on IPR filing and provide tax holidays to such enterprises. Subsidy/Facilitation for IPR should also be provided by the state government because innovation drives business growth. UP is hub to research institutions of national repute however the mechanism for augmentation of innovation is missing in the state.

On recognizing the need of innovation in MSMEs sector, the entrepreneurs opine that the cost of patent application can potentially be waived/ reimbursed to promoting innovation.

Analysis and Recommendations

Andhra Pradesh, Orissa, Gujarat and Haryana have suitably incentives for IPR support.

UP too has identified support for IPR and has explicitly mentioned it for specific sectors. *The state government should emphasize on financial assistance for obtaining IPR and such assistance could range in between 75% to 100% of the cost.*

Also the benefit of Atal Innovation Mission and National Innovation foundation need to be made accessible to the entrepreneurs of UP, through a special nodal for innovation augmentation similar to industrial nodal 'Udyog Bandhu'. Such nodal can also take up awareness drives for IPRs and its adoption by the entrepreneurs in the state.

3. Research assistance/grants

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Haryana:** Subsidy of 50% subject to maximum of Rs. 5 lakh for the purchase of testing equipment to micro & small units only
- ii. **Karnataka:** Recognised R&D centres are eligible for a 50% capital subsidy limited to Rs 500 Lakhs. Minimum two R & D centres per annum are promoted.
- iii. **Rajasthan:** Research development and testing laboratories set up by MSME associations will be given land at 50% of the DLC rates and the state government shall provide 50% of the capital cost incurred on establishment subject to limit of Rs 2 crore.

Existing provisions in Uttar Pradesh

UP has taken steps under Industrial Quality Development Subsidy Scheme in which loan taken by the industrial association as well as group of industries will be reimbursed to the extent of 5% of the cost for industrial research, quality improvement & product development for a period of 5 years. It also encourages establishment of Centre of Excellence for specialised sectors such as big data, cloud computing etc. across the state to promote R&D, innovation in the IT sector.

Requirements in Uttar Pradesh

Sector specific R&D centres should be built and incentives should be given for their commercialization. State has unlimited potential and such potential should be leveraged by promoting R&D activity in the state. States who emphasize on R&D are promoting innovation and making state marketable on this element.

Research assistance and grants can provide the additional support for development and growth of modern and hi-tech industries. These can be extended in diverse ways including part support to projects commissioned at reputed institutions by private enterprises.

Analysis and Recommendations

Karnataka and Rajasthan has the best incentives and initiatives with respect to promoting research. However, Karnataka has emphasized more on the Research & Innovation. UP should also emphasis and provide suitable support for Industry collaboration R&D activities by establishing R&D centre in collaboration with Central Government or in PPP mode.

Central government has established National Innovation Foundation and have also initiated the Atal Innovation Mission under which it is setting up research supporting incubators across country. The state government should take advantage of this program and engage its higher education institutions to take grant under Atal Innovation Mission and establish several world class incubators in the state. Even such incubator can be set up in PPP mode with private investments. If the state government take it up on priority then several such setup may be created across state.

4. Assistance for Technology adoption

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:**
 - a. **For Technology Adoption:** Subsidy of 50% on cost for adopting technology from recognized National Institutes, subject to a maximum of Rs. 25.00 lakh
 - b. **For Technology Upgradation:** The State would also provide interest subsidy of 5% subject to a maximum limit of 5 lakh per year for a period of 3 years to such units eligible under this scheme
- ii. **Karnataka:** 5% interest Subsidy on Technology upgradation loan availed from KSFC, KSIIDC & Scheduled commercial banks, which are not covered under CLCSS. Also 25% of cost (max. Rs 50,000) for adopting technology from recognized national laboratories.
- iii. **Gujarat:** A new MSME setup may acquire appropriate technology from recognized institution for its product/process during the operative period of the scheme, will be provided assistance by way of 50% of the cost payable subject to a maximum of Rs 50 lakh, including royalty payment for first two year. However, assistance will not be eligible for purchase of any plant and machinery or equipment.
- iv. **Chhattisgarh (SC/ST):** The eligible MSME excluding core sector and saturated category industries established in the State shall be reimbursed 60% of the amount spent on purchase of technology, up to a maximum limit of Rs.6 Lakh.
- v. **Chhattisgarh (Gen):** The eligible MSME excluding core sector and saturated category industries established by the entrepreneurs of general category in the State shall be reimbursed 50% of the amount spent, subject to maximum limit of Rs 5.00 Lakh.
- vi. **Karnataka:** Karnataka provides 25% incentive to new unit for cleaner production measures and in addition to that 25% assistance on fund provided for adopting technology from National Laboratory.

Existing provisions in Uttar Pradesh

UP also provide technology up-gradation reimbursement under Technology Up-gradation Scheme of Central Government. It provides assistance for money spent on purchase/import of technology enhancing quality and production by reimbursing 15% subject to a maximum of Rs 10 lacs.

Requirements in Uttar Pradesh

Reward through incentives, tax holidays, subsidies etc. should be provided for adoption of new technology. Technology adoption increases efficiency as well as productivity of any state. States which are up to date with new tools in their working model are far more efficient and productive than other states which lack behind.

A large part of the total value in a supply chain resides in technology these days and hence the maximum threshold levels will have to be raised very significantly. Further if the amounts are too large, the enterprise can be extended soft loan for its purchase.

Analysis and Recommendations

The adoption of technology could benefit in several ways - provide cost benefits, innovate and advanced product development, optimal utilization of resource etc., in effect provides he competitive edge to the industrial enterprises. Gujarat and Haryana has the best incentives for Technology Adoption and UP may also adopt such measures to emphasize on Technology Adoption

The current level of assistance in insignificant in its quantum and UP government should consider extending it to somewhere between 30 -50 lakh.

Component of policy: Public Procurement Policy

1. Procurement from SME

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

i. Karnataka:

- a. Department of Industries will conduct an annual vendor development event at the State level to bring together MSMEs and large manufacturers/Public Sectors. Similar events at the District level also will be conducted. An online system will be created for tracking of collaboration/vendor opportunities for MSMEs.
- b. Preferential pricing of 15% will be allowed for the goods manufactured by MSMEs in the state in case of purchases by the government departments and government undertakings

ii. Haryana:

- a. Manufacturing MSMEs who have filed Entrepreneur Memorandum in Haryana in respect of the quoted items, participating through direct tender without any intermediaries and shall not sub contract to any other firm and shall carry the entire manufacturing in their enterprise, shall be eligible for exemptions as mentioned below
- b. Manufacturing Medium enterprises: The concession will be applicable only for one year to newly registered enterprises or to those who do not qualify otherwise
 1. Exemption in respect to Past performance as part of Qualifying requirements
 2. Purchase preference: 10% of the total tendered quantity provided quoting price within band of L1+15%, by bringing down their price to L1
- c. Manufacturing Micro and Small Enterprises
 1. Exemption for Tender fees
 2. Exemption for Earnest Money deposits
 3. 90% concession on performance security
 4. Turnover concession of 80% to Micro enterprises and 70% for Small enterprises
 5. Exemption in respect to Past performance as part of Qualifying requirements
 6. Purchase preference: 50% of the total tendered quantity provided quoting price within band of L1+15%, by bringing down their price to L1

- iii. Andhra Pradesh:** GoAP will leverage the Public Procurement Policy of Central Government, for Micro and Small Enterprises (MSEs), which mandates the Ministries, Departments and Public Sector Undertakings to procure minimum of 20 per cent of their annual value of goods

or services from MSEs and GoAP will take all necessary steps to create a base of MSME suppliers in Andhra Pradesh

iv. Rajasthan:

- a. Rajasthan passed Rajasthan Transparency in Public Procurement Act 2012, which also give due preference to MSME reservation in procurement
- b. In order to equip SMEs to cater to the requirements of the PSUs, activates would be taken up under the vendor development program for a direct interface and linkage between the PSUs and the vendors.
- c. Concessions to MSMEs. Tender forms shall be made available at 50% of prescribed costs. Earnest money deposit at 0.5% of the estimated value of purchase/services. Security deposit will be 1% of the value of the purchase/services
- d. Purchase preference to MSMEs of the state in accordance with the provision stated in the Procurement of Stores Rules 2015, as notified by state govt.
 - i. Preference shall be given to local enterprises to supply 80% of the Bid quantity. Out of this 80%, minimum of 60% would be required to be purchased from the local micro & small enterprises, in case they have also bid, and within this 60%, 4% shall be earmarked for procurement from local micro and small enterprises owned by member of Scheduled Caste or Scheduled Tribe.

v. Chhattisgarh:

- a. A Plant Level Committee will be constituted under the Chairmanship of Principal Secretary / Secretary, for protection of marketing interests of MSME under the country public procurement policy effective from 01.04.2012, in which the Managing Director of the concerned public enterprise and industrial association will also be members. Full attention will be given on the protection of interests of established ancillaries.
- b. Necessary amendments will be made in prevailing Chhattisgarh Store Purchase Rules for protection of / making competitive the micro and small enterprises of State. Effective provisions will be made for implementation of Chhattisgarh Store Purchase Rules by the corporations, board and other government institutions of the State.

Existing provisions in Uttar Pradesh

The Purchase policy of the State will be implemented according to the corresponding policy of the Central government. Although UP has identified and notified the central government policy of public procurement, but the same is yet to be executed/implemented.

Requirements in Uttar Pradesh

Admittedly, UP is one of the most backward of the states in India. To ensure setting up of modern industries, the state has to offer additional advantages to make the state attractive for investors and entrepreneurs. One such attraction can be assured government business to enterprises in the state.

The government should *at least adopt the central policy that mandates 20% reservation of procurement for MSMEs and preferably make provision for 30% reservation.*

Analysis and Recommendations

In order to boost products which are made in India, recently the Central Government has announced amendments to its public procurement policy.

- i. Under the new policy, purchases up to Rs 5 lakh are exempted. For those between Rs 5 lakh and Rs 50 lakh, if the ministry concerned assesses that there is sufficient capacity domestically, then only local suppliers will be eligible. Any entity whose products have 50% or more domestic content will be considered a “local supplier”
- ii. Similarly, contracts above Rs 50 lakh or where there is inadequate supply base or competition in India -will be awarded to the lowest bidder. But if the lowest bidder is not a local supplier, the lowest cost domestic player -who is within a margin of 20% of the lowest bid -will be given the opportunity to match the bid

The Central Government is also set to make **Govt E-Marketplace (GeM)**, mandatory for all its departments to procure goods and services through its Amazon-like e-marketplace, which will also introduce preference for domestic players. GeM is the most transparent, accountable and efficient public procurement portal and has already resulted in savings of crores of Rupees to the Government. *A similar state level initiative is needed in UP where the preferential buying mechanism from MSME, should also be incorporated*

However at the state level, UP has notified in the letter about the Central Government Procurement Policy to adopt 20% reservation for MSME but no concrete step has been taken by the Government. *Preferably a provision of 30% will act as a great boost, however UP Government should at least execute/implement Central Public Procurement Policy, through an Act in State with strong emphasis on its norms for State PSU/Department to comply with policy.*

2. Transparency in the monitoring system

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Rajasthan:**
 - a. The state has provision for public procurement and transparency through an act i.e. 'Rajasthan transparency in Public Procurement Act, 2012'
 - b. The data of procurement from micro, small & medium enterprises is vital for strengthening the policy and for this purpose, every procuring entity shall include procurement to be met from micro, small & medium enterprises in their respective procurement plan and achievement made, thereto, in their respective Annual Reports
- ii. **Chhattisgarh:** "State PMG" portal is being developed for resolving the problems/difficulties faced in establishment of industrial and infrastructure projects in the State.

Existing provisions in Uttar Pradesh

UP has an existing monitoring system but certain has not been able to instil the faith in the entrepreneur community. They feel the current system lacks transparency and should be strengthened.

Requirements in Uttar Pradesh

A well-structured monitoring system with 100% transparency element is desired and would encourage suitable business environment as well as benefit the MSME of the states. Such transparency in the public procurement system would open up huge opportunity to the MSMEs as well as Start-ups in the state and would help generate more employment in the state.

Additionally, on receiving feedback from the entrepreneurs, there is immense need to expose crony capitalism practiced in state PSUs by including PQRs to suit previously chosen tenderers. This vicious ring can be broken only by infusing necessary transparency in the process and supplementing it by a mechanism for effective grievance redressal.

Analysis and Recommendations

Currently notification for adoption of policy has been made with little or zero implementation. Any such implementation would be incomplete without bringing transparency into the system, which can quantify the impact of implementation and bring forth real achievement instead of desired achievement.

The Central Government is also set to make **Government E-Marketplace (GeM)**, mandatory for all its departments to procure goods and services through its Amazon-like e-marketplace, which will also introduce preference for domestic players. GeM is the most transparent, accountable and efficient public procurement portal and has already resulted in savings of crores of Rupees to the Government. *A similar state level initiative is needed in UP where the preferential buying mechanism from MSME, should also be incorporated and tracked.*

Component of policy: Entrepreneurship Development

1. Entrepreneurship Development

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** The financial support of Rs. 2 lakh shall be provided to Government Universities/ NIT/ IIT/ Technical Institutes for conducting entrepreneurship development program
- ii. **Uttrakhand:** The state observes 'Self-employment and Entrepreneurship Day' on the last Friday of every month in all Districts. Officers from all related departments, banks and other organizations are present to provide information and advice to the entrepreneurs.
- iii. **Chhattisgarh:**
 - a. Chhattisgarh Consultancy Organization (CGCON) will be formed in the State as joint venture with CSIDC an undertaking of the department, nationalized banks and other govt. departments for various activities related to entrepreneurship development in the state
 - b. Project profiles of potential industries in the district prepared through Micro, Small and Medium Enterprise Institute and other approved agencies in the State will be provided to entrepreneurs free of cost.

Existing provisions in Uttar Pradesh

Institute of Entrepreneurship Development, Lucknow has been developed as a State level premier institution for Entrepreneurship and Human Resource Development. Regular programmes will be organised for skill upgradation and capacity enhancement for the officers concerned with industrial development. Moreover, regular training and faculty outsourcing etc. would be carried out with the help of other institutes of excellence in the country.

The state also has three MSME Development Institutes in the state of Uttar Pradesh at Allahabad, Agra and Kanpur.

Requirements in Uttar Pradesh

Capacity development of the Entrepreneur should be given priority by the state. This can be achieved by reimbursing or subsidizing the course fee of the reputed institutes like IIM, IIT etc. This can promote entrepreneurship & expand its scope in the state.

Institute of Entrepreneurship Development (IED) at Amausi, in Lucknow should be further empowered to strengthen capacity building among the existing and aspiring entrepreneurs of the region.

Analysis and Recommendations

Haryana and Uttarakhand have taken good initiative for Entrepreneurship development. Similar initiative of providing financial support to the Universities/State Technical, Professional Colleges for Conducting Entrepreneurship Development Program, could also be adopted the state government. Programs which have been planned by all such institutes, should be in consultation with the beneficiaries.

Entrepreneurship Development Institute of India (EDI), Ahmedabad has been notified by the Central Government as nodal for several initiatives towards capacity build-up of the entrepreneurs and also for augmentation of Start-ups in India. The state government can also leverage this by initiating state level collaboration with EDI on various fronts.

Leadership Development Programs for building capacity of the Entrepreneur or the Leadership team of an industrial setup, may be initiated with IIM and IITs, and the fees for such programs may be subsidized. Such programs may have lasting impact in organizing and scaling up of such enterprises.

Accredited MSME Associations from NABET (QCI) may also be involved in this task of Entrepreneurship Development and Skill Development.

2. Training cum funding schemes

Best Policies/practices across States in India

The Central Government NSIC Training – cum – Incubation centre for small Enterprises established under PPP model provides training to the first generation Entrepreneurs to become owner of Small business Enterprises. On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Rajasthan:** Interest subsidy would be provided to unemployed youth, women, educated and unemployed women and SC ST and differently-abled persons for setting up micro enterprises, as per the provisions contained in Bhamashah Employment Generation Scheme 2015
- ii. **Uttarakhand:** Chief Minister’s Self Employment Scheme on the pattern of erstwhile Prime Minister’s Rojgar Yojana (PMRY). Micro Enterprises in Industry, Services and Business Sector will be provided smaller loans up-to Rs 5 lakh for manufacturing and Rs3 lakh for business and service sector through the Banks. Margin Money Assistance will be provided in urban areas at 15% to 25% and 25 to 35 % in rural areas
- iii. **Chhattisgarh:** For entrepreneurship development among the youth, entrepreneurship development programs will be organized in the entire state by preparing a yearly calendar coordinating the entrepreneurship programs organized by various departments and enterprises

Existing provisions in Uttar Pradesh

UP has also started Training cum Incubation centre in rural area i.e. e-SETU. The state also started IT UPVAN i.e. Plug & Play model based incubation centre in Ghaziabad and Lucknow.

Schemes will be implemented to provide benefits of the expertise of Technical Training Institutions in the State like ITIs, GTIs etc. to the industry; under these schemes, industrial employees would get training without appearing for entrance examination. A quota of 10% will be reserved for employees of industry. “Learn & Earn” scheme will be implemented effectively in these institutions.

Under the latest start-up policy, several provisions were created however the same are yet to be implemented:

- a) Start-ups at the ideation stage shall also be provided with sustenance allowance of Rs 15,000 per month for a period of 1 year whose project is recommended by Nodal agency and approved by the committee.
- b) Start-ups at the Pilot stage, upon securing of min funding of 25% from a known and registered angel/venture funds/ reputed incubators by start-up, a marketing/ commercialization assistance of 25% of actual cost or Rs 10 Lakhs whichever is lower, shall be provided to start-ups in 3 phases to launch its product /services in the market subject to the bi-annual review of the progress

Requirements in Uttar Pradesh

Plug & Play facility encourages Entrepreneurship in the state. Such facility brings the best out of the Entrepreneur. Moreover there is need of promoting the failure of innovation because good innovation require several failures. Such training cum funding scheme would encourage Innovation in the state.

Analysis and Recommendations

The central government NSIC training cum incubation centre for small enterprises is one of the best such initiative. The state should provide training on PPP model to promote self-employment/ Entrepreneurship in the state as per the central government initiative. It should continue to provide financial assistance or funding to the certified Entrepreneur case on case basis. A complete model of Training cum Funding scheme should be promoted throughout the state.

The sustenance allowance and commercialization incentive under the IT and Start-up Policy is a unique initiative of the state however the same has not benefitted a single start-ups so far. The budgetary provision under the scheme should be increased and adequate benefit should be extended to the Incubation Centres across states. Such measures will help initiate several interesting start-up projects in very corner of the state.

3. CMEGP/ PMEGP

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **PMEGP:**
 - a. The PMEGP scheme was launched by the Central Government in 2008. Under this scheme, the money to be brought up by the Entrepreneur is just 5% to 10% of the project cost and the rest is taken care by margin money and loan. Condition applicable is Maximum 25 lacs for manufacturing unit and 10 lacs for Service Enterprises.
 - b. Under the scheme, an individual can have a maximum grant for Rs. 25 lakh for project in manufacturing sector and Rs. 10 lakh in service sector. The contribution of the beneficiary is 10% of the project cost (5 % for in case of in case of reserved category beneficiary).
- ii. **Chhattisgarh:** Chhattisgarh also provide Margin Money Subsidy of 25% of the Project cost for industry up-to Rs 5 crore to Women/Differently Abled/Retired Soldier subject to maximum of 35 lacs for setting up industry.

Existing provisions in Uttar Pradesh

Under CMEGP scheme Government will provide 90% of the margin money (or borrowed money), which it has fixed at 35% (Rs 8.75 lakh) of the total project cost (Rs 25 lakh). State government will directly fund Rs7, 87,500 and remaining will be arranged as loan.

Requirements in Uttar Pradesh

Self-employment not only increases the number of enterprises in the state but it also generates more employment in the state. Such policy has been helpful to encourage micro entrepreneurs in the state. However the CMEGP program is no longer inducting any new application while PMEGP is accepting limited applications.

It has also been recommended in the 'One Man Committee Report for MSME Policy by Central Government' that Good programmes and schemes should be adopted with such modifications as appropriate e.g. Credit Guarantee Scheme, Credit Linked Capital Subsidy scheme, SFURTI, PMEGP etc

Analysis and Recommendations

CMEGP program should be reinitiated to support Micro start-ups and should be extended to the professional training institutes such as ITI, IED, State Universities etc. Also if the *program nodal can be setup at the UPTU and reputed state universities, the benefit could reach a larger audience*. Such initiatives can have a huge impact on employment creation in even the remotest corner of the state.

4. Skill Up-gradation and Training

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Telangana:** The state has taken initiatives to promote skill up-gradation & training at industry level by reimbursing 50% of the cost involved in training the local man-power subject to a maximum of Rs 2,000/person as a one-time facility.
- ii. **Haryana:** For textile sector, the state government provides for one-time support of Rs. 10,000/- for capacity building of persons belonging to Haryana (skilled/semi-skilled) engaged in apparel rural functional clusters in 'B', 'C' and 'D' category blocks.
- iii. **Rajasthan:** Rajasthan Skills and Livelihood Development Corporation (RSLDC) is the state nodal agency for imparting skill development training across state. These programs will be focus on providing skilled manpower as per the requirements of the MSME enterprises. RSLDC maintains a database that is accessible to the enterprise and provides a direct interface with skilled manpower
- iv. **Chhattisgarh:**
 - a. Entrepreneurs of the State will be sent for entrepreneurship related training to the prestigious "Entrepreneurship Development Institute, Ahmedabad" and other reputed institutions.
 - b. Services of other technical and management institutes will also be taken for development of entrepreneurship and co-ordination will be made to get the entrepreneurship development program included in their curriculum
 - c. A new framework of the course of entrepreneurship development programs in which facility of practical training and industrial tours will be included

Existing provisions in Uttar Pradesh

UP has taken various initiatives to support skill up-gradation. UP has identified Skill development as an important factor in development of any state with empowered the State Skill Mission for skilling of the youth. A budgetary provision has been made each year to fund the State SDM. Hence, initiative like bridge course facilitation in specialized institution was taken along with other initiative.

Requirements in Uttar Pradesh

The state should adopt a cluster approach to promote industrial setups and provide for Sector specific skill development centre in each cluster. Such centre should initiate build capacity for entrepreneurs and their staff alike.

Also, state does not currently emphasizes on the industry linked skill development program to train local manpower by reimbursing the training cost. People do not opt for industrial vocation since the state perception is negative towards industrialization. Thus, action in respect to industry linked skill development would develop manpower as and how desired by the industry. In order to support the industry specific needs, Industry Sponsored Skill Development or Training Program should be emphasized.

Analysis and Recommendations

The programs which have been supported by the National Skill Development Mission ad State Skill Development Mission are marred with ineffective execution in the state.

Telangana has taken good initiative for promoting industry linked training. Such training should be promoted throughout the country. UP should also adopt a more extensive policy for Skill Upgradation in conjunction with industry by providing subsidy to the Employer for Training cost and by providing On the Job training to the fresh candidates. Such subsidy could be in between 50% to 60% of the cost subject to maximum limit.

Component of policy: Trade Facilitation

1. Marketing Assistance/Initiative

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Haryana:** Budget provision of Rs. 10 crore for brand building and on-line trading of products manufactured by MSMEs, Handloom/ Handicrafts/ Khadi Products
- ii. **Gujarat:**
 - a. GTU (Gujarat Technical University) has established Study cum Trade Facilitation Centre in East-Asian Countries to encourage business in the state and also emphasize on marketing of its product by promoting its product as 'Zero Defect' in order to develop hitherto unchartered markets increasing the competitiveness of its product on the global front.
 - b. It also promotes Gujarat as an Exhibition Hub which brings in further business for its units both at national and international level. The state, under this initiative, reimburses the units for expenses incurred for participation in Trade Fairs around the world.
- iii. **Rajasthan:** Organization of fairs, expositions and Buyer & Seller meets, and assistance provided under on-going schemes for setting up stalls and participation in such events, are exempted from payment of 50% of Mandi Fee for seven year.
- iv. **Uttarakhand:** In order to support the development of MSMEs in the state, the government has created institutional support through Entrepreneurship and Skill Development Cell, along with Vendor/ Ancillary Enterprises and Cluster Development Cell
- v. **Chhattisgarh:** Many such materials are required by state government departments, the production of which has not been started in the state; starting of such industries in the State will be encouraged.

Existing provisions in Uttar Pradesh

UP also organizes buyer-seller meet and reimburses the stalls but the marketing approach of UP for the promotion of its unit is not at par with the other emerging states. In addition, Central Government provides return air fare for participation in overseas fair/trade to the extent of 75% of cost for MSME. UP also provides 50% support for Air fare by economy class max. upto Rs. 50,000/- per such fair, for one person.

In order to facilitate MSMEs, private investors will be encouraged to create sourcing hub and marketing hub, the state government will provide subsidy of 15% or maximum of Rs 10 for the purpose.

Requirements in Uttar Pradesh

The state should promote intra state trade through incentive measures. Also, state does not emphasize on branding in respect to product and its quality. Such branding initiative brings value addition to the state total industrialization outlook. Gujarat has emphasized on its quality and has garnered excellent results. *Entrepreneurs are of the opinion that the state machinery should be made more efficient in this respect.*

Analysis and Recommendations

The industrial entrepreneur seriously lack the bandwidth and also exposure required to market its produce, as a result they wish they prefer to produce goods which can be supplied to Government department and PSU in the region.

There are several ready opportunities for the country which the state may benefit from, however the entrepreneurs in their individual capacity may not be able to access and develop on such opportunities. Hence a push from the state will help a great deal.

1. Very little Business to Business (B2B) and Business to Customer (B2C) segment products are being developed in the region. As suitable marketing support or vendor development program if initiated by the state machinery, can go a long way in creating a good number of mid-sized industrial setups in the region.
2. There is serious push towards Make in India for defence sector. This should be seen as an opportunity and promoted in a way that several MSME can take advantage in the region. The promotion of defence manufacturing can also create several ancillary units in the region
3. Big ticket or Mega, Ultra Mega projects will also create opportunity for several ancillary units around them. The state Government should push for attracting such projects to the region, which in turn create opportunity for the MSMEs in the regions

Gujarat and Haryana have taken some interesting initiative for developing the markets for goods produced by its MSMEs. UP should emphasize on Marketing of its unit by stressing on the Quality of its product as Gujarat emphasizes on 'Zero Defect' as well as promote the State under the 'Make In Uttar Pradesh' campaign as an umbrella for all sector.

2. Import and Export Support

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:** The state government has created a separate policy for export and import promotion:
 - a. **Market Development:** An assistance scheme includes financial support for visit of Trade Delegations to other countries, participation in International Trade Fairs/ exhibitions, Market Survey Reports, Publicity in foreign media etc. Initially an outlay of Rs 1.00 crore per year will be provided under the scheme.
 - b. **Brand Equity:** A brand equity fund with an allocation of Rs 1.00 crore per year for building strong globally competitive brands for products manufactured /produce originating from Karnataka.
 - c. **Market Research:** A market research fund with an allocation of Rs 1.00 crore per year to activate a mechanism for providing live and timely market information on products and markets which will help the SME exporters to enter the export market directly.
 - d. **Technology up-gradation:** Priority is given to the exporting units of the State to avail of the facilities under the Technology Up-gradation Fund.
- ii. **Orissa:** Orissa is establishing an Export Resource Centre for the promotion of Export in the state.
- iii. **Chhattisgarh:** A reasonable system will be implemented for the tax exemption on the products exported from the State. Additional industrial investment incentives will be provided to exports related manufacturing industries.

Existing provisions in Uttar Pradesh

UP has an extensive promotion policy for export oriented enterprises. The state provide freight assistance up-to gateway port for MSME. Under this scheme, financial assistance to the extent of 25% of the total inland freight charges with maximum ceiling of Rs 5000/TEU is given for container booked from ICD's/CFS located in UP. It also provides Air Freight Subsidy for MSME for Export. Under this, Financial assistance up-to Rs2 lacs on Export Cargo sent by Air Cargo complex in UP. Benefit can be availed on 20% of freight charge or Rs50/Kg whichever is less.

Assistance is also provided for development of Market by way of financial assistance to the extent of 50% on stall charges and 50% on transport expense subject to a maximum of Rs 15,000 and 5,000, respectively.

Requirements in Uttar Pradesh

The state should develop specialized freight stations. Additionally, since the state industrial export is declining, the state *should emphasize on promotion of industrial export*.

Analysis and Recommendations

Karnataka and Orissa have taken initiatives to encourage export from the state. Most preferably Karnataka has been aggressive for promoting export in the state. Such initiative for Market Research & Technology Upgradation should be promoted in the state. In addition to that, Export resource center should be developed to facilitate Entrepreneurs to expand their reach. Also, new Air cargo facility should be established along with custom clearance facility

3. Transportation Support

a. State Transport Subsidy

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Uttrakhand:** MSMEs established in category A region will be provided subsidy of 7% of annual turnover (max up to Rs 7 lakh per year per unit), while in category B region the subsidy will be 5% of annual turnover (max up to Rs 5 Lakh per year per unit).

Existing provisions in Uttar Pradesh

Uttar Pradesh is located far away from the ports of India. Due to this geographical disadvantage, the exporters of Uttar Pradesh are at a comparative cost disadvantage to other exporters based in states close to the ports. To overcome this cost disadvantage faced by the MSME sector of the State, UP Government has started Freight Assistance up to Gateway Port scheme for MSMEs to compensate them for additional cost of freight.

However UP does not have provision for subsidy for state wide transportation requirements.

Requirements in Uttar Pradesh

States which provide transport subsidy are more competitive than any other states. Transport subsidy decreases operating cost of the product and enhance competitiveness of the product which makes it more attractive for the enterprises bringing in more investment in the state.

While it is difficult to build a case for transport subsidy, the policy can include plans for promoting multi-modal transportation of goods making local industries competitive by reducing time and cost of transportation.

Analysis and Recommendations

Uttarakhand has taken the initiative to provide subsidy for State Transportation cost also, because the regional terrain is not easy for logistics. UP being in the plain region, may not need such incentives however if the same is provided then that can add to the competitiveness of its industrial setups.

b. Entry Tax – On Capital Goods, on Raw Material

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Karnataka:** 100% exemption from payment of ET on 'Plant & Machinery and Capital Goods' for an initial period of 3 years from the date of commencement of project implementation. On raw materials, inputs, component parts & consumables for a period of 5 years from the date of commencement of commercial production.
- ii. **Chhattisgarh:** Entry tax exemption shall be provided to eligible MSMEs in Industrially developing regions, up-to 5 years for general industries and up-to 6 years for priority industries. In industrially backward regions up-to 6 years for general industries and up-to 7 years for priority industries.

Analysis and Recommendations

With the advent of GST this segment will be of little importance. However taking cue from other states, the UP state government may consider for promotion of state MSMEs through various innovative mechanisms

4. Assistance for Quality

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Haryana:** The state government provides for 75% reimbursement or maximum of Rs 1 lakh for obtaining ISO certifications
- ii. **Karnataka:** Incentive are provided to the tune of
 - a. 75% of the cost of ISO certificate subject to maximum benefit of Rs 75,000
 - b. 50% of fees payable to BIS subject to maximum Rs 20,000
 - c. 25% of the cost for purchase of testing equipment subject to maximum Rs 50,000
 - d. 75% of fees payable to patent office subject to maximum Rs. 1.25 lakh
 - e. 50% of the cost of attorney subject to maximum Rs 75,000.
- iii. **Gujarat:**
 - a. 50% of the capital cost for installing the Enterprise Resource Planning (ERP) system of approved ERP service provider by industries Commissionerate, subject to a maximum service provider by Industries amount of Rs 50,000/-
 - b. 50% of all charges including consultancy fee up-to a maximum amount of Rs 50,000 paid for obtaining ISO certification.
 - c. 50% of all charges up-to a maximum amount of Rs 5 lakhs paid for obtaining of each certification for ISI/WHO-GMP/Hallmark certifications & other national/International certification approved by Quality Council of India
 - d. 50% of fee payable to Recognized International Certification Authority and 50% cost of testing equipment and machinery required for that certification, totalling up-to maximum amount of Rs 10 lakhs.
- iv. **Rajasthan:** The following assistance would be provided to MSMEs to get quality certifications
 - a. 50% of all charges up to a maximum amount of Rs 3 Lakh paid for obtaining each certification for ISI/BIS/WHO-GMP/Hallmark Certifications & other national/international certification approved by the Quality Council of India
 - b. 50% of the fees payable to recognized international certification authority and 50% cost of testing equipment and machinery required for that certification, up to a maximum amount of Rs5 Lakh

- c. Total assistance from GOI and state government would exceed 75% of the total eligible cost incurred by MSME for said purpose.
- v. **Orissa:** Orissa has one of the best policy with respect to Quality i.e. 100% assistance on cost of ISO Certification/ISI/WHO-GMP/Hallmark/International/National Certification as well as 100% reimbursement on cost for obtaining Patent.
- vi. **Andhra Pradesh:** 75% subsidy on the expenses incurred for quality certification limited to Rs 5 Lakhs for MSMEs. SC/ST entrepreneurs are eligible for 100% subsidy limited to 3 lakhs for micro and small enterprises.
- vii. **Chhattisgarh (SC/ST):** Any MSME industry established by an entrepreneur of SC/ST category in the State, shall be reimbursed 60% of the amount spent, maximum Rs 1.25 Lakh for obtaining ISO 9000, ISO 14000, ISO 18000, ISO 22000 category, BIS certification, Bureau of Energy Efficiency (BEE) certification LEBP certification in the field of new and renewable energy, AGMARK, Euro Standard or other equal national/international certification
- viii. **Chhattisgarh (Gen):** Any MSME industry established by an entrepreneur of general category in the State shall be reimbursed 50% of the amount spent, maximum Rs 1.25 Lakh, for the certification mentioned above

Existing provisions in Uttar Pradesh

UP provides for 5% reimbursement on Interest for test lab, tool room, etc. while emphasizing promotion of quality certification but has not explicitly mentioned quality support in its Industrial Policy.

Requirements in Uttar Pradesh

Quality increases the acceptance of the product in the competitive global market. Promoting quality certificates and initiative would encourage competitive & quality manufacturing in the state and thus would take Uttar Pradesh to its true potential. Emulating best policies/practices in assisting units to obtain quality and other certifications is an excellent idea. Supporting firms to install ERP is also well conceived.

Analysis and Recommendations

Quality assurance opens up the market for the goods so produced. Any industrial unit not only can sell the products in its home state but can access any market provided the goods are competitive in quality and pricing.

Gujarat and Rajasthan have some interesting incentives for Quality Certifications. UP should bring in a much attractive policy with respect to promoting competitiveness of its unit. It must provide financial assistance and promote improvement of production quality among its MSME entrepreneurs. The state should also provide for a common testing facility or should provide assistance on cost for setting up common testing facility.

Component of policy: Easy of Doing & Closing Business

1. Single window Clearances/ Greivances

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

i. Haryana:

- a. For all new projects or expansion of existing projects, all state clearances given in maximum of 45 days. Deemed clearance will be given in applications pending beyond 45 days
- b. Industrial approvals such as change of land use, building plan approval, consent to established/operate, Fire NOC, Power connection, Water connection etc. are given under one roof by applying through composite Application Form (CAF) on Invest Haryana portal
- c. Nodal officers from 12 departments permanently seated under one roof at HEPC Office.
- d. 3 Tier online grievance Redressal Mechanism to resolve long pending grievance of the investors
- e. Self-certification for various approvals in Labour and Environment Departments

ii. Karnataka:

- a. The state has also issued a negative list for the industries which shall not be eligible for incentives under the Industrial Promotion policy such as manufacturing of Tobacco and related products, manufacturing of alcoholic drinks, Fertilizer mixing etc.
- b. As defined under the Karnataka Industries Facilitation Act 2002, Karnataka Udyog Mitra (KUM) functions a single window mechanism facilitating all clearances through one nodal agency
- c. The state has taken targeted approach towards supporting MSME in the state. These are quantified milestones given to each department for support with minimum number defined for each segment of Micro, Small and Medium enterprises

iii. Punjab: The state government has not defined incentive for Micro enterprises. They have also issued a negative list for the industries which shall not be eligible for incentives under the Industrial Promotion policy such as Manufacturing of Tobacco and related products, manufacturing of alcoholic drinks, Vanaspati Ghee Mills, Rice Shellers with FCI of less than Rs 10 Cr, Fertilized Manufacturing etc.

iv. Andhra Pradesh: *Overall Andhra Pradesh topped the EODB Ranking of world bank.*

- a. GoAP shall constitute an MSME Facilitation Desk to provide one-stop solution to all MSME related queries/grievances. To further support the same, a helpline shall be established for ensuring better reach and coordination between GoAP and the MSME sector. MSME associations shall be co-opted in the Facilitation Desk to ensure establishment of a timely and methodical feedback channel.
- v. **Rajasthan:**
 - a. Application for all new investment proposals may be submitted at the District Industries Centre (DIC), under the single window system for time bound approvals. Online filing of Udyog Aadhar memorandum available.
 - b. Single clearance window system is applied through the Enterprise Single Window Enabling & Clearance Act, 2011.
- vi. **Uttarakhand:** In order to facilitate single window clearance mechanism in the state, the government has passed Single Window Facilitation and Clearance Act, thereby strengthening Udyog Mitra. They have also created Udyog Mitra committee for addressing various issues of MSMEs and Uttarakhand Micro and Small Enterprises Facilitation Council
- vii. **Chhattisgarh:** For simplified procedure of Industrial Investment at District and State level for Industrial projects of more than Rs.10 crores, Single Window Mechanism will provide full support and guidance. Single certificate will be issued by clubbing all consents In place of various operational consents for different activities in single premises. And in future the operational consent will be single.

Existing provisions in Uttar Pradesh

UP already has Udyog Bandhu 'Nivesh Mitra' as Single window system to address the problems faced by entrepreneurs and its scope of work will be expanded. Departmental and domain experts were appointed in Udyog Bandhu to provide technical knowhow on departmental and area specific issues pertaining to industry and business. Udyog Bandhu acts as advisor to State level monitoring committee. Towards this end, Udyog Bandhu will collate, compile and analyse information received from district and division level committees and will present to the State level committee for decision.

In the year 2012, the government extended the Nivesh Mitra facility to all 75 districts and made mandatory for setting up all kinds of large, medium and small scale enterprises in Uttar Pradesh. However, keeping in view the practical difficulties, micro enterprises have been provided with an option to either apply through Nivesh Mitra or manually.

Requirements in Uttar Pradesh

All state clearances should either be time-bound, or through automatic approval. Currently UP has a single window clearance but with certain limitations.

UP has been a pioneer in putting in place a forum to help existing and prospective entrepreneurs get quick remedies to their problems. However, the same institutions are no longer of any use. These need to be revived and revamped by emphasising timely redressal of issues. The entrepreneurs are of the opinion that the portal should implement transparency as its guiding principle. Ideally, the system should include all features that are relevant to them where they can verify the status of their requests and complaints.

The entrepreneurs feel that Udyog Bandhu is yet to achieve the desired level of operation and transparency. Additionally, the entrepreneurs want the clearance window to be implemented not just for new but also established units. *Udyog Bandhu or any such organization should be formed directly under Chair of Chief Minister.*

In addition to that, it is recommended in the "One Man Committee Report for MSME Policy of Central Government" an appropriate Grievance Redressal Mechanism and facility for online application for Central and State Government schemes may be suitably incorporated in the portal. Ideally, a single application for bank loans should also be incorporated in the proposed portal to reach the banks.

Analysis and Recommendations

Udyog Bandhu as a concept has been present in the state however the desired impact has not been achieved due to poor implementation and lack of organizational strength in the current mechanism. The system lacks teeth for effective coordination among departments, making it ineffective and inefficient.

As per the DIPP Report, Rajasthan Best Practice State for Single Window System while Andhra Pradesh and Telangana topped the EODB Ranking of World Bank. Rajasthan has passed an act, Enterprise Single Window Enabling & Clearance Act, 2011 which means that the Single window is governed through Act which is not the case with Uttar Pradesh. It also provided for time bound approvals for clearances, under the Act, which further strengthens the system.

States which have established the system by passing a state act have achieved better results. State such as Karnataka, have not only implemented Udyog Mitra under the Karnataka Industries Facilitation Act 2002, but also created a target based approach in achieving the impact on ground. The department have been given segment wise targets for micro, small or medium enterprises, for providing establishment support.

A dedicated Single Window Clearance Department directly under the Chief Minister's Office which seats all department representatives under one roof. Also UP should bring Udyog Bandhu under the act and also provide for timely clearance under the act. Further, such single window clearance can be named as "Single Window Clearance & Grievance Redressal System" and other stakeholders should also be involvement in oversight and governance of the mechanism

2. Investor Support System

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Karnataka:** A one stop online information centre has been established for Industrial Areas/ estates to enable
 - a. Application system for land in industrial areas/ estates
 - b. Profile and detailed information system for all industrial estates/ areas
 - c. Grievance Redressal Mechanism
 - d. A common website allow new investors to plan their investments and support existing industry through marking opportunities
- ii. **Gujarat:** The state has taken initiative of Investor Support System through a software, which provides information to the investor on parameters like Land Availability, Gas, Power, Proximity etc, with a click of a button.
- iii. **Chhattisgarh:** The State Investment Board has been established under the Chairmanship of Hon. Chief Minister under the Chhattisgarh Industrial Investment Promotion Act, 2002. Continuous monitoring of the cases of approval/ Sanction from the State and Centre Govt. of proposals of investment by the investor for setting up of projects in the State is being done and decision are taken. The decisions taken by the State Investment Promotion Board will be over riding on the existing Acts/Rules of the State.

Existing provisions in Uttar Pradesh

In its policy, UP has initiated a mechanism for timely resolution of problems of entrepreneurs on a single table, one senior officer will be nominated as Nodal Officer for each new megaproject. Depending on the scale and importance of the project, these nodal officers will be of the rank of principal secretary to special secretary. Nodal officer will be responsible for swift disposal of issues of the entrepreneurs by effectively putting their requirements before the departments concerned.

- a) Human resource base at District Industries Centres of Directorate of Industries, will be broadened for prompt issuance of approvals and sanctions to the industries.

- b) 'Golden card' facility will be provided to reputed entrepreneurs and state level Infrastructure & Industrial Investment Policy prime office bearers of prominent industrial associations to provide them priority and access to all government offices.
- c) A scheme to reward and recognise entrepreneurs making exceptional contribution to industrial development of the State will be introduced.

Requirements in Uttar Pradesh

Entrepreneurs find it difficult to map the area of their concern for investment and make the task very cumbersome. Facility of mapping the area with a click on different variability from land availability to proximity would save Entrepreneurs time and encourage positive business environment in the state.

Analysis and Recommendations

Chhattisgarh has passed an Act to support Investment in the state and empowered the State Investment Promotion Board for facilitating investment in the state.

Gujarat on the other hand provides for a software system which let the Entrepreneurs search for information on parameters like Availability of Land, Gas, Power, Proximity etc., with just a click. Such a system not only bridges the information gap but also adds to the convenience of the entrepreneur or industrial investor.

Such Investor Support System on the lines of Gujarat, can also be implemented in Uttar Pradesh. UP has earlier notified for such measures in its Industrial Policy, 2012 but no concrete step has been taken for the same till date.

3. Automated Service

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Maharashtra:** In Maharashtra, Maha e-Biz portal launched by Maharashtra has 45 fully automated service approvals and plan to add more fully automated approvals for Entrepreneurs.
- ii. **Madhya Pradesh:** In Madhya Pradesh also, 18 services have been automated for which clearances can be given from the system itself.

Existing provisions in Uttar Pradesh

UP has not specified about the automation of the service for clearance and approvals.

Requirements in Uttar Pradesh

Automation brings effectiveness and efficiency with productivity in line. Services which can be brought under the automation should be considered because it will effectively bring productivity to the department.

Analysis and Recommendations

Madhya Pradesh has 18 services fully automatic for which the clearance and approval are provided by the system itself. Maharashtra has 45 such services being automated through implementation of ICT. UP should also adopt a functional mechanism wherein automation of service for approvals & clearances should be done.

4. Days Constraint For Clearance & Grievance Redressal

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Andhra Pradesh:** GoAP will create an e-platform, for facilitating all necessary clearances for starting and operating an industry within 21 working days. This platform shall integrate requisite pre-establishment and pre-operation stage clearances provided by multiple agencies/ departments with provision for online filing and tracking.
- ii. **Haryana:**
 - a. For all new projects or expansion of existing projects, all state clearances given in maximum of 45 days. Deemed clearance will be given in applications pending beyond the deadline of 45 days
 - b. The 'NIRBAADH' (New Industrial Regulation by Automatic Approvals and Delegation in Haryana) Scheme has been launched which focuses on time bound approvals and clearances, self-certification, 3rd party verification
- iii. **Telangana:** Telangana has such provision of 15 days clearance to Mega Projects. The state has also launched the policy through an act called 'Telangana State Industrial State Project Approval and Self Certification System'
- iv. **Rajasthan:** The state government has brought timely clearances and approvals under an Act thereby strengthening the Single Window System in the state.

Existing provisions in Uttar Pradesh

Uttar Pradesh has sector/department specific time constraints for clearance or grievances, but not on par with the best practices across other states.

Requirements in Uttar Pradesh

The current working of the department works is on the concept of punctuated equilibrium model which necessitates sudden push to work with a large number of days available. A reduction in the number of

day's available and clearance in a time-manner bound would subsequently result in better productivity of the department and the government.

This will not only ease the process by strengthening the single window clearance and grievance redressal system, but also go a long way in augmenting the brand positioning of the state as a preferred destination for industrial setups.

Ease of doing business in the state will be better when the Business Environment in the state would be corruption free and supportive. Support for the grievances of the Entrepreneurs should be given priority by the state. Such governance can be achieved to an extent by bringing clearances & grievances under legislation. Also desired is the representation of Industries/Professionals, in governing body, Council, Entrepreneur Development Institute or other such bodies.

Analysis and Recommendations

Telangana, Rajasthan, Haryana and Andhra Pradesh has a very effective mechanism for time bound clearance. Telangana and Rajasthan has taken this very seriously and given legal impetus by bringing the whole mechanism under the act. Adopting a universal time bound clearance mechanism, will not only help improve UP's rank in ease of doing business index, but also make it more Business Friendly state ahead of other states.

Taking Cue from Telangana and Haryana, UP should initiate a comprehensive act for single window clearance, time bound permissions and clearances within 30 days, and also an effective grievance mechanism. Which would mean that if timely approvals have not been provided then the application will deemed to be passed.

5. Self-Certification for clearances

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, best practice has been recognized in Telangana where the state has launched TS-iPass i.e. Telangana Self Certification System which emphasises maximum Self-Certification.

Existing provisions in Uttar Pradesh

UP also provide self-certification related to labour.

Requirements in Uttar Pradesh

The clearances and approvals which do not require much intervention are wasting the time of the department. The department expresses detailed attention to relatively un-important proceedings and thus takes or waste its time in clearance & approvals which could easily be done away with.

Analysis and Recommendations

Telangana has launched the policy through an act called 'Telangana State Industrial State Project Approval and Self Certification System', which provides speedy approvals, clearance and certification.

UP should adopt a more rationalized mechanism of clearance and approvals through self-certification and make itself a more business friendly state as it is even recommended in One Man Committee Report for MSME Policy of Central Government that the Telangana model for ensuring statutory clearances for start-ups could be worth replicating. Hence UP may study and consider adaptation of the same.

6. Market Study Facilitation

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, best practice has been recognized in Karnataka where the state provides support to MSME with Research Study, Competitive Analysis study, etc., to access New Market Globally.

Existing provisions in Uttar Pradesh

UP provide such facilitation service to the Entrepreneurs.

Requirements in Uttar Pradesh

UP does not specify the business context of facilitation. Such research backed study to access new market brings positive context to the overall outlook of the state. State providing such facilities are able to grasp detailed attention of the investor while doing well on innovation standards. The entrepreneurs feel that the assistance for market studies can be provided collectively for a group of enterprises or for important products/sectors.

In addition to this, it is recommended in the One Man Committee Report that, 'There is need to start a series of annual research publication entitled SME India Monitor/Index. The suggested Monitor/Index may cover the stage SMEs development in India, ease of doing business, access to finance, and competitiveness'.

Analysis and Recommendations

Karnataka has taken the best initiative to facilitate the Entrepreneurs with Market Study. Such initiative encourages Entrepreneurs to access market globally. UP can also provide for such support and explicitly mention in the policy to assist the Entrepreneurs with Research and Competitive Analysis study. Also UP can have its own SME UP Monitor/Index in which development of Uttar Pradesh SME's, Ease of doing business in Uttar Pradesh as well as access to finance and competitiveness can be considered.

Component of policy: Infrastructure Development

1. Infrastructure Support

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Uttarakhand:** In order to ensure easier availability of developed industrial lands at reasonable rates to MSMEs, the following provisions have been made:-
 - a. Establishment of Land Bank
 - b. Infrastructural development fund for MSMEs
 - c. Special Industrial Estate for MSMEs
 - d. Establishment of New Industrial Estates
 - e. Establishment of Multi-Storied Estates
 - f. Up-gradation of Existing Industrial Estates
 - g. Establishment of Vendor and Ancillaries Parks
 - h. Interventions under Cluster Development Scheme

Existing provisions in Uttar Pradesh

UP has shifted its focus towards development of necessary infrastructure for augmenting industrial growth. However the development is too late and too less for the quantum of demand in the state. *State even lack land-banks for industrial setup and the current provisions of allocation makes it unaffordable.*

Requirements in Uttar Pradesh

UP needs continued focus towards infrastructure development for decades together. The state should utilize all possible support from the central government for such initiative. Post GST the state will have higher budget at its disposal which may be significantly diverted towards development of infrastructure.

Also, it is recommended by the One Man Committee Report for MSME Policy of Central Government that "There is a critical need for restoration and renovation of existing Industrial Estates". In addition to that, Integrated Business Parks with "Plug and Play Model" are needed for MSMEs.

Analysis and Recommendations

Infrastructure development should continue and industrial clusters should be developed near or around Dedicated Freight Corridors and Expressways. Also land should be made available at affordable rate for establishment of new industries.

The recommendations of One Man Committee Report, may be considered for implementation in Uttar Pradesh.

2. SEZ/IT Park/Industrial Areas

Best Policies/practices across States in India

Tamil Nadu has highest number of Special Economic Zone with 36 operational SEZ followed by Maharashtra 28 & Karnataka 26 operational SEZ. On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Andhra Pradesh:** GoAP shall establish a dedicated MSME Park in each district up to an extent of 25 acres with common infrastructure like roads, industrial water supply, power, effluent treatment plant
- ii. **Rajasthan:** In the new industrial areas developed by RIICO, 30% plots will be reserved for MSME. The state government will encourage private sector investment in setting up industrial parks and clusters
- iii. **Chhattisgarh:**
 - a. Establishment of fully equipped new industrial areas in view of industrial appropriate location in all the districts of the State. Establishment of industrial areas/industrial parks wherever necessary will be encouraged. Expansion of established industrial areas of the State will be done to the possible extent.
 - b. Land will be earmarked for the establishment of small industrial areas at appropriate places in the areas that comes under the purview of the EDFC and WDFC

Existing provisions in Uttar Pradesh

UP has only 12 operational SEZ.

Requirements in Uttar Pradesh

SEZ is the trade capacity development tool, with the goal to promote rapid economic growth. Since UP has fewer number of functional SEZs, UP should develop more SEZs in its march towards industrialization. Moreover, the SEZs that are already functioning should get additional benefit by way of incentives provided by State Government.

Analysis and Recommendations

State has 12 SEZ, however when compared with Tamil Nadu which has total 36 SEZs, the state of infrastructure seems insufficient. Given the scale of the state and also the opportunities it offers, more SEZs are needed in the state.

The biggest bottleneck is the land acquisition policy of the state by state machinery, which renders the land unaffordable for further industrial usage. However the rules do not apply to private set ups and hence more private investment in SEZ and IT parks should be encouraged

Recently UP has identified 19 SEZ and steps should be made to start the development at a priority. More private investment should be attracted to develop IT Parks in the state to take advantage of low cost skilled IT Manpower.

Also as radical step, some Government assets which are unutilized or lying vacant in the state, may be converted for alternate utilized. Such facility may be considered for conversion into MSME Industrial Park to facilitate MSMEs and Cluster Industry. Asset utilization should be given priority by the state to bring operational efficiency

3. Common Facility Centre

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Gujarat:** Gujarat provide common facility centre for uses such as warehousing of raw materials and finished product, testing lab, etc.

Existing provisions in Uttar Pradesh

UP has been encouraging of hard intervention such as is the case with common facility centre through Central Government scheme and its recently announced MSME policy.

Requirements in Uttar Pradesh

Common facility centre decreases operational cost for the MSME which subsequently helps in better positioning of the product in the market on price variability. It being a good initiative has produced good results in some earlier cases and should be adopted across all industrial areas.

Analysis and Recommendations

Gujarat has taken the good initiative with respect to Common Facility Centre in the state.

UP should consider setting up CFC where ever the industrial cluster is being planned. This will benefit MSMEs and improve their competitiveness. The policy may also consider to provide financial assistance to the private units and industrial association for setting up and managing CFC. Likewise, land for common testing lab should be provided at subsidized rate etc.

4. Truck Terminal

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, it has been recognized that Tamil Nadu encourages industrial parks to set up Truck Terminals.

Existing provisions in Uttar Pradesh

UP does not have such policy as per the Industrial Policy, 2012.

Requirements in Uttar Pradesh

Requirement of a multi-modal logistics hub was identified in the previous industrial policy but no concrete step was taken towards implementing the same. Proper infrastructure support increases efficiency and productivity which would ultimately help in building the reputation of the state as a business-friendly environment.

Promoting multi-modal transport infra is needed in the state.

Analysis and Recommendations

Tamil Nadu and Chhattisgarh encourages Truck Terminal in the Industrial Park/Estate. UP can also adopt such policy and encourage developing of Truck Terminals. *However, Multi Modal logistics hub has been identified and steps should be taken for its development at priority.*

5. Multi Storey Industrial Area

Best policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Uttarakhand:** Uttarakhand will be establishing Special Industrial Estate for MSME only as well as Establishing Multi Storey Estate for MSME.
- ii. **Chhattisgarh:** Chhattisgarh plan to construct Multi-Storey Industrial Complex for Micro & Small unit.
- iii. **Tamil Nadu:** The state has a policy with respect to Multi Storey Building i.e. Building exceeding 15 metres but not exceeding 2 floors would be called as Multi Storey Building and Floor Space Index incentive of 50% will be given to non-MSB.
- iv. **Haryana:** Higher FAR of 150% has been provided with approval of HEPB

Existing provisions in Uttar Pradesh

UP does not have such policy of Multi-Storey Industrial Complex for MSME except of some old multi-storey buildings.

Requirements in Uttar Pradesh

For smaller units, the state should develop shared shed spaces available on lease and rentals that would provide additional space without having to invest funds up-front in cases of newer enterprises.

As mentioned above, such spaces would be very relevant in places like NOIDA. Also it has been recommended in the One Man Committee Report that, “the State Governments may be encouraged to identify mid-sized land parcels in urban and semi-urban areas for development as Business Parks to be leased to SMEs”

Analysis and Recommendations

Uttrakhand and Chhattisgarh have taken initiatives to allow and also construct Multi Storey Industrial Complex for MSME. Such policy may also be adopted by UP and more such setups may be created or allowed for private investment.

Also, the recommendation of the One Man Committee Report may be considered.

Component of policy: State Promotion Initiative

1. Categorization of regions

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized:

- i. **Uttrakhand:** Uttrakhand has categorized its cities in four categories i.e. Cat A, B, C & D.

Existing provisions in Uttar Pradesh

UP has categorized on the basis of region i.e. Western, Eastern, Bundelkhand, and Central etc. However, as per the Government order dated February 19, 2016, various districts of the state has been categorised as A, B and C to provide suitable assistance to MSMEs.

Requirements in Uttar Pradesh

The current regional definition is not homogenous. Blanket categorization on the basis of geographical regions, does not consider the development disparity among districts within the regions. This in turn make the policies ineffective for implementation and desired impact could never be achieved.

Analysis and Recommendations

Thus, a development based categorization which considers homogenous regions with similar level of development under same category, is desired. Also the incentives should be graded as per backwardness of the regions, instead of geographical regions, since the nature of funds and support sought is dependent upon the scope of improvement and not the region in which it falls.

Uttrakhand has categorized the state areas on the basis of city in 5 category. Such categorization has helped Uttrakhand gain desired attention to a specific category as and how required. Categorization on the basis of development may lead to Most Backward, Backward, Developing and Developed regions, which can help in allocation of budget in a more rationalized manner.

2. Creation of clusters for promotion of specific sector

Best Policies/practices across States in India

On studying industrial policies/practices of multiple states, following best policies/practices have been recognized

- i. **Orissa:** The state provide grant assistance to the extent of 50% of cost incurred for setting-up for industrial park / cluster park by private or industry association in cluster format is provided, subject to maximum of Rs10 crore / cluster
- ii. **Rajasthan:** The state has a focused approach towards handicrafts cluster and emphasizes linking artisans to the organization, providing them marketing & e-commerce connect to gain access to the digital platform
- iii. **Karnataka:** For MSME clusters
 - a. To create full-fledged sector specific industrial zones where investors can set up industries on plug and play basis
 - b. Development of separate rural small industrial areas for MSME. State government will provide land, power and water at subsidized prices to non-polluting industries with allocation to Micro, Small and Medium enterprises in the ratio of 25%, 35% and 40% respectively
 - c. Under the phase 1 of scheme a sum of Rs 20 crore per annum, will be earmarked for up-gradation of existing clusters and development of new clusters

Existing provisions in Uttar Pradesh

UP emphasizes on its objective to develop MSME in form of cluster given that the state has approved several soft and hard intervention clusters for which the assistance up-to Rs 25 lacs and Rs 15 crore, respectively, is provided by the central government and rest by state government.

Requirements in Uttar Pradesh

The initiative of UP to develop a plastic park near Auraiya from the raw material generated from GAIL brings in a new dimension to the cluster outlook. Similar initiatives to develop more clusters on the basis of their raw material availability should be taken up.

State should also focus on developing existing clusters before creating new clusters. There is need to invest in comprehensive development of scores of clusters that have been in existence in UP for ages.

Additional it is stated in the One Man Committee Report that, “Industrial and Artisan Clusters grow naturally and many times in an unplanned manner and as such their growth gets stunted. It is recommended that such clusters be identified and appropriate infrastructure be planned for them. Such Infrastructure can be called Cluster Parks”.

Analysis and Recommendations

Both Karnataka and Orissa have taken initiatives to promote clusters in the state. However in UP already existing clusters should be emphasized as the same is facing a lot of issue. Such issue needs to be resolved so as to make Uttar Pradesh a more efficient and productive state in the country.

Also new cluster should be developed around or near the Dedicated Freight Corridors and Expressways. Cluster for Handicraft should be promoted by connecting them to the Marketing-Ecommerce Organization to help the artisans gain Digital Environment for their product. UP may also consider to grant financial assistance to Private sector also investment and development of industrial Clusters.

Also as radical step, some Government assets which are unutilized or lying vacant in the state, may be converted for alternate utilized. Such facility may be considered for conversion into MSME Industrial Park to facilitate MSMEs and Cluster Industry. Asset utilization should be given priority by the state to bring operational efficiency

3. Law and order situation

Tamil Nadu & Kerala lead the nation in maintenance of Law & Order, as per the survey of 'The Hindu' and 'India Today'. As per the National Crime Record Bureau, Uttar Pradesh is the worst state in terms of law and order. Kerala is the number one state in terms of literacy rate followed by Goa. As per the census record in the year 2001, UP literacy rate was around 55% - 58% which is now around 70%. UP also has the highest number of State Board Schools.

Central government as well as state government is emphasizing on the financial inclusion. Financial inclusion and higher level of inclusion in the mainstream society, reduces the crime rate of the region. Many initiatives were taken by the central government to empower rural audience in the country. One of the initiatives was Jan Dhan Yojana out of which state had one of the highest deposit.

Crime and corruption act as an impediment in smooth business operations. On various discussions with industrialists and entrepreneurs, it has been observed that, for flourishing business growth, they require least interference with government machinery while gaining maximum support from the criminal elements in the society.

Existing provisions in Uttar Pradesh

UP government has always emphasizes on the creating a conducive environment for industries in the region by maintaining law and order situation in the state. However, Law and order situation in the state has always been a point of concern. As a result the region is looked upon with a lot of negativity from investors and outsiders alike.

Requirements in Uttar Pradesh

The state should improve its law and order situation and thereby improve its perception as an industrial destination.

Analysis and Recommendations

The state should improve its law and order situation and thereby improve its perception as an industrial destination

Component of policy: Sector Specific Incentives

1. IT/ITes Industry & IT Start-ups

To promote the IT/ITes sector and related industry in the region, following incentives and subsidies are provided by the different states:

i. Rajasthan:

- a. Investment Subsidy of 30% of VAT and CST for 7 years if investment is up-to 5 crore and 60% if investment is above 5 crore but below 25 crore..
- b. Employment Generation Subsidy up to 20% of VAT and CST for 7 years if investment is up to 5 crore and up to 10% for investment above 5 crore but below 25 crores.
- c. 50% additional exemption of Stamp Duty on purchase or lease of land and construction or improvement on land if investment is above 5 crore but below 25 crore.
- d. 5 % interest subsidy on term loan for 5 years.

ii. Punjab:

- a. 100% Exemption on stamp duty to purchase/lease land to build office space.
- b. 100% Reimbursement on Stamp Duty to build IT park
- c. Corpus of 20 crores contributed by SIDBI & Various State corporation for IT/Knowledge sector in addition to 5 crores contributed by Punjab state government

iii. Karnataka:

- a. 100% exemption from stamp duty for Zone 1, 2, & 75% exemption for Zone 3.
- b. Waiver on land conversion fee 100% for Zone 1,2 & 75% for Zone 3.
- c. 100% Exemption from payment of Entry tax for initial 3 years on plant & machinery for Export oriented units.
- d. 50% refund on international certification charges for Export oriented units subject to maximum of Rs 2 lacs.
- e. Subsidy up-to 50% on cost of Effluent Treatment Plants subject to ceiling of Rs 100 lakhs per manufacturing enterprises in Zone 1,2 & 3 and a ceiling of Rs 50 lakhs in Zone 4.
- f. 100% exemption of electricity duty for the initial period of 5 years, 4 years and three years in Zone 1, 2 & 3 respectively.
- g. 5% interest subsidy on technology upgradation loan in Zone 1, 2 & 3 availed from KSFC, KSIIDC and Scheduled commercial bank which are not covered under CLCSS of GoI.
- h. 75% Assist on cost of ISO series certification subject to maximum of Rs 75000.
- i. 25% assistance on cost for adopting technology from recognized national labs subject to maximum of Rs 50000.
- j. 50% assist on fees payable to BIS subject to maximum of Rs 20000.

- k. 25% assist on cost for purchase of testing equipment as approved by BIS subject to maximum of Rs 50000.
- l. 75% assist on cost of fees payable to patent office subject to maximum of Rs 1.25 lakhs and 50% assist on cost towards attorney fee, patent search etc. subject to maximum of Rs 75000.
- m. 25% assist on Technology Business Incubation Centre subject to maximum of Rs 50 lacs.
- n. Assist on 10% of capital cost for using non-conventional energy sources.
- o. For Medium, Large and Mega Enterprises employing more than 100 persons, there is 50% reimburse on expenditure occurred for employees under reserved category on EPF/ESI schemes for initial period of 5 years.
- p. Cost on incurred on preparation of project reports by TECSOK/CEDOK/KSFC or any recognized institute for availing loans shall be reimbursed to the maximum of Rs 10000 per unit

Existing provisions in Uttar Pradesh

UP has a separate policy for IT/ITes setups with a comprehensive set of incentives to promote IT/ITes sector in the state.

- a) Land at 25% rebate of the prevailing rate on purchase from State Agencies for set up in Tier II, Tier III
- b) p100% Additional Floor Space Index for units in IT cities, Tech park, Software tech park
- c) The policy also provides Industrial promotion subsidy equivalent to 50% of the admissible incentive for new units, if expanding.
- d) 5% interest subsidy per annum for a period of 7year subject to maximum of Rs 1 crore per annum per unit.
- e) 100% exemption of stamp duty on purchase/lease of land/office space/ buildings for IT/ITes unit.
- f) Reimbursement of the cost incurred on successfully securing quality and IT related certifications such as Capability Maturity Model (CMM) level 2 upwards, ISO 27001 for security, ISO 20000 for service management terminology, COPC, eSCM certification with maximum reimbursement of 3 certifications with total limit of 25 lakhs per unit.
- g) 100% reimbursement of the total EPF amount paid for IT/ITes Professionals of Uttar Pradesh domicile with employment for continuous 1 year subject to maximum of RS 20 lacs per annum for 5 years.
- h) IT/BPO units which employ a minimum of 20 people and a maximum of 50 people shall be allowed to establish anywhere irrespective of the master plan or Land use classification.

- i) Exemption from the purview of the UP Pollution Control Act, except in case of power generation sets of capacity of more than 25 KVA for IT/ITes Industry.
- j) Permission to IT and ITES companies to have 24x7 operations (to run in three shifts) and employment of women in all three shifts.
- k) MSME IT/ITes units shall be eligible for 25% subsidy on power bills for a period of 3 years from the date of commencement of commercial operations or Rs 30 lakhs whichever is earlier

2. Electronics Manufacturing

To promote the Electronics Manufacturing sector in the region, following incentives and subsidies are provided by the different states:

- i. Rajasthan:**
 - a. Investment subsidy of 75% for first four years, 60% for next three years and 50% for last three years of VAT & CST.
 - b. Employment generation subsidy up-to on VAT & CST for 10 years.
- ii. Punjab:**
 - a. 80% CST/VAT incentive subject to maximum of 80% of Fixed Capital for 10 years if investment is Rs 1 crore or more.
 - b. Exempt from payment of electricity subject to 100% of Fixed Capital for 7 years if investment is Rs 1 crore.
 - c. 100% stamp duty exemption on purchase/lease of land subject to minimum fixed capital investment of Rs 1 crore.

Existing provisions in Uttar Pradesh

UP has a separate policy for Electronic Manufacturing.

- a) Interest rate subsidy of 5% for 7 years subject to maximum of Rs 1 crore per annum per unit
- b) Stamp duty exemption of 100% on purchase or lease of land for the establishment of Electronics Manufacturing clusters
- c) Capital Subsidy of 15%, subject to maximum of Rs 5 crore.
- d) 100% Tax reimbursement on VAT/CST for 10 years subject to maximum 100% of the fixed capital investment other than Land
- e) Reimbursement of 50% of actual filing on Domestic and International filing of Patents subject to maximum limit of 1 lacs for domestic and 5 lacs for international.
- f) Rebate of 25% on Land on the prevailing sector rates
- g) 50% Subsidy on EMC infra Development equivalent to the Grant provided by central government under national policy on Electronics, 2012 in terms of the cost incurred in developing infrastructure facilities (Roads, Power, Water, Testing facilities, Social Infrastructure etc.) for EMC development. Subsidy is only available for first 3 EMCs in the state.
- h) Industrial Promotion subsidy equivalent to 50% of the incentives applicable for new units (setting up in EMC) would be provided to existing units, if additional capital investment for capacity

enhancement to the extent of 25% or more on the existing capacities of ESDM units is made in a period of 3 years

- i) Development of 2 Acres area as Incubator Centre (warm shell) in each EMC to promote start-up/Entrepreneurs/R&D to be operated on PPP mode
- j) Uninterrupted power to the EMC shall be provided through 'Protective Load'

3. Agro & Food Processing

To promote the Agro and food processing sector in the region, following incentives and subsidies are provided by the different states:

- i. Rajasthan:**
 - a. General
 - i. Interest subsidy of 5%.
 - ii. Exemption from payment of 50% of Entry Tax on Plant & Machinery brought into the local areas.
 - b. Enterprises other than enterprises engaged in manufacturing of cattle feed/ poultry feed/ fish feed
 - i. Investment Subsidy of 30% of VAT and CST for 7 years for investment up to 25 lacs.
 - ii. Employment Generation Subsidy up to 20% of VAT and CST for 7 years for investment up to 25 lakh.
 - iii. Investment Subsidy of 60% of VAT and CST for 7 years for investment above 25 lacs.
 - iv. Employment Generation Subsidy up to 10% of VAT and CST for 7 years for investment above 25 lakh
 - v. Exemption from payment of 50% of Entry Tax on Plant & Machineries.
 - vi. Capital Subsidy on zero liquid discharge based effluent treatment plant equivalent to 20% of amount paid subject to maximum of Rs 25 lacs
- ii. Gujarat: For export oriented entities in Agro and Food processing sector**
 - a. **Air Freight Subsidy:**
 - i. Assistance of 25% of actual air freight paid subject to maximum of Rs 10 lacs per year per unit for any fresh or processed horticulture, milk products, poultry or fish produce.
 - ii. Assistance of 40% of actual air freight paid subject to maximum of Rs 15 lacs per year per unit for 5 years for organic produce from cargo complex at Ahmedabad International Airport
 - iii. For sending sample of edible agro products, assistance of 25% of actual legal expenditure shall be granted subject to Rs 2 lacs per annum and maximum limit per beneficiary will be Rs 5 lacs.

- b. Sea Freight Subsidy:**
- i. Assistance of 25% of actual sea freight subject to maximum of 10 lacs per year per unit for any fresh horticulture produce.
 - ii. Assistance of 40% of actual sea freight subject to maximum of 15 lacs per year per unit for any Organic fresh horticulture produce from cargo complex of Gujarat state
- iii. Punjab:**
- a. Agri industrial unit, 5% back-ended interest subsidy on term loan on minimum investment of Rs 10 Crore to Rs 25 Crore subject to maximum of Rs 20 lacs per year for 5 years.
 - b. Agri infra project, 5% back ended interest subsidy on minimum investment of Rs 5 crores to Rs 25 crores subject.
 - c. 5% back end subsidy on term loan max Rs 20 lacs / year for modernization & technology up-gradation.
 - d. Up-to 25% assistance on Fixed Capital for setting up centre of excellence in the area of Agro/Food Processing Industry subject to maximum of Rs 2.5 crore.
 - e. 50% assistance on actual expenditure to fruit & veg producer for international food standards subject to maximum of Rs 1 lacs.
 - f. 50% assistance on DPR to Agro Industrial Units subject to maximum of Rs 5 lacs.
 - g. 50% assistance on Patent registration to agro industries & agriculture subject to maximum of Rs 2 lacs.
- iv. Karnataka:**
- a. Investment promotion subsidy @ 35% of the value of fixed asset maximum to Rs 65 lacs.
 - b. 100% stamp duty exemption for MSME
 - c. 100% land conversion fee reimbursement for MSME
 - d. 100% exemption for 3 years on plant and machinery and capital goods and 6 years for raw materials, inputs and component parts excluding petroleum products.
 - e. One time capital subsidy to an extent of 75% of the cost subject to a maximum of Rs 50 Lakhs for MSMEs subject to ETP costing less than Rs 1 crore.
 - f. Interest subsidy of 6% per annum on term loans will be provided to Micro enterprises.
 - g. 100% exemption of tax on electricity tariff for the initial period of 8 years.
 - h. Subsidy of 50% of the cost (maximum Rs 1 Lakh) for adoption of technology from recognized national laboratory to MSME.
 - i. New Agricultural Produce Processing Industries are exempted from payment of market fee for a period of ten years in respect of purchases of agricultural produce by such industries

Existing provisions in Uttar Pradesh

UP has a separate policy for Agro and Food Processing industry.

- a) 50% Grant for expenditure incurred on DPR subject to maximum of Rs 5 lacs
- b) 100% Exempt on mandi fee and development cess for 10 years to EXPORT oriented food processing units using perishable raw materials.
- c) 100% exemption from mandi fee on purchase of raw material for 5 years subject to investment of minimum 5 crore in food processing unit.
- d) 7% Interest rate reimbursement on loan taken for plant & machinery subject to maximum of 50 lacs per annum for 5 years.
- e) 5% interest rate reimbursement on loan taken for quality improvement and development upto maximum of Rs. 100 lacs per lan/tool room per annum for 5 years.
- f) 25% Grant for quality & environmental certificates subject to maximum of 50,000 if investment is Rs 25 lacs.
- g) 50% Assistance for Patent Design Registration subject to maximum of 50,000 if investment is Rs 25 lacs.
- h) For promotion of export of processed products, 25% Assistance on cost of transportation subject to maximum of Rs 1 lac per year.

UP also has separate set of incentive for Potato and Poultry industries

4. Dairy

To promote the Dairy sector in the region, following incentives and subsidies are provided by the different states:

- i. **Rajasthan:**
 - a. Investment Subsidy of 50% of VAT and CST for 10 years.
 - b. Employment Generation Subsidy up to 10% of VAT and CST for 10 years.
 - c. 50% exemption from payment of Entry Tax on capital goods, for setting up of plant for new unit or for expansion of existing enterprise or for revival of sick industrial enterprise.

Existing provisions in Uttar Pradesh

UP has a separate defined incentives for the Dairy sector MSME enterprises, though UP Kamdhenu Scheme:

- a) Total cost of each dairy unit of 100 animals (Cows/Bufaloes) in milk including the shed, Bio Gas Plant, Grinder cum Feed mix Plant and Silo Pit has been estimated Rs. 121.52 Lacs.
- b) Minimum 25% of total unit cost i.e. Rs. 30.38 Lacs is to be borne by the beneficiary from his own resources in the form of margin money and rest amount i.e. maximum up to Rs. 91.14 Lacs provided as loan from bank.
- c) Interest at rate of 12% per year on loan amount taken from bank will be reimbursed by Government of Uttar Pradesh up to five years (60 Months) up to the maximum limit of Rs. 32.82 lacs in five years for each unit.
- d) Under **Mini Kamdhenu Scheme**, total cost of each unit of 50 animals in milk including the cost for Construction of the animals shed, Godown etc. has been estimated at Rs. 50.58 lacs and the same 25% investment and rest as loan will be provided with 12% interest rate which will be reimbursed by government up to 5 years subject to maximum of 13.66 lacs.
- e) Under **Micro Kamdhenu Scheme**, total cost of each dairy unit of 25 animals (Cows/Bufaloes) in milk including the shed has been estimated Rs. 26.99 Lacs and the same 25% investment and rest as loan will be provided with 12% interest rate which will be reimbursed by government up to 5 years subject to maximum of 7.29 lacs in five years for each unit.

5. Textile/Handloom

To promote the Handloom/Textile sector in the region, following incentives and subsidies are provided by the different states:

- i. Haryana:**
 - a. Budget provision of Rs 10 crores for brand building and on-line trading of products manufactured by MSMEs, Handloom/Handicraft, Khadi products.
 - b. The government provide one time support of Rs 10,000 for capacity building of persons belonging to Haryana (Semi-skilled/skilled) engaged in apparel rural functional clusters in B, C and D category blocks
- ii. Gujarat:**
 - a. Interest subsidy of maximum 5% per annum (7% for spinning unit and garment/made-ups unit) . This interest will be in addition to the Government of India scheme.
 - b. Power tariff subsidy at Rs 1.5 per unit in the billed amount of the utility for the units will be available for the period of 5 years.
 - c. Assistance up to 50% subject to maximum of Rs 50000 for Energy/Water Audit.
 - d. Assistance up to 20% of cost of equipment subject to maximum of Rs 20 lakhs for energy /water conservation.
 - e. Financial assistance upto 50% of the investment for technology acquisition subject to maximum of Rs 25 lakhs.
 - f. For setting up of training institution, any autonomous institutions promoted by government / public sector undertakings or private sector with a background of textile and apparel industries or skilled manpower development will be provided assistance upto 85% with ceiling of maximum of Rs 3 crore
 - g. Financial assistance, as reimbursement of training cost with maximum limit of Rs 7,000 / per trainer per week will be provided to apparel training institutions / centres approved by State Level Committee for imparting training to the trainers.
 - h. Encouraging Establishment of Textile & Apparel Park.

Existing provisions in Uttar Pradesh

UP has provided for special policy incentive especially for the Handloom Sector:

- a) 5% Capital interest reimburse for new textile setup in Eastern, Central and Bundelkhand region for 5 years subject to maximum of Rs 1 crore.

- b) 5% Capital interest reimburse for new textile setup in other region for 5 years subject to maximum of Rs 50 lacs maximum.
- c) Interest free loan for 7 years on minimum investment of Rs 12.5 crore subject to maximum of VAT/CST deposited till 10 years or 10% of the sales whichever is lower in other than Purvanchal, Bundelkhand & Central region.

Beyond state specific scheme, The Government of India has defined a comprehensive Handloom Cluster Development Scheme, to set up Mega Clusters with GoI contribution of up to Rs 40 Crore. The scheme is a big boost to the Handloom Industry, with a comprehensive set of incentives, benefits and support being provided.

Uttar Pradesh can take benefit under the scheme and create a Mega cluster in the regions

6. Export Oriented Industry

To promote the Electronics Manufacturing sector in the region, following incentives and subsidies are provided by the different states:

- i. Gujarat:** For export oriented industries in Agro and Food Processing
 - a. Air Freight Subsidy:**
 - i. Assistance of 25% of actual air freight paid subject to maximum of Rs 10 lacs per year per unit for any fresh or processed horticulture, milk products, poultry or fish produce.
 - ii. Assistance of 40% of actual air freight paid subject to maximum of Rs 15 lacs per year per unit for 5 years for organic produce from cargo complex at Ahmedabad International Airport
 - iii. For sending sample of edible agro products, assistance of 25% of actual legal expenditure shall be granted subject to Rs 2 lacs per annum and maximum limit per beneficiary will be Rs 5 lacs.
 - b. Sea Freight Subsidy:**
 - i. Assistance of 25% of actual sea freight subject to maximum of 10 lacs per year per unit for any fresh horticulture produce.
 - ii. Assistance of 40% of actual sea freight subject to maximum of 15 lacs per year per unit for any Organic fresh horticulture produce from cargo complex of Gujarat state
- ii. Punjab:**
 - a. 30% Subsidy on packing material
 - b. 30% Subsidy on Air Freight (Partial Load) Subject to max of Rs 10/Kg for Asian and Rs 25 for other.
 - c. 50% subsidy on Air Freight (Full Load) max Rs 20 / kg
 - d. 30% subsidy on sea freight subject to Rs 10 /Kg for Asian and Rs 25 / Kg for other
 - e. 25% Subsidy on freight (inland cost of freight) for all fruits & veg as well as frozen

Existing provisions in Uttar Pradesh

Uttar Pradesh is located far away from the ports of India. Due to this geographical disadvantage, the exporters of Uttar Pradesh are at a comparative cost disadvantage to other exporters based in states close to the ports. UP supports the export oriented unit with the following benefit.

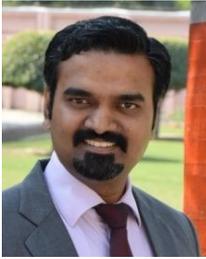
- a) **Inland Freight Subsidy:** 25% financial assistance of the total inland Freight charges with maximum ceiling of Rs. 5,000/- is given for containers booked from ICD's/CFS located in U.P.
- b) **Air freight subsidy:** MSME unit may avail a financial assistance up to Rs. 2 lakh on their Export Cargo sent by Air Cargo Complex in U.P. (Amausi, Lucknow and Babatpur, Varanasi). Benefit can be availed on 20% of freight charges or Rs 50/- per kg, whichever is less
- c) **Foreign Fairs/Exhibition:** 60% of Stall charges paid up to max. of Rs. 100,000/- for one fair/exhibition
- d) **Publicity:** For publicity advertisement, print of catalogue & development of website there is financial support of 60% on total cost of Expenditure maximum up to Rs. 60,000/- annually.
- e) **Samples:** Samples to foreign buyers, support of 75% of total expenses on air freight courier for sending samples subject to maximum assistance up to Rs. 50,000/- per year.
- f) **Certifications:** Facility for obtaining ISO 9001-2000/BIS 14000, Wool mark, Hall mark, HACCP & C-mark, support on 50% of total expenses maximum up to Rs. 75,000/- per year
- g) **VAT:** Manufacturers, who export through export houses in accordance to sub section (3) of section 5 of Central Sales Tax Act 1956 in the course of export, will be provided the facility of input tax refund or set-off facility related to the sale to export houses for export outside India

Requirements in Uttar Pradesh

Requirement of a multi-modal logistics hub was identified in the previous industrial policy but no concrete step was taken towards implementing the same. Proper infrastructure support increases efficiency and productivity which would ultimately help in building the reputation of the state as a business-friendly environment.

Promoting multi-modal transport infra is needed in the state.

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