



Himachal Pradesh

The State Profile

June 2012



PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi 110016

Phone: 91-11-26863801-04, 49545454, Fax: 91-11-26855450, 26863135

E-mail: research@phdcci.in Website: www.phdcci.in



Disclaimer

Himachal Pradesh: The State Profile is prepared by PHD Chamber of Commerce and Industry to provide a broad view of the state. This report may not be reproduced, wholly or partly in any material form, or modified, without prior approval from PHD Chamber of Commerce and Industry.

It may please be noted that this report is for guidance and information purposes only. Though due care has been taken to ensure the accuracy of the information to the best of the PHD Chamber's knowledge and belief, it is strongly recommended that the readers should seek specific professional advice before making any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this report. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the reader or user due to any reliance placed or guidance taken from any portion of this publication.

Copyright 2012
PHD Chamber of Commerce and Industry

ALL RIGHTS RESERVED.

No part of this publication including the cover, shall be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of, and acknowledgement of the publisher (PHD Chamber of Commerce and Industry).





Sandip Somany
President

Foreword

Situated in the heart of western Himalayas, the economy of Himachal Pradesh is currently one of the fastest growing states in India. The state has emerged as a leading economy in the country and is also a leader in the hill area development. Responsive administration and conducive macro economic conditions have induced a competitive environment in the economy and has led to a robust economic performance in the state.

Although about ninety percent of the people live in villages and small towns, Himachal Pradesh boasts of one of the highest per capita incomes among Indian states. Most of the people in Himachal depend on agriculture for their livelihood. Many people derive their income from animal husbandry.

The economy of the state is highly dependent on three resources, hydroelectric power, tourism and agriculture. Himachal Pradesh is also said to be the fruit bowl of the country with orchards scattered all over the place. Meadows and pastures are also seen clinging to steep slopes. Due to the abundance of perennial rivers, the state has emerged as a power surplus state. It serves as an ideal destination for investment in power and tourism sector.

The economy has undergone several changes which have come about with collaborative efforts of the government and other stake holders. Its spectacular achievement in the form of 51 awards in a period of last 48 months is the result of this extraordinary performance of the economy. The economy of the state has been progressing at a uniform pace and it is expected to keep up the pace in the current year, driving the overall economic growth of the nation.

Sandip Somany



Susmita Shekhar
Secretary General

Preface

Himachal Pradesh: The state profile is an extensive study of the state of Himachal Pradesh, that the PHD Chamber has come up with and it gives me immense pleasure and honour to present it to our esteemed readers. This study is unique in its kind, which captures the essence of the grass roots of the hilly state of Himachal Pradesh.

The study is an exhaustive report on the state's economy and its socio-economic scenario. It includes its economic policies like, industrial policy, agro and food processing policies and social infrastructural framework.

The study also brings together latest developments in the state and highlights potential roadmap for its further growth. It has made recommendations to improve the agriculture production scenario, to capitalize on the opportunities emerging from its innovative policies, to explore alternative energy based industries and to strengthen the tourism sector. Finally the study recommends measures to attract investments in the various sectors of the economy.

The PHD Chamber has always aimed to be an important stakeholder to the development of the Northern and Central states of India and the nation. I hope this study helps in further policy formulation in the state, so as to serve as a vehicle for its inclusive growth and socio-economic development. This is one of the studies in the series of state profiles that the chamber is coming out with and we would also be bringing out other state profiles in the coming times.

I commend and appreciate the tireless efforts of PHD Research Bureau, which has come up with this report with their focused approach.

I hope that this report serves as a handy and informative readers' guide!

Susmita Shekhar



Contents

Sr. No	Topic	Page No
1	Structure of the Economy	2
2	Economic Policy	9
3	Infrastructure	17
4	Social Infrastructure	19
5	Himachal Pradesh: Achievements and Awards	23
6	Himachal Pradesh Budget 2012-13	23
7	Conclusion	25
8	Recommendations	27



Tables

Title	Page No.
State domestic product and its composition	2
Summary of socio-economic indicators	3
Fiscal indicators	4
Industrial Investment proposals in Himachal Pradesh	6
Summary of agro statistics	7
Food grain production in Himachal Pradesh vis-à-vis India	7
Apple production of Himachal Pradesh vis-à-vis India	8
Key strategic thrust areas	10
Banking Scenario in Himachal Pradesh	14
Himachal Pradesh's total credit and deposits	14
Investment opportunities in Himachal Pradesh	16
Roads infrastructure	17
Telecom subscriber base	19
Summary of health indicators	21
Budget at a Glance	24
Revenue and Capital account	25
Some important Contacts	29



Charts

Title	Page No.
Growth of real GSDP	2
Pattern of per capita NSDP of Indian states	4
Comparison of GFD as a % of GSDP	5
Industrial investments in Himachal Pradesh	6
Share of Himachal Pradesh in India's food grain production	8
Share of Himachal Pradesh in India's Apple production	9
Population Below Poverty Line (BPL): Himachal Pradesh	19
Trend in literacy rate: Himachal Pradesh vis-à-vis India	20
Trend of literacy in comparison with other states	20
Life expectancy at birth	22
Availability of safe drinking water to households	22



Abbreviations

BPL	Below Poverty Line
CD Ratio	Credit Deposit Ratio
Do IT	Department of Information Technology
ESI	Employee State Insurance
FY	Financial Year
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GFD	Gross Fiscal Deficit
GSDP	Gross State Domestic Product
HIMUDA	Himachal Pradesh Housing and Urban Development Authority
HPPTCL	H.P. Power Transmission Corporation Limited
HPRIDC	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
HPSEB	H.P State Electricity Board
HPSIDC	Himachal Pradesh State Industrial Development Corporation
HIMSWAN	Himachal State Wide Area Network
IT	Information Technology
JICA	Japan International Cooperation Agency
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MHWDP	Mid Himalayan Watershed Development Project
MW	Mega Watt
NABARD	National Bank for Agriculture and Rural Development
NSDP	Net State Domestic Product
NOC	No Objection Certificate
PD	Primary Deficit
PMGSY	Pradhan Mantri Gramin Sadak Yojna
PRB	Primary Revenue Balance
RGGY	Rajiv Gandhi Gramin vidyutikaran Yojna
RD	Revenue Deficit
SEZ	Special Economic Zone
STP	Software Technology Park
SSI	Small Scale Industry
TRAI	Telecom Regulatory Authority of India



Himachal Pradesh



Himachal Pradesh lies in the lap of Himalayas and is located in the Northern region of India. It is bordered by Jammu & Kashmir on North, Punjab on West and South West, Haryana on South, Uttarakhand on South-East and China on the East. The state offers diverse climatic conditions and has been divided into five zones namely wet sub-temperate zone, humid sub-temperate zone, dry temperate alpine high lands, humid sub tropical zone and sub-humid tropical zone.

Agriculture, horticulture and allied sector constitute to be the mainstay of the people of the state as almost 70% of the population is dependent on it for their livelihood. The state is second largest producer of apples in the country. Himachal Pradesh has attracted investments in pharmaceuticals, IT and engineering industries and has a robust food processing sector. Tourism plays significant role for the state economy and has some of the best tourist spots such as Dalhousie, McLeodganj, Shimla, Mandi, Bilaspur, Una, Hamirpur, Chamba, Manali, Kullu, Solan, Dharamshala and Kangra which attract national and international tourists, round the year.

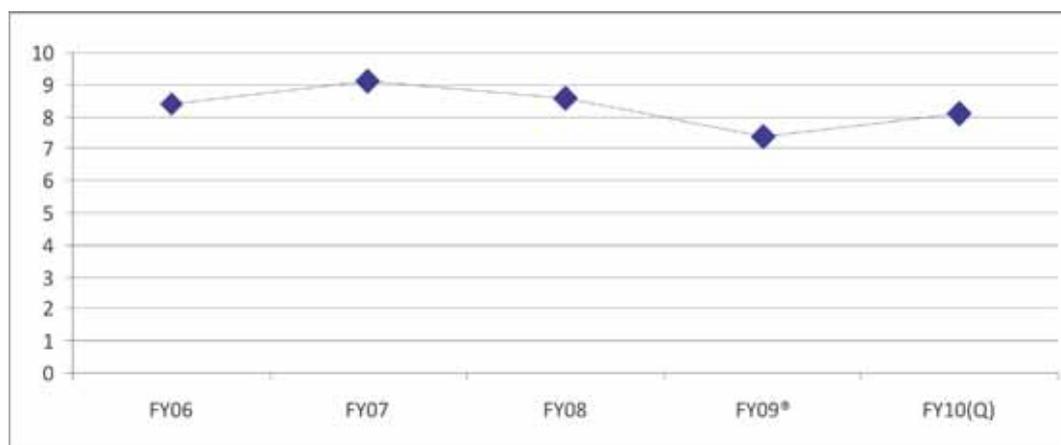
Himachal Pradesh is endowed with natural resources in abundance such forests, snowfed perennial rivers and rivulets, mineral wealth including limestone, byrites, clays, mica, iron pyrites, salt, antimony and lead. The state holds enormous potential of medicinal plants and is home to wide range of specialized plants. All these characteristics culminate into making the state of Himachal Pradesh a bowl of herbal wealth.



1. Structure of the economy

The state’s economy has exhibited a vibrant growth path during the recent years. GSDP (at current prices) has increased from Rs.27127 crores in FY2006 to Rs. 43281 crores in FY2010. Real GSDP grew from Rs. 26107 crore during FY2006 to Rs. 35888 during FY2010, making a growth of around 8% (average) during the same period.

Growth of real GSDP



Source: PHD Research Bureau, compiled from Economic survey of Himachal Pradesh, 2011-2012.

* Revised estimates, (Q) quick estimates

Secondary sector and tertiary sector contributes around 39.5% respectively to GSDP and primary sector contributes 20.7% of GSDP in FY2010. Share of secondary and tertiary sector has shown growth during recent years. The share of secondary sector has increased from 38% in FY2005 to 39.6% in FY2010 while the share of tertiary sector has increased from 36% in FY2005 to 39.5% in FY2010.

State Domestic Product and its Composition

Components	FY05	FY08	FY10
GSDP at Current prices (Rs Crore)	24077	33963	43281
NSDP at Current Prices (Rs Crore)	21189	28873	35593
Economic Growth % (GSDP at factor cost, constant prices)	-	8.6	8.1
Sectoral Contribution in GSDP at current prices (%)			
Primary*	25.7	23.2	20.7
Secondary**	38.1	39.7	39.6
Tertiary***	36.1	37.0	39.5

Source: PHD Research Bureau, compiled from Economic Survey of Himachal Pradesh 2011-2012.

*Primary Sector includes Agriculture, Forest & Logging, Fishing and Mining & Quarrying

**Secondary Sector includes Manufacturing, Construction, Electricity, Gas & Water Supply.

***Tertiary Sector includes Transport, Storage & Communication, Trade, Hotel & Rest, Banking & Insurance, Real Estate, Ownership of Dwelling & Business Services, Public Administration and other services.

**Summary of socio-economic indicators**

State Capital	Shimla
Area (Sq. km)	55,673
Population	68,56,509
Population Density(Sq. Km)	123 persons
No. of Districts	12
GSDP at Current Prices (2009-10)	Rs. 43,281 crore
Growth of GSDP at Constant Prices(2009-10)	8.1%
NSDP at Current Prices (2009-10)	Rs.35,593crore
NSDP at Constant Prices (2009-10)	Rs. 28,756 crore
Growth of NSDP at Constant Prices(2009-10)	5.5%
Per capita NSDP at current prices (2009-10)	Rs 50,365 crore
Fiscal Deficit (FY2011-12)	2.7% of GSDP
Population Below Poverty Line (FY2009-10)	9.5%
National Highway length- March 2011	1,409 Kms.
Rail Length - March 2009	209 Kms (narrow gauge), 33Kms (broad gauge)
Domestic Airports	Shimla, Kullu Manali and Kangra
Govt. Medical Institutions- Dec 2011	1,750
Per Capita Health Expenditure (2004-05)	Rs. 1,511
Literacy Rate (2011 Census)**	83.8%
Sex Ratio (2011 Census)	974 females per thousand males
Important Rivers	Chenab, Beas, Sutlej, Yamuna and Ravi
Key Industries	Textiles, Pharmaceuticals, Food procurement and Processing, Cement and Tourism

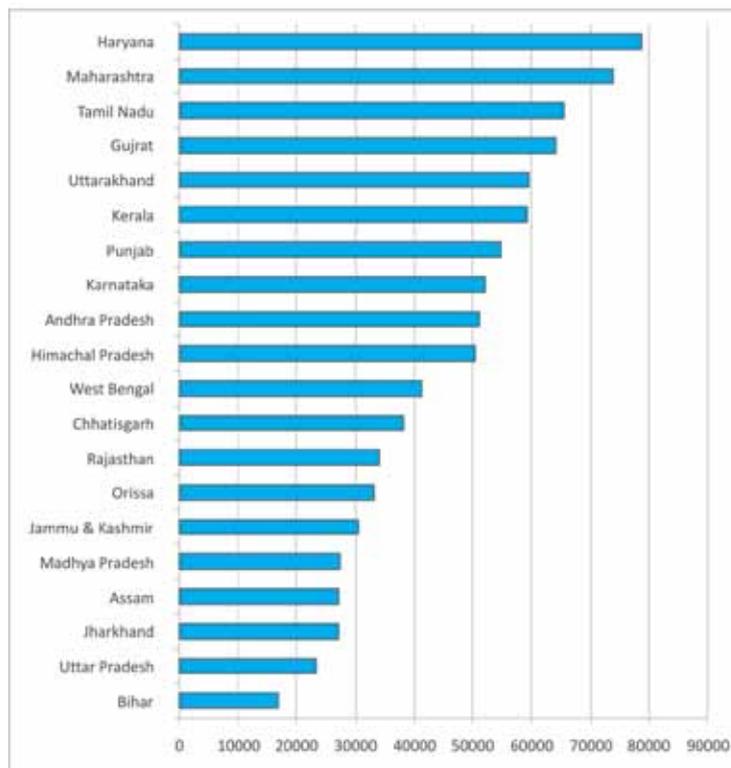
Source: PHD Research Bureau, compiled from Economic Survey of Himachal Pradesh 2011-2012, RBI, Economic Survey of India 2011-12, Census 2011, ** Literacy rate for population aged 7 years and above.

Per-capita income

The per-capita NSDP (Net State Domestic Product) of Himachal Pradesh in FY2010, stood at Rs. 50365 at current prices which is higher as compared to Rs.46492 at national level. The per capita NSDP of Himachal Pradesh is higher than the states like West Bengal, Rajasthan, Orissa, Jammu and Kashmir, however; it is lower than states like Haryana, Maharashtra, Gujarat and Uttarakhand.



Pattern of per-capita Net State Domestic Product of the Indian states



Source: PHD Research Bureau, compiled from Economic Survey of India 2011-12
Note: Comparable data for all the states was latest available for 2010

Fiscal deficit

Despite considerable volatility, Himachal Pradesh has a comfortable fiscal scenario and the government has been making efforts towards fiscal consolidation. Gross fiscal deficit of Himachal Pradesh as percentage of GSDP has declined to 2.7% during FY2012 as compared to the 3.5% in FY2011. Primary deficit as percentage of GSDP has decreased from -0.3% to -0.9% during the same period, however, revenue deficit has decreased further to -0.1% in FY2012 from 0.3% of GSDP during FY2011. Primary Revenue Balance has decreased to -3.7% from -3.4% of GSDP during the same period.

Fiscal indicators (% of GSDP)

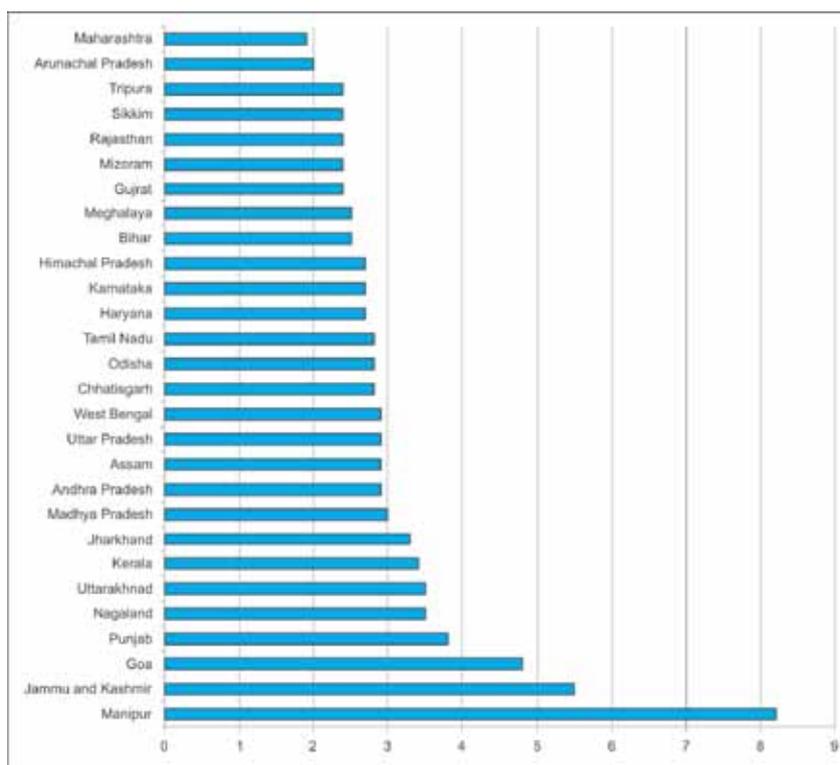
Fiscal components	FY2004- 08 (Average)	FY2010	FY2011(RE)	FY2012(BE)
GFD/GSDP	3.7	6.4	3.5	2.7
RD/GSDP	0.3	1.9	0.3	-0.1
PD/GSDP	-2.1	1.9	-0.3	-0.9
PRB/GSDP	-5.4	-2.7	-3.4	-3.7

Source: PHD Research Bureau, compiled from RBI.
RD: Revenue Deficit, GFD: Gross Fiscal Deficit, PD: Primary Deficit, PRB: Primary Revenue Balance.
BE: Budgeted Estimates, RE: Revised Estimates, (-) sign refers to surplus.

Comparison of fiscal position with other states

Gross fiscal deficit of Himachal Pradesh was close to 3.7% on an average during the period between FY2004 and FY2008. It has increased to 6.4% during FY2010 but declined to 3.5% during FY2011 and further has scale down to the level of 2.7% during FY2012. It is lower than states like Assam (2.9%), Jammu and Kashmir (5.5%), Manipur (8.2%), Nagaland and Uttarakhand (3.5%), however it is higher than states like Arunachal Pradesh (2.0%), Meghalaya (2.5%), Mizoram (2.4%), Sikkim and Tripura (2.4%) during FY2012.

Comparison of Gross Fiscal Deficit as a % of GSDP



Source: PHD Research Bureau, compiled from RBI
 Note: Data pertains to FY2012

Industrial investments

Himachal Pradesh provide good industrial investment environment. Through the successive industrial policies and other investor friendly measures, the state has been striving to accelerate the flow of investment into industrial sector. State is providing the best services to the industrial investors, besides maintaining investor friendly environment in the state by doing away with procedural hazards for setting up of industrial units. The policies pursued by the state have resulted in promoting investment in general, diversification of industries and generation of employment opportunities. Himachal Pradesh has attracted industrial investment proposals of more than Rs18105 crores in the last four years. State has rich resources of water, agro, forests, herbal and minerals in addition with tremendous potential for investment in tourism sector.



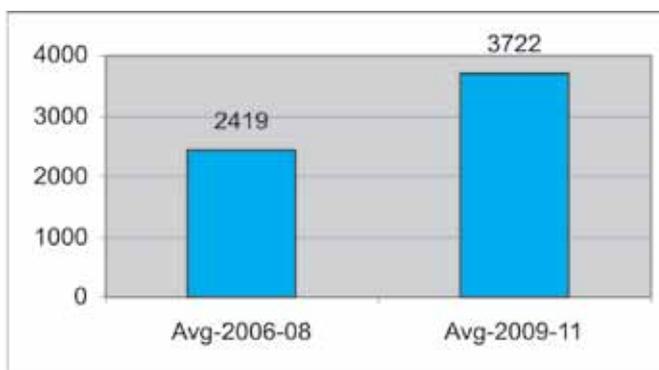
Industrial investments proposals in Himachal Pradesh (Rs Crore)

Year	Himachal Pradesh	India	Share of Himachal Pradesh in India's total industrial investments proposals (%)
2008	3972	1523852	0.26
2009	6065	1040259	0.58
2010	3580	1736322	0.20
2011	1533	1539728	0.09
Total	18015	5899694	0.30

Source: PHD Research Bureau, compiled from Department of Industrial Policy and Promotion, Govt. of India

The state has been able to attract an average industrial investment of Rs. 2419 crore during pre global recessionary phase i.e 2006-2008, however it scaled up significantly in post recession phase and reached upto an average of Rs. 3722 crore during 2009-10. Thus, Himachal Pradesh offers investor friendly milieu and also holds enormous potential to accelerate the level of investments in the state.

Industrial investments in Himachal Pradesh (Rs. Crore)



Source: PHD Research Bureau, compiled from Department of Industrial Policy and Promotion, Govt. of India

Agriculture

The significance of agriculture is immense for the state as it is the main source of livelihood to about 70% of the population. The sector contributes nearly 21% of the total state domestic product. Rice, wheat and maize are the main cereal crops grown in the state. They key oilseed crops are groundnut, soyabean, sunflower, mustard and toria and pulse crops includes urd, bean, moong, rajmash and gram lentil. The natural endowments of the state such as soil, land, water etc. are being harnessed in such a way so to achieve ecological sustainability and economic upliftment of farming community. The state has about 18-20% area under irrigation and rest is rain fed.

**Summary of agro statistics**

Sr. No	Components	Growth/ratio/ production
1	Agriculture GSDP at Current prices (FY2010)*	Rs. 8979 crore
2	Growth of Agriculture & Allied real GSDP (Average from FY2006 to FY 2010)*	1.72%
3	Agricultural sector's contribution in GSDP(FY 2010)*	20.7%
4	Food Grain production (FY2011)	1531 (Thousand Tonnes)
5	State's contribution to national food grain production (FY2011)	0.63%
6	Yield --total food grains (FY2011)	1936(Kgs/Hectare)
7	Population dependent on agriculture	71%
8	Rice Production (FY2011)	131.2 (Thousand Tonnes)
9	Wheat Production (FY2011)	670 (Thousand Tonnes)
10	Coarse Cereals (FY2011)	713 (Thousand Tonnes)
11	Pulses (FY2011)	16 (Thousand Tonnes)
12	Oil Seeds (FY2011)	8.4 (Thousand Tonnes)
13	Fruits(FY2011)	1031 (000' MT)

Source: PHD Research Bureau, compiled from RBI & Ministry of Agriculture, Economic survey of Himachal Pradesh 2011-12

Note: * includes Agriculture, Forest & Logging, Fishing and Mining & Quarrying

Food grain production in Himachal Pradesh has shown good growth during the last decade. It has grown at an average rate of more than 10% during the last decade. Food grain production of Himachal Pradesh was 1.11 million tonnes during FY2001, which has increased to 1.53 million tonnes in the FY2011.

Foodgrain production in Himachal Pradesh vis-a-vis India (Thousand Tonnes)

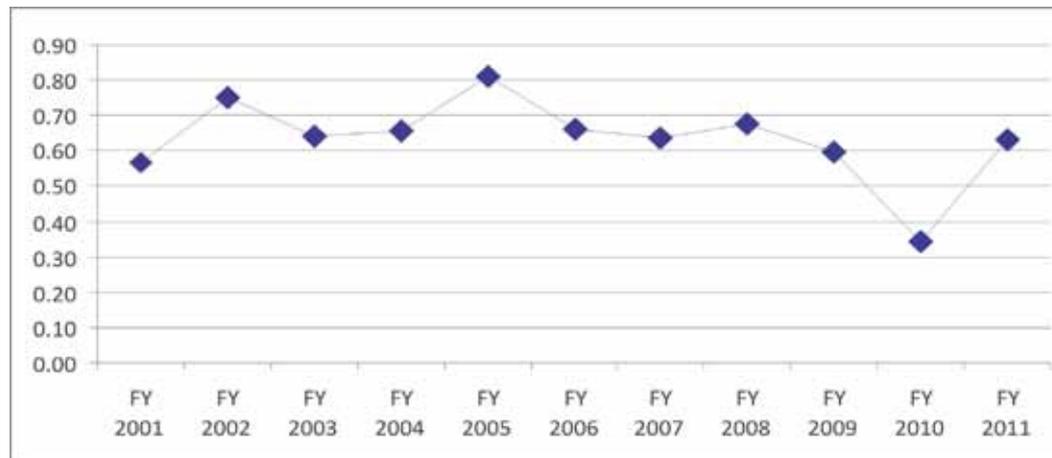
Year	Himachal Pradesh	India	Share of Himachal Pradesh in India (%)
FY 2001	1.11	196.81	0.57
FY 2002	1.60	212.85	0.75
FY 2003	1.12	174.78	0.64
FY 2004	1.40	213.19	0.66
FY 2005	1.61	198.36	0.81
FY 2006	1.38	208.59	0.66
FY 2007	1.38	217.28	0.64
FY 2008	1.56	230.78	0.68
FY 2009	1.40	234.47	0.60
FY 2010	0.74	218.2	0.34
FY 2011	1.53	244.78	0.62

Source: PHD Research Bureau, compiled from RBI, Ministry of Agriculture

Due to hilly terrain, food grains can not be cultivated on very large areas in Himachal Pradesh besides which the yield per hectare is also relatively low as compared to the neighbouring states. As a result the production of food grains in the state is low and average share of Himachal Pradesh in India's food grain production is stagnant at around 0.6% over the last few years.



Share of Himachal Pradesh in India's food grain production (%)



Source: PHD Research Bureau, compiled from RBI.

During the recent years an area of 9000 hectares has been brought under minor irrigation and farmers have been provided Rs. 45 crore as subsidy for the purpose. An amount of Rs.160 crore has been spent under 'National Agriculture Development Scheme' during last four years in the state.

The other ambitious scheme, 'Crop Diversification Scheme' at a cost of Rs. 321 crore has been taken in hand to ensure organic farming and production of vegetables, besides creating infrastructure for agriculture. About 4 lakh vermi-compost units had been established and 25000 farmers registered for organic farming in last four years. Tomato, potato and ginger crops have been brought under weather based Crop Insurance Scheme.

Apples are a major produce of Himachal Pradesh and the state is second largest producer of apples after Jammu & Kashmir. Apple is one of the most important crops in the state, constituting about 73% of the total fruit production. Apple production has increased to about 892 metric tonnes in FY2011 from about 540 metric tonnes during FY2006. The state is successfully growing other fruits such as pear, peach plum, almond, walnut, citrus, mango, raisin grapes etc.

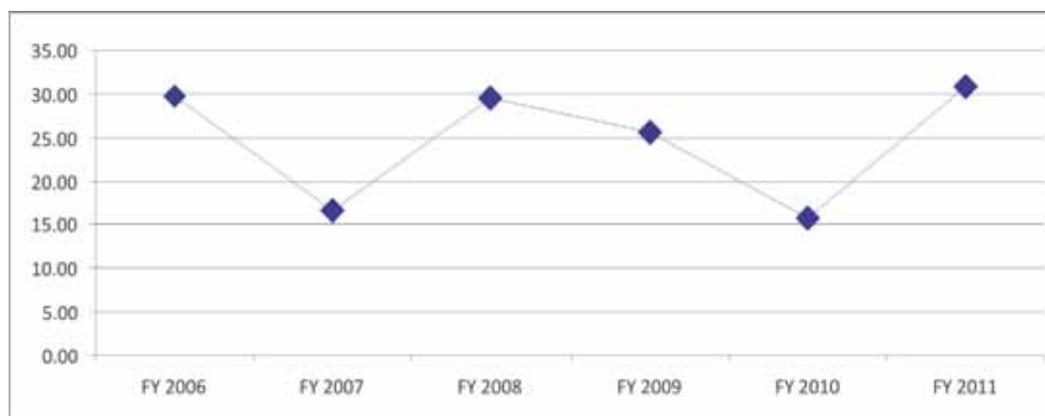
Apple production of Himachal Pradesh vis-a-vis India (Thousand metric tonnes)

Year	Himachal Pradesh	India	Share of Himachal Pradesh in India (%)
FY 2006	540.3	1814	29.79
FY 2007	268.4	1623.7	16.53
FY 2008	592.5	2001.5	29.60
FY 2009	510.1	1985.1	25.70
FY 2010	280.1	1777.2	15.76
FY 2011	892.1	2890.6	30.86

Source: PHD Research Bureau, compiled from National Horticulture Board

The production of apples in the state has been volatile over the recent years; however it has shown strong recovery during FY2011.

Share of Himachal Pradesh in India's apple production (% share)



Source: PHD Research Bureau, compiled from National Horticulture Board

To give impetus to horticulture production in the state, ‘Apple Re-plantation Project’ amounting to Rs.85 crore is being implemented to replace old and low yielding variety trees with more productive and quality varieties of apple root-stocks and an area of 5000 hectares would be covered under this project. In addition to this, ‘Horticulture Technology Mission’ is being implemented in the state for bringing diversity in horticulture activities. Modern Fruit Vegetable Pack House is being established at Nadaun in Hamirpur district by spending Rs.3.54 crore. Pack Houses at Reckong-Peo, Jarol-Tikkar (Kotgarh), Gumma (Kotkhai), Oddi (Kumarsain) and Patlikhul (Kullu) are being upgraded by spending an amount of Rs. 8 crore.

2. Economic policy

Himachal Pradesh has immense potential to emerge as one of the most economically developed state in India. The state is a leader in hill area development, agriculture and horticulture revolution and it offers wide range of fiscal and policy incentives to provide conducive milieu to foster investments and development of industries. The key industries in the state are textiles, pharmaceuticals, food procurement and processing, light engineering, IT and electronics and cement. In addition to this, it also offers ideal investment opportunities in power, tourism and biotechnology sectors.

The state has been able to make significant progress in field of industrialization in the recent years. With availability of gamut of incentives and packages, the state has been able to attract investments for setting up new industries in the state. There are about 474 medium and large scale industries and about 38,409 small scale industries attracting total investment of about Rs. 14147 crore¹. In order to provide infrastructural facilities to the industries, the state government has developed 41 industrial areas and 15 industrial estates with all basic amenities.

¹ Data pertains to as on 31st December 2011

The key strategic thrust areas

Agriculture	<ul style="list-style-type: none"> • Large dependency of population on agriculture • Congenial agro climatic conditions • Suitable environment for production of cash crops like off-season vegetables, potato and ginger. • Key cereals crops are rice, wheat and maize • Implemented Crop Insurance Scheme for crops like wheat, barley, maize, paddy and potato • Apni Mandi Scheme has been launched to benefit farmers • Adoption of plant protection measures
Horticulture	<ul style="list-style-type: none"> • Suitable agro climatic conditions support cultivation of wide variety of fruits like apple, mango, litchi, kiwi, olive, pecan and strawberry. • Suitable environment for cultivation of ancillary horticulture produce like flowers, mushroom, honey and hops. • Apple Re-Plantation Project started to make apple production feasible • Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. has been established with the objective of marketing fresh fruits and vegetables, unmarketable surplus and processed fruits • Awarded as one of the best state in the country for “Integrated approach in development of Horticulture” by Ministry of Agriculture².
Hydro power	<ul style="list-style-type: none"> • Himachal is blessed with vast hydro electric potential • Endowed with snowfed perennial rivers and rivulets in abundance • State has introduced Hydro Power Policy to boost hydro power generation • Promoting private sector participation to enhance hydro power generation • H.P. Power Transmission Corporation Limited has been established to strengthen the transmission network
Information Technology	<ul style="list-style-type: none"> • Offers friendly environment for setting up IT units • Information Technology Policy 2001 offers gamut of incentives • Excellent education facilities for IT professionals and sound road and telecom infrastructure • Industry friendly labour laws • IT units have been given status of thrust industry • Department of Information Technology (DoIT) has been set up • Software Technology Park and an Earth Station established in Shimla • Making steady advances in field of e-governance through efficient and speedy framework.
Mining	<ul style="list-style-type: none"> • Availability of good quality limestone in abundance • Endowed with rich minerals such as byrites, clays, mica, iron pyrites, salt, antimony and lead. • Cement plants at Bilaspur, Solan and Sirmaur districts are under operation.
Tourism	<ul style="list-style-type: none"> • Endowed with natural scenic beauty and offers enormous opportunities for tourism • State offers wide range of incentives under its Tourism Policy 2005 • Tourism Development Board has been set up to formulate policies for development of tourism industry • Two schemes launched namely Har Gaon Ki Kahani and Har Ghar Kuch Kahata Hai to promote tourism • Ideal destination for eco-tourism such as jungle safaris, trekking, rock climbing, forest trails, nature walks, camping etc. • Emerged as an important pilgrimage and adventure tourism destination and holds enormous wealth of medicinal plants • Best state in “ Better Infrastructure Development³” • National Tourism Award for the best work done by Ministry of Tourism and Civil Aviation

Source: PHD Research Bureau, compiled from various sources

² Ministry of Agriculture, Government of India has awarded Himachal Pradesh, as one of the best performing states under the Horticulture Mission in recognition of the meritorious performance by the state in field of “ Adoption of Integrated Approach in Development of Horticulture”

³ Himachal Pradesh has been adjudged the Best State in “ Better Infrastructure Development”, in the state of states survey conducted by India Today Magazine in 2011.

Industrial policy

The industrial policy introduced during 2004 focuses on boosting investment climate in the state by way of creating and developing existing infrastructure with lesser regulations and provisions for speedy clearance of new projects, rationalizing the provision of incentives, concession and facilities and technology up gradation. The policy also encourages quality improvement and productivity as well streamlining the procedures to spur investment flows, so that industrial units set up in the state can effectively compete and keep pace with global standards. The Himachal Pradesh State Industrial Development Corporation Limited (HPSIDC) is the major agency for promotion and establishment of industrial units in the state.

Highlights of the Industrial Policy

- 1) Interest subsidy to tiny/small units and capital investment subsidy for units being set up has been put in the priority sector.
- 2) No electricity duty to be charged on power generated from captive diesel power stations and permission requirements for captive/generating sets will be made time bound and simplified.
- 3) To sustain high technology industry, provision for uninterrupted power supply will be ensured at reasonable prices
- 4) Efforts would be made to allow advance bulk booking of telecom connections for new industrials areas.
- 5) The state government has set up Single Window Agencies, which would ensure ease in obtaining initial approvals to set up the projects and would also look into the requirements of obtaining further licenses to commence production.
- 6) The State Environment and Pollution Control Board will specifically streamline its procedures for the grant of NOC required prior to setting up of the projects and other clearances requisite after the project has been set up.
- 7) With a view to reduce the number of inspections under various acts and laws, a scheme for self certification would be started for Industrial units.
- 8) State government will evolve an efficient mechanism on competitive rates, so that transportation of raw materials and industrial products is smooth.

Recently in order to provide fillip to the industrial sector, approval has been accorded for setting up 4857 industrial units with an investment of Rs.17,253 crore during last four years in the state, which would provide employment to 1.98 lakh persons. In last four years, the state has set up 3765 industrial units attracted an investment of Rs.8000 crore and has provided employment to 50,000 youth. On the other hand, SEZs have been approved in Kangra, Una and Solan to drive industrial growth. It is proposed that Kangra and Solan will have multi-product SEZs and Una will have an airport-based SEZ.

Land Bank has been set up for making land available to the entrepreneurs for setting up industrial units. An Inland container Depot (ICD) is being set up at Baddi with a cost of Rs.57.45 crore. A trade centre is being established at Baddi in Solan district at a cost of Rs.10.81 crore to facilitate entrepreneurs. Information Technology Park is being developed in an area of about 64.73 acres near Waknaghat in Solan District at a cost of Rs.500 Crore. The IT Park will provide 2505 dwelling for IT professionals and employment to about 25,227 persons.

In order to strengthen the power infrastructure in the state, MoU has been signed with Gas Authority of India Limited for laying gas pipe-line from Rajpura in Punjab upto Baddi in Himachal Pradesh, to supply natural gas for industrial, transport and domestic sectors in the state. This facility will be extended to other major industrial areas of the state. With the view to explore the potential of biotechnology in the state, the government has proposed to set up Biotechnology park at Solan district under PPP.

Services

The services sector has performed significantly well and has come out to be as a major segment in contributing to its economic growth. Under Information Technology Policy and Tourism Policy state has provided various incentives for the development of IT and tourism sector.

Information Technology Policy

Information Technology (IT) has emerged as a key driving force in today's global economy. Today the competitiveness of a country's economy and its well being is getting closely associated to its ability to innovate and participate in the IT industry. Recognizing the enormous potential of IT , the state government has introduced IT policy in 2001 , which enables to bring improvement in the quality of every aspect of human life, emergence of a competitive and vibrant economy of new age technologies through transparent governing systems, sound infrastructure and skilled human resources.

The aspirations of the IT policy of the state are based on 6 E's i.e. education, employment, entrepreneurship, electronic governance, economy and equality. The Department of Information Technology (DoIT) has been created to facilitate the development of IT in the state. Himachal Pradesh has the distinction of 1st state in the country to commission Himachal State Wide Area Network (HIMSWAN) project to accelerate the growth and use of IT by creating a infrastructure that is used to provide all connectivity and services not only to government but also to citizens, over a period of time, rapid narrowing of digital divide and promoting all pervasive use of IT in all matters of state.

Highlights of the IT policy

- 1) Department of Information Technology (DoIT) set up by the state acts as a single point interface for setting up an IT unit in the state and applications for setting up an IT industry are put up for one time approval of State Level Single Window Committee headed by the Chief Minister.
- 2) All IT units with a connected load exceeding 100 KW shall be charged a concessional rate of electricity duty at the rate of 10 paisa/unit for a period of five years from the date of commencement of commercial production.
- 3) With sound availability of quality power through H.P. State Electricity Board, IT units can create unlimited back up power and also seek permission for captive power generation.
- 4) Exemption from land and buildings tax is given to the land and buildings within the declared STP, IT habitats and Hi-tech cities.
- 5) The state government will facilitate the creation of a Venture Capital Fund of Rs. 20 crore in

association with the state co-operative bank, SIDBI and other financial institutions to meet the equity requirements of the small and medium enterprises/IT startups.

- 6) IT software and IT services are deemed to be manufacturing activity for the purpose of incentives for the industry in line with the approved policy of Government of India and IT based units have been given the status of thrust industry as per the rules regarding grant of incentives, concessions and facilities to industrial units in Himachal Pradesh, 2004.
- 7) All promotional and liberalized policy instruments available to the IT software and IT services are also made available to the IT enabled services including the information content industry.
- 8) All IT software and service industries including Services and Training Institutions in IT are entitled to the status of industry which makes them eligible for all concessions and incentives applicable to industries.
- 9) Interest subsidy scheme available to other industries is also applicable for computer hardware and software sectors.

Tourism Policy

Himachal Pradesh is popularly known as the Devbhumi – “Land of the Gods” and is well renowned tourist destination for domestic and international tourists. The state is bestowed with unique beauty, snow covered Himalayan ranges, peaceful, hospitable and comfortable environment and rich cultural heritage which makes it one of the preferred tourist destinations across the country. Some of the distinguished tourist destinations are Dalhousie, Mcleodganj, Shimla, Mandi, Bilaspur, Una, Hamirpur, Chamba, Manali, Kullu, Solan, Dharamshala and Kangra.

*“A Destination For All Seasons and All Reasons”
The state’s mission is to make tourism the prime engine of economic growth by positioning it as a leading global destination by the year 2020.*

To harness the immense potential of the tourism industry to the highest, the state has introduced Tourism Policy 2005, which focuses on establishing the state as a leading tourist destination in the country and abroad, promoting sustainable tourism compatible with environment and making it a prime engine for economic development and also inviting public private participation for creation of tourism infrastructure.

The state is dotted by a number of old palaces, forts and havelies in rural areas and in order to facilitate the development of such sites for use of tourist accommodation, such new heritage hotels located in rural areas are exempted from luxury tax for a period of five years. Himachal Pradesh has a varied topography, climate and forest cover and is endowed with a vast variety of flora and fauna, which makes it one of the best locations for eco- tourism and to promote it, the state has also introduced Eco-Tourism policy. Himachal Pradesh has become the first state in the country to sign a forestry based Bio-Carbon project with the World Bank under the MID Himalayan Watershed Development Project (MHWDP).

Himachal Pradesh has emerged as an important pilgrim destination. It also offers ample adventure sport opportunities like paragliding, rafting, watersports, angling, skiing, mountaineering etc. and thus government is endeavoring to promote and set up adventure sports schools at various locations. The state holds tremendous scope for health tourism and has an enormous wealth of medicinal plants which opens up the avenue of setting up spas, health resorts and recuperative centre across the state.

To further strengthen the tourism sector and to make it one of the best international tourist spot, the state government will endeavor to upgrade information centre, organization of tourist events, providing information through websites, email, toll free tourist assistance and helpline and training of professional guides.

An Asian Bank Project of Rs.430 crore is being implemented in order to create infrastructure for tourism development in the state. Tourist circuits for Solan, Hamirpur, Naldehra, Una-Hamirpur-Bilaspur, Jogindernagar-Bir-Billing, Chail Destination, Sundernagar, Jubbal-Kotkhai, Shimla-Theog-Narkanda are being developed and an amount of Rs.53.37 crore sanctioned for the same.

Banking

In era of liberalization, banks play predominant role in accelerating economic growth in the state economy and enhances the flow of institutional credit. The health of economy is closely related to the soundness of its banking system. The banking sector of the state is predominated by nationalized banks with more than 590 branches of which SBI and its associates have 287 branches, followed by regional rural banks with 157 branches and private sector banks with 53 branches.

Banking scenario in Himachal Pradesh

Banks in Himachal Pradesh	No. of Offices in Himachal Pradesh	No. of Offices in India	Offices in Himachal Pradesh as a % of total
SBI & its associates	287	18170	1.57
Nationalized banks	591	45437	1.30
Regional rural banks	157	15770	0.99
Private sector banks	53	11879	0.45

Source: PHD Research Bureau, compiled from RBI, September 2011

The state's credit deposit ratio stands at around 37% (September 2011), which is significantly lower than the national level of about 74% during the same period. The credit deposit ratio is higher among regional rural banks, SBI and its associates and nationalized banks.

Himachal Pradesh's total credit and deposits (Rs. crore)

Components	Himachal Pradesh			India		
	Deposit	Credit	Credit deposit Ratio (%)	Deposit	Credit	Credit deposit ratio (%)
SBI & its associates	12718	5329	41.90	1241918	938351	75.55
Nationalized banks	20438	7207	35.26	2980591	2190190	73.48
Regional rural banks	1739	736	42.32	165830	105169	63.41
Private sector banks	1434	188	13.11	1054972	789203	74.80
Total [^]	36329	13459	37.04	5704580	4245274	74.4

Source: PHD Research Bureau, compiled from RBI, September 2011

Note: [^]The data pertains to all schedule commercial banks

Power generation

The state government has prepared a plan to exploit 12,000 MW of power by the end of the 2015. The major achievement of the state government has been that it has succeeded in getting 7.19% share in all the power projects of Bhakhra Beas Management Board. During the last four years, a 308 MW hydel power potential has been harnessed by the government sector. In addition, Rs.322 crore scheme has been approved for ensuring un-interrupted power supply for 14 towns of the state.

Production has been initiated in the 200 KV solar power plant at Baru Sahib in Sirmour district. An amount of Rs. 67 crore has been spent on setting up of 220 KV electric sub station at Nalagarh in Solan district. Further, for solving the low voltage problem in rural areas, Rs. 342 crore scheme has been approved under Rural Electrification Plan in the state.

Hydro policy

The hydro power has emerged as a powerful tool for rapid economic growth and overall development of the state. The state is blessed with vast hydroelectric potential in its five river basins namely Yamuna, Satluj, Beas, Ravi and Chenab. The power policy of the state attempts to address all aspects like capacity addition, energy security, access and availability, affordability, efficiency, environment and assured employment. The state has also developed H.P. Power Transmission Corporation Limited (HPPTCL) with a view to strengthen the transmission network in the state.

The state is also promoting private sector participation to enhance hydro power generation and some of the private projects are under execution such as Baspa Hydro Electric Project-II(300 MW) , Malana Hydro Electric Project (86 MW) , Patikari Hydro Electric Project(16 MW) etc.

Forest sector policy and strategy

A major part of the state (66%) is under forest cover which is rich in biodiversity and serves as an important source of income for rural population. The state has more than 12% of its area under two national parks and thirty-two wildlife sanctuaries which are home to some rare and endangered floral and faunal species.

With the view to achieve sustainable forest management in Himachal Pradesh i.e forest, watershed, wildlife, biodiversity and habitats, for the maintenance and rehabilitation of the environment, the state government has developed the Forest Sector Policy and Strategy 2005 in consonance with government of India. The policy aims to harmonize relations between people and environment. It seeks to address the aspirations of people by making forestry a vibrant sector contributing towards livelihood enhancement of forest dependent communities through the departments working on natural resource management.

Investment opportunities in Himachal Pradesh

<p>Agro & food processing industry</p>	<p>Himachal Pradesh offers congenial agro climatic conditions. Food processing industry is primarily in the areas of traditional processing of agriculture and horticulture raw material. The allied activities such as animal husbandry and fishing also play key role in the state's economy as Himachal Pradesh has vast resources in form of rivers, streams, lakes, reservoirs and ponds, which offer great potential for development of fisheries and in this regard, fishermen welfare schemes such as accident insurance, close session assistance and risk fund have been introduced to promote its growth.</p>
<p>Handloom and handicrafts</p>	<p>The state is renowned for tradition of exquisite woven handicrafts and is endeavoring towards providing a competitive forum to artisans of handicrafts and handloom. Himachal Pradesh State Handicrafts & Handloom Corporation Limited was established in 1974 with the objective to assist and promote the interests of weavers and artisans of the state and to ensure their welfare by imparting training, design inputs, raw material, reviving the languishing crafts and providing them marketing facilities through its chain of emporia located within and outside the state. To promote marketing of handloom products, Government of India has sanctioned 30 district level events in favour of Himachal Pradesh Handicrafts & Handloom Corporation and HIMBUNKAR, Kullu to organize exhibition cum sale events across the state.</p>
<p>Horticulture</p>	<p>The topographical variations and altitudinal differences coupled with fertile, deep and well drained soil provide conducive milieu for cultivation of temperate to sub tropical fruits. Apple is the most significant fruit crop of the state and in recent years mango and litchi has emerged as an important fruit crop, which offers ample investment opportunities within the state. The state offers favourable climatic conditions for cultivation of ancillary horticulture produce like flowers, mushroom, honey and hops. The state has established Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. with the objective of marketing fresh fruits and vegetables, unmarketable surplus and processed fruits.</p>
<p>Hydro power generation</p>	<p>The state enjoys distinguished hydel potential, which can be exploited in the state by constructing small, medium and mini/macro hydro projects on the river basins namely Yamuna, Satluj, Beas, Ravi and Chenab. The state offers gamut of incentives under Hydro Power Policy to facilitate hydro power generation and has strengthened electricity distribution system across the state with an investment of Rs. 257 crore in last four years. In order to link the inter-state transmission system for Ravi, Beas, Lower Satluj and Yamuna Basins, the state has succeeded in securing Rs. 1600 crore from Asian Development Bank for H.P. Power Transmission Corporation Ltd which will ensure that no project would be held up for transmissions arrangements.</p>
<p>IT</p>	<p>The state offers conducive milieu for IT industry and has created Department of Information Technology in 2004 to encourage investments and facilitate establishment of IT units within the state. Himachal Pradesh offers top class education facilities in field of IT, excellent road infrastructure, good telephone connectivity, which makes its one of the preferred location for setting up IT units. A modern Software Technology Park and an Earth Station has established at Shimla, which offers facilities such as high speed communication, plug and lay built modules, international bandwidth for internet etc.</p>
<p>Mining</p>	<p>Minerals constitute a fundamental component of the state's economy and offers good quality limestone, which is an essential ingredient in manufacture of cement. The other minerals found within the state are limestone, byrites, clays, mica, iron pyrites, salt, antimony and lead. Two cement plants at Bilaspur and Solan district and one plant at Sirmaur district and one major plant in Baga-Bhalag of Solan district are under operation and several MOUs have been signed for the establishment of other major cement plants.</p>
<p>Tourism</p>	<p>The state is endowed with rich geographical and cultural diversity, clean, peaceful and beautiful streams, sacred shrines, historic monuments and has developed appropriate infrastructure, which makes it one of the preferred tourist destination for domestic and international tourists. Himachal Pradesh offers wide range of investment opportunities to promote rural, eco, adventure and wildlife tourism to greater heights and has the potential to become one of the best tourist destinations across the world. The state offers enormous opportunities for setting up film industry as it is endowed with natural scenic beauty. Tourism is one of the most important sectors of the state and also aids in earning foreign exchange earnings and employment creation.</p>

Source: PHD Research Bureau, compiled from various documents of Himachal Pradesh Government

3. Infrastructure

The importance of infrastructure for sustained economic development and improving the living standards of the population is well recognized. Yet, millions of people, across the world lack access to roads, transport, electricity, safe drinking water, and proper sanitation and communication facilities. Inadequate and inefficient infrastructure not only adds to transaction costs but also prevents the economies from realizing their full growth potential. The state government has come up with many initiatives and schemes to develop the infrastructure in the state.

Roads – The state being dominated by mountainous topography, road is the prime means of transport. Since the roads are fore runners of development in hill areas, the government has given top priority to construction and maintenance of roads in the state. The total road length in the state is about 34,000kms. The roads are maintained by HPRIDC (Himachal Pradesh Road & Other Infrastructure Development Corporation Limited). Himachal Pradesh has the highest road density among all the hill states of India, which is 53kms per 100sq. km.

Road infrastructure

Category of road	Length in Kms
Motorable double lane	2409
Motrable single lane	29823
Jeepable	280
Less than Jeepable	1488
Total	34000

Source: PHD Research Bureau, compiled from Economic Survey of Himachal Pradesh 2011-12.

During last four years the state has constructed 3322 kms of roads and 240 bridges , besides 2953 kms roads have been metaled, 5399 kms provided cross drainage and 5915 kms road length have been covered under annual surfacing.

In addition to this, seven new National Highways with a total length of 705 kms have been sanctioned for the state, out of which work on two National Highways has been started. With this, the total number of National Highways in the state has gone up to 16 and total length of the National Highways in the state has gone up to 1957 kms. Road Projects worth Rs.1032.66 crore have been approved from NABARD and 325 projects worth Rs.449 crore under PMGSY, so as to provide road connectivity to maximum area in the state.

Railways – Railways have not developed much in the hilly state as compared with other states because of the difficult terrain. Himachal Pradesh falls under the Northern railways network. Two narrow gauge lines connect Kalka with Shimla and Joginder Nagar with Pathankot; with a route length of 96 km and 113 km, respectively. A 33 km broad-gauge line connects the Nangal Dam to Charuru.



Aviation – Himachal Pradesh has a very large area under mountainous topography. Thus, in difficult terrains and high mountainous areas of Himachal Pradesh when road connectivity is disrupted during winter months due to heavy snowfall, the airways are the only source of access to such places.

The state has three domestic airports at Kullu (Bhuntar), Kangra (Gaggal) and Shimla (Jubbar Hatti). In addition, there are 57 operational helipads and another 12 new helipads are being planned. An airport has also been proposed for Sunder Nagar, to match international standards which can accommodate large aircrafts such as Airbus A-320 or a Boeing 747 aircraft. Night landing facilities are also proposed to be given for all the three existing airports.

Electricity – The state of Himachal Pradesh is bestowed with huge hydro electric energy potential which if exploited fully will provide a strong thrust to economy of the state. However, it demands huge investments, technical expertise, administrative reforms, congenial environment, proper regulations and management, besides competitive marketing, policy formation and private participation.

Himachal Pradesh is naturally suited for hydro-power generation and accounts for around 25% of India's total hydro-power potential. It has a high level of village electrification; about 17,183 of 17,495 villages had been electrified by the end of June 2010. In order to provide electricity to all the households in the state, the Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY) scheme has sanctioned US\$ 75 million. It is one of the few states in India where power delivered to consumers is 100% metered and its distribution system has 97.4% availability. In 2010-11, the state had a power generation installed capacity of 2,326.7 MW.

Urban Infrastructure – Urban infrastructure services include water supply, sanitation, drainage, solid waste management, etc. The government of Himachal Pradesh has launched several schemes to improve the urban infrastructure.

Shimla is one of the 63 cities, which has been identified under the JNNURM for the fast track development. Government of Himachal Pradesh has taken up the programme for urban infrastructure improvement of Shimla and its extended areas under JNNURM scheme. Under JNNURM, four projects costing US\$ 33 million have been sanctioned for Shimla. Himachal Pradesh has constituted a state-level steering committee under the chairmanship of the Chief Minister and has nominated Himachal Pradesh Housing and Urban Development Authority (HIMUDA) as the state-level nodal agency for implementing the planned projects under JNNURM.

To solve the housing problem of poor, 34,367 houses have been constructed during last four years' under 'Atal Awas' and 'Indira Awas' schemes in the state. Financial assistance for construction of house under these schemes has been enhanced from Rs. 28,500 to Rs. 48,500 per unit and for repair from Rs.12,500 to Rs.15,000 pr unit.

Telecom – Himachal Pradesh contributes around 0.9% in total wireless and wire line subscribers in India. According to TRAI, the total wireless subscriber base of Himachal Pradesh was 79.71 lakh and wire line subscriber base stands at 5.91 lakh in the month of march 2012.



Telecom subscriber base

Name of the Region	Wireless subscriber	Wire line subscriber
Himachal Pradesh	7971334	591881
India	919173053	32171471
Share of Himachal Pradesh in India	0.86%	1.83%

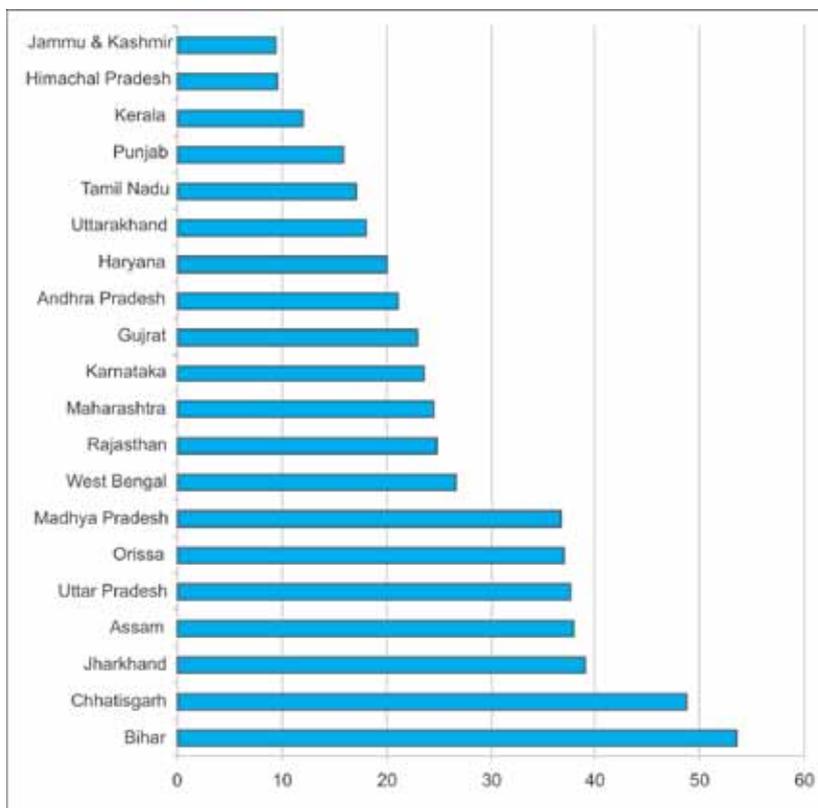
Source: PHD Research Bureau, compiled from TRAI
Data as on 31st March, 2012.

4. Social infrastructure

Himachal Pradesh has a relatively strong social sector driven by low poverty, unemployment and robust health and education infrastructure. The state is also announcing several policies to further foster the overall social development.

Poverty – The state has secured a reasonably good position in terms of population below poverty line which happens to be the one of the lowest in the country. The percentage of people below poverty line in the state stands at 9.5% which is marginally higher than Jammu & Kashmir at 9.4%.

Population Below Poverty Line (BPL): Himachal Pradesh amongst other Indian states



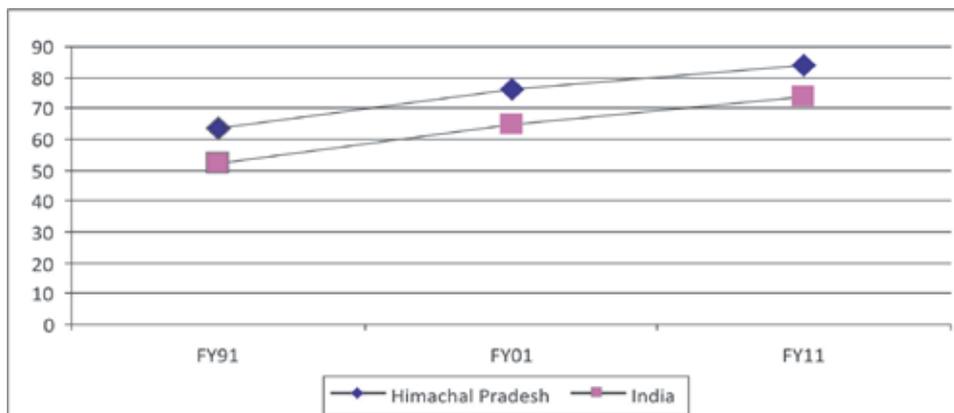
Source: PHD Research Bureau, compiled from Economic Survey of India, 2011-2012



Unemployment – The unemployment rate in Himachal Pradesh is 5.9% as on 2010, which is considerably low as compared to the national average of 9.4% and the one of the lowest among Indian states. Unemployment rate among males is 6.3% whereas amongst females is 4.5%.

Education – In Himachal Pradesh, the 2011 Census recorded a literacy rate of 83.78% with male literacy at 90.83% and female literacy at 76.60%.

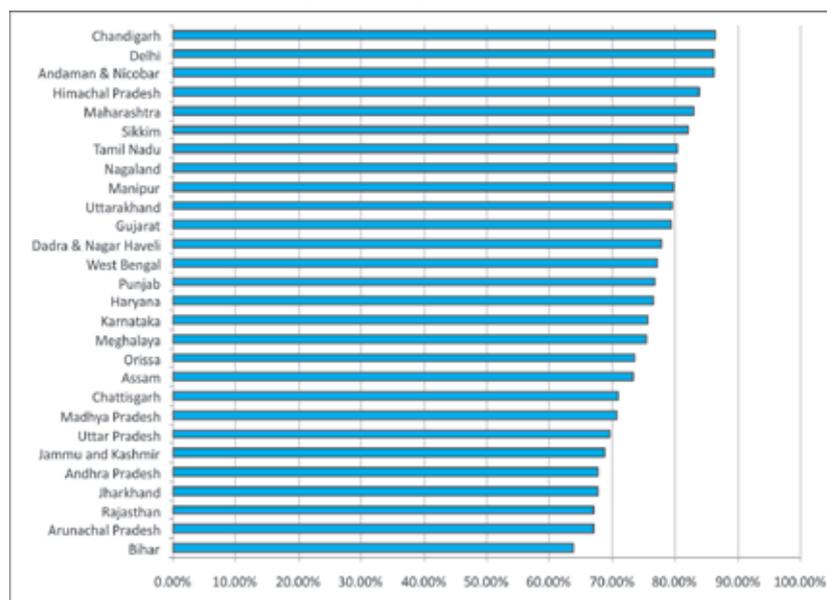
Trend of literacy rate: Himachal Pradesh vis-à-vis India



Source: PHD Research Bureau, compiled from Economic Survey of India 2011-12 and Census 2011

The All India trend shows that the literacy rate in Himachal Pradesh has been better than the national average. During 2011, the literacy rate of Himachal Pradesh stands at 83.78% which is better than the national average of 74.04%. The state is better placed in terms of literacy level as compared to most Indian states like Maharashtra, Punjab, Haryana, Karnataka, Uttar Pradesh and Rajasthan.

Trend in literacy in comparison with other states



Source: PHD Research Bureau, compiled from Census 2011

The Gross Enrollment Ratio (GER) between 6-13 years of age was 109.9, between 11-13 years of age it was 113.4 and between 6-10 years of age it was 107.7 Besides, the state has a large pool of skilled labour making it a favourable destination for knowledge based industries.

With a view to develop educational infrastructure, 96 middle schools have been upgraded to high schools and 75 high schools to senior secondary during recent years, besides, opening government degree college at Haripurdhar in Sirmour district. Government degree colleges at Bilaspur, Chamba, Hamirpur, Dharamshala, Kullu, Mandi, Solan and Una have been upgraded as ‘Model Colleges’.

In order to promote technical education in the state an amount of Rs.32 crore would be spent on up-gradation and modernization of 32 industrial training institutes in Public-Private Participation. Four new industrial training institutes have been opened at Tikkar in district Shimla, Sandhole and Bhadrota in district Mandi and Ghumarwin in Bilaspur district last year.

Health – The state government has focused on providing proper health services for effective prevention and treatment intervention to people. In Himachal Pradesh, Health and Family Welfare department is providing services which include curative, preventive, promotive and rehabilitative services. There are 53 civil hospitals, 76 community health centres, 456 primary health centres, 23 Civil/ESI dispensaries and 2,065 sub-centres in the state. To provide better health services to the people, the state government is strengthening the existing infrastructure by providing modern equipments, specialized services, increasing the strength of the medical and paramedical staff in the medical institutions.

The health department has proposed the target of opening ten new ayurvedic health centers, two homoeopathic health centers, one ayurvedic hospital, upgradation of one ayurvedic health center to 10-bedded hospital, upgradation of one 10/20 bedded hospital to 30/50-bedded hospital and providing of panchkarma/ sharsutra at eleven centres during the year 2012-13.

Chief Minister Student Health Programme’ has been started last year for free medical check-up of students in the schools. Medical check-up of 7.15 lakh students have been done during last four years. Matri Sews Yojana’ is being implemented in the state under which all expectant mothers have been provided the facility of free delivery in government hospitals. BPL families have been given health insurance cover of Rs.30,000. For critical disease, Rs.1,75 lakh assistance is being given under the scheme.

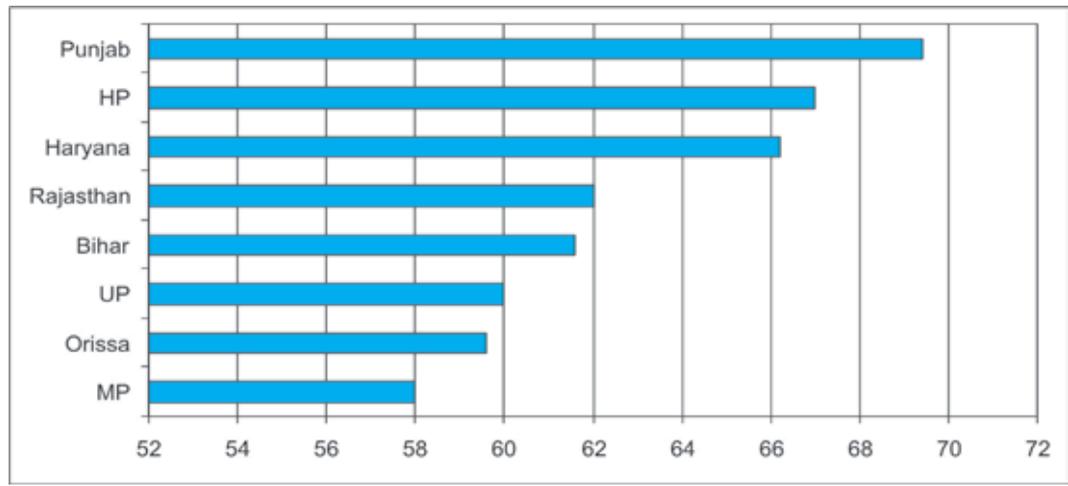
Summary of Health Indicators

Life Expectancy at Birth (2002-06)	67 years
Infant Mortality Rate (2008)	44 per 1000 live births
Total Fertility Rate (2008)	1.9 children born per woman
Per Capita Health Expenditure NHA-04-05	Rs 1511

Source: PHD Research Bureau, compiled from Annual Report to People on Health, September 2010

In terms of life expectancy at birth among major states in India, Himachal Pradesh puts up a decent show with 67 years as compared to Punjab with 69.4 and Haryana at 66.2 years. There have been various efforts towards improving health standards, which is reflected in the low infant mortality rate and decent per capital health expenditure.

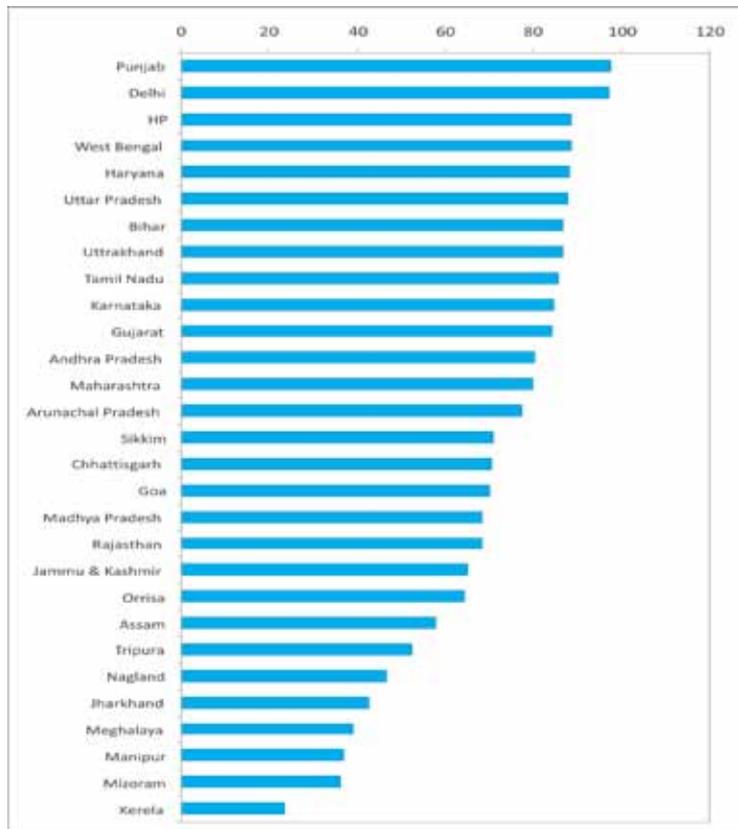
Life expectancy at birth (in years)



Source: PHD Research Bureau, compiled from Annual Report to people on Health, September 2010.

In terms of availability of safe drinking water, Himachal Pradesh stood at one of the highest positions with of about 89% of its population having an access to safe drinking water. This shows the progress state is making in terms of development of its infrastructure.

Availability of safe drinking water to households (in percent)



Source: PHD Research Bureau, compiled from Economic Survey of India 2011-12

Rural development – With the focus to foster inclusive growth, the state government has taken steps to facilitate rural development through infrastructure development and various financial assistance. Under the 'Atal Awas Yojana', 13,918 houses have been constructed by spending Rs.56 crore and 20,449 houses have been constructed under 'Indira Awas Yojana' by spending Rs.64 crore to provide houses to the people living below poverty line during the last four years. The financial assistance has been enhanced from Rs.28,500 to Rs.48,500 for each house. Rs.383 crore has been spent under 'Integrated Watershed Development Programme' and 'Desert Development Programme' and thereby treating 6,17871 hectare area in the state. 7.49 lakh job cards have been provided and 8.5 crore man-days generated under MNREGA in last four years.

5. Himachal Pradesh: Achievements & Awards

The hilly state of Himachal has been constantly marching towards achieving new heights. It has been conferred 51 awards in a period of last 48 months, by prestigious national, international agencies and also Government of India, which speaks volumes about the progress that state has witnessed in recent times.

India Today in its 'State of the States' Survey-2011, has adjudged Himachal Pradesh as Best State in 'Infrastructure Development' in the country. It has been adjudged 'Best Travel Destination in India', Shimla as 'Best Mountain Hill Destination' and for 'Emerging Trends: Innovative Work in Eco Tourism' by CNBC Awaaz for the year 2011.

Himachal Pradesh has emerged Best State in the country for the last two years in the implementation of 'Twenty Point Programme' and for maximum registration of BPL families under 'National Health Insurance Scheme'. The endeavours of the state in the field of environment conservation have been appreciated and the state has been awarded 'Prime Minister Public Services Award' for sustainable efforts taken in plastic management.

Himachal Pradesh's efforts in strengthening the agrarian economy of the state has also been appreciated and it has been conferred 'State Agriculture Leadership Award' in 2010 for its outstanding policy initiatives and performance in agriculture sector. In 2009, Himachal Pradesh has been adjudged the Best State in indicators like Education, Health, Macro Economy and Investment in the 'State of the States' survey undertaken by India Today. It has also been given 'Diamond State Award' for Women Empowerment, Employment Generation and Environment Conservation on the basis its best performance in nation wide survey undertaken by Outlook and IBN-7.

6. Himachal Pradesh Budget 2012-13

The budget 2012-13 has focused on sectors like agriculture, power, roads, education and health. Agriculture and allied activities have been allocated about 13% of the annual plan outlay during 2012-13. The state has also implemented externally aided projects in sectors like agriculture, forests, irrigation, power, roads and tourism in assistance with World Bank, Asian Development Bank and Japan International Cooperation Agency (JICA).



Budget at a glance (Rs. Crore)

Contents	2012-13 (BE)
Revenue Receipts	16342.98
Capital Receipts	3981.59
Total Receipts	21115.11
Revenue Expenditure	15969.19
Capital expenditure	4274.73
Total Expenditure	20243.92
Fiscal Deficit	1939.35
Fiscal Deficit % of GSDP	2.8%

Source: PHD Research Bureau, compiled from Budget of Himachal Pradesh 2012-13

With a view to revolutionize the economy of farmers and orchardists, the state government has earmarked an amount of Rs.50 crore under Pandit Deen Dayal Kisan Bagwan Samridhi Yojna. To set up the further growth of crop diversification, the state government has launched a technical assistance programme with support of Japan International Cooperation Agency (JICA) and has allocated a sum of Rs. 321 crore for the same. In addition to this, to promote horticulture, the state has earmarked an amount of Rs. 14 crore under Market Intervention Scheme for 2012-13.

The government has allocated an amount of Rs. 1383.09 crore in 2012-13 for irrigation and water supply and Rs. 224 crore for animal husbandry. In addition to this, the state has earmarked around Rs.7 crore for a new project namely “Cage Culture” which shall be implemented through four fishermen co-operative societies in Gobind Sagar and Maharana Pratap Sagar reservoirs. Himachal Pradesh has allocated an amount of Rs.380 crore for the forestry and wildlife sector during 2012-13.

In order to provide incentive to industries, the state will allow exemption of 5% on the electricity duty for period of five years to all new industrial in the state with effect from 1st April 2012. In order to give a boost to investment in the tourism infrastructure in the state by private sector, the state government has made a provision for exempting the coming up aerial ropeways from the payment of entertainment tax for five years and the rate of tax on existing ropeways has been reduced from 25% to 10%. The state government has allocated a sum of Rs. 450 crore for 2012-13 as against Rs. 350 crore in 2011-12 to give boost to infrastructural development in the state.

The state has given equity of Rs. 50 crore to HP State Electricity Board(HPSEB) in 2012-13 to strengthen the distribution network and has also proposed to increase the budget subsidy on electricity to Rs. 190 crore in 2012-13 from Rs. 140 crore in 201112 to reduce the burden on consumers.

In order to strengthen the road network, the state has proposed to construct additional 500km of motorable roads and 25km of jeepable roads, while 30 bridges will be constructed across the state and has allocated an amount of Rs. 2113.04 crore for Public Works Department in 2012-13.

To further boost and strengthen the educational infrastructure, the state has earmarked an amount of around Rs. 3419 crore for education in 2012-13, as against allocation of about Rs. 1551 crore in 2007-08,



marking growth of 120%. To promote computer and IT literacy, the state will provide free of cost laptops on the basis of merits. To promote higher education, the state government has earmarked an additional grant of Rs. 13 crore in 2012-13 to HP University.

With a view to provide best possible health care services to the people, the state government has allocated an amount of Rs. 1054.27 crore for health sector in 2012-13. Greater stress has been laid on welfare of underprivileged and weaker sections of the society, and the government has allocated an amount of around Rs. 915 crore under Schedule Caste Sub-Plan during 2012-13, which is 12% higher than previous year.

Revenue and Capital Account (Rs. Crore)

Receipts	2012-13(Estimates)	Expenditure	2012-13(Estimates)
Opening Balance (I)	790.54	Revenue Account (I)	15969.19
Revenue Account (II)	16342.98	Capital Account (II)	1970.26
Capital Account (III)	0	Public debt (III)	1937.3
Non Debt Receipts(i)	0	Loan and Advances (IV)	367.17
Public debt (ii)	3306.3	Contingency Fund (V)	0
Loan and Advances (iii)	25.29	Total (I to V)	20243.92
Deposit & Advances, Remittances & PF (iv)	650	Closing Balance	871.19
Total Capital Account	3981.59		
Contingency Fund (IV)	0		
Receipt (II+III+IV)	20324.57		
Total Receipts	21115.11	Total Expenditure	21115.11

Source: PHD Research Bureau, compiled from Budget of Himachal Pradesh 2012-13

7. Conclusions

Himachal Pradesh lies in the lap of Himalayas and is located in the Northern region of India. It is bordered by Jammu & Kashmir on North, Punjab on West and South West, Haryana on South, Uttarakhand on South-East and China on the East. Himachal Pradesh is endowed with natural resources in abundance such forests, snowfed perennial rivers and rivulets, mineral wealth including limestone, byrites, clays, mica, iron pyrites, salt, antimony and lead. The state holds enormous potential of medicinal plants and is home to wide range of specialized plants. All these characteristics culminate into making the state of Himachal Pradesh a bowl of herbal wealth.

The state's economy has exhibited a vibrant growth path during the recent years. Real GSDP grew from Rs.26107 crore during FY2006 to Rs.35888 during FY2010, marking a growth of around 8% (average) during the same period. Secondary sector and tertiary sector contributes around 39.5% respectively to GSDP and primary sector contributes 20.7% of GSDP in FY2010.

The per-capita NSDP (Net State Domestic Product) of Himachal Pradesh in FY2010, stood at Rs. 50365 at current prices which is higher as compared to Rs.46492 at national level. The per capita NSDP of Himachal Pradesh is higher than the states like West Bengal, Rajasthan, Orissa, Jammu and Kashmir, however; it is lower than states like Haryana, Maharashtra, Gujarat and Uttarakhand.



Gross fiscal deficit of Himachal Pradesh as percentage of GSDP has declined to 2.7% during FY2012 as compared to the 3.5% in FY2011. It is lower than states like Assam (2.9%), Jammu and Kashmir (5.5%), Manipur (8.2%), Nagaland and Uttarakhand (3.5%), however it is higher than states like Arunachal Pradesh (2.0%), Meghalaya (2.5%), Mizoram (2.4%), Sikkim and Tripura (2.4%) during FY2012.

Himachal Pradesh provide good industrial investment environment. Through the successive industrial policies and other investor friendly measures, the state has been striving to accelerate the flow of investment into industrial sector. State has attracted industrial investment proposals of more than Rs18105 crores in the last four years.

The significance of agriculture is immense for the state as it is the main source of livelihood to about 70% of the population. The sector contributes nearly 21% of the total state domestic product. Rice, wheat and maize are the main cereal crops grown in the state. They key oilseed crops are groundnut, soyabean, sunflower, mustard and toria and pulse crops includes urd, bean, moong, rajmash and gram lentil. Apples are a major produce of Himachal Pradesh and the state is second largest producer of apples after Jammu & Kashmir.

The state has been able to make significant progress in field of industrialization in the recent years. With availability of gamut of incentives and packages, state has been able to attract investments for setting up new industries in the state. There are about 474 medium and large scale industries and about 38,409 small scale industries attracting total investment of about Rs. 14147 crore . In order to provide infrastructural facilities to the industries, the state government has developed 41 industrial areas and 15 industrial estates with all basic amenities. The key industries in the state are textiles, pharmaceuticals, food procurement and processing, light engineering, IT and electronics and cement. In addition to this, it also offers ideal investment opportunities in power, tourism and biotechnology sectors.

The services sector has performed significantly well and has come out to be as a major segment in contributing to its economic growth. Under Information Technology Policy and Tourism Policy, the state has provided various incentives for the development of IT and tourism sector. Tourism plays significant role for the state economy and has some of the best tourist spots such as Dalhousie, Mcleodganj, Shimla, Mandi, Bilaspur, Una, Hamirpur, Chamba, Manali, Kullu, Solan, Dharamshala and Kangra which attract national and international tourists, round the year.

The state being dominated by mountainous topography, road is the prime means of transport and the total road length in the state is about 34,000kms. Himachal Pradesh has the highest road density among all the hill states of India, which is 53kms per 100sq. km. On the other hand, Railways have not developed much in the hilly state as compared with other states because of the difficult terrain. The state has three domestic airports at Kullu (Bhuntar), Kangra (Gaggal) and Shimla (Jubbar Hatti).

On social front, Himachal Pradesh has a relatively strong social sector driven by low poverty, unemployment and robust health and education infrastructure. In addition to this, the state is also announcing several policies to further foster the overall social development.

8. Recommendations

Situated in the heart of western Himalayas, Himachal Pradesh has a significant part of the topography under hilly terrain, which has impacted the industrial situation in the state. Due to geographical factors the industrialisation is concentrated in the border areas and gateways of Himachal Pradesh; Paonta Sahib-Kala Amb- Parwanoo-Barotiwala-Baddi-Nalagarh. In spite of the best efforts, other areas of the state have been relatively unaffected by the process of industrial development. The existing infrastructure facilities need to be stepped up to meet the requirement of new investments. Infrastructure is lacking in most part of the state and it needs to be developed on priority to facilitate the overall socio-economic development of the state.

There is a need for setting up of an international airport in the state, which is capable of handling larger aircrafts, to facilitate international tourists from Europe and South East Asia. Improving air connectivity within the state and with rest of the country needs to be taken up on a priority not only for attracting tourists but also for attracting investments from sunrise sectors like Information Technology and Bio-Technology. While Central Government may consider identifying private partners for the same, land may be provided by the state government. The plan for up gradation of Kalka – Shimla Highway to 4 lane road is a welcome step. Railway connectivity to industrial areas of Baddi, Barotiwala and Nalagarh is an urgent requirement of industry in this industrial belt. Railway line should be extended from Dehradun to Paonta Sahib-Kala amb-Baddi-Ropar.

Keeping in mind the hilly topography of the state and the significance of agriculture in the livelihood of the locals, farm mechanisation with special reference to hill agriculture shall be given major thrust in the years to come. This is necessary to reduce cost of cultivation in view of high cost of labour. Development of rainfed areas through watershed approach on a large scale for efficient use of natural resources is recommended. Organic farming should be adopted in a big way to take the farm economy of the state to a different level. The state is also blessed with the suitable agro-climatic condition to support growth of a wide variety of medicinal plants. In view of the growing demand of herbal medicines across the world, the state government should attach special emphasis to up gradation of infrastructure supporting natural pharmacies so that they become more economically viable and generate revenue.

Himachal is the second largest producer of apples in India and a major producer of other fruits. Agro processing is a promising area where the state has significant strengths. Agro-processing zones and value-addition in different agro-climatic zones in the state could attract huge private investments. There have been measures taken up by the state government towards promoting agro processing and agri business etc. There is need for agricultural output to operate with an increased focus on processing and value addition. To promote competitiveness and efficiency in the marketing chain, impetus needs to be provided to establish private mandis. With abundant forest resources in the state, the government should also incentivise wood based industries to generate additional employment.

Despite their being no specific comparative advantage, the state has emerged as an important centre of textile spinning in the northern region and now there is a need to further expand and consolidate this sector. Small Scale Industries (SSIs) constitute an important part in this industry segment and have



immense potential to contribute in terms of employment generation, source of foreign exchange earnings and exports. However, many of these SSI units have not remained financially viable and have become sick. Thus, state government should come up with integrated approach to facilitate development of SSI units by providing financial assistance, technical know how, up gradation of industrial infrastructure and strong backward and forward market linkages. In addition to this, there is also an urgent need to expose artisans to modern technologies and skill development programmes.

The state of Himachal Pradesh is bestowed with huge hydro electric energy potential which if exploited fully will provide strength to economy of the state. However, it demands huge investments, technical expertise, administrative reforms, congenial environment, proper regulations and management, besides competitive marketing, policy formation and private participation. The state should promote private sector investments and encourage the creation of their long term partnerships in industries. These investments can be attracted through lucrative policy benefits to promote Public Private Partnerships.

The state government should focus on increasing the outreach through rapid financial inclusion. To push the state on sustained economic growth momentum, there is an urgent need to expand the base of financial services, with a particular focus on the rural economy and the small and medium entrepreneurs. In view of the low savings potential of the people, expanded financial services must be cost effective and their delivery should be of high quality.

Human resource development facilities particularly in vocational and technical education for Himachalis need to be improved to facilitate the growth of the state economy. In this regard both the state government and the industries will need to join hands for structuring training programmes. Efforts need to be taken to provide job centric education and skill development to the youth so that they can be fruitfully employed in the mainstream job market.

**Some Important Contacts**

S.No	Sector/Area	Key Contact
1	Agriculture	Addl. Chief Secy. (Agriculture, Redressal of Public Grievances) Room No.- A-522 Himachal Pradesh Government Secretariat, Shimla - 171002, Himachal Pradesh, INDIA Email : agrisecy-hp@nic.in, rpgsecy-hp@nic.in Ph. No. 0177-2621894, 0177-2880786
2	Education	Secretary (Education) Room No. A-301 Himachal Pradesh Government Secretariat, Shimla - 171002, Himachal Pradesh, INDIA Email: secy-hedu-hp@nic.in, secy-eledu-hp@nic.in Ph. No. 0177-2621715, 0177-2880740
3	Health	Secretary (Health and Family Welfare, Ayurveda) A-222 Himachal Pradesh Government Secretariat, Shimla - 171002, Himachal Pradesh, INDIA Email: healthsecy-hp@nic.in ,ayursecy-hp@nic.in Ph. No. 0177-2621904
4	Industrial Infrastructure	Principal Secy. (Industries, Labour and Employment) Room No. A-122 Himachal Pradesh Government Secretariat, Shimla, 171002, Himachal Pradesh, INDIA Email: indussecy-hp@nic.in, lepsecy-hp@nic.in Ph. No. 0177-2620105,0177-2880794
5	Rural Development	Principal Secy. (Rural Development and Panchayati Raj) A-532, Himachal Pradesh Government Secretariat, Shimla - 171002, Himachal Pradesh, INDIA Email: ruraldevsecy-hp@nic.in, prsecy-hp@nic.in Ph. No. 0177-2621897, 0177-2880769
6	Urban Development	Principal Secy. (Forests, Training, Administrative Reforms, FA, Urban Development, Town & Country Planning, Housing) A-431-Himachal Pradesh Government Secretariat, Shimla - 171002, Himachal Pradesh, INDIA Email: udsecy-hp@nic.in Ph. No. 0177-2621902



About the PHD Chamber

PHD Chamber is a vibrant and proactive representative organization of business and mercantile community of northern and central India, serving their interest for over a century. This apex regional organization plays a active role in India's development and acts as a much needed link between government and industry, serving as a catalyst for rapid economic development and prosperity of the community in the region through promotion of trade, industry and services.

With its base in the National Capital, Delhi, the Chamber has Regional offices in States of Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and the Union Territory of Chandigarh.



Himachal Pradesh Committee

Mr. Amrish Jaipuria, Chairman
Mr Dalip Sharma, Regional Director

PHD Research Bureau

Dr. SP Sharma, Chief Economist
Mr. Harsh Vardhan, Research Officer
Ms. Malini Bhattacharya, Research Officer
Ms. Surbhi Sharma, Research Associate

PHD CHAMBER OF COMMERCE AND INDUSTRY

Regional Office - Chandigarh

PHD House, Sector -31A, Chandigarh -160031
Phone: 91-172-2638941, 2638653 Fax: 91-172-2638982
E-mail: mail@phdcciind.com

State Office - Shimla

Room No. 205, Udyog Bhawan, Shimla 117044
Telefax : 91-177-2807855 E-mail: phdshimla@phdcci.in