

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

UNSTARRED QUESTION NO:1425
ANSWERED ON:16.07.2004
INDUSTRIALLY BACKWARD AREA
Kumar Shri Shailendra

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

- (a) whether the Government is aware that the backward reserved areas all over India are zero industry areas;
- (b) if so, whether that has given rise to unemployment;
- (c) if so, the scheme of the Government for such areas;
- (d) whether the Government is likely to consider setting up industries at such places; and
- (e) if not the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S ELANGO VAN)

(a) to (e): Promotion of industrial development in backward areas is primarily dependent on the initiative of the State Government. The Union Government supports the State's efforts through various Schemes/incentives. Further, after the announcement of the new industrial policy, investment decisions are based on the commercial perception of the entrepreneurs. The details of various Schemes/incentives being implemented by the Central Government for industrialization of the industrially backward areas are given below:

(I) INCOME TAX CONCESSION :-

1) Section 80-IC of the Income-Tax Act provides fiscal incentives to certain special category states including the North-Eastern States. As per this provision a new industrial undertaking set up on or after the 24th of December 1997 but before 1.4.2007 or an existing undertaking which undertakes substantial expansion during this period and which is located in certain notified areas is eligible for 100% income-tax exemption for a period of 10 assessment years. A similar deduction is available for all new undertakings or existing undertakings which undertake substantial expansion and which are engaged in specified thrust sector activities.

2) Tax incentives are also available to industries set up on or before 31.3.2004 in the backward districts of the country. While industries in Category A backward districts are eligible for 100% deduction for 5 years followed by 25% (30% in the case of companies) for the next 5 years, industries in Category B backward districts are eligible for 100% deduction for 3 years followed by 25% (30% in the case of companies) for the next 5 years. The copy of Ministry of Finance's order regarding Category A and B backward districts is appended (Annexure).

(II) GROWTH CENTRE SCHEME:

With a view to promote industrialization of backward areas in the country, the Government of India, in June, 1988, had announced the Growth Centre Scheme which became operational from 1991 under which 71 Growth Centres were proposed to be set up throughout the country with basic infrastructure facilities such as power, water, telecommunications and banking to enable them to attract industries. These have been allocated amongst States on the basis of a combined criteria of area, population and extent of industrial backwardness. All the Seventy One growth centres have been sanctioned by the Government of India.

The Central Government assists the State Governments by contributing upto Rs.10 crores by way of equity for each growth centre. The balance funds are to be raised by the State Governments and their agencies who implement the projects. The amount of Central assistance has been increased to Rs. 15 crores for each growth centre in the North-Eastern Region, Himachal, Uttaranchal, Jammu & Kashmir & Sikkim.

(III) TRANSPORT SUBSIDY SCHEME:

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

IV) The following three schemes have also been introduced for accelerating industrialization in the North-Eastern region.

Capital Investment Subsidy Scheme:

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

(2) Central Interest Subsidy Scheme:

The Scheme provides Interest subsidy @ 3% on the working capital loan to eligible industrial units in the North Eastern region for a period of ten years after the unit goes into production.

(3) Comprehensive Insurance Scheme:

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

The benefits under the aforesaid Schemes are available to the States of Jammu & Kashmir also. In Uttaranchal and Himachal Pradesh, the subsidy benefit is available only under Transport Subsidy Scheme and Comprehensive Insurance Scheme.

V) Integrated Infrastructure Development Scheme (IID):

The office of the Development Commissioner (Small Scale Industries), Ministry of Small Scale Industries is also implementing the Integrated Infrastructure Development Scheme (IID) for development of backward areas:

The scheme, introduced in 1994, envisages to develop infrastructure facilities for small industries to facilitate location of industries in rural/backward areas. The Central Government and Small Industries Development Bank of India contribute to each IID Centres Rs. 5 crore in the ratio of 2:3 and the cost in excess thereof and the cost of land is met by the concerned State Government.

For the North Eastern States, the funding pattern (sharing of funds) has been changed from 2:3 between Government of India and SIDBI/Financial Institutions to 4:1.

VI) In addition to above, the Development Commissioner (Small Scale Industries), Ministry of Small Scale Industries is also implementing following Schemes/Programmes for the benefits of SSI sector in addition to Integrated Infrastructure Development Scheme (IIDS) uniformly throughout the country:

1. Tool Rooms provide training facilities in the field of tool design, dye making etc.
2. Central Footwear Training Institutes impart training on shoe design and related matters through CAD/CAM.
3. Process-cum product Development Centres at Meerut, Agra & Kanauj provides training and undertake product development.
4. Under Integrated Technology Up gradation and Management Programme, clusters of small-scale industries are taken up for technology upgradation and other overall development.
5. ISO-9000/14001 Certification Reimbursement Scheme provides reimbursement upto Rs.75,000/- or 75% of the cost, whichever is more incurred by the units for obtaining requisite certification from the competent authority.
6. Regional Testing Centres and Field Testing Stations provide testing facilities for BIS Standard of products.
7. The Marketing Development Assistance Scheme has been launched to introduce appropriate packaging and bar coding of products.
8. Credit Guarantee Trust Fund has been set up to provide guarantee for collateral free credit facilities upto Rs. 25 lakhs.
9. Credit Linked Capital Subsidy Scheme provides 12% of capital subsidy (to a maximum of Rs 4. lakhs) for upgradation of technology.

ANNEXURE

TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART II, SECTION 3, SUBSECTION (II), DATED 7TH OCTOBER, 1997

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE CENTRAL BOARD OF DIRECT TAXES

NEW DELHI, THE 7TH OCTOBER, 1997

NOTIFICATION

INCOME - TAX

S.O.714(E) - In exercise of powers conferred by Section 80-IA of the Income Tax Act, 1961 (43 of 1961), as amended by Section 3 of the Income Tax (Amendment) Ordinance, 1997 (15 of 1997) 3.D.d in supersession of the notification of Government of India, Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) number 636(E), dated 3rd September, 1997, except as respects things done or omitted to be done before such supersession, the Central Government specifies the following districts as industrially backward districts of Category `A` and Category `B` under Sub-clause (c) of clause (iv) of sub-section (2) of Section 80-IA read with rule 11EA of the Income Tax Rules, 1962; namely:-

A. Category `A` industrially backward districts:

1. Godda Bihar
2. Gumla Bihar
3. Araria Bihar
4. Gadchiroli Maharashtra
5. Madhepura Bihar
6. Sidharthanagar Uttar Pradesh
7. Dumka Bihar
8. Mandla Madhya Pradesh
9. Khagaria Bihar
10. Kishanganj Bihar
11. MaIda West Bengal
12. Palamau Bihar
14. Madhubani Bihar
15. Kalahandi Orissa
16. Jehanabad Bihar
17. Saharsa Bihar
18. West Dinajpur West Bengal
19. Nawadah Bihar
20. Bahraich Uttar Pradesh

21. Sitamarhi Bihar
22. Sahebganj Bihar
23. Murshidabad West Bengal
24. Coach Behar West Bengal
25. Bankura West Bengal
26. Panna Madhya Pradesh
27. Pratapgarh Uttar Pradesh
28. Maharajganj Uttar Pradesh
29. Jalore` Rajasthan
30. Aurangabad Bihar
31. East Champaran Bihar
32. Banda Uttar Pradesh
33. Barmer Rajasthan
34. Purnia Bihar
35. Bastar Madhya Pradesh
36. Siwan Bihar
37. Vaishali Bihar
38. Basti Uttar Pradesh
39. Sarguja Madhya Pradesh
40. Chamoli Uttar Pradesh
41. Jaisalmer Rajasthan
42. Lohardagga Bihar
43. Chhatarpur Madhya Pradesh
44. Uttarkashi Uttar Pradesh
45. Churn Rajasthan
46. Wayanad Kerala
47. Idukki Kerala
48. Jalpaiguri West Bengal
49. Almora` Uttar Pradesh
50. Pithoragarh Uttar Pradesh`
51. Tehri Garhwal Uttar Pradesh
52. The Dangs Gujarat
53. Banswara Rajasthan.

B. Category `B` industrially backward districts:

1. Srikakulam Andhra Pradesh
2. Mahbubnagar Andhra Pradesh
3. Katiyar Bihar
4. Bhagalpur Bihar
5. Gopalganj Bihar
6. Darbhanga Bihar
- 7 West Champaran Bihar
8. Saran Bihar
9. Bhojpur Bihar
10. Samastipur Bihar
11. Deoghar Bihar
12. Nalanda Bihar
13. Gaya Bihar
14. Mazaffarpur Bihar
15. Rohtas Bihar
16. Banaskantha Gujarat
17. Sabarkantha Gujarat
18. Bidar Karnataka
19. Seoni Madhya Pradesh
20. Tikamgarh Madhya Pradesh
21. Shivpuri Madhya Pradesh
22. Balaghat Madhya Pradesh
23. Jhabua Madhya Pradesh
24. Sidhi Madhya Pradesh
25. Vidisha Madhya Pradesh
26. Raigarh Madhya Pradesh
27. Morena Madhya Pradesh
- 28 Betul Madhya Pradesh
29. Rajgarh Madhya Pradesh
30. Rajnandgaon Madhya Pradesh
31. Sagar Madhya Pradesh

32. Beed Maharashtra
33. BoJangir Orissa
34. Nfayurbhanj Orissa
35. Balasore Orissa
36. Ganjam Orissa
37. Dungarpur Rajasthan
38. Dholpur Rajasthan
39. Sawai Madhopur Rajasthan
40. Tonk Rajasthan
41. Nagaur Rajasthan
42. Jhalawar Rajasthan
43. Sikar Rajasthan
44. Hardoi Uttar Pradesh
45. Lalitpur Uttar Pradesh
46. Hamirpur Uttar Pradesh
47. Badaun Uttar Pradesh
48. Fatehpur Uttar Pradesh
49. Azamgarh Uttar Pradesh
50. Etah Uttar Pradesh
51. Barabanki Uttar Pradesh
52. Etawah Uttar Pradesh
53. Deoria Uttar Pradesh
54. Ghazipur Uttar Pradesh
55. Ballia Uttar Pradesh
56. Jaunpur Uttar Pradesh
57. Sitapur Uttar Pradesh
58. Jalaun Uttar Pradesh
59. Unnao Uttar Pradesh
60. Faizabad Uttar Pradesh
61. Kanpur Dehat Uttar Pradesh
62. Mainpuri Uttar Pradesh
63. Gonda Uttar Pradesh
64. Farukhabad Uttar Pradesh
65. Sultanpur Uttar Pradesh
66. Mirzapur Uttar Pradesh
67. Mau Uttar Pradesh
68. Purlia West Bengal
69. Birbhum West Bengal
70. Midnapore West Bengal

Explanation : For the purpose of this notification, the districts correspond to the districts mentioned in the Report of the Study Group on identification of Backward Districts dated 4th October, 1994 and are based on districts as they stood in the Census Report of 1991. Where a district specified as an industrially backward district for the purpose of Section 80-IA is reorganised, either by split or otherwise, after the Census Report of 1991, the areas comprised in the district as it existed in the Census Report of 1991 will qualify for the purpose of this rule.

2. This notification shall be deemed to have come into force with effect from the 1st day of October, 1994.

Explanatory Memorandum

The Central Government had set up a Study Group to identify industrially backward districts for the purposes of Section 80-IA of the Income Tax Act, 1961. The Group submitted its Report to the Central Government in the month of October, 1994. The Central Government constituted another Study Group to review the said Report. On the basis of the reports of both the Study Groups, the Central Government decided that the industrially backward districts should be classified into two categories i.e., Category 'A' and Category 'B'. Section 80-IA was amended by the Income Tax (Amendment) Ordinance, 1997 (15 of 1997) so as to classify the industrially backward districts of category 'A' and industrially backward districts of Category 'B'. The said Ordinance has come into force on the 16th September, 1997. Rule 11EA of the Income Tax Rules, 1962 has also been amended retrospectively with effect from 1-10-1994 so as to give effect to the amendment made in Section 80-IA of the Income Tax Act by the said Ordinance. It is certified that the retrospective operation of this amendment shall not prejudicially affect the interest of assesseees.

Sd/
(Dr. DHEERAJ BHATAGAR)
UNDER SECRETARY TO THE GOVERNMENT OF INDIA

