

Agencies to Promote Industrial Development in Bihar

The State government in order to boost investment and attract investor has formed many agencies, which would be instrumental in the formation of business units.

Bihar Industrial Area Development Authority (BIADA)

The BIADA was constituted under the statutory provisions of the Bihar Industrial Area Development Act, 1974 with a mission to promote and assist industrialization and create awareness about the Industrial Policy of the State as well as create an environment for the consistent growth of Industries in the State.

The principal objectives are as follows:

- To promote and develop infrastructure such as road, drainage, water and power in the industrial area.
- To support entrepreneurs in setting up industries and provide assistance and incentives under the Industrial Policy of the State.
- To disseminate information about the Industrial Policy and create an investor friendly atmosphere in the State.

BIADA has four regional offices and 47 Industrial Areas (Estates) Development Centres in the State. It acquires land, develops it as Industrial area / estate and allots to the enterprises for setting up of units. BIADA has acquired a total of 5,059.80 acres of land and allotted them for setting up industrial units. Of the four regions, Patna reported the highest acquisition of 2,301 acres of land, whereas Darbhanga had the lowest land acquisition of 507 acres. The details of land acquired, allotted, vacant land and number of units working are given in below table.

Region wise Details of Land Acquired, Allotted and Number of Units in Industrial Areas / Estates

Regional Office	Acquired Land (In acres)	Land Reserved for Infrastructure, Administrative, Block, Road etc. (In acres)	Allotted Land (In acres)	Total Vacant Land (In acres)	Vacant Land Share (%)	No. of Running Units
Patna	2300.78	211.98	1629.32	459.48	19.97	362
Bhagalpur	1236.34	83.70	804.87	347.44	28.10	136
Darbhanga	507.27	106.14	312.23	88.90	17.52	242
Muzaffarpur	1015.41	155.58	479.40	380.43	37.47	169
Total	5059.8	557.40	3225.82	1276.25	25.22	909

Source: BIADA, GOB

Today there is a requirement to provide a new industrialized shape full of industries to Bihar State. There is a need to establish new industries and to revive the sick and closed units of the State. For this purpose favorable environment should be created to attract the investors of State and from abroad.

The Bihar government announced its industrial policy, a significantly updated version to face the challenge of attracting investors from outside as well as inspiring its own entrepreneurial talent. The new industrial policy is said to be based on a close analysis of the policies of some other Indian States. With a view to attract investment in all categories, especially small and medium industries.

Bihar State Financial Corporation (BSFC)

Bihar State Financial Corporation was established in the year 1954 to promote Small and Medium Scale Industries by way of providing financial assistance. Since then it is playing major role in growth of tiny, small and medium industries.

It has contributed significantly to the growth of various sectors and has also provided liberal financial assistance under special schemes like educated unemployed, composite loans to small artisans, Mahila Udyog Nidhi, etc. for creating self-employment opportunities to artisans, educated unemployed, women entrepreneurs and ex-service men. It has also provided financial assistance for setting up hotels / motels including marketing complex, nursing homes and also for electro diagnostic equipments etc.

Many of the industrial concern set up with financial assistance from BSFC have gone for expansion, established them prominently and are contributing to the exchequer of the State Government. Majority of the successful industrial units in Bihar and Jharkhand were earlier assisted by BSFC, which later on have expanded their activities with the support of banks and other financial institutions, as their further requirement of fund exceeded the limit of financial assistance, which BSFC could provide as per provision.

BSFC has been restructured and strengthened to meet the growing needs of entrepreneurs. It also undertakes the appraisal of projects coming up in the State with a view to raise money from the capital market

Udyog Mitra (Friend of Enterprises)

Udyog Mitra is a part of the Department of Industries and disseminates relevant information to the investor pertaining to investment profiles of different industries and the various clearances required at the entry stage

Udyog Mitra serves as the single window and data bank for the Department of Industries. It helps the entrepreneurs with advice and keeps regular contacts with them. It collects and maintains the data on Prime Minister Employment Generation Programme (PMEGP) and District Industries Centre (DIC). The physical and financial achievements of Udyog Mitra from 2004-05 to 2010-11 are given below in table.

Physical and Financial Achievements of Udyog Mitra

Year	Amount Allotted (Rs. lakh)	Amount Spent (Rs. lakh)	No. of Entrepreneurs benefited
2004-05	11.00	11.00	443
2005-06	25.00	25.00	957
2006-07	50.00	50.00	717
2007-08	47.80	47.80	648
2008-09	25.00	25.00	658
2009-10	60.00	60.00	679
2010-11 (upto Oct.2010)	66.00	-	307

Source: Udyog Mitra, GOB

District Industries Centre (DIC)

The entire process of rural industrialization is implemented by the DIC. It acts as a nodal agency to handle investment proposals in the various districts of the State. The agency helps artisans with loans upto US \$ 1,160 and small entrepreneurs above US \$ 5,000. Within each DIC, a District Single Window Clearance Committee has been set up to act as the approving authority; approvals to investment proposals less than US \$ 2 million are within the purview of this committee.

Sector – wise approvals by the State Investment Promotion Board (US \$ Million)

Sectors	2008	2009
Power	9463.70	9248.61
Sugar	120.45	176.37
Health	43.02	45.17
Hotel	64.53	101.81
Bio Fuel	11.47	162.03
Media	0.86	1.43
Food Processing	123.31	229.42
Education	11.47	63.09
Mineral & Steel	57.36	24.38
Jute	8.89	-
Cement	-	35.85

Source: State Investment Promotion Board
(The list is not exhaustive)

Initiatives undertaken by the Government of Bihar

Main Highlights of the New Industrial Policy 2011-16

1. The policy identified nine “thrust areas” — food processing, agro-based industries, tourism, super specialty hospitals, IT, technical and high education, electronics, hardware and non-conventional sources of energy.
2. Land acquisition – the government assures it would try its best to make land available to the entrepreneurs.
3. Though not part of the policy Statement, the State has made available Rs 1,500 crore to the authorities concerned for strengthening the land bank.
4. The new policy provides for a subsidy grant of 50 per cent for setting up captive power plants. The amount of grant/subsidy would go up to 60 per cent if any unit decides to set up non-conventional sources of energy for captive use.
5. Entrepreneurs would not have to pay any stamp duty for land registration when setting up a new industrial unit or carrying out expansion to existing units.
6. The policy will provide a capital subsidy of about US \$ 1.11 million (INR 5 crore) to those making less than US \$ 111.05 million (INR 500 crore) of investments whereas US \$6.66 million (INR 30 crore) would be given as capital subsidy to industrial units that invest US \$ 111.05 (INR 500 crore) or above.
7. According to the scheme if any industrial unit follows government reservation policy, it would get 10 percent additional funds. But this is not binding on them.
8. The government would provide special incentive to entrepreneurs from Scheduled Castes or Scheduled Tribes. Women and the disabled would also get similar benefits. For these categories, 100 percent VAT (value added tax) would be reimbursed if their turnover crosses US \$.07 million (INR .3 crore) per annum.
9. To promote quality products and expansion, the policy would allow incentives for the preparation of detailed project reports (DPR), ISO certification and carbon credits.
10. The government would also try to promote quality and reimburse 75 percent of the fees involved in getting quality certifications.
11. The new policy would exempt new units from luxury tax and reimburse 80 per cent of the value-added tax (VAT) deposited by a fresh unit for a period of 10 years with a cap of 300 percent of the capital invested in setting up the unit.
12. According to the policy, if a unit appoints 100 persons in a given fiscal on the basis of the government’s reservation policy, the entire employee pension fund (EPF) contribution borne by the company for that year would be fully reimbursed.

Fiscal Incentives, Exemptions and Subsidies provided by the State

Incentives / exemption facilities for Industries in Bihar to accelerate Industrial development and to attract investments.

1. Pre-Production Incentives: Stamp duty and Registration fee:

Tiny, small, medium and large scale industries which are to be established in the industrial area / shed and outside the area of the Authority will enjoy the full (100%) exemption in stamp duty and registration fee in lease / sale / transfer. This facility will be granted only for the first time and thereafter will not be granted.

2. Post – Production Incentives:

- i. **Project-Report Incentive:** Reimbursement of the cost incurred in the project report preparation by the industrial units at the rate of 50 percent subject to a maximum of US \$ 1667 (INR 75,000) will be made available provided; the project report is prepared by any of the firms recognized by the Industry Department. The reimbursement will be made to the unit after commencement of the production.
- ii. **Incentive granted on land/Shed:** The Industrial Units located in Bihar Industrial Area Development Authority / Export Promotion Industrial Park / Food Park / Agri Export Zone would be eligible for the following incentive / subsidy. These facilities / concession to the industrial units will be made available only after the commencement of production.

SI No.	Industry	Grant
1	Small/Tiny units/Financial Limit.	50 percent or INR 7,50,000 (Maximum)
2	All Large / Medium/ Mega units / Financial Units	25 percent or INR 15,00,00 (Maximum)

- iii. **Financial assistance for Technical-know-how:** If an entrepreneur obtains Technical Know-how from any recognized National research center / laboratory or institution to establish or to expand his industry, he will be reimbursed 30 percent (maximum INR 15,00,000) of the fee paid to the institution/organization for the technical know-how. This facility will be provided to the unit after commencement of production.
- iv. **Incentive Grant for capital investment on Captive Power Generation/Diesel Generating Set:** 50 percent of the amount Spent on plant and machinery in the establishment of Captive Power Generation/Diesel Generating set will be granted to the industry. No upper limit for this amount has been fixed. This facility will be made available after the unit comes into production.
- v. New industrial units will be granted relief from payment of electricity duty under the Bihar Electricity Duty Act, 1948 for the generation and for own consumption of electricity from D.G. Set and Captive Power Units.
- vi. **Subsidy / Incentive on VAT:** This facility will be available to Small / large / **medium** industries. The industrial unit will get a passbook from the State Government in which the details of the tax paid under Bihar VAT would be entered and verified by the commercial Taxes Department. The Director, Industries will be authorised to pay the incentive amount on the basis of the verification. The new Units will avail 80 percent reimbursement against the admitted VAT amount deposited in the account of the Government, for a period of ten years. The maximum Subsidy amount is payable 300 percent of the capital Invested.

Clarification: The incentive would not be payable on the amounts imposed as penalty and the difference of amount between taxes assessed and accepted under the Central Sales Tax/Bihar Value Added Tax Act, 2005 and Bihar Entry Tax Act

- vii. **Zero VAT:** Zero VAT means the production of items, which do not attract VAT. Such units, which produce items attracting zero VAT and pay income tax, would be eligible for incentive upto a maximum utilization of 70 percent of the installed capacity (maximum limit) as per para (vi) above. Incentive will be payable after the inspection/recommendation by a committee constituted under the chairmanship of the Director Industries on the basis of inspection and recommendation by technical officer of the Department.

viii. **Besides aforesaid subsidy / concessions, the following exemptions will be provided:**

- a. 100 percent exemption for seven years in luxury tax for seven years
- b. 100 percent exemption in electricity duty for seven years.
- c. 100 percent exemption in conversion charge.
- d. 100 percent exemption in market fee for seven years.

ix. **Facilities granted for the units working under adverse situation:**

Such working units, which have been working under adverse situation for years, will be reimbursed 25 percent of the deposited VAT amount in the account of State government against admitted VAT amount. This reimbursement will be admissible for five years continuously.

x. **Industrial Rehabilitation Fund:**

In order to revive the sick and closed industry, with the cooperation of the commercial banks, the State Government and Bihar Industry Association, a corpus fund will be created.

xi. **S.C / S.T / Women / Handicapped:**

- a. Under this category, entrepreneurs will avail 5 percent additional grant/exemption/subsidy than the limit fixed under this policy.
- b. Up to a turnover limit of Rs.30 lakhs per annum S.C / S.T. / Women / Handicapped category entrepreneurs who run small and tiny industries will avail 100 percent subsidy of the deposited amount in the account of Government in the form of VAT for a period of ten years.

xii. **Exemption from AMG / MMG:**

Working units at present and new units will avail exemption from AMG / MMG from the date of declaration of the New Industrial Policy. This facility will be granted for five years.

xiii. **Central Sales Tax (CST):**

Only 1% CST will be payable on the items produced by the registered small and **medium** units in Bihar.

Industrial Infrastructure in Bihar

Bihar is aggressively working on building industrial infrastructure including an Export Promotion Industrial Park, Food Parks, an Air Cargo Complex, a Software Technology Park, an Inland Container Depot and Agri-Export Zones.

Export Promotion Industrial Park

Export Promotion Industrial Park (EPIP), Hajipur, is being developed as a multi-product export-processing zone for north Bihar under the umbrella of the Union Ministry of Commerce and Industry and the Government of Bihar. It would be spread over 94 acres and cost about US \$2.6 million with requisite infrastructure facilities for setting up export units.

Food Park

The Union Ministry of Food Processing Industry has sanctioned the establishment of Food Parks at Hazipur and Begusarai to promote agro-based and food processing units. The infrastructure will include cold storage units, refrigerated vehicles and effluent treatment plants.

Air Cargo Complex

Though Bihar has considerable potential for export of agriculture/ horticulture products, it has under-performed in terms of exports, partly due to the absence of air cargo infrastructure. An Air Cargo Complex is proposed to be built adjacent to the Jai Prakash Narayan Airport, Patna, to be promoted by the BIADA and Airport Authority of India. The complex will facilitate exports of fruits, vegetables and horticulture products, silk and other exportable items. The complex will feature:

- Pre-cooling facilities as well as cold storage for highly perishable commodities such as flowers, fruits and vegetables.
- Elevating Transfer Vehicle (ETV) for storage and retrieval of ready-built unit load devices;
- Modern cargo equipment like cranes, forklifts, high-reach stackers, power pallet trucks CCTV monitor and control.

Software Technology Park

The 45th Software Technology Park (STP) in India is coming up on the campus of the New Government Polytechnic Complex in Pataliputra Colony in Patna. The project involves grants-in-aid of \$200,000 and provision of three acres of land. The STP would

have 5,000 sq ft of built-up space. The Biscoman Tower, where the STP is located, is a city landmark with excellent IT and social infrastructure.

Inland Container Depot

Inland Container Depot, Sitalpur, is one of the mega infrastructures projects sanctioned and financed by the Union Ministry of Commerce and Industry, at a projected cost of \$5.1 million. It is being set up to facilitate export of fruits, vegetables, horticulture products and other exportable items produced in the state. Land acquisition is in process. Its salient features are:

- Two full train length rail lines.
- 500 sq m covered warehouse space for import cargo.
- 5,000 sq m covered warehouse space for export cargo.
- Open space for stacking 3,000 loaded containers.
- Open space for stacking 4,000 empty containers.
- Eight hectares parking area to accommodate 4,000 trailers.
- Administrative building with 4,000 sq m of built-up area.
- Computerized weigh bridge facility.
- Container repair facility.

Agri-Export Zone

Bihar is the largest producer of litchi in India. An Agri-Export Zone (AEZ) is being developed for promoting litchi exports from the districts of Muzzaffarpur, Samastipur, Hajipur, Vaishali, East and West Champaran, Bhagalpur, Begusarai, Khagaria, Sitamarhi, Saran and Gopalganj. Various central government agencies will contribute US \$ 900,000 for the \$2.6 million AEZ, while the state government and private agencies will contribute the rest. The projected incremental exports of litchi from this zone is \$34.1 million and around 10,000 farmers are likely to benefited

Policy Framework

The post-liberalization era has ushered in new investment challenges and opportunities for various Indian states. The Bihar government has announced various investment-friendly policies and initiatives to create an attractive investment climate in the state.