



An Analysis of Industrial Performance and Employment Prospects in Himachal Pradesh

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Abstract

Through backward and forward links with the other sectors of the economy, the success of the industrial sector is crucial and determines the overall expansion of State output and employment. In this study, the state government of Himachal Pradesh numerous industrialization-promoting policies are discussed in relation to the subject of industrial growth at the district and overall level. The results showed that the government of Himachal Pradesh has established a number of institutions and put in place a number of industrial policies to promote industrialization in the state. As a result of economic reform, particularly after the release of a special package by the Government of India to the Himachal Pradesh, the growth of the industrial sector in the state has improved. The growth patterns of various industries demonstrate that, over the period, the food processing industry has experienced the highest growth, followed by miscellaneous engineering, pharmaceutical products, plastics, packaging, electrical, and electronics. Conversely, the footwear, chemicals, and automobile industries have experienced the lowest growth rates. In addition to this, the state's districts have had uneven industrial sector growth throughout time. Due to their position and access to stronger infrastructure, border districts like Solan, Sirmour, and Una have advanced industrially relative to less developed districts.

Keywords: Industrial Performance, Employment, Policies, Industrialization, Growth.

Introduction

With the implementation of economic reform since 1991, with less government control, the industrial sector of India has witnessed a shift from a state-led development model to a neoliberal paradigm. This has resulted in significant changes in the policy structure with respect to the size of the government in terms of expenditures, taxes, and enterprises, legal structure and security of property rights, regulation of labour, and business. As a result, many policies have been developed by Indian states and union territories to promote the industrial sector, particularly through tax breaks and foreign direct investments (Burange 1999). Unlike most fast-growing states in India, the foundation of the economic progress and development of Himachal Pradesh

was laid in Agriculture and Horticulture sector. These two linchpins- agriculture and horticulture- of the state economy are contributing 22.5 % to the Gross State Domestic Product and employing 71% of the working population. The state policymaker's constant thrust on improving Human Development Index ensured a level of the income per person and the human development index improved together--contrary to most states in India. This meant a significant amount of investments were made in the health and education sectors. But when a state makes huge strides in Human Development Index, it can sometimes fail to create enough jobs to keep pace with the vast numbers of new job seekers, leaving education and entering the workforce. At the start of the year 2000, Himachal Pradesh was also grappled with this problem; there are simply weren't enough jobs. The young people, with professional degrees, were not content scratching out a life of subsistence farming or working as laborers. The much-touted demographic dividend of the state was imperceptibly turning into a dreaded demographic recession. A trajectory of a successful modern state must move from agriculture to manufacturing to services. But, Himachal Pradesh's transition till the start of the new millennium was an uneven one. The state has leapfrogged right over manufacturing and into services, such as the much-vaunted Tourism Sector. Without a solid manufacturing base that can provide mass employment, Himachal Pradesh was always going to hit potholes in its growth journey. As Himachal Pradesh continued to transition from a largely agrarian-based economy into something more modern, its citizens wanted a slice of the pie. Creating meaningful jobs is a global problem and it was becoming no different for Himachal Pradesh. The relatively young demographic profile of the state compounds the problem. The Government of India, the Ministry of Commerce and Industry, Department of Industrial Policy and Promotion had announced the Special Package of Incentives for industrial units located in Himachal Pradesh on January 7, 2003, in an effort to balance the topographical disadvantages, boost industrial development, and create mass employment. The State Government has notified a New Industrial Policy on December 30, 2004, in order to give extra incentives to the companies and to guarantee equitable industrial development and employment creation in Himachal Pradesh.

Industrialization Scenario In Himachal Pradesh

Industrialization in Himachal Pradesh has its limitations. The natural ecosystem required for industrialization is not there: it's a completely landlocked state; climatic conditions are harsh and unsuited for industrialization; building infrastructure is expensive and requires high maintenance cost too. All things considered, Himachal is a state with high cost of doing business. In spite all these hindrances, the main emphasis of the State is to give impetus to Industrialization throughout the State, with special focus on the industrial arc -starting from Paonta Sahib to Nurpur all along the Shivaliks hill plains. Therefore, the State Government is emphasizing the establishment of self-contained industrial areas and estates with access to basic services including roads, power, sewerage, water, and communications. Currently, the state has built a total of 47 industrial areas and 17 industrial estates, totaling an area of 2608.54 hectares. High investment has been made in the State's MSME and Medium & Large Scale Sectors as a result of the Central Government's grant of a Special Package of Incentives for the establishment of Industries, which was announced on January 7, 2003, and the State Government's Package of Incentives in the Industrial Policy & Incentive Rules, 2004.

In order to develop entrepreneurship, a Centre for Entrepreneur Development (CED) has been set up at Parwanoo in collaboration with the Government of India. To create more employment opportunities, various employment generation programmes like Mukhyamantri Swavalamban Yojna (MMSY), Prime Minister's Employment Generation Programme (PMEGP), Entrepreneurship Development Programmes (EDPs), Rural Engineer Based Training Programme (REBTP), State Mission on Food Processing (SMFP), Pradhan Mantri Formalization of Micro food processing Enterprises (PMFME), Chief Minister's Startup/Innovation Projects/New Industries Scheme etc. are being implemented rigorously.

Literature Review

Kumar Sanjeev and Pattanaik Falguni, (2017) has found in their research that the state's regular and systematic policies have a favorable effect on the expansion of the state's industrial sector. Throughout the past two decades, Himachal Pradesh industrial sector has grown significantly.

Singh Mohinder, (2015) According to a study, the state had remarkable growth when compared to other states between 2003-2004 and 2011-2012 in terms of the number of factories, capital employed, industrial employment, and capital formations.

Tareef Husain. (2015) His study's explanation for the past two decades revealed that the state of Himachal Pradesh has seen rising trends in the pharmaceutical industry, which are attributed to favourable policy support, a growing share of the chemical industry, rising enrollment in higher education, and the availability of good infrastructure.

Sharma Kumar Vijay, Vashist Lal Roshan, Sharma Nishu, (2008) the report makes it abundantly evident that industrialization has provided momentum to the development and modernization of Himachal Pradesh infrastructure. The improvement of social and economic infrastructure, including greater chances for education, better housing, better public health, retail facilities, and other contemporary comforts of life, is feasible thanks to industrial development.

Lal Roshan, (2006), had brought about favorable effects of industrialization, such as an increase in the income levels of the residents of the close-by industrial zones. The local population is receiving greater work prospects as a result of industrialization, whether directly or indirectly. Additionally, it has contributed gears for the development of the communities close to industrial zones' social infrastructure (such as housing, banking, healthcare, transportation, and communication).

Basu Kaushik, (2018) has noted in his study that some growth-related factors are out of anyone's or any organization's control. However, there are some things the nation's citizens and the government can influence. Economic analysis seeks to pinpoint the latter in order to assist countries in achieving greater growth and all-around development.

Papola S Trilok, (2008) has acknowledged in his analysis that, while necessary, a high pace of economic development is insufficient to produce the level of employment required to fill positions for both those who are currently unemployed and those who join the labour market

each year. Therefore, efforts have been made to restructure growth in favour of sectors with relatively high employment intensity while simultaneously introducing policies and programmes that aid in or lead to direct employment generation, to the extent possible within the constraints of investible resources and macro-balances.

Mehrotra Santosh, et al. (2014) argue in their study that the manufacturing sector is considered to be labour intensive with its multiplier effects for employment generation in other related sectors as well (transportation, trade, communication etc.). Our policymakers should take cognizance of these factors and work towards expanding economic growth with employment generation.

Sahoo K Bimal, et al. (2012) According to their findings, manufacturing employment rose significantly in the first half of the decade before falling off. Policymakers should be concerned that it dropped just as manufacturing output spiked sharply.

Objectives of the Study

The objective of the study is to industrialization performance over the past two decades (2001-2020) in Himachal Pradesh. The emphasis of the study would be to study the employment prospects industrialization has brought in. The impact of the industrial policies framed during this time will be studied; its impact on industrialization, employment generation and implication will be examined.

The following would be the objectives of the study:-

1. To examine the Government schemes for the industrialization in Himachal Pradesh.
2. To study the impact of various industrial policies on industrialization and employment generation.

Research Methodology

The research technique is a methodical approach to problem-solving. It not only outlines the procedures for carrying out the study but also explains why different methodologies were chosen.

Secondary data is the main type of data that was used in the study. The current study is an exploratory and descriptive conceptual survey. The analytical research methodology used in this study is based on quantitative data. Study-related data has been gathered from books, journals, periodicals, newspapers, and websites.

Discussions/ Results

Himachal Pradesh has made great progress in industrialization over the past few years.

- Himachal Pradesh industrial journey, which began from virtually nothing, has been amazing. Himachal is a prime example of an Indian State's quick transition from a backward to a comparatively advanced State, despite its difficult geographic location.
- Before granting Statehood, the majority of the industrial units operating in the State were just a few, including the Nahan Foundry at Nahan, M/s Mohan Meakins Breweries at Kasauli and

Solan, Salt Mines at Drang (Mandi), Nurpur Silk Mill, Palampur Cooperative Tea Factory, Rasin & Turpentine Factories at Nahan & Bilaspur, and four small gun factories at Mandi.

- Consistent attempts were undertaken to significantly enhance the infrastructure after achieving statehood, and industrial areas/estates were built in Parwanoo, Baddi, Barotiwala, Bilaspur, Shamshi, Nagrota Bagwan, Mehatpur, Chambaghat, Kangra, Kullu, and Kinnaur.
- After 1978, when District Industries Centers were established as a 100% Centrally Sponsored Scheme, industrial expansion picked up steam. Up until 2003-2004, the growth was meager. In January 2003, the Industrial Package for the State was unveiled by the then-prime minister, Shri Atal Bihari Vajpai. This initiative was successful in accelerating the expansion of the industrial sector.
- The Baddi-Barotiwala-Nalagarh region has become the nation's largest pharmaceutical powerhouse. The Secondary Sector now boasts a 39.66% contribution to State GDP, up from a meager 7% contribution in 1970.
- The State Government acknowledged the significance of Industrial Policy as a powerful tool for increasing investor confidence and accelerating industrial development. The first notice of incentives to industries occurred in 1971, and thereafter, they were frequently amended, with the most recent policy notification occurring in August 2019. The interior regions of Himachal Pradesh are receiving graded incentives through this scheme, with larger incentives.

Industrialization Status

More than 28,000 businesses are present in Himachal Pradesh. Micro, Small, and Medium-Sized Enterprises (MSME) make up 99 percent of the industrial sector. The MSME sector accounts for 93% of all employment creation in the industrial sector. Exports approximately 10,000 crore annually to more than 60 nations.

Pharmaceutical Hub

Himachal Pradesh has established itself as a centre for pharmaceutical production, meeting 35% of Asia's demand for pharmaceutical goods. Because of the expansion of the pharmaceutical sector, the Baddi-Barotiwala-Nalagarh industrial belt is well-known across the world for producing medication formulations. With a demand in more than 200 nations, the belt produces more than 150 different medicinal formulations.

Village Industries and Khadi

By encouraging rural craftsmen and business owners to set up micro/village industries at their doorsteps using locally accessible resources and expertise, HP Khadi and Village Industries Board is also playing a crucial role in rural industrialization and the creation of jobs. The Board is carrying out the "Prime Minister's Employment Generation Programme" by setting up 13 wool carding and one finishing plant in the tribal and remote areas to provide sheep farming people in the State with facilities for carding and finishing woollen clothing. The Board also promotes goods made by Village Industries and Khadi.

Bring in Investment

The Department successfully conducted the first Global Investor Meet and Ground Breaking Ceremony in 2019, where MOUs for 236 projects totaling 13,600 crore were signed, in order to further strengthen the State's economy and increase job prospects.

Prime Minister Formalisation of Micro Food Processing Enterprises (PMFMFPE)

The "Prime Minister Formalization of Micro Food Processing Enterprises (PMFMFPE)" initiative has been started under Atama Nirbhar Bharat with the goal of assisting food-based micro enterprises in the unorganised sector and bringing them into the organised sector. The Department is currently working to put this plan into effect in the State.

Himachal Pradesh Mukhyamantri Swavlamban Yojna (Hp Mmsy)

More than 3,000 projects have been approved by banks under the Mukhya Mantri Swavlamban Yojna so far, creating about 10,000 prospects for self-employment. The state government's ambitious plan to give young people in Himachal Pradesh options for self-employment. Despite the "Covid Pandemic," this method gained enormous popularity thanks to a sharp rise of sanctioned cases. The programme has been made available online with a 60% "Front Loading" of funding.

Efficiency of Business

Himachal Pradesh is advancing the ease of doing business by performing better on several criteria used in its evaluation. Recent industry-specific reform initiatives from the government, like the Single Window Clearance System, the Online Portal for Issuing EC and Permissions to Purchase Land Under Section 118, the HP MSME (Facilitation of Establishment and Operation) Act, 2019, and Project Implementation Monitoring through the "Himpragati Portal," have greatly improved the overall business environment. State is ranked seventh nationally in the Government of India's Ease of Doing Business ranking. Given that the previous ranking was 16, it is an incredible accomplishment. State has become the nation's fastest-moving state. This increased rating will foster a climate that is favorable to industrial investment.

Industrial Production Index

The Index of Industrial Production (IIP), which compares a given period's physical production in the industrial sector to the prior period, is a yardstick for gauging industrial growth. This index's primary goal is to calculate how much the industrial sector contributes to the gross domestic product. IIP in the State is being compiled using 2011-12 as the base year. The IIP is calculated on a quarterly basis by gathering data from specific Manufacturing, Mining, Quarrying, and Electricity units. Annual indices have been calculated based on the quarterly indices and are displayed in the following table.

Table2. Industrial Production Index

Year	Mining	Manufacturing	Electricity	General
2018-19	88.2	115.2	335.6	192.3
2019-20	89.1	157.8	478.0	223.9
2020-21	85.0	139.2	719.8	259.5

Source: Economic and Statistics Department, Himachal Pradesh

The General Index climbed from 192.3 to 223.9 in the 2019-20 fiscal year, representing a gain of 16.43%. This increase is mostly attributable to the production of electricity, which led to a good expansion of the Industrial sector. The indices for the years 2020-21 have been calculated using data from two quarters (June and September, 2020). Mining and Manufacturing indices have decreased in comparison to the quarterly indices of the June 2019-20 quarters for the same quarter of 2020-21 because of COVID-19 lockdown measures. Industrial production has been impeded by this, albeit a slight increase in the mining and manufacturing indices was seen in the 2020-21 September quarter, which is a positive indication of the V shape recovery.

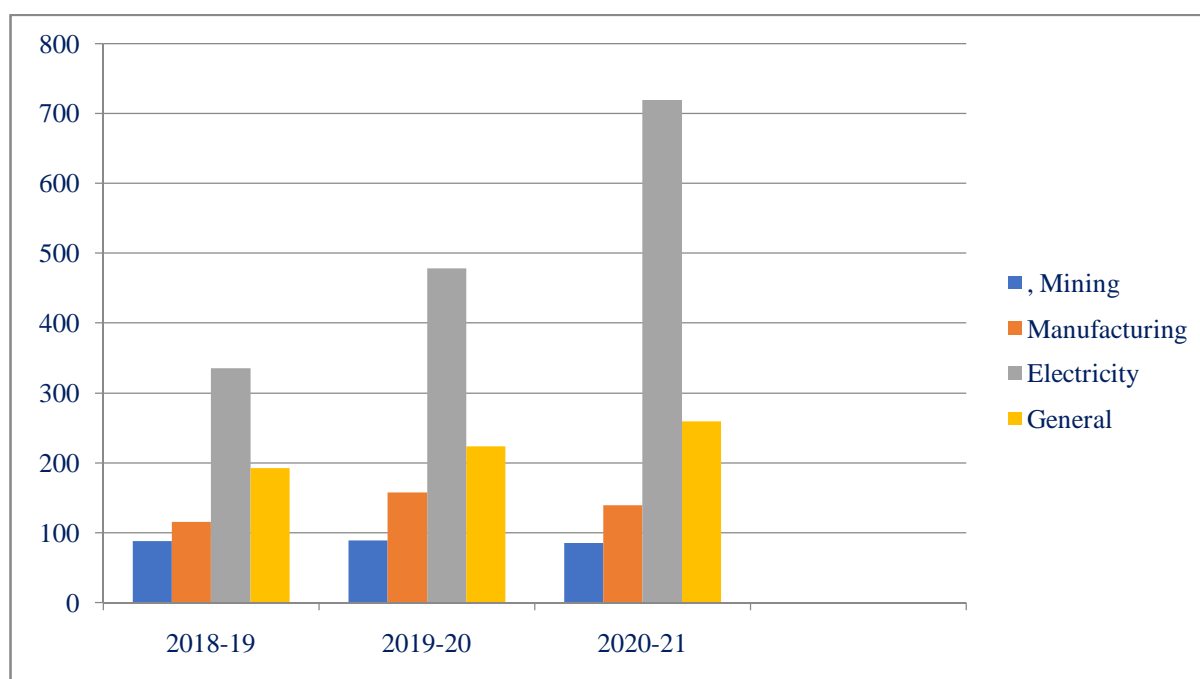


Figure 1. Industrial Production Index

Figure 1; indicate the higher industrial production in the area of electricity in all the years 2018 to 2021. So we can conclude that the electricity industry provides higher employment in the given years.

Summary and Conclusions

After the economic reform many of the Indian states has given the more emphasis on the industrial development. But the extent literature is primarily related national and major Indian states. Moreover, few have analyzed the growth of Industrial sector in the context of emerging economies like Himachal Pradesh. Therefore, the present study has examined the industrial policies adopted by the Government of Himachal Pradesh in India and evaluated the growth,

structure and employment of industrial sector As the Himachal Pradesh is one of the emerging state in the industrial sector, for encouraging the industrialization Government of Himachal Pradesh has created a set of institutions such as Department of Industries, HPSIDC, HPFC, HPSHHC, HPCED and other important agencies. Apart from this government of Himachal Pradesh has implemented several industrial policies for industrial development in the state. These organization and polices have played important role in expanding the industrial capacity with the aim of making state as industrial hub in the country. As Himachal Pradesh has a young demographic population profile, that too with very high literacy. This situation demands more job creation and industrialization can certainly help in creating more jobs in the coming days.

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