

## CHAPTER - 5

### REVISED LAND ACQUISITION POLICY IN THE STATE

#### 5.1. Introduction

The West Bengal State Assembly Elections, 2011 witnessed end of the longest-serving democratically elected Left Front Government(LFG) in the world. This change was a reflection of various fundamental variations which have come about in the political and economic fabric of the state which demands an examination and analysis at a broader level rather than a simple number game. In the overwhelming environment surrounding the phenomenal rise of Trinamool Congress under the leadership of Mamata Banerjee in prominence and power is an issue which has not been sharply brought under the scanner, is the issue of ideology which though interestingly occupied an essential position in the political glossary of the state. The present Chief Minister of West Bengal Mamata Banerjee has defined her ideology and politico-economic policy in these words: “*We are not Marxist or capitalist, we are for the poor people,*” she said in her first major interview to a foreign newspaper. “*Our policy is apparent: whatever policy will suit the people, whatever policy will suit the circumstances, whatever policy will suit my state.*” She dedicated her policies to the causes of *Ma-Mati-Manush* (Mother, Land, and the Human) of West Bengal (Basu, 2019).

After coming to power, the state government has emphasized its policy of no land acquisition from unwilling owners and development of industrial parks on public land and transfer of the same to the private sector enterprises. The process has been initiated for updating Facts and figures on the land bank, which would be developed from public land. This policy decision is made publicly available in WBIDC, (West Bengal Infrastructure Development Corporation) and West Bengal Small Industries Development Corporation websites.

With the change of power, the onus was placed on the present government to improve the scenario, and under the leadership of Mamata Banerjee, the state announced a large number of industrial reforms. Currently, the Government of West Bengal holds the same on the view of no forced land acquisition policy and according to the state finance minister Amit Mitra claimed that

“We already have four hundred acres of fully developed infrastructure-enabled industrial land and another four hundred acres is being developed. The several departments of the West Bengal Government are also holding over one lakh acres, which can also be used for industrial development. Our land bank is enough to meet industrial requirements. We are also considering procuring land from companies that have closed down, for which a committee has also been formed. The land issue of frightening people is created by others” (The BusinessLine Interview : Amit Mitra, September 15, 2015, p. 1).

The new Central Government Act on land acquisition (*The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013*), which substituted the Land Acquisitions Act, 1894 has come into force with effect from January 2, 2014. Nevertheless, the state government has expressed its opposition to the new Act. The present Trinamool Congress Government has also expressed its healthy initiative for industrialization drive. In that case, land acquisition cannot be wholly avoided. Some policy changes will be required, but presently there is no point in speculating on the issue. This chapter highlights the exciting features and aspects of the economic policy of the Trinamool Congress in the present political scenario of the state.

## 5.2. New Land Allotment Policy of the West Bengal Government

The Trinamool Congress Government has of late come up with a Land Allotment Policy document through an administrative order<sup>1</sup> which is applicable to land owned or held by any department of the state government or agency funded by the state government. The important features of the said policy are traced in the following:

- Manner of such allotment plot would be by way of long-term settlement (LTS) for a period not exceeding ninety-nine years, with the option of renewal of such lease for the same period with same terms and conditions.
- The Land and Land Reforms Department is responsible for the inter-departmental transfer of land and long term lease of *khas* or vested (government) land.
- An inter-departmental committee under the Chief Secretary of the state formed for the purpose would handle all cases of inter-department land transfers.
- The valuation for Long term Lease would be based on the sale deeds of the area or the market price as determined by the Inspector General of Registration and Commissioner of Stamp Revenue, West Bengal, whichever is highest.
- Clear description about adequate publicity including through internet has been made in order for land meant for commercial use invariably to be auctioned to the higher auction-goer.
- Commercial exercise for this purpose will mean use for shopping malls, office, shops, housing not meant for low-income group or poor, economically weaker sections, hospitals, theme park, Cineplex, educational institutions etc. To avoid malpractices, no fixing of the reserve price by the government will be made. For projects leading to industrial development, the top price needs to be the main criteria nor should auction be the only mode of allotment.

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<sup>1</sup>Government Order No. 6686 – LP/1A-18/ 2012 dated December 26, 2012

- Most significantly, all decisions linked to land allotment etc. should be proactively disclosed under section 4 of the Right to Information Act.
- However, there will be relaxations in case of land for setting up educational institutions, medical facilities to be set up by public charitable trusts with no-profit motives and housing for the poor.
- Considering the effect on tariffs and questions of larger public interest, projects in the power generation sector, the auction route is exempted.

As per the above guideline a government order (GO) of West Bengal Government dated December 26, 2012, for project leading to industrial development, the highest price need not be the main criteria nor should auction be the only mode of allotment. The department or the entity (WBIDC, WBIIDC WBSIDC and WBMMDC) shall prepare and publish a catalogue of its land assets. It may also point out the kind of industrial development it is seeking (big, medium, non-polluting, knowledge-based, etc.) along with the tentative price which may be determined based on the acquisition price, development charges, cost of capital, and premium as applicable. This Facts and figures should be freely available in the public domain for at least one month before. The Government-owned corporations like WBIDC etc. responsible for the development of industries, infrastructures for industries, development of small industries and mines and minerals respectively having land at their disposal follow an open and transparent method to settle the land with venture capitalists for the respective objectives. The availability of land is notified in newspapers, and their respective websites with details of land and terms and purpose of settlement inviting expression of interest and allotment of land are made to those who fulfil the criteria specified in the notice fairly and impartially. To modernize infrastructure facilities and create industrial growth centres, Government of West Bengal has identified appropriate areas and gone ahead with land acquisition. The principles of participation and proper compensation, rehabilitation and resettlement for the land losing

community were observed for such acquisition which mostly happened after 2008 (post-Singur). WBIDC is developing sector-specific and multi-product industrial parks in the state in the acquired areas.

An Overview of the acquired areas for sector-specific and multi-product Industrial Parks is shown in the table below:

**Table 5.1. An Overview of the Industrial Parks**

Sl. No.	District	Name of Industrial Park	Area of Acres
1	Bankura	Plasto Steel Park, Barjora	432.29
2	Burdwan	Bengal Aerotropolis Project at Durgapur - Asansol	1818.18
3	Burdwan	Panagarh Industrial Park	1458
4	Howrah	Sudha Ras Food Park	49.98
5	Howrah	Kandua Food Park	54
6	Howrah	Food Park - III	34.12
7	Howrah	Poly Park	60
8	Howrah	Gems & Jewellery Park, Ankurhati, Domjur	5.76
9	Kolkata	Manikanchan Special Economic Zone	-
10	Kolkata	Shilpangan – Light Engineering Park (Earlier Toy Park)	-
11	Kolkata	Paridhan – The Garment Park	8.78
12	North 24 Parganas	Rishi Bankim Shilpaudyana at Naihati	97.38
13	Paschim Medinipur	Vidyasagar Industrial Park	1166.64
14	Purba Medinipur	Haldia Industrial Park	334
15	Purulia	Raghunathpur Steel & Allied Industrial Park, Raghunathpur	1924.42
16	Purulia	Raghunathpur Steel & Allied Industrial Park – I, Raghunathpur	793.75
17	Purulia	Raghunathpur Steel & Allied Industrial Park – II, Raghunathpur	733.99
18	Nadia	Haringhata Industrial Park, Haringhata	358
19	South 24 Parganas	Budge Budge Garment Park	-
20	Paschim Medinipur	Kharagpur General Industrial Park	205.65

Source: WBIDC Website (<https://www.wbidc.com>)

In all the above industrial parks the ‘Requiring Body’ was WBIDC after required clearance from the government and observing all the phases and procedure laid down in this respect following submission of a joint venture proposal or expression of interest from the anchor investor. Based on the detailed project report (DPR) presented by the anchor investor and with the approval of the government land acquisition was done by the Collector on behalf of WBIDC. In most of these industrial parks, the lands acquired are given on long-term settlement

as per agreed terms and conditions to the anchor investor. About 50-70 per cent of the land acquired for these joint ventures was subsequently publicly auctioned for distribution among other willing private investors for setting up of industrial units. Transparency is maintained for such settlements.

### 5.3. Transfer of Land to the Private Sector

The transfer of land, whether for a public purpose or to the private sector, is made through the Land and Land Reforms Department. The West Bengal Land Reforms Manual, 1991 gives the necessary guidelines. The historical evolution of the transfer procedure has been dealt with in greater detail in clause 2.2. The present Trinamool Congress Government has been following the same procedures as laid down in its administrative order, for transfer of land or modules of the industrial parks<sup>2</sup>.

The WBIDC website<sup>3</sup> also displays the pricing policy for transfer of land to the private sector.

This, together with the document mentioned earlier, constitutes the pricing policy:

- Price of land should be through a bidding system which may be replaced in some exceptional cases.
- Where bidding process is not used, the cost of land will be based on the amount paid to the District Magistrate by WBIDC based on the award of the government together with infrastructure cost, cost of capital @ 13 per cent and administrative cost @ 10 per cent charged on all items except infrastructure. The leaseholder will pay operation, maintenance, statutory duties, levies and all other costs.
- Some extra charges for the lucrative position, such as on the main arterial roads etc. may be fixed.

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<sup>2</sup>The document is available in the WBIDC website ([http://wbidc.com/images/pdf/Approved\\_Terms\\_Condition.pdf](http://wbidc.com/images/pdf/Approved_Terms_Condition.pdf), dated 30.12.2013). The document by and large contains the terms and conditions consistent with the administrative order of 26.12.2012 for transfer of public land or modules of industrial parks.

<sup>3</sup>[http://wbidc.com/images/pdf/Pricing\\_Policy\\_WBIDC.pdf](http://wbidc.com/images/pdf/Pricing_Policy_WBIDC.pdf)

- Additional cost has to be borne by the leaseholder in case the price of compensation is declared to be lower by the court in future.
- Other terms and conditions follow general leaseholder agreement clauses. The policy declared by the Government emphasized labour intensive Micro, Small and Medium Enterprises, as in Textiles, Agro-based Food Processing and Aquaculture, Leather, Gems and Jewellery, the revival of industries that were the hallmark of the state (Tea and Jute), Leverage the core competence and rich mineral base of state for midsize and large scale industries in Manufacturing and Engineering, Chemical, Petrochemical and its downstream hydrocarbon industries, Latest technology and Foreign Direct Investment (FDI), especially in manufacturing, Sun-rise industries and high tech areas, Promotion of local entrepreneurship and employment, utilization of potentialities in technical and creative human resources in IT, development of entertainment & electronics Up gradation of skills of Human Resource to meet global standards, Policy Reforms and Business Process, creation of a Single Window System for industrial start-ups and building Labour Management relations

#### 5.4. Proposed Strategic Interventions

The Government has also proposed strategic interventions for growth and development of the industrial sector in the state and this purpose; it has outlined the objectives in the vision and mission stated below.

It emphasized the creation of quality infrastructure in the Industrial Clusters in the State including Power, Communication, Rail and Connectivity to Road. Creation of ‘State Manufacturing Zones’ in line with National Industrial Manufacturing Zones (NIMZ) and promotion of Industrial Corridors to capitalize the locally available resources and strengths like availability of Natural resources, Ports, Road network and Rail linkages for accelerating growth of manufacturing sector. Facilitation of directed mega investments into the sectors offering huge employment opportunities and having a multiplier effect on the development of Micro,

Small and Medium enterprises in the form of forwarding and backward linkages. Adoption of a coordinated policy to the development of all sectors of the economy through creation and consolidation of sufficient land bank by the developing agencies, including the Development Authorities, Corporations and IDCs to meet current and future requirements of the entrepreneurs. Single- Window Clearance for the Industrial Proposals- the State Government would bring out an Act for the implementation of Single Window Clearances. The Service Delivery will be completely electronic with the following key targets to achieve efficiency and complete transparency on online application/ file tracking features and electronically guided workflow for application movement on the eBiz portal together with time-bounded Clearances at each level and online decentralization of domain expertise, clearance requirements and departmental know-how on the eBiz<sup>4</sup> portal. Apex Committee for the assessment and decision based on clear policy framework for decision making, as already done in Land allotment policy 2012, for one of the key components. A fixed annual timetable of monthly meetings of the Apex Committee to expedite the decision making. Departmental Nodal Officers of the rank of Joint Secretary and above for information, guidance and issue resolution, if any. Create convergence of schemes for the growth of MSMEs and provide financial, technological and other supports to smaller enterprises of women, youth, minorities and first-generation entrepreneurs. Leverage the existing strengths of potential sectors in the state such as Food Processing and Agro, Textiles, Gems and Jewellery, Cement, Paper, Steel, Petrochemicals and downstream, leather, tourism, Gems and Jewellery, Energy and ICT etc. with linkages to the available resources such as Manpower, Agricultural and Horticultural output, Mineral deposits, Marine, Natural Gas and Coal etc. Encouraging the participation of private sector in

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<sup>4</sup> eBiz is being implemented by Infosys Technologies Limited (Infosys) under the guidance and aegis of Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India. The focus of eBiz is to improve the business environment in the country by enabling fast and efficient access to Government-to-Business (G2B) services through an online portal. This will help in reducing unnecessary delays in various regulatory processes required to start and run businesses.



infrastructure projects under Public-Private Partnership (PPP) especially in industrial infrastructure, power, communication, roads and bridges, ports, airports, tourism and hospitality, health and education sectors. Human Resources development with appropriate scientific, technical and managerial skills to maximize employability-

A. There will be an ITI in each of the 341 blocks of the state and a polytechnic institute in all the Sub-divisions of the state.

B. The state intends to create vocational streams in high schools with inputs for the curriculum from relevant industries.

C. A Central unit would create modules for Trainers' Training for meeting the capacity requirement for vocational streams, ITI's, Polytechnics.

d. Skill Maps to be prepared at the Sub-division level along with the sub-divisional economy and resource mapping so as to bring in the convergence between the two-

The identified gaps to be bridged through training over the next two years. Similarly, the institutional infrastructure gaps to be identified and supporting infrastructure to be built in the next 2-3 years. The various Industrial Development Authorities of the State will have to tie up for training arrangements with training institutions of National repute and have an annual calendar of training. A fixed per cent of the revenue of these authorities to be utilized for the purpose of training.

f. The government would promote collaboration with Industry and Academia for the development of quality human resource development. An annual enclave will be organized to assess the technical resource requirement by the industry and dovetailing the training modules according to the needs.

Development of NS-EW Industrial Corridor running across from South Bengal to North Bengal and thereafter East to West to North Eastern States-

The project will have major hubs en route with storage and go down facilities for the goods and materials going to North Eastern States, and bordering counties of Nepal, Bhutan, Bangladesh and Myanmar. The hubs will be connected with the rest of India through railway, and the highway will offer high-speed movement for high axle load trucks. Creation of by-passes at crucial junctions like Panagarh, Habra, Barasat and Boangaon for faster movement of goods

11. Strategic disinvestment of the State share from the PSUs where the private sector has better synergy to the business- The State Government has engaged Deloitte as Transaction Advisor to advise the Government on its strategic disinvestment from Haldia Petrochemicals Limited. It is expected that the selected private investor shall be able to bring in sufficient investment for the revival and growth of this high potential company and lead to higher employment and regional growth. Urban Haats and Rural Haats are being set-up to give marketing support to the 'MSMEs'. To create Competitiveness and innovation to boost the manufacturing sector, the government will develop a 'State Manufacturing Competitiveness Programme' in line with the National programme. Sector focussed approach would be taken to access the East Asian and ASEAN markets and strengthen the infrastructure of roads and ports to promote business.

## 5.5. Business Policy

Government of West Bengal is determined to eliminate systemic bottlenecks in the process of Industrialization in the state and has kept Ease of Doing Business as one of the key objectives of this policy. The state has undertaken Phase-I initiatives based on the Simplified Tax Regime and e-Governance in financial matters. In the Phase-II, the Government will be extending the Ease of Doing Business to other aspects of Business cycle, beginning from Setting a Business, to a Single Window Service Delivery System and covering the incentive tracking and delivery. The first attempt in this direction has been to reduce the 99 pages of documentation to start a business to a 7-page document. This will be further simplified by bringing the various departments and their services, related to setting a business, into a single electronic window. The important element of this policy include e-enabled business portal (*Shilpa Sathi*), time-bounded ICT enabled system, e- tendering and e-procurement, optimum incentives for the investors, speedy transfer and disposal of files and proposals, information of availability of land in Land Banks, transparency in the allotment and sharing public resources etc. West

Bengal has knowledge and skills, but it does not have sufficient landmass. That is why Gross State Domestic Product (GSDP) per sq. km is an important measurable factor for judging the economic effects of the state.

### ▪ Government Report

The 30,231 new (MSME) Micro, Small and Medium Enterprises and Textiles units which have come up across the state till December 2019 has created 2,89,100 jobs in West Bengal.

After the Trinamool Congress Government coming to power in the state, it gave enormous emphasis on the building of infrastructure at the Small and Medium Enterprises (MSME) sector and encouraged the newcomers. Various small and medium scale industries have received an impetus after the government simplified the rules of applying for new enterprises. The online application process was introduced by the state government to make people free from the hassles. The state Finance Department is of the view that 30,231 new MSMEs units filed *Udyog Aadhaar* Memorandum, employing nearly 2,89,100 people till December 2019. The budget statement by the Finance minister states<sup>5</sup>, the quantum of bank credit in the last two years was extraordinary. In 2018-19, the bank credit stayed to the tune of ₹ 56,458 crores, it was 28 per cent higher than the credit that was found during 2017-18. During the period 2019-20, the credit flow to this sector reached at ₹ 35,089 crores, particularly in the quarter between April-September, registering nearly 73 per cent quantum jump. The government has also founded eight common facility centres (CFC) for the assistance of the handloom weavers and village industry artisans. Eight more CFCs are underway. As many as 14 '*Karmatirtha*' have been finished in the financial year 2019-20, taking the total number to 46 so far in the state. The hubs provide one-stop shops for entrepreneurs to market their products directly to consumers

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<sup>5</sup> Government of West Bengal. (2019, February 4). <http://wbfin.nic.in>. Retrieved June 12, 2019, from Finance Department, Government of West Bengal: [http://wbfin.nic.in/writereaddata/Budget\\_Speech/2019\\_English.pdf](http://wbfin.nic.in/writereaddata/Budget_Speech/2019_English.pdf)

in rural areas. New projects are introduced in the MSME and textiles industry, including production centres under 'Project Muslin' in various districts in the past nine years. Development of cotton and muslin industries had been the thrust area of development. West Bengal was one of the leading exporters of cotton and textile goods during the colonial era. Development of two new industrial estates — Jalpaiguri and Midnapore Sadar (Khasjungle) Industrial Estate and Debagram Industrial Estate Phase-II in West Midnapore are on the verge of completion. They are expected to be made operational by March 2020. Many more jobs would be created once these two industrial estates start operation. Incidentally, the Finance minister during his budget speech in the Assembly on February 10, announced 100 new MSME parks which would be developed over a span of next three years. Presently, there are 52 existing MSME parks, while 39 others are under construction (Budget Statement 2019-20, Government of West Bengal, 2019).

#### ▪ Industry Friendly Policies of the Government, 2019

West Bengal Government has brought various industry-friendly policies to ensure ease in doing business in the state. Among the foremost is the '*Silpa Sathi*' Scheme, to ensure single-window permission for setting up industries (of any size). In short, '*Silpa Sathi*' is Bengal's call for business to ride the growth in industry, commerce and enterprises in the state across micro, small, medium and large sectors. Steering the state towards an industry-friendly ecosystem, the State has developed numerous industry-specific and multiproduct growth centres and industrial parks with plug and play infrastructure available for investments. With upcoming major deep-sea port coming up at Tajpur, Amritsar-Kolkata Industrial Corridor (AKIC) aligned to Eastern Dedicated Freight Corridor, national waterways, ready industrial infrastructure with over 200 industrial parks and estates covering around 20,000 acres; new theme green township has opened up new vistas of investment opportunities. West Bengal, with a GSDP of \$ 155.32

billion, is the fourth major contributor to India's services GDP and sixth largest provider to India's manufacturing GDP. With a strategic location gateway to over 300 million people covering entire East and North East of India and having consumer base of over 91 million, West Bengal is also the gateway to ASEAN and South East Asia. The State is a perfect blend of dynamism and economic strength, with a strong consumer base, vibrant industry, large talent pool, industry-friendly stable policies, transparent governance and record social and physical infrastructure development. The State government is dedicated towards sustainable and inclusive development, providing increasing employment opportunities, The Bengal Global Business Summit (BGBS) is an annual flagship event organised by the Government to showcase the state's investment potential and to highlight its business enthusiasm in front of the global business community, Over the past few years, Bengal Global Business Summit (BGBS) has emerged as one of the foremost business summits in India. Some of the top industrialists have participated in these summits, along with several international companies. Starting in 2015, BGBS has brought substantial investments to the State. The 5<sup>th</sup> edition of Bengal Global Business Summit (BGBS) held on February 7th & 8th in this year ended with Bengal government receiving investment intentions worth Rs 2.84 trillion. It reflects an increase in investment @ of 29.68 per cent over the previous year when proposals worth ₹2.19 trillion were received. "The proposals we received prove our credibility and accountability. A total of 86 Memorandum of Understanding (MoU) have been signed, 45 business to consumer meetings and 1200 business to business meetings have been held. Investment means the making of new jobs and around 8-10 lakh additional jobs will be created in West Bengal from these investments", Chief Minister Mamata Banerjee declared at the conclusion of the 2-day event. The state's finance minister, Amit Mitra, said that approximately 40 per cent of the total investment intentions the BGBS received so far are under various stages of implementation. From 2015-2019, total investment intentions valued at ₹ 9.47 trillion.

In the post-Left front period, the state has adopted a lot of industrial reforms and has made the announcements of an array of industrial incentive schemes. The Government of West Bengal have already created 2139 industrial parks in total over the state having a combined acreage of 22,809.85 acres, addressing sectors such as Food processing, Gems & Jewellery, Iron & Steel, Aviation, Garments, Engineering.

To augment Industrialisation in the state, certain industrial promotional policies have been adopted by the state government.

#### ▪ Industrial Licensing Policy

The requirement of obtaining an industrial license for the manufacturing activity is now limited only to Five industries of strategic, social and environmental concern like industries of alcoholic drinks, cigars, tobacco and tobacco substitutes, Electronic aerospace and defence equipment, industrial explosives and Hazardous chemicals. Along with Industries reserved for public sector (i.e. atomic energy, railway transport, etc., manufacturing of items reserved for the small-scale sector by non-small-scale industrial units, Units located within 25 kilometres of Standard Urban Area within the Limits of cities having a population of 1 million unless it relates to Computer Software, Printing, Electronics or any other notified non-polluting industry.

#### ▪ Single Window Clearance System (SWCS)

The West Bengal Industrial Development Corporation (WBIDC) provides the single window clearance facility under which entrepreneurs can obtain nine statutory clearances from the departments of Labour, Fire and Emergency Service, Power, Irrigation and Waterways, Pollution Control Board and Kolkata Municipal Corporation with less trouble and transaction costs, under an integrated umbrella system. Presently the investor can submit the Common Application Form online in the *Shilpa Sathi* and get all licenses and registrations on-line. An

online tracking system of the status of the on-line application will also be available in the G2B portal developed for IT infrastructure in the State Data Centre. The single window system is meant for the use of large-scale manufacturing enterprises with investment in plant and machinery above ₹ 10 crores and also for medium-scale manufacturing enterprise intending to expand present production capacity with investment in plant & machinery above ₹ 5 crores.

- **West Bengal Start-up Policy, 2016-2021**

The policy is said to be enacted from January 1, 2016 to December 31, 2021, With a view of developing key industry-academic partnerships. In order to generate an enabling ecosystem for startups, the Government of West Bengal has created Entrepreneurship Development Centre Networks (EDCNs) in alliance with key academic institutions such as IIT-KGP, IIM-C, CSIR Labs, IEST and other Universities in all the districts of the state. The purpose of these EDCNs is to incentivize students who are engaging themselves in entrepreneurial activities, doing internships in start-ups and taking up related project works, by giving them academic credits for such activities and also restructuring the current academic curriculum to make it more industry-specific for development the state government has announced the Start-Up Policy (2016-2021).

The government has also initiated the process of project evaluation, access to a network of registered angel and venture capital funds and access to a base of mentor and professional experts. To encourage the investors to navigate through the list of projects and may select the ones on which they are interested in funding.

- **West Bengal MSME Policy, 2013-2018<sup>6</sup>**

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<sup>6</sup> Government of West Bengal. (2013). <https://wbmsme.gov.in/>. Retrieved March 5, 2019, from Department of Micro & Small Scale Enterprises and Textiles: <http://bharatchamber.com/MSME-policy-2013-18.pdf>

The policy was adopted by the Government of West Bengal with the aim of boosting the growth micro, small and medium enterprises (MSME Policy 2013–2018, 2013). Such that the size of their product-market grows by 25 per cent and in this process of induced investment, the government expects the sector to generate at least 10 million job opportunities. In facilitating such a mammoth task, an array of incentive schemes were devised to be rolled out and implemented over the five years. The Government of West Bengal has categorized the state, regionally into four zones (A, B, C and D) 45 in terms of economic and social development with the greatest amount of fiscal incentives to be provided for investment pouring into the backward regions of the state. Capital investment subsidies to the tune of 40 per cent and 30 per cent will be granted to micro and small enterprises investing in Zone-D, and as for Zone-C, it is 25 per cent and 15 per cent respectively. The investors will also be receiving subsidies of 15 per cent and 10 per cent for setting up micro and small enterprises in Zone-A and Zone-B, respectively. Interest subsidies for term loans of 7.5 per cent and 6 per cent to be provided to micro and small enterprises setting up facilities in Zone-D and Zone-C respectively. Electricity duties to be waived off for medium enterprises which are set up in Zones- B, C and D for the first five years. For micro and small enterprises 50 per cent of waiver for enterprises in Zone- A & B and 75 per cent for units in Zone- C & D. Power subsidies to the tune of ₹ 1/KWh and ₹ 1.50/KWh to be granted to micro and small enterprises located in Zones- A, B and Zones- C, D respectively. Water and energy conservation policies prescribe reimbursement of 50 per cent of expenses incurred for the implementation of the recommendations of an energy audit done by a certified auditor and also financial assistance worth of ₹ 2 lakhs (maximum) to be provided for undertaking water conservation or pollution-reducing measures. Generous concessions to be provided on a gamut of taxes such as VAT, Entry Tax, Stamp Duty and Registration Fee and Central Sales Tax.



## ▪ West Bengal Policy on Information and Communication Technology, 2012

In order to create an investor-friendly climate in the State and rightly incentivize the investors in the sector, the GOWB has launched the West Bengal Policy on Information and Communication Technology, 2012 and the West Bengal ICT Incentive Scheme, 2012. The state has always been regarded as one of India's leading pioneers in this field, with high intellectual Capital and all major IT/ITeS companies of the country operating in the state. Some of the features of the policy are as presented below:

ICT Incentive Scheme, 2012: The following subsidies will be provided under the said scheme. (a) State Capital Investment Subsidy. (b) Interest Subsidy / Training Subsidy. (c) Waiver of Electricity Duty. (d) Employment Generation Subsidy. (e) Refund of Stamp Duty & Registration Fees. Chip Design Facility: The State Government is creating a VLSI incubation centre/facility at BESU, Sibpur for the budding entrepreneurs in the field of semiconductor chip designing. The centre has already produced a VLSI company in the State named Sankalp Semiconductor and is running with four budding student entrepreneurs. Animation and Gaming Industry (AGI): it is the other vertical where the State wants to focus its attention. As per NASSCOM study in recent years (2008-2012), the animation industry in India is expected to grow at a CAGR of 22 per cent and the gaming industry at 49 per cent. The State wishes to promote the AGI in a systematic manner, so that in the next five years the CAGR of the State in the animation industry is at least 35 per cent and that in the gaming industry is 75 per cent. IT Parks - The state is building 26 IT Parks with a total investment estimated at ₹ 520 crores (98.48 million \$), which will produce 26,000 direct employment and 156,000 indirect employment. Hardware Park- In addition to the above initiatives 11 acres of land has been procured at Sonarpur, 24 Parganas (South) to create an integrated hardware park, whose development is currently underway. Simplified Tax Regime 47: The Government of West

Bengal intends to keep the tax system simple, fair and transparent to encourage the development of the private sector and the formalization of the economy. In its efforts to do so the following steps have been taken (these are a selected few from a whole bunch of reforms):

VAT Administration: West Bengal is the only state in the country to have made E-registration mandatory along with introduction of dematerialized Registration Certificate. It has also facilitated the process of Online Return filing compulsory for all dealers for all the Acts. Taxpayers with annual turnover between ₹ 1.5 crores to ₹ 3 crores would have to submit only a —Self-Audited Statement<sup>1</sup> instead of Final Accounts audited by a Chartered Accountant or a Cost Accountant.

Online VAT refund and payment of refund through Electronic Clearing System. Provision of e-Anti-evasion Complaint Service, e-Sales Tax Deduction at Source (TDS) Service and e-Application for Industrial Promotion Assistance Scheme.

Stamp Duty and Registration: (a) Introduction of Computerized Registration in all 239 Registration offices in the State, rationalization of Stamp Duty and introduction of the e-stamping system and Other Facility for property registration.

Excise Department: (a) Introduction of a system for receiving duties and fees through e-gateway of bank and Import Pass for Bulk Spirit (IPBS).

Public, Private Partnership Policy (PPP), 2012: West Bengal is the only state in India to have introduced a state policy on PPP for the facilitation of private investment in social and physical infrastructure. To assist various departments and other organizations of the State Government to have access to appropriate advisory support for the implementation of PPP transactions, the State Government has formed a panel of eight Transaction Advisors.

The Government of West Bengal has highly incentivized the IT and ITeS sector and in its commitment in making the state a global IT and start-up hub it has also launched the ICT Incentive Scheme, 2012 and the West Bengal Start-up Policy, 2016-2021 which are aimed at

reducing transaction costs, providing a stimulating business environment. The tertiary sector is the main driving force behind the state's growth story and contributed a whopping 54.42 per cent and 57.8 per cent to the GSDP in 2004-05 and 2009-10 respectively leaving behind the primary and secondary sectors. The government has also furthered its support in favour of the services sector by the development of EDCNs, which are designed to support start-ups and to create entrepreneurial spirit in the youth of the state. The tourism sector has been the jewel crown of the present government with the Chief Minister herself being an enthusiast has invested immensely to develop the sector and especially eco-tourism has received huge impetus, with the state's varied landscape acting as a catalyst. The West Bengal Incentive Scheme, 2015 was implemented from January 7, 2015, which was an umbrella project aiding and facilitating the development of Hotels, Motels, Heritage Hotels, Yatriniwas, Yatrika, Tourist Resorts, Camps For Adventure Tourism, Aerial Ropeway, Tea Tourism, House Boats. Convention Centers and Amusement Parks. Incentive schemes such as capital investment subsidies, waiver on electricity duties, reimbursement of stamp duties and registration fees, etc. are being provided to the eligible tourism projects. The Government of West Bengal is also keen in developing the labour intensive MSMEs, with special focus on leather, gems and jewellery, handicrafts, food processing, etc. and has launched the MSME Policy, 2013-18.

Apart from the policy issues outlined by the government, some vital incentive measures have also been declared by the Government including capital investment subsidies for the micro and small industries, interest subsidies for term loans, waive of electricity duties for medium enterprises in some cases concession in VAT, entry taxes, stamp duty and registration fees, etc. Beside these incentive measures, the government is also extending its supports through the launching of incentive schemes (2012), promotion of animation and gaming industry, building of IT Parks, introduction of policy for the facilitation of Public-Private Partnership (2012),

Programmes designed to support start-ups and building confidence among intending entrepreneurs.

## 5.6. Conclusion

West Bengal had witnessed a turbulent past in its industrial landscape, with the commencement of the Naxalite movement in the 1960s against the bourgeois class followed up by a state emergency and finally the establishment of a Left government. The government's first act of governance in terms of industrial development was the distribution of agricultural pattas to smallholders of land. Prevalence of hostile trade unions and frequent occurrence of violent strikes made the state not a conducive place for industrial development. This was reflected with the closing of several mills across the Hooghly river belt, which once made the state the largest producer of jute globally. With the passing of time as the means of revolt subdued and there was a build-up of strong opposition, the state government in its attempt to secure large scale investments, decided to accept the proposal of setting up the manufacturing unit of small car in Singur by Tata group and the setting up of SEZ at Nandigram from Salim group of Indonesia. These two became the turning points in the State's history once again as the state government tried to acquire land for the projects. This led to resistance and revolt by the peasants, including deaths and defeat of the establishment. This gave a major setback to the State's reputation as a destination for investment. With the change of power, the onus was on the incumbent government to improve the scenario, and under the new leadership and new Government, the state announced a plethora of industrial reforms. The Present government has made significant changes in terms of policy and strategy to augment industrial development in the state. The steps taken by the government in this direction have been pointed out above. Despite these gamuts of reforms West Bengal is seriously lagging behind the major industrially developed states in India it has only a meagre 46.90 per cent overall share of project implementation, and

hence the reality is that the number of projects implemented and initiated far supersedes the number proposals made at different above noted business summits. Also, the government has been widely accused of being unable to stop rent-seeking activities, and the prevalence of political syndicates believed to be conspiring secretly with the land mafias. Thus the present government needs to implement policies apolitically and uphold the rule of law in the state, thereby providing a sense of stability and security to the entrepreneurs to strengthen the process of transformation of the economy of West Bengal.

In 2019-20 financial year, West Bengal's GSDP growth at a constant price is around 10.4 per cent, which is double compared to the national average. It is to be mentioned that the state has recorded 12.58 per cent of GSDP growth during the last financial year (2018-19), the highest among all Indian states. As per the budget document, West Bengal has achieved a top position in the country in many important areas, namely small scale industries; 'ease of doing business' (EoDB); skill development; e-tendering, rural housing; and 100 day's work, those are strongly associated with the livelihood of a large section of its citizens. Outside the spotlight, The investment climate of the state has also improved meaningfully which resulted in a 3.1 per cent growth of Bengal industries which is more than five times the current (April-November) industrial growth of the country at 0.5 per cent. During the last eight years, more than ₹ 2,43,419 crore has been invested in small and medium industries through cooperative and commercial banks. The present Trinamool Congress government, under the leadership of Mamata Banerjee who personally monitors every project through her regular administrative meetings at the district and block levels, has proved that a real turnaround of the economy can be achieved with proper policy initiatives and by remaining focussed on the welfare agenda of the citizens. However, instead of running after the big capital or large scale industry the present state government had relied on its skilled *karigars* or craftsmen (*televaja shilpa*) and hundreds of agro-based traditional industries which could be revived with minor intervention and support

from the state. All these traditional industries are knowledge-intensive. Simultaneously, the government has also taken major initiatives to make the state an attractive destination for big capital. Globally, two major approaches are followed by states/ countries to attract investment: (i) Race to the bottom approach and (ii) the beauty contest approach. During last century, most of the countries followed the first approach where developing countries competed, among themselves, in a 'race to the bottom' by offering competitive tax and other incentives on foreign direct investment (FDI) where foreign firms ended up appropriating most of the benefits associated with their investment. For example, in 1997, for agreeing to build a plant in a lightly industrialised area – Rio Grande do Sul of Brazil, General Motor negotiated a subsidy, amounting to \$250 million and a tax incentive that has the potential to equal \$15 billion, over fifteen years. In West Bengal, the previous Chief Minister's desperate attempt to attract Tata Motor's Nano project to the state was one such example of 'race to the bottom approach'. Tata Motors had abandoned the Singur project in October 2008 to extract huge concessions from the Gujarat government and relocated their proposed plant from Singur to Sanand. Interestingly, Tata Motors followed the same strategy the General Motors had followed in 1997. It is recommended that as an alternative to this strategy, developing countries should follow the 'beauty contest' approach for attracting capital. This means making the state more attractive by educating its labour force and improving the quality of infrastructure and institutions. It is argued that the education level of the labour force determines the type of capital one receives. A highly educated state will attract quality capital in the high-end sector, where knowledge spillover would be higher. Fortunately, the present government of Bengal is pursuing this challenging strategy of attracting capital and is getting rewarded. As investments have started pouring and the unemployment rate has come down significantly (by over 40 per cent) during the last couple of years. However, high-interest pay-out to the Centre on previous loans and curtailment in central fund transfer had undermined the state's development agenda.

While giving out the details, the Finance Minister alleged that ₹ 11,213 crores had been reduced on account of devolution to the state, while the Central government has denied grants worth ₹ 37973 crores. Moreover, Bengal is not getting its GST compensation as promised. "All put together, ₹ 50,486 crores was being denied to the state of Bengal," Dr Mitra said, adding that it was over and above a claim of ₹38,000 crores that the Chief Minister had raised with the Prime Minister when the two met on January 11, 2020. State's legitimate share on central taxes has always remained a contentious issue. The 15<sup>th</sup> Finance Commission (FC) has slightly modified the formula for distributing states' share of central taxes, the largest component of transfers to states. FC's new tax revenue devolution formula relies heavily on the states' population. This, in effect, ends up rewarding the more populous states for being unable to implement family planning measures while penalising states such as Tamil Nadu and West Bengal for having low fertility rates. It is observed that when it comes to generating tax revenue, the most populous states are not on top, meaning efficient smaller states have to subsidise the larger but less productive northern states. The FC distributes tax revenue among different states based on a formula which has six parameters (with respective weights) namely – tax efforts: rewards states that can collect a high amount of taxes about their GDP (2.5 per cent); demographic performance: education, health, gender equity, etc. (12.5 per cent); income distance: a criterion that awards poorer states more money in order to achieve equity across the Union (45 per cent); forest and ecology (10 per cent); area (15 per cent) and the population (15 per cent). States like West Bengal that are relatively smaller in size and have successfully controlled their population growth are among the worst sufferers. Instead of 'size' and 'population' as parameters for devolution, a new efficiency based parameter is strongly suggested so that economically efficient states like Bengal are properly compensated. Let us name it as 'state's economic efficiency index' (SEEI), which is the ratio of the share of the state's GSDP in the total GDP of the country to the share of the state's area in the total area of the

country. Moreover, it should enjoy a weight of at least 30 per cent in the devolution formulae. Barring a few hilly states, ideally, SEEI score of any major state of India should be 1. States with SEEI scores greater than one should be rewarded and states with less than 1 SEEI score should be penalised. Expressing GDP/GSDP per sq. km is not a customary practice while per capita GSDP/GDP/GNP is a common exercise to measure growth. However, the former measure should be considered as an important parameter to judge efficient use of a 'geographical space' which is becoming increasingly scarce. These were not scarce resources and were not considered as 'economic goods'. Physical space is significant irrespective of their 'resource endowment'. The land could be the barren, sandy, hilly, salty, but the sheer size of the land can make all the differences. 'Resource endowment' of a geographical space depends on how skilfully that space is utilised for economic gains.

Now there is some sort of transformation based on the cottage, and small scale industries through the establishment of industrial parks etc., (*Karmatirtha*) took place, but the perspectives and outcomes are different. The left government's direction was towards massive industrialisation based on agricultural development taken place in the 1980s and 1990s to generate large scale employment opportunities while the direction of the present dispensation is towards enhancement of output in terms of the state's gross domestic products which is now better in comparison to achievement in other states. Thus in a sense, the current endeavours provided by the government have changed both the shape and direction of development and industrialisation, which is different from the narratives of the left government of West Bengal.