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Roadmap for the New Government

Suggestions for the Industrial and Socio-Economic Development

Focus MSMEs ease of doing business

May 2017



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PUNJAB

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May 2017

PHD RESEARCH BUREAU

PHD CHAMBER OF COMMERCE AND INDUSTRY

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

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

Email: research@phdcci.in Website: www.phdcci.in

From President's Desk



Mr. Gopal Jiwrajka

The state of Punjab endowed with rich culture, tradition and religion is predominantly an agrarian state and is known as the 'Bread Basket of India'. The economic growth of the state is at around 6% (average) during the last three years.

In order to achieve higher growth rate and to achieve the path of double digit growth, it would be imperative for the new Government to focus on critical areas.

The reforms in agriculture sector would push the agriculture growth rate of the state and help rural economy to strengthen and contribute in overall growth of the state. The MSMEs sector on the other hand, can be a major growth vehicle for the new industrial environment in the state to achieve 10% growth in the manufacturing and overall industrial sector.

Further, the construction sector is one of the promising sectors as the sector is 2nd largest generator of employment after agriculture sector. Conducive policy environment for housing and construction activities in the State would go a long way to absorb unskilled, semiskilled and skilled workforce in the State. Expansion of services such as financial, telecom and internet services in the rural areas will strengthen not only the growth of services sector but also the overall economic growth of the state.

The effective policy interventions and strong reform initiatives would pave the way to rejuvenate growth trajectory in the coming times.

We are sanguine that with the new government in the state, Punjab will scale to greater heights and reach pinnacle heights of growth and development in the coming times.

I wish all the very best for the new government in Punjab.



Mr. Anil Khaitan

From Senior Vice President's Desk

Building a high class infrastructure is crucial for the effective functioning of the industrial sector especially for the manufacturing competitiveness. The state boasts of a good network of road, rail and civil aviation. The demand for power in the state will rise sharply on account of rapidly increasing use of electrical energy for agricultural operations, progressive industrialization, and intensive rural electrification programme. The installed plant capacity for electricity supply should increase in tandem with the increased demand.

There is a vital need for speedy approvals of power projects, project management techniques, rapid up-skilling of manpower, strengthening transmission and distribution system and providing alternative sources of energy like solar, wind, bio-gas, agriculture bio-mass to meet the increasing demand for power in the state.

Going ahead, there is a need to develop dry ports and improve industrial infrastructure for the enhancement of industrial development in the state as state of the art infrastructure is required to boost industrial output of the state.

My best wishes to the state government. We look forward to revival of infrastructural and industrial growth in the state in the coming times.



Mr. Rajeev Talwar

From Vice President's Desk

The state of Punjab has been accorded with the status of 'Granary of India'. Growth in the state has been closely associated with the well-known Green Revolution which witnessed the development and adoption of new, high yielding varieties of rice, wheat and other food crops.

Punjab contributes a significant share in national food grain production and thereby aids in ensuring the national food security. The state possesses huge potential in agro exports, due to its extensive presence of agricultural base. However, the share and growth of agriculture and allied sector is not promising over the last few years.

Going ahead, diversification in the farm sector, crop rotation and organic farming should be encouraged and promoted in the state to improve the soil quality and to enhance the crop productivity. Revitalisation of sectoral growth coupled with diversified economic base and conducive industrial environment for absorbing large proportion of young workforce will push the economic growth rate of the state.

I wish the state government grand success in all their endeavours in reforming the state economy in the coming times.



Dr. Mahesh Gupta

From Immediate Former President's Desk

The state of Punjab has a well-developed social infrastructure. The state ranks fairly well among all states in poverty and infant mortality rate. The unemployment rate is also around the national average. The literacy rate of the state is higher than the national literacy level.

Nonetheless, there is a growing need for strengthening educational infrastructure in the state to improve the overall education sector and to link education with vocational training at school level for skill development of the young population and to absorb them in the productive areas of the Punjab economy.

On the health front, there is a strong need to have a comprehensive healthcare policy along with state of the art infrastructure for addressing the changing healthcare needs of the state.

Going ahead, the state must take necessary steps to promote inclusive growth and socio-economic development of the state. Creation of rural infrastructure, development of health sector, skill development and employment generation for youth would help State to achieve higher economic growth with increased income and improved standards of living.

My best wishes to the state government for all-inclusive development of state of Punjab.



**Mr. Rupinder Singh
Sachdeva**

From Chairman's Desk, Punjab Committee

We are submitting our proposition for the beneficial growth of the State of Punjab through this study - A Roadmap to New Punjab Government with suggestions for industrial and socio-economic development of the State. Considering the conducive policy environment being provided under the apt leadership of Hon'ble Captain Amarinder Singh, I am sure the state's economy would propel towards sustainable and inclusive growth.

The state of Punjab is largely dominated by the small and medium scale units. Going ahead, the MSMEs sector can be a major growth vehicle for the new industrial environment in the state to achieve 10% growth in the manufacturing and overall industrial sector. There is a need to strengthen the infrastructure of the industrial clusters and to establish new industrial clusters in Punjab.

To stimulate the manufacturing sector for refueling growth in the state economy, reforms in ease of doing business including labor laws, availability of land at reasonable prices, state of the art infrastructure development, speedy environment clearances, simplification of tax regime vis-à-vis awareness programmes for the implementation of GST should be in focus of the state government.

I am sure that the New Government will give a major impetus to the industrial sector of the state and generate immense employment opportunities for the young population of the state.

I wish the New State Government of Punjab all the very best!.



Mr. Saurabh Sanyal

From Secretary General's Desk

PHD Chamber of Commerce and Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India's Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. The PHD Chamber has always aimed to be an important stakeholder to the development of the nation.

Roadmap for the New Government in Punjab is a comprehensive suggestions report which examines the current state of the economy and presents a roadmap for breakthrough in economic growth and a good kick start to the industrial growth. I hope this study serve as a vehicle for the all inclusive growth of the state of Punjab.

We believe a responsible agenda with a focus on agricultural growth, industrial productivity, development of infrastructure, socio-economic development and special focus on employment of young population should be taken up to achieve a high and sustainable economic growth of the state.

I commend and appreciate our esteemed members especially the members of Punjab Committee for providing their valuable suggestions. I would like to put on record the diligent efforts of our team PHD Research Bureau led by Dr. S P Sharma, Chief Economist, PHD Chamber for preparing this comprehensive report.

I congratulate the new government for their sweeping victory and assure full support to the new government for promoting industrial and economic growth in the state.

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Abbreviations

BT	Biotechnology
CAGR	Compound Annual Growth Rate
CERC	Central Electricity Regulatory Commission
CGHS	Central Government Health Scheme
CLU	Change of Land Use
CPP	Captive Power Plant
DG	Diesel Generation
DIPP	Department of Industrial Policy and Promotion
ED	Electricity Duty
ED	Electricity Duty
EDP	Entrepreneurship Development Programme
ESI	Employee State Insurance
EU	European Union
FAQ	Facts and Queries
FCI	Fixed Capital Investment
FEZ	Free Enterprise Zone
FEZ	Free Economic Zones
FSI	Floor Spacing Index
GAP	Good Agricultural Practice
GFD	Gross Fiscal Deficit
GGSTP	Guru Gobind Singh Super Thermal Plant
GHP	Good Hygiene Practice
GNDTP	Guru Nanak Dev Thermal Plant
GSDP	Gross State Domestic Product
GVA	Gross State Value Added
GST	Goods and Services Tax
Ha	Hectare
HACCP	Hazard Analysis and Critical Control Points
HS	Harmonized System
I.T.I	Industrial Training Institutes
IDF	Infrastructure Development Fee
IT	Information Technology
IT	Information Technology
ITeS	Information Technology enable Scheme
KVAH	Kilo Volt Ampere Hours
KWH	Kilowatt Hour
MILKFED	The Punjab State Cooperative Milk Producers' Federation Ltd
MMTPA	Million Metric Tonnes Per Annum
MNRE	Ministry of New and Renewable Energy
MOSPI	Ministry of Statistics and Program Implementation
MSME	Micro, Small and Medium Enterprises
MV	Motor Vehicle
MVA	Mega Volt Ampere

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MW	Mega Watt
MYT	Multi Year Tariff
NOC	No Objection Certificate
NSDP	National State Domestic Product
NSS	National Sample Survey
PFC	Punjab Financial Corporation
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PSEB	Punjab State Electricity Board
PSERC	Punjab State Electricity Regulatory Commission
PSIDC	Punjab State Industries Development Corporation
PSIEC	Punjab Small Industries and Export Corporation Limited
PSPCL	Punjab State Power Corporation Limited
PSTCL	Punjab State Transmission Corporation Limited
PSU	Public Sector Undertaking
PSU	Public Sector Units
R&D	Research and Development
RGCTP	Rajiv Gandhi Chandigarh Technology Park
SCs, STs	Scheduled Castes, Scheduled Tribes, Other Backward Classes and OBCs
SEZ	Special Economic Zones
SHM	Soil Health Management
SIDBI	Small Industries Development Bank of India
SPV	Special Purpose Vehicle
Sq. Yds.	Square Yards
TOD	Time of Day
US\$/USD	United States Dollar
USA	United States of America
VAT	Value Added Tax

PHD PITEX 17

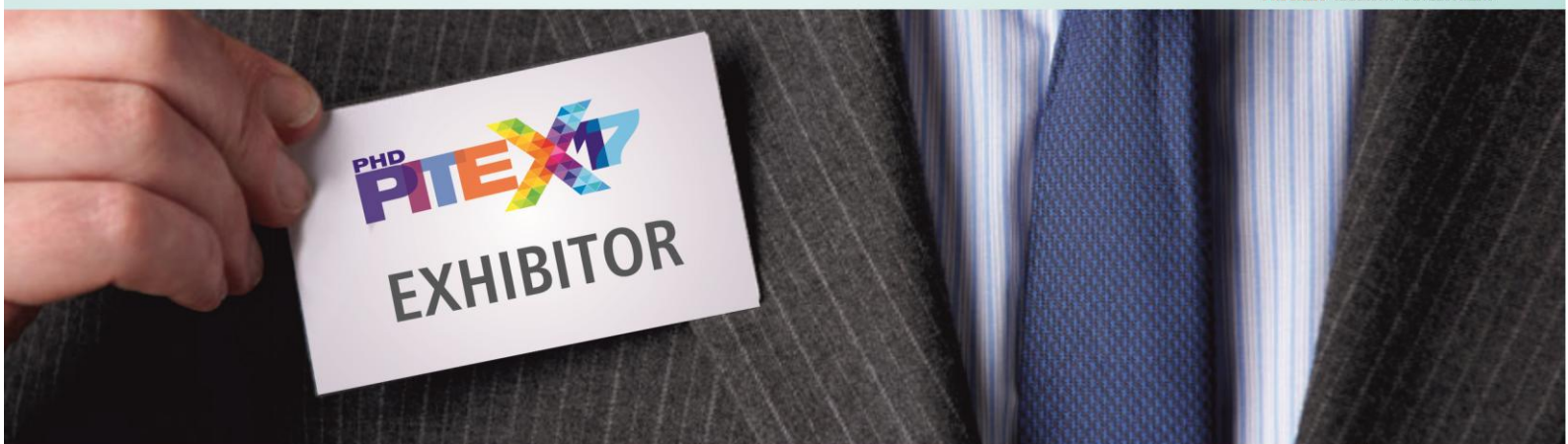
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**PHD
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PROGRESS HARMONY DEVELOPMENT

PHD Chamber of Commerce and Industry

Regional Office
PHD House, Sector 31A,
Chandigarh 160 030 India

Head Office
PHD House, 4/2 Siri Institutional Area,
August Kranti Marg, New Delhi 110 016 India
www.phdcci.in

Executive Summary

The state of Punjab endowed with rich culture, tradition and religion is predominantly an agrarian state and has been accorded with the status of Granary of India. The real Gross State Domestic Product¹ (GSDP) of the state has increased from Rs. 112997 crores in FY2007 to Rs 331940 crores in FY2016. However, the growth rate of real GSDP has been declined to around 6% in FY2016 from 10% in FY2007. Revitalisation of sectoral growth coupled with diversified economic base and conducive industrial environment with a special focus on the growth of MSMEs would go a long way to absorb large proportion of unskilled, semiskilled and skilled workforce and push the economic growth trajectory on high road.

The contribution of agriculture and allied sector (primary sector²), industry (secondary sector³) and services (tertiary sector⁴) in the state's GSVA stands at around 27%, 23% and 50%, respectively, however, the growth rates of these sectors have been declining over the years. Though the Gross Fiscal Deficit⁵ (GFD) as a percentage to GSDP is at 2.9% (FY2017), the state's developmental expenditure as a percentage to GSDP has declined from 10.5% in FY2008 to 7.6% in FY2017 while social sector expenditure as a percentage to GSDP has remained stagnated at 4.6% during the same period.

Though the state has introduced several policies to attract industrial investments in the last few years, the share of Punjab in India's total industrial investment proposals is not encouraging; it has declined from 1.9% in 2006 to 1.3% in 2016. Going ahead, the state has potential to attract investments in the growth promising areas such as textiles, steel, agriculture, agribusiness and food processing, dairy farming, fertilizers, electronics, sports goods, solar energy, tourism, handicrafts and handlooms. The food processing industry in Punjab holds a bright future, given the huge volume of production of a wide variety of crops especially wheat and rice.

There is considerable scope to reduce the wastage of agricultural produce and expand the scope for exporting processed value added products. Given the wide-ranging and large raw material base of Punjab, food processing industry holds considerable opportunities for growth and attracting investments (domestic and foreign).

Interestingly, while the developed world's food basket consists of 80% of processed food, various reports estimate the share of this segment to be only 1.3% in India. There is a need to deviate from the traditional mode of operation towards a more professional conduct of business both during pre and post-harvest period and processing period.

¹ Economic and Statistical organization, Government of Punjab

² Agriculture and Allied Sector and Mining and Quarrying.

³ Industry /Secondary sector includes Manufacturing, Electricity, gas, water supply & other utility services and Construction

⁴ Services/Tertiary sector include Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial services, Real estate, ownership of dwelling & professional services, Public administration and other services.

⁵ State Finances reports by RBI

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New industrial environment in the State should focus on the seven basic ingredients of production/manufacturing efficiency including availability of land, conducive industry-labour relations, availability of adequate finances, zeal for entrepreneurship, availability of skilled manpower, state of the infrastructure including rail, road, port (dry port), airport and a greater ease of doing business including the availability of required utilities such as power at reasonable rates, water, internet and telecom services coupled with speedy government approvals in environment clearances, electricity connections, construction permits, among others .

The top 20 suggestions provided by industry stakeholders for the improvement in above ingredients include building up the perception about the state as an attractive investment destination; strengthening of the single window clearance system along with digitization of all the departments of the state government with electronic filing facilities; comprehensively abolishing Inspector Raj; skilling of the Government officials and lower rungs to strengthen the policy implementation; reduce cost of electricity to Rs. 5 per unit; supply of power to the existing and upcoming industries of the State would be crucial in attracting Industrial Investments; develop lucrative PPP models in the power sector to generate power for industrial development; linking of every high school in the state with the vocational training (dual education system) to enhance skill development in the state and generate employment opportunities; establishing a good vocational training centre in the radius of every 25 Kms across the state; create special bank for MSMEs; establish single window clearance for all issues pertaining to industry – Micro, Small, Medium and Large Enterprises; new skill development centres to meet the growing demand for skilled manpower; strengthen industry and trade union relations to create a win-win situation for the workforce and industry; exempt tax on any investment done by Start-ups for five years and subsidy may be provided to trained persons to start the start up venture; simplification of obtaining certificate for pollution in Industrial zone; develop industrial infrastructure in Patiala, Bathinda, belt of the state; creation of robust insurance schemes for trade and industry persons/workforce; Up-gradation of district industrial centres; Use panchayat land/shamlats for Business Development Centres (BDCs) for Rural Youth; and abolishing the Truck Unions.

Going ahead, the agriculture and agri-business including food processing and dairy farming has potential to generate 3 lakh new employment opportunities every year in the state and to push the state's GSDP by another 1 percentage point each. The reforms in the MSME sector would go a long way to achieve 10% growth in the manufacturing sector and to create one lakh new jobs in the manufacturing sector every year and would add 1 percentage points in the growth of the state's GSDP. Also, the reforms in the construction sector hold the potential to push the state's GSDP by another 1.25% percentage point and generate 2 lakh new opportunities every year. Further, reforms in the services sector holds an immense potential to generate 50,000 employment opportunities in the sectors such as tourism, banking, telecom etc and to push the state's GSDP by another 1 percentage point. In a nut shell, these reforms will help in generating 20 lakh new employment opportunities by 2020 in the state.

To accentuate the engagement of industrial sector in the state's GSDP, atleast 20 new clusters should be setup in the cities of Mansa (footwear and chemical plants); Bathinda (petrochemicals, oil refinery and foundaries); Malerkotla (furniture and fixtures, footwear and leather); Sangrur (Machine tools, food processing and electrical products); Patiala (food processing, phulkari and jewellery); Malout (Textiles, Automotive components); and Mohali (bath fittings, automobiles, IT and ITeS and electronics) to further the rising demand for food processing products, auto motive products, bicycles, iron and steel related items among others. The existing and new clusters should enhance their capabilities and increase the volume of exports to match the growing global demand for the aforementioned products.

The diversification of industrial clusters across all major industrial cities is essential. For instance, automotive related clusters should be established near Gobindgarh and Mohali as the city is already endowed with steel related clusters. Food parks to be established in the border areas of the state such as Taran Taran, Firozpur, and Hoshiarpur. Clusters related to solar power equipments should be developed in Ludhiana and Amristar.

Punjab holds tremendous export potential in the wheat and rice produce and its derivatives. The state has significant scope in expanding its raw wheat exports to world. With development of existing food processing plants and establishing new clusters primarily focusing on wheat and rice, the derivatives export of wheat and rice from the state can cater to the rising global demand for wheat and rice derivatives, which stood at USD 71.10 billion and 10.37 million in 2016, of which India exported around 581 million and zero, respectively.

The state has a literacy rate of 76% of which male literacy rate stands at 80% and female literacy rate at 71%. The state has 8.2% of the population living below the poverty line (BPL) as against the national average^[2] of 21.9% (2011-12). The population living below the poverty line (BPL) in rural areas stands at 7.6% and in urban areas at 9.2%. There is a need to create employment opportunities for unskilled workers in labour intensive sectors (such as construction, food processing, textiles, among others) who are below the poverty line.

On the merit goods front, the Government should focus to improve the infrastructure related to education and health sector. In order to provide quality health services to the people of the state, a good hospital with 24x7 emergency services, modern amenities and state of the art infrastructure must be built in the radius of every 25 km across the state. Similarly, to increase the accessibility of education and to enhance the skill development, a good vocational training college with state of the art infrastructure must be built in the radius of every 25 km across the state.

^[2] Poverty Estimate 2011-12, Planning Commission, July 2013, Government of India

Current state of the Punjab economy



1. Current state of the Punjab economy

The state of Punjab endowed with rich culture, tradition and religion is predominantly an agrarian state and has been accorded with the status of Granary of India. The real Gross State Domestic Product (GSDP) of the state has increased from Rs. 112997 crores in FY2007 to Rs 331940 crores in FY2016. However, the growth rate of real GSDP has declined from around 10% in FY2007 to around 6% in FY2016. According to the new series (base year 2011-12) the real GSDP of the state grew at an average growth rate of 5.6% during FY2013 to FY2016 which is significantly lower than the average growth rate of Indian economy at about 7% during the same period. The primary⁶ sector (agriculture and allied) activities share in Punjab's GSDP has declined from about 31% in FY2007 to about 25% in FY2016. The secondary⁷ sector's (industry) share in the state's GSDP has also declined from 27% in FY2007 to around 21% in FY2016. The tertiary⁸ sector (services) on the other hand, has witnessed a rising share in the state's GSDP from about 42% to 46% during the same period.

Gross State Domestic Product and its Composition

Components	FY2007	FY2010	FY2013	FY2016
GSDP at current prices (Rs. crore)	127123	197500	297734	408815
All India GSDP at current prices (Rs. crore)	3953276	6108903	9946636	13675331
% share in all India GSDP	3.2	3.2	2.9	2.9
NSDP at current prices (Rs. crore)	113013	176187	267116	371228
Per capital income at current prices (Rs.)	41883	61805	94318	126063
Economic Growth % (GSDP at constant prices)	10.2	6.3	5.3	5.9
Sectoral Contribution in GSDP at current prices (%)				
Primary*	31.2	31.3	28.1	24.7
Secondary**	27.1	27.2	23.3	20.7
Tertiary***	41.7	41.4	42.9	46.1

Source: PHD Research Bureau, compiled from Economic and Statistical organization, Government of Punjab, MOSPI and Indiatat. Note: *Primary sector includes agriculture, forestry & fishing, mining & quarrying, ** Secondary sector includes manufacturing, electricity, gas, water supply & other utility services, construction, ***Tertiary sector includes trade, hotels & restaurants, transport, storage, communication & services related to broadcasting, financial services, real estate, ownership of dwellings & professional services, public administration and other services. For the years FY2007 and FY2010 primary sector includes agriculture and allied, Secondary sector include mining and quarrying, manufacturing, electricity, gas and water supply and tertiary sector include transport, storage & communication, trade, hotels and restaurants, banking & insurance, real estate, ownership of dwellings and business services, public administration, other services. For the years FY2013 and FY2016, the share of primary, secondary and tertiary sectors in GSDP are not 100% as the data are part of Gross State Value Added (GSVA).

The progress of the state has been stagnated over the last many years as the share of the state in India's GSDP (combined GSDP of all the States in India) has declined from 3.2% in FY2007 to 2.9% in FY2016. The state needs to focus on the manufacturing activities especially on MSMEs to create employment opportunities. The focus on housing and construction sector will create enormous employment opportunities for the unskilled, semiskilled and skilled workforce in the state. Development of new industrial clusters and focus on exports of processed food vis-à-vis immense agriculture produce would kick start economic progress of the State.

⁶ Primary sector include Agriculture, Forestry and Fishing and Mining & Quarrying

⁷ Secondary sector include Manufacturing, Electricity, gas and water supply & other Utility Services and Construction

⁸ Tertiary sector include Trade, Hotels & Restaurants, Transport, Storage, Communication & services related to broadcasting, Financial Services, Real estate, ownership of dwellings & professional service, Public Administration and other services

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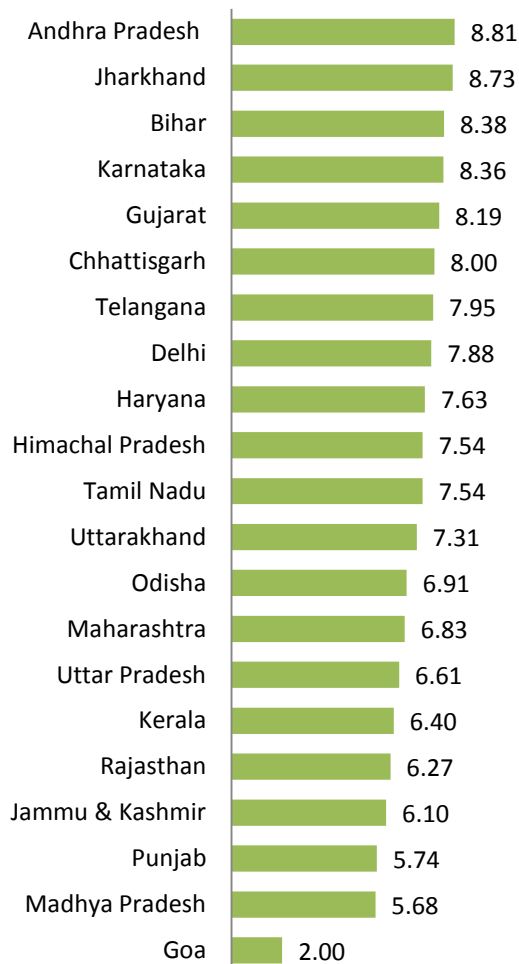
Summary of socio-economic indicators

State Capital	Chandigarh
Hon'ble Governor of Punjab	Shri. VP Singh Badnore
Hon'ble Chief Minister of Punjab	Captain Amarinder Singh
Area (Sq. km)	50,362
Population (2011)	277.04 lakhs
% of Rural to total population	62.51%
% of urban to total population	37.49%
Important rivers	Ravi, Beas and Satluj
Prominent tourist destinations	Golden Temple, Jalianwala Bagh and Wagah Border at Amritsar, Anandpur Sahib Fort and Khalsa Heritage Centre at Anandpur Sahib, Rajmahal at Faridkot, Bahia Fort and Qila Mubarak at Bathinda, among others.
Density (Per Sq. Km)	550
Number of Districts	22
GSDP at Current Prices (FY2016)	Rs. 408815 crore
Growth of GSDP at Current Prices (FY2016)	11.1%
GSDP at Constant prices* (FY2016)	Rs. 331940 crore
Growth of GSDP at Constant Prices (FY2016)	5.9%
Per capita Income at current prices (FY2016)	Rs. 126063
Per capita Income at constant prices*(FY2016)	Rs. 101498
Road network (km)	62298
National Higways (km)	1739
State highways (km)	1503
Poverty rate** (2011-12)	8.26%
CPI inflation (2016-17)	4.4%
Infant Mortality Rate (2015)	23 per thousand live births
Literacy Rate (2011)	76
Sex ratio (females per 1,000 males)	893
Implementation of Business Reforms (ranking) 2016^	12 th
Key Industries	Agro-based industries, Automobile, Bicycles and bicycle parts, Chemical products, Food products, Hosiery, Handicrafts, Light engineering goods, Metal and alloy products, Pharmaceuticals, Paper and paper products, Sports goods, Textiles, Tourism, IT and electronics, Woollen garments etc.

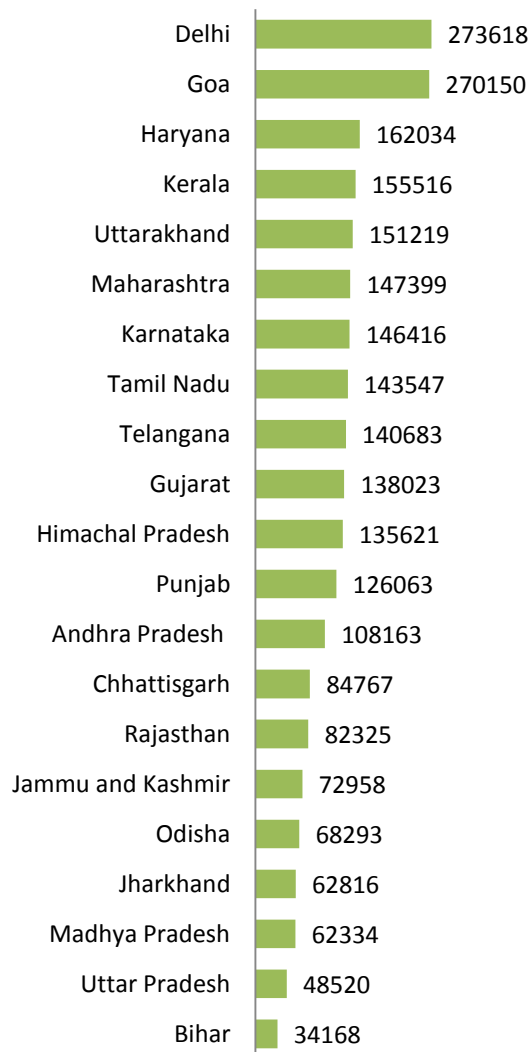
Source: PHD Research Bureau compiled from Economic and Statistical organization, Government of Punjab, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, Punjab vision document 2030, Government of Punjab, India Brand Equity Foundation (IBEF), Poverty Estimates, Planning Commission (July 2013), Government of India, Ministry of Statistics and Programme Implementation (MOSPI), IndiaStat.com, Economic Survey 2015-16, Government of India, among others. *Constant prices at 2011-12, **% of population below poverty line.

PUNJAB: Roadmap for the New Government

**State wise growth of real GSDP during FY2014-
FY2016 (average) %**



**State wise per capita net state domestic product
(NSDP) during FY2016 (In Rs.)**

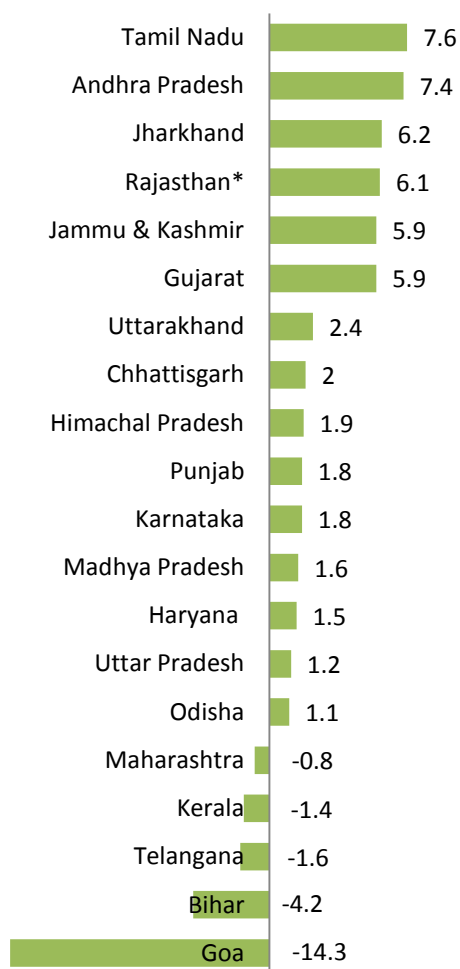


Source: PHD Research Bureau compiled from MOSPI. Note: Three years average GSDP growth (FY2014-FY2016) at constant prices 2011-12 have been taken of all the states to maintain the uniformity as per the availability of data. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The growth rate of GSDP of West Bengal is not available for this period on MOSPI. Data for FY2016 for the states of Himachal Pradesh, Maharashtra, Punjab and Rajasthan have been taken from their respective Official Government documents.

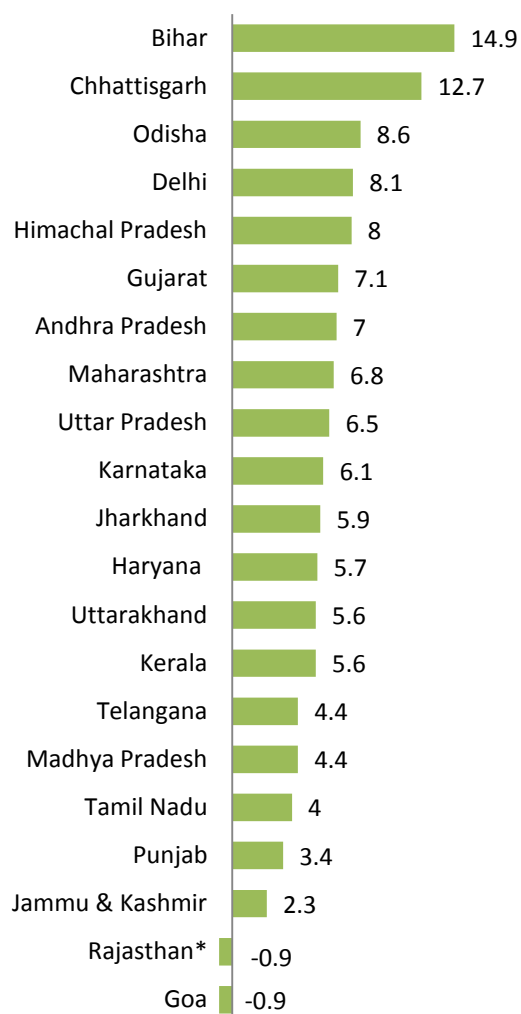
Source: PHD Research Bureau, compiled from MOSPI. Note: The data for per capita NSDP is for the year 2015-16 at current prices in order to maintain the uniformity and availability of the data for all the Indian states. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Further, data for the state of West Bengal is not available on MOSPI for the respective year. Data for FY2016 for the states of Himachal Pradesh, Maharashtra, Punjab and Rajasthan have been taken from their respective Official Government documents

PUNJAB: Roadmap for the New Government

State wise growth of primary sector⁹ during FY2014-FY2016 (average) %



State wise growth of secondary sector¹⁰ during FY2014-FY2016 (average) %



Source: PHD Research Bureau compiled from MOSPI. Note: Three years average primary sector growth (FY2014-FY2016) of all the states have been taken to maintain the uniformity as per the availability of data. However, for Rajasthan the data pertains to average of FY2013 to FY2015. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The growth rate of West Bengal is not available for this period on MOSPI. The states whose contribution of primary sector in state's GSDP is less than 10% have not taken.

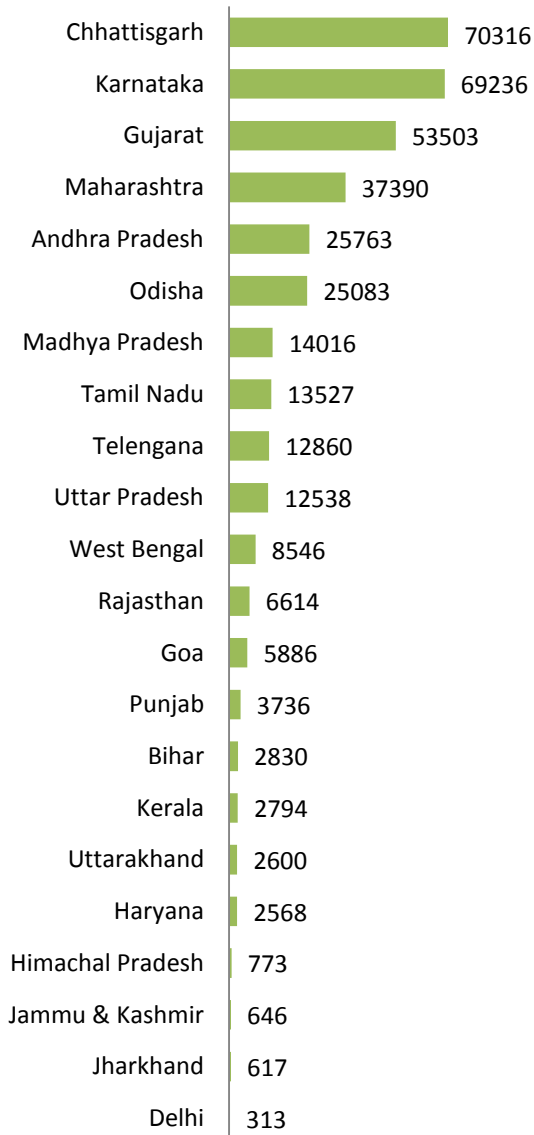
Source: PHD Research Bureau compiled from MOSPI. Note: Three years average secondary sector growth (FY2014-FY2016) of all the states have been taken to maintain the uniformity as per the availability of data. However, for Rajasthan the data pertains to average of FY2013 to FY2015. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The growth rate of West Bengal is not available for this period on MOSPI.

⁹ Primary sector include agriculture, forestry and fishing and mining and quarrying

¹⁰ Secondary sector includes manufacturing, electricity, gas, water supply and other utility services and Construction

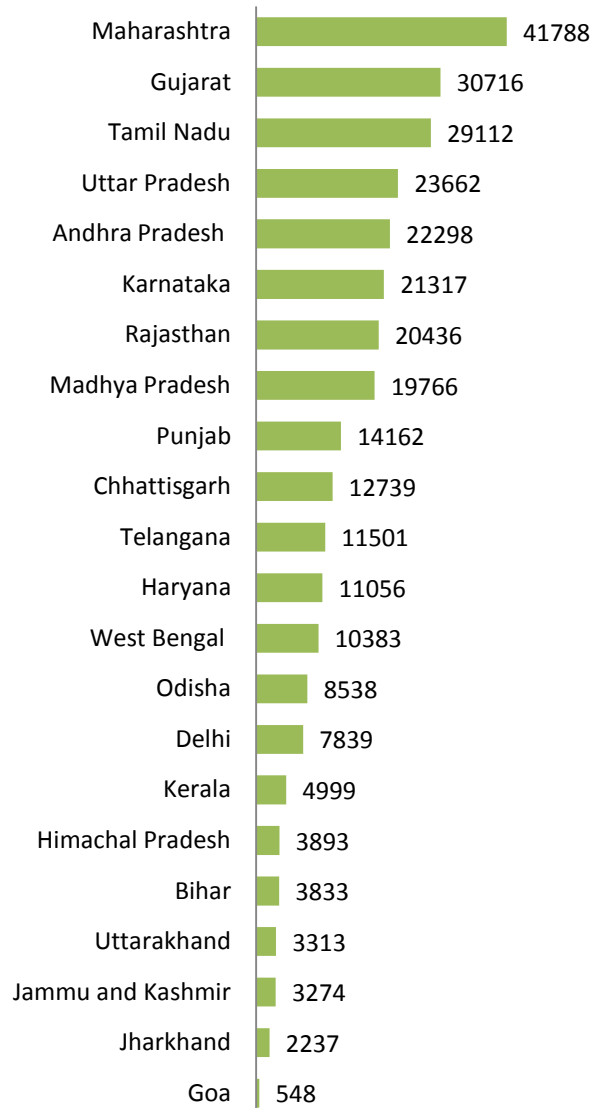
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State wise Industrial Investment Proposals during 2014-2016 (average) Rs. Crore



Source: PHD Research Bureau, compiled from Department of Industrial Policy and Promotion, Government of India. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Data are presented as round off.

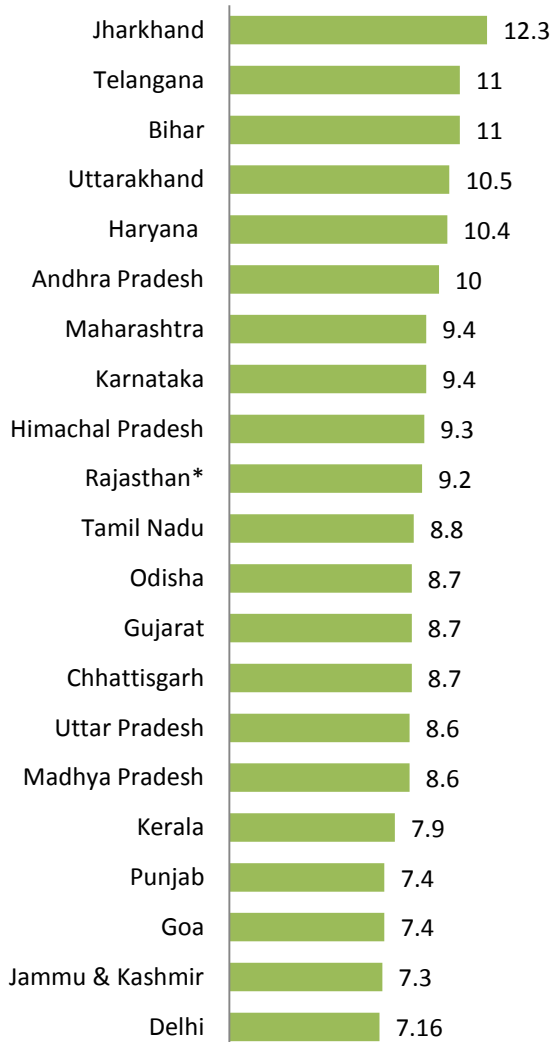
State wise installed capacity of power utilities (MW)



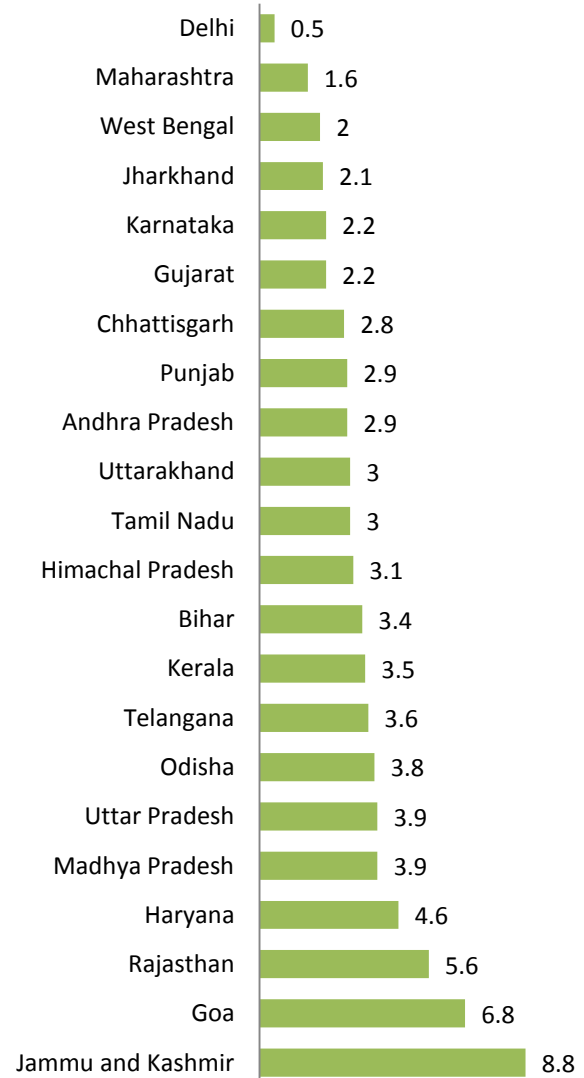
Source: PHD Research Bureau, compiled from Central Electricity Authority, Government of India. Note: Data pertains to as on 30th April 2017 and are presented as roundoffs. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Installed Capacity of Power utilities in the states are of thermal including coal, gas and diesel, nuclear, hydro (renewable) and renewable energy sources.

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State wise growth of tertiary sector¹¹ during FY2014-FY2016 (average) %



State wise Gross Fiscal Deficit (GFD) as a % to GDP during 2016-17



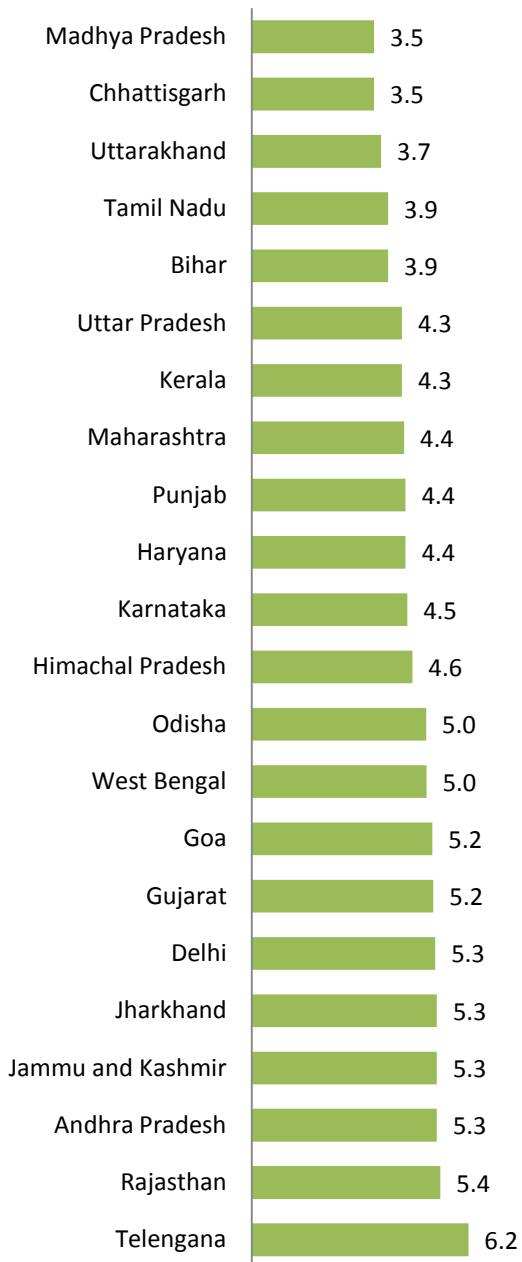
Source: PHD Research Bureau compiled from MOSPI. Note: Three years average tertiary sector growth of all the states have been taken to maintain the uniformity as per the availability of data. However, for Rajasthan the data pertains to average of FY2013 to FY2015. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The growth rate of West Bengal is not available for this period on MOSPI.

Source: PHD Research Bureau, compiled from State Finances; a study of Budgets of 2016-17 by RBI. Note: Data pertains to the year 2016-17. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

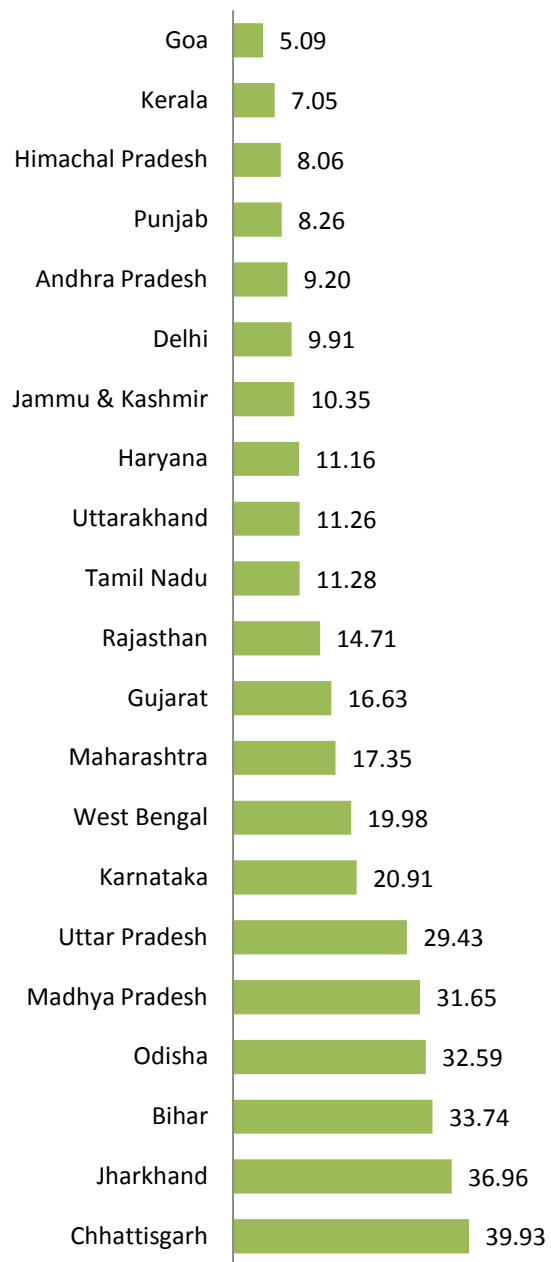
¹¹ Services sector include Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial services, Real estate, ownership of dwelling & professional services, Public administration and other services.

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State wise CPI inflation rates during 2016-17 (average) %



State wise % of population below poverty line during (2011-12)

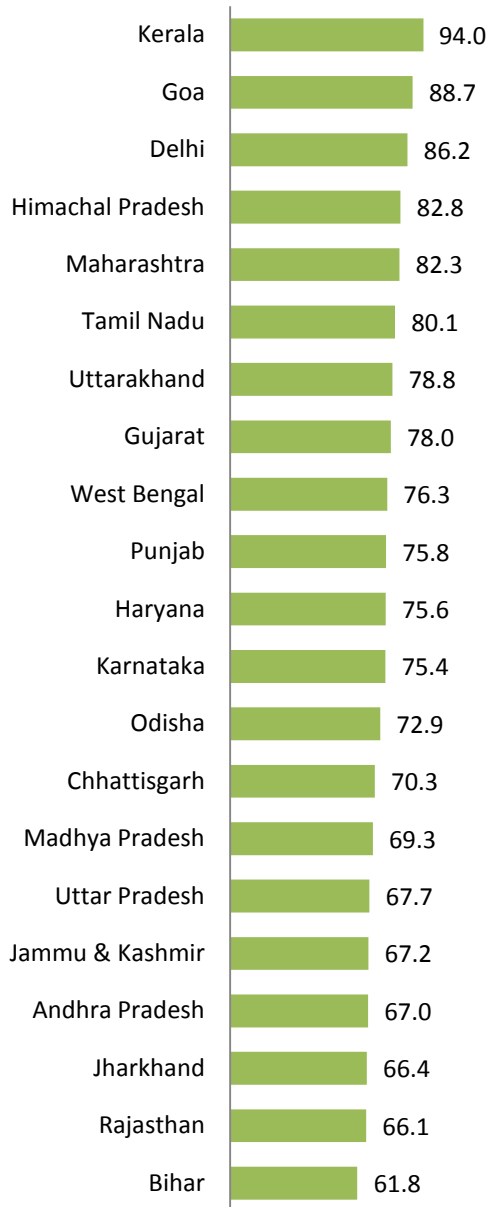


Source: PHD Research Bureau, compiled from MOSPI. North Eastern states have not been taken in the chart above. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Inflation rate is of base series 2012.

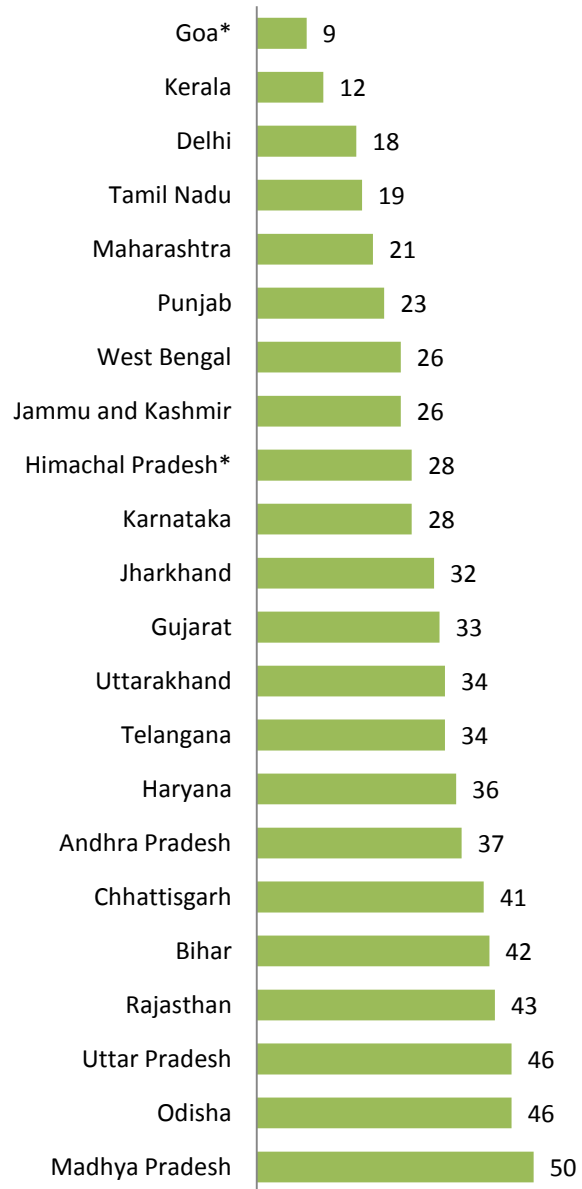
Source: PHD Research Bureau compiled from Press Note on Poverty estimates 2011-12, Planning Commission, July 2013, Government of India. Note: The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Data for Telangana is not available in the press note.

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State wise literacy rates during 2011 (%)



State wise ranking of Infant Mortality Rate (IMR) per 1000 live births in 2015



Source: PHD Research Bureau, compiled from Economic Survey 2015-16, Government of India. Note: Data pertains to the year 2011 and data for Telangana is not given in the economic survey. The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

Source: PHD Research Bureau, compiled from Office of Registrar General and Census Commissioner, India (IndiaStat.com) Note : The chart depicts data pertaining to all Indian States excluding North Eastern States i.e. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. * IMR for Himachal Pradesh and Goa are based on three year period 2013-15.

Summary of current state of the Punjab economy

- The growth of real GSDP¹² of Punjab stands at 5.7% during FY2014 to FY2016 (average)
- The per capita net state domestic product (NSDP)¹³ of Punjab is Rs. 126063 during FY2016
- The growth of primary sector¹⁴ of Punjab is 1.8% during FY2014-FY2016 (average)
- The growth of secondary sector¹⁵ of Punjab is 3.4% during FY2014-FY2016 (average)
- The industrial investment proposals of Punjab is Rs. 3736 crore during 2014-2016 (average)
- The installed capacity of power utilities¹⁶ of Punjab is 14162 MW
- The growth of tertiary sector¹⁷ is 7.4% during FY2014-FY2016 (average)
- Gross Fiscal Deficit (GFD) as a % to GSDP of Punjab is 2.9% during 2016-17
- CPI inflation rates of Punjab stands at 4.4% during 2016-17 (average)
- About 8.3% of the population of Punjab is living below poverty line during 2011-12
- Literacy rate of Punjab is at 76% during 2011
- Punjab's Infant Mortality Rate (IMR) stands at 23 per 1000 live births in 2015

Source: PHD Research Bureau compiled from Economic and Statistical organization, Government of Punjab, Punjab Vision 2030, Government of Punjab, Ministry of Statistics and Programme Implementation (MOSPI), Government of India, Department of Industrial Policy and Promotion, Government of India, Central Electricity Authority, Government of India, Reserve Bank of India (RBI), Planning Commission, July 2013, Government of India, Economic Survey 2015-16, Government of India, Indiatat.com.

¹² GSDP growth at constant prices 2011-12

¹³ The data for per capita NSDP is for the year 2015-16 at current prices

¹⁴ Primary sector include Agriculture, forestry and fishing and Mining and quarrying

¹⁵ Industry /Secondary sector includes Manufacturing, Electricity, gas, water supply & other utility services and Construction

¹⁶ Data pertains to as on 30th April 2017 and are presented as roundoffs

¹⁷ Services/Tertiary sector include Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial services, Real estate, ownership of dwelling & professional services, Public administration and other services.

1.1 Salient features of the economy

1. **Agriculture and allied sector (Primary Sector¹⁸)** - Agriculture contributed about 27% in the state's GSVA (current prices) in FY2016. The agriculture and allied sector of the state has shown a volatile trend in its growth pattern. The sector's growth rate was about 1% in FY2013, 3.7% in FY2014, (-) 3.4% in FY2015 and 5.22% in FY2016. About 36% of the employed¹⁹ workforce of the state is in the agriculture sector. Further, the value added²⁰ per employee in the state for agriculture sector is Rs. 1.9 Lakh.
2. **Industry (Secondary Sector²¹)** - Industrial sector contributed around 23% in the state's GSVA (current prices) in FY2016. The industrial growth of the state is less than 4% since FY2013 of which manufacturing sector growth is in the range of 4-5% since FY2013. About 32% of the employed workforce of the state is in the industrial sector. The value added per employee in the state for industry stands at Rs. 1.5 Lakh.
3. **Services (Tertiary Sector²²)** - Services sector contributed a significant share of around 50% in the GSVA (current prices) of the state in FY2016. The growth rate of services sector has shown a volatile trend in its growth pattern. It stands at 8.7% in FY2013, 6.9% in FY2014, 8.9% in FY2015 and 6.3% in FY2016. About 32% of the employed workforce of the state is in the services sector. The value added per employee in the state for services sector stands at Rs. 2.8 Lakh.

S. No	Sector	Percentage of employed workforce	Value added per employee
1	Agriculture and allied	36	Rs. 1.9 lakh
2	Industry	32	Rs. 1.5 lakh
3	Services	32	Rs 2.8 lakh

Source: PHD Research Bureau compiled from Punjab Vision Document 2030, Government of Punjab. The above data pertains to 2011. Value added per employee is based on 2011-12 price series data.

4. **Infrastructure** - The state has an about 62298 Km of road network comprises 1739 km of national highways and 1503 km of state highways. Punjab has domestic airports in Chandigarh, Ludhiana and Pathankot and international airports in Amritsar and SAS Nagar²³ (Mohali). The installed plant capacity for electricity supply in the State is 4949 Mega Watt (MW) in 2015-16 of which Hydro consists of 2309 MW and Steam is at 2640 MW. The installed plant capacity for electricity supply has remained almost stagnated since 2010-11.

¹⁸ Agriculture and Allied Sector and Mining and Quarrying.

¹⁹ Punjab Vision 2030, Government of Punjab

²⁰ Value added per employee is an indicator that measures value added productivity of an employee in the sector

²¹ Industry /Secondary sector includes Manufacturing, Electricity, gas, water supply & other utility services and Construction

²² Services/Tertiary sector include Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial services, Real estate, ownership of dwelling & professional services, Public administration and other services.

²³ Sahibzada Ajit Singh Nagar

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5. **Power** - The average rate of electricity for domestic consumers²⁴ stands at Rs. 5.19 per kwh. The effective electricity rate²⁵ for large and medium scale entrepreneurs in Punjab stands at Rs. 7.70 per unit. The total electrical energy availability in the state has increased to 51172 MkwH during 2015-16 from 39675 MkwH in 2010-11. The installed plant capacity for electricity supply in the State is 4949 Mega Watt (MW) in 2015-16 of which Hydro consists of 2309 MW and Steam is at 2640 MW. The installed plant capacity for electricity supply has remained almost stagnated since 2010-11.
6. **Social sector** - Punjab has a literacy rate of 76% of which male literacy²⁶ rate stands at 80% and female literacy rate at 71%. The birth rate²⁷ of the state stands at 15.7 per thousand persons, death rate at 6.7 per thousand persons and infant mortality rate²⁸ stands at 23 per thousand live births. Life expectancy at birth²⁹ for the category of male stands at 69.7 years and for female stands at 72.8 years.
7. **Tourism** - The key tourist destinations of the state are Golden Temple, Jalianwala Bagh and Wagah Border at Amritsar, Anandpur Sahib Fort and Khalsa Heritage Centre at Anandpur Sahib, Rajmahal at Faridkot, Bahia Fort and Qila Mubarak at Bathinda, among others. The number of foreign tourist arrivals in the state has increased marginally from about 2.04 lakhs in 2013 to 2.4 lakhs in 2015.
8. **Employment** - The unemployment rate in Punjab stands at 2.4% as against 2.3% for all India rate³⁰. The youth unemployment rate (age group 15-29 years) in the state stands at 7.7% in rural Punjab as against 6.5% at all India level and 6.3% in urban Punjab as against 10.2% at all India level. The total employment³¹ in the organised sector (both public and private) stands at 861285 out of which 489964 are from the public sector and 371321 are from the private sector.
9. **Poverty** - Punjab has 8.2% of the population living below the poverty line (BPL) as against the national average³² of 21.92% during 2011-12. The population living below the poverty line (BPL) in rural areas of Punjab stands at 7.6% and 9.2% in urban areas during the same period.

²⁴ 4KW (400 kWh/month)

²⁵ According to the inputs received from an industry association under the ambit of PHD Chamber of Commerce and Industry

²⁶ Economic Survey 2015-16, Government of India and Government of Punjab

²⁷ IBEF

²⁸ Office of Registrar General and Census Commissioner, India (IndiaStat.com)

²⁹ Data for 2011-15 from IBEF

³⁰ The data pertains to Economic Survey 2015-16, Government of Punjab. This is as per NSS 68th round of National Sample Survey conducted during 2011-12. Unemployment rate (per 1000) 15-59 years age group.

³¹ Economic Survey 2015-16, Government of Punjab

³² Poverty Estimates 2011-12, Planning Commission, July 2013, Government of India

1.2 Financial health of the state

The gross fiscal deficit (GFD) as a percentage to GSDP has declined from 3.6% in FY2008 to 2.9% in FY2017. However, the revenue receipts as a percentage to GSDP of the state have also declined from about 17% to 11% during the same period. The revenue expenditure as a percentage to GSDP has decelerated from about 18% to around 13% during the same period. The state's developmental expenditure as a percentage to GSDP has also declined from 10.5% in FY2008 to 7.6% in FY2017 while social sector expenditure as a percentage to GSDP has stagnated at 4.6% during the same period.

Key fiscal indicators of Punjab (%)			
Indicators	FY2008	FY2012	FY2017
Deficit Indicators			
RD/GSDP	1.2	2.6	1.8
GFD/GSDP	3.6	3.3	2.9
PD/GSDP	0.5	0.9	0.5
PRD/GSDP	1.9	0.2	-0.6
Revenue Receipts			
RR/GSDP (%)	16.7	10.2	11.0
OTR/GSDP(%)	7.6	7.3	6.7
ONTR/GSDP (%)	4.9	0.5	0.8
Revenue Expenditure			
RE/GSDP	17.9	12.8	12.8
DRE/GSDP	8.2	6.0	6.6
NDRE/GSDP	9.2	6.5	5.9
IP/GSDP	3.2	2.4	2.4
PN/GSDP	1.5	2.2	1.7
Development Expenditure			
DEV/GSDP	10.5	6.6	7.6
SSE/GSDP	4.6	3.9	4.6
CO/GSDP	2.5	0.6	1.1

Source: PHD Research Bureau compiled from State Finances reports by RBI, RD: Revenue Deficit, PRD : Primary Revenue Deficit, PD: Primary Deficit, GFD: Gross Fiscal Deficit, GSDP: Gross State Domestic Product, RR: Revenue Receipts, OTR: Own Tax Revenue, ONTR: Own Non-Tax Revenue, RE: Revenue Expenditure, DRE: Development Revenue Expenditure, NDRE: Non-Development Revenue Expenditure, IP: Interests Payment, PN: Pension, DEV: Development Expenditure, SSE: Social Sector Expenditure, CO: Capital Outlay; Data for FY2008 are revised estimates.

1.3 Investment environment in the state

The state has introduced several policies to attract industrial investments and promote industrial growth in the state. However, the share of Punjab in India's industrial investment proposals³³ is not encouraging. The share of Punjab in India's industrial investment proposals has declined from 1.9% in 2006 to 1.3% in 2016. Punjab has been able to attract Rs. 74,321 crore as industrial investment proposals in the last ten years (2006-2016).

³³ Industrial investment proposals are the investment intentions in terms of Industrial Entrepreneur Memoranda (IEMs) Filed, Letters of Intent (LOIs) issued / Direct Industrial Licences (DILs) granted

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Industrial investments proposals in Punjab vis-à-vis India (Rs Crore)

Year	Punjab	India	Share of Punjab in India's total investment proposals
2006	11409	593380	1.92
2007	5172	834249	0.62
2008	9482	1523852	0.62
2009	9731	1040259	0.94
2010	6779	1736322	0.39
2011	13571	1542293	0.88
2012	4477	567868	0.79
2013	2491	530086	0.47
2014	3624	405027	0.89
2015	1989	311031	0.64
2016	5596	414086	1.35

Source: PHD Research Bureau, compiled from Department of Industrial Policy and Promotion (DIPP), Government of India. The data are issued by DIPP.

1.4 Implementation of business reforms

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, in partnership with the World Bank Group releases the Assessment of State Implementation of Business Reforms 2016. According to the assessment, the state of Punjab is ranked at 12 with a score of 91% among 36 States and Union Territories with implementation of various economic reforms such as single window systems, tax reforms, construction permits, environment clearances, labour reforms and inspection reforms.

Assessment of State Implementation of Business Reforms (2016)

Rank	State	Score(%)	Rank	State	Score(%)
1	Andhra Pradesh	98.78	19	Delhi	47.62
1	Telangana	98.78	20	Kerala	26.97
3	Gujarat	98.21	21	Goa	18.15
4	Chhattisgarh	97.32	22	Tripura	16.67
5	Madhya Pradesh	97.01	23	Daman & Diu	14.58
6	Haryana	96.95	24	Assam	14.29
7	Jharkhand	96.57	25	Dadra & Nagar Haveli	1.79
8	Rajasthan	96.43	26	Puducherry	1.49
9	Uttarakhand	96.13	26	Nagaland	1.49
10	Maharashtra	92.86	28	Manipur	1.19
11	Odisha	92.73	29	Mizoram	0.89
12	Punjab	91.07	30	Sikkim	0.60
13	Karnataka	88.39	31	Arunachal Pradesh	0.30
14	Uttar Pradesh	84.52	31	Jammu & Kashmir	0.30
15	West Bengal	84.23	31	Chandigarh	0.30
16	Bihar	75.82	31	Meghalaya	0.30
17	Himachal Pradesh	65.48	31	Andaman & Nicobar Islands	0.30
18	Tamil Nadu	62.80	31	Lakshadweep	0.30

Source: PHD Research Bureau, compiled from DIPP, Government of India.

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Ease of Doing Business Major Reforms Implemented

State	Environment Registration Enablers	Construction permit enablers	Availability for Land	Single Window	Access of information and transparency	Total
Andhra Pradesh	31/31	29/29	18/20	28/28	13/13	119/121
Telangana	31/31	27/28	18/20	28/28	13/13	117/121
Haryana	31/31	29/29	17/20	28/28	12/13	117/121
Himachal Pradesh	31/31	6/29	7/20	10/28	6/13	60/121
Punjab	31/31	18/29	12/20	28/28	12/13	101/121
Rajasthan	31/31	28/29	12/20	28/28	13/13	112/121

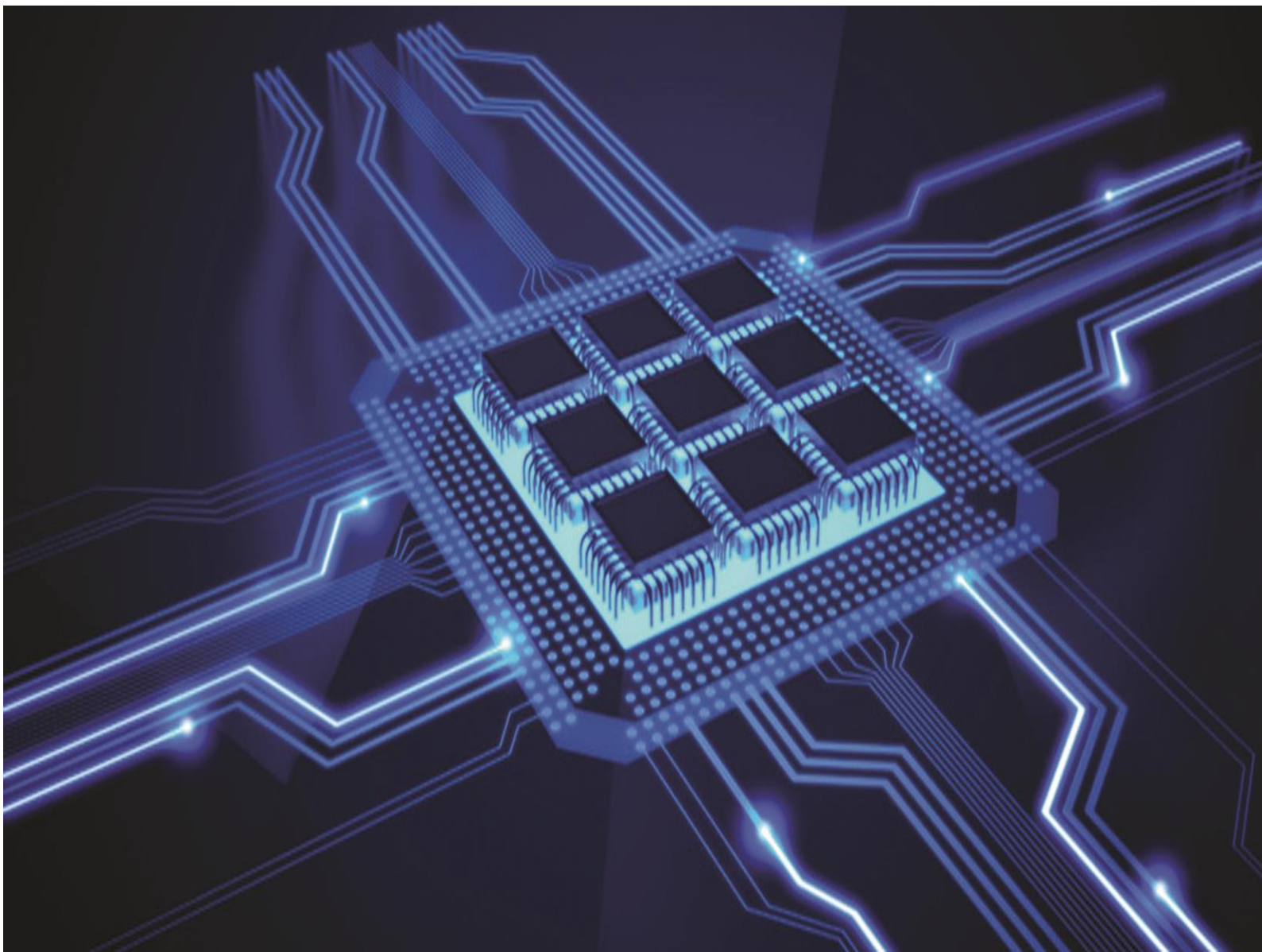
Ease of Doing Business Major Focus Areas for a Sustainable Business Environment

State	Labour regulation enablers	Online tax return filing	Inspection reform enablers	Commercial dispute resolution enablers	Obtaining electricity connection	Total
Andhra Pradesh	57/57	42/49	86/86	7/9	14/14	206/215
Telangana	57/57	42/49	86/86	8/9	14/14	207/215
Haryana	57/57	41/49	85/86	5/9	13/14	201/215
Himachal Pradesh	45/57	33/49	68/86	2/9	12/14	160/215
Punjab	57/57	48/49	84/86	4/9	12/14	205/215
Rajasthan	57/57	49/49	86/86	6/9	14/114	212/215

Status of Total Reforms

State	Implemented Reform	Applicable Reforms
Andhra Pradesh	325	329
Telangana	324	328
Haryana	318	328
Himachal Pradesh	220	336
Punjab	306	336
Rajasthan	324	336

Suggestive reforms for a major economic breakthrough



2. Suggestive reforms for a major economic breakthrough - Push Economic Growth to 10% by 2020

Considering the entrepreneurial zeal in the people of Punjab coupled with educated population and dynamic young workforce, the State has every potential for a major economic breakthrough. Reforms in agriculture sector with focused approach on agri-business and food processing, new industrial environment with special focus on MSMEs and expansion of financial, insurance, telecom and internet services in the rural areas would foster a strong and sustainable growth trajectory in Punjab. The State has potential to post a double digit growth with 2 million new employment opportunities by the year 2020.

2.1 Agriculture & allied sector

The agriculture sector is the most prominent sector of the state's economy. Rural Punjab is majorly dependent on agriculture sector directly or indirectly. However, the share and growth of agriculture and allied sector is not promising over the last few years. The sector is presently facing serious challenges posed by declining natural resources because of monoculture of wheat-paddy crop rotation, stagnation in yields of principal crops, diminishing farm incomes and rural indebtedness. The reforms in the agriculture sector are needed to push the agricultural growth rate to the sustainable level of 4% to strengthen the rural economy and to enhance farmer's income and to contribute more in the growth of the GSDP of the state. The prosperity in Rural Punjab with increase in income level will foster strong and sustainable growth in the coming times.

Suggestions³⁴

- Focus the agri infrastructure including strengthening of irrigation/tube-well facilities, rural roads and linkages with mandis, development of Kisan Guidance Centres (KGCs) and review of the Minimum Support Prices.
- Improve the accessibility of farmers to the institutional sources of credit such as micro-finance to meet their expenses to purchase fertilizers, seeds and other inputs.
- Promotion of e-commerce through use of mobile networks wherein vital information related to latest technology and methodologies such as crop rotation, high yielding crops, fertilizer use and weather updates can be provided on ease to the farmers for better produce and minimize the risk to crops.
- Need for the diversification of agricultural crops with major emphasis on the application of integrated farm principles, implementation of sustainable practices, organic farming, green farming and environmental friendly techniques.

³⁴ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas

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- Provision of direct purchase of agricultural products from farmers for the better prices in the hands of farmers and increased level of income.
- Provide farm extension services, enhance price realization, cut out intermediaries and improve the supply chain through forward and backward linkages.
- Increasing the coverage of crop insurance scheme from the current level so that maximum farmers can be insured through comprehensive publicity and awareness programme to educate the farmers about the benefit of crop insurance scheme.

2.2 Agri-business : Food processing and Dairy Farming

Food processing is one of the major growth promising sectors of the state. The share of food processing sector stands at about 9% in manufacturing NSDP³⁵. The growth of food-processing sector in the state will generate employment opportunities and enhance rural incomes. This will result in expansion of small businesses majorly in MSMEs sector and will boost the overall industrial environment in the state. This sector can be used as a major growth vehicle to kick start the overall growth rate and to boost socio-economic development of the state. The state is well known for dairy products, including milk, butter, buttermilk, cheese, curd, milk powder, ice cream, ghee, etc. The growth of dairy farming sector will promote the state's dairy products. Special thrust needs to be provided to introduction of dairy farming technologies and systems for meeting the local demand of high quality milk.

Suggestions³⁶

- Private sector participation in food processing to enhance capacity building in the value chain and to promote technological innovations and advancement. There is a need to strengthen linkage between production, marketing and post harvest activities for the better prices in the hands of farmers. Minimization of the wastages with augmenting storage capacities, modernizing/ upgrading the godowns and set up of cold storage facilities would enhance farmer's income. Also, there is a need to encourage shift into dairy farming, by providing cheap credit, low cost insurance, fast and free veterinary services and assured marketing at a remunerative price
- As suggested by various stakeholders, there is a need to revisit the subject of levying a recovery of Rs. 3 per quintal on rice millers and engage with the representatives of Rice Miller Association regarding fixation of standards of paddy supplied for shelling, milling charges and yield of rice (for different varieties of paddy) etc.

³⁵ Punjab Vision Document 2030, Government of Punjab

³⁶ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas

Punjab is one of the states which has played pivotal role in making India 2nd largest food producer in the world and 3rd largest producer of Food Grains in the world. The prime crop of wheat and rice can be used to strengthen the food processing sector. There is a good demand of wheat and its select derivatives in the world market.

The world imports in these items are estimated at around USD 71 Billion and India's presence in the world market is only 0.82% despite India being the 3rd largest food producer of food grains in the world. So the focus on food processing in wheat related derivatives is a good opportunity to enhance our presence in the world market and to create millions of new employment opportunities.

Also, similar opportunities exists in rice, special details has been incorporated in the Chapter 6 Strategy for boosting exports at page number 60 of the report .

The agriculture and agri-business including food processing and dairy farming has potential to generate 3 lakh new employment opportunities every year in the state and to push the state's GSDP by another 1% percentage point each. Also, the reforms to promote the state's dairy industry will help in socio-economic up-liftment of milk producers and will generate more employment opportunities for people living in the rural areas of the state. All these reforms would go a long way to double farmer's income in the coming times.

2.3 Industry with special focus to MSME sector

MSME sector can be a major growth vehicle for the new industrial environment in the state to achieve 10% growth in the manufacturing and overall industrial sector. During FY2016, the small scale industrial units³⁷ stands at 1,61,400, with a fixed investment of Rs. 15,700 crore employing about 12 lakh persons with a production value of Rs. 93,000 crore. While the number of large and medium scale industrial units stands at 500 with a fixed investment of Rs. 67,500 crore employing about 3 lakh person with a production value of Rs. 130500 crore during the same period.

So, the need of the hour is to create industrial infrastructure particularly for the MSMEs. Reforms in the land, labour, capital, entrepreneurship, skill development, infrastructure and ease of doing business would go a long way to boost the growth of MSMEs in the state. There is a need to strengthen the infrastructure of the industrial clusters and to establish new industrial clusters in Punjab.

³⁷ Data for small, medium and large and scale industrial units compiled from Economic Survey 2015-16, Government of Punjab

Suggestions³⁸

- Create vibrant and competitive MSMEs sector in the state by exploiting natural strengths and developing labour intensive technology suitable for growth of MSMEs.
- Create a conducive investment climate for MSMEs through infrastructure creation, reduced regulations and general facilitation. Also, it is recommended to encourage investments, special package of incentive for projects of special significance.
- Promotion of Free Trade Zones at integrated check post Wagah / Attari Border and incentives to the Free Enterprise Zone (FEZ) area of DeraBassi should be made at par with the units of the border districts of the state.
- Encourage setting up of more large scale units in Punjab as many small and medium scale industries become ancillary to these large scale units which will generate revenue and employment in the state.
- Strengthen single window clearance system for all issues pertaining to micro, small, medium and large industries.
- Ensure simple procedures and time bound reimbursements under Invest Punjab 2013 (revised 2015) scheme
- Need to arrest issues related to fluctuations in the prices of raw-materials particularly in the commodity market which impacts the functioning of the industrial sector
- Participation of Industry chambers/stakeholders associated with the particular industry in all the Government Boards to efficiently address issues and concerns related to industries.
- Measures for smooth movement of Industrial goods to ensure market driven rates instead of being dictated by truck unions
- Establishment of Grievances Cells for redressal of Trade and Industry grievances in a time bound manner.
- Obtaining No Objection Certificate (NOC) for industry within city Municipal Limits for Industry setup in the 1980 and 1990 should be exempted.
- Freight subsidy to the extent of 1% of the export value of the goods may be given to the industries.
- Rejuvenate existing industry, particularly in the small scale sector through improved technology, product quality, strong marketing network. Also, there is a need to establish focal point in the state like in Patiala there is a scope of an additional focal point for shifting/relocating of 100 existing industrial units, wherein they can provide with approved and planned area at a affordable price for shifting. As per new policy, it is suggested that the equal subsidies must be provided for both Bhatinda focal point border area and G. T. Road belt zones.

³⁸ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts their respective areas.

- Special Monitoring Committees to assess the industrial environment may be established wherein:
 - a) State Level Monitoring committee headed by Industries & Commerce Minister to oversee the implementation of reforms announced in the Industrial Policy
 - b) State Level Monitoring Committee headed by Chief Secretary to monitor sanctions/clearances from the environmental, locational and other aspect
 - c) District Level Monitoring Committee headed by Deputy Commissioner to monitor the grant of sanctions/clearances in a time bound manner
- State government should align policies with those of the Central Government to help small scale units and give benefits from schemes to develop competitiveness in the MSMEs.
- Extensive marketing support through setting up of exhibition cum trade centers to promote MSMEs products within the state, country and abroad.

Reforms in the MSME sector would go a long way to achieve 10% growth in the manufacturing sector and to create one lakh new jobs in the manufacturing sector every year and would add 1% points in the growth of the state's GSDP.

Promising areas for the manufacturing sector has been provided in Chapter 3: Sectors for immense for growth prospects at page number 42 of the report.

2.4 Construction Sector

The construction sector is one of the promising sectors of the state as the sector is the 2nd largest generator of employment after agriculture sector. However, the share of construction sector³⁹ in the state's GSVA at current prices has declined from 7.08 % in FY 2013 to 6.84% and 6.55% in the FY 2014 and FY 2015 respectively.

Housing activities have both forward and backward linkages which not only contribute to capital formation, generation of employment, and income opportunities but also contribute to economic growth. So the state needs to revise this sector to create employment opportunities for the unskilled, semi-skilled and skilled workforce in the state and to give a boost to the housing industry in the state.

Suggestions⁴⁰

- Promote construction of dwelling units as well as constructing Pucca/Semi Pucca from kuccha houses for the underprivileged or poor people through credit linked subsidy

³⁹ Economic Survey 2015-16, Government of Punjab

⁴⁰ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas

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- Need of hostels for Workers of MSME's Industry to encourage affordable amenities for the workforce working in establishments.
- Promotion of affordable housing in partnership with Public & Private sectors and the Government of India's programme on Housing for All.

All these actions are needed to kick start growth in the construction sector which holds the potential to push the state's GSDP by another 1.25 percentage point. Also, this will help in generating 2 lakhs new employment opportunities every year in the state.

2.5 Services Sector

The services sector is the fastest growing sector in the state mainly driven by trade, hotels, real estate, financial services, communications, transport and other services. Tourism is one of the most significant sectors of the state's economy. The value added (VA⁴¹) per employee in Punjab for services sector is Rs 2.8 lakh which is highest as compared to agriculture sector (Rs 1.9 lakh) and industry (Rs 1.5 lakh).

Suggestions⁴²

- Expansion of services such as financial institutions, telecom services in the rural areas will strengthen its growth in the state.
- Tourism industry has desired that minimum investment limit for availing incentives from state industrial policy 2013 should be Rs.1/ 2 crores instead of 10 crores
- Incentivize the telecom operators to provide internet services at reasonable rates in urban and rural areas.
- Large scale participation in attracting investments in developing infrastructure, marketing and publicity of tourist sites and monuments is required.
- Diversify the range of tourism activities by exploring wildlife and eco tourism, introduction of food Street of World Level in Amritsar, development of heritage hotels in the state.
- Existing cinema Hall converted into multiplex complex should also be entitled to 100% exemption from Entertainment tax for first five years.

Going ahead, reforms in the services sector holds an immense potential to generate 50,000 new employment opportunities in the sectors such as tourism, banking, telecom etc and to push the state's GSDP by another 1 percentage point.

⁴¹ VA in Rs Lakh Per employee for the year 2011 at 2011-12 prices

⁴² These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas

Focus on Insurance Sector to boost Services Sector in Punjab

In today's world Industrial Policy is a broad term giving indication of generation of wealth, employment and prosperity to the people. Presently there is not even a single Life Insurance or General Insurance or Health Insurance Company having its base in Punjab. Thus it is suggested that focus must be given to set up Financial Services Sector especially Insurance Sector on PPP model in State of Punjab.

Why Punjab Needs 3 Insurance Companies?

- Not even a single insurance company (out of 55 companies) is operating out/ headquartered in State of Punjab.
- All premium (Rs 10000 Crores) is going out of Punjab (Insurance premium increased from around Rs. 6000 crores per annum in 2011-12 to Rs. 10,000 crores per annum in the year 2016-17, which is anticipated to touch Rs. 20,000 crores by the year 2020-21.
- Jobs/ Prosperity/ Profit/ Taxes all are going out of Punjab.
- No Innovative/ Market specific insurance product is developed/ sold in State of Punjab.

Let us set up

- 1 Life Insurance Company
- 1 General Insurance Company
- 1 Health Insurance Company

Each Company will be set up in Punjab under PPP model. Investment will come from:

- Local Investor
- Foreign Investor
- Punjab Govt (Initiator/ Seed Capital)

What we need from Hon'ble Chief Minister of Punjab.

- Accept concept of setting up of Insurance Companies
- Set up team for going into details.
- PHD Chamber will extend necessary support to Punjab Government in achieving this objective for growth of state and in this regard the budget suggested is Rs. 30 lakhs.

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Macro Reforms for achieving potential growth trajectory in Punjab

S. No.	Area	Addition in the growth GSDP	Cumulative
1	Reforms in Agriculture	1 percentage point	3,00,000 new job opportunities per year (direct & indirect)
2	Reforms in Agri-business: Food processing and Dairy Farming	1 percentage point	
3	Reforms in industry - MSMEs	1 percentage point	1,00,000 new job opportunities per year
4	Reforms in construction sector	1.25 percentage point	2,00,000 new job opportunities per year
5	Reforms in services sector	1 percentage point	50000 new job opportunities per year
A	Total (1+2+3+4+5)	5.25 percentage point	6,50,000 new job opportunities per year
B	Current Growth of GSDP	6%	20 lakh new job opportunities will be generated by 2020 in the state (direct & indirect)
	A + B	11.25%	

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PROGRESS HARMONY DEVELOPMENT

PHD Chamber of Commerce and Industry

Regional Office
PHD House, Sector 31A,
Chandigarh 160 030 India

Head Office
PHD House, 4/2 Siri Institutional Area,
August Kranti Marg, New Delhi 110 016 India
www.phdcci.in

Sectors for immense growth prospects



3. Sectors for immense growth prospects

3.1 Automotive and Auto Components: Punjab is an agrarian economy and it is the 3rd largest contributor in the total food grain production of India. The major automotive is dominated by tractors production. A majority of auto parts manufacturing is concentrated in Ludhiana, Jalandhar, Hoshiarpur and Phagwara. The state has very conducive policy environment for the auto industries to attract investments in the state. The Automotive sector is under the aegis of Make in India programme. Punjab has a tractor density of 85 per 1,000 ha, as compared to the world average of 19.4. The export of auto parts from the state has increased from US\$ 138.7 million in 2012-13 to US\$ 268.2 million in 2014-15⁴³. The presence of a large pool of skilled and semi-skilled workers and a strong educational system will lead to the growth of the sector and generate employment opportunities for the young workforce.

3.2 Bicycles: The light engineering goods industry in Punjab includes bicycle and bicycle parts, machine tools/hand tools, and engineering goods. Punjab is a rapidly developing state with a large number of engineering companies being set up in districts such as Ludhiana, Jalandhar, Sangrur, Moga, SAS Nagar (Mohali), Patiala and Hoshiarpur. The industry accounted for approximately 17.9% share of the state's manufacturing output during 2014-15 and a 22.8%⁴⁴ share in industrial employment in the state. The largest bicycle cluster of India is at Ludhiana. The state should set up various complimentary industry clusters in different cities. Punjab is the hub of bicycle industry and in recent times the industry has witnessed a growth. A wider variety of product should be made in order to be sold to a wider range of consumers. Going ahead, strong distributions channels should be set up, which will lead to the growth of the industry.

3.3 Electronics: The electronics market of India is one of the largest in the world and is anticipated to reach USD 400 billion by 2020. The sector is expected to grow at a projected CAGR of 26% for the period 2014-2020⁴⁵. The sector comprises of Consumer Electronics, Industrial Electronic, Electronic Components, Strategic Electronics, Semiconductor Design and Electronic Manufacturing Services. Electronic Manufacturing Services (EMS) industry is expected to be a significant contributor to the entire industry's development. India has a large pool of skilled manpower and has the third largest pool of scientists and technicians in the world. The government is promoting development of electronics manufacturing clusters throughout the country to provide world class infrastructure and facilities. 65% of the current demand for electronic products is met by imports which presents an opportunity for import substitution. Electronics centers should be opened in Mohali, as skilled workforce is available in the city. Setting up of Electronics Manufacturing Clusters is required as this will also attract investments in the state in the coming times.

3.4 Fertilizers: Industrial activity in the petrochemicals and fertilizer categories includes refining, petrochemicals, chemicals, fertilizers and other related products and distribution.

⁴³ IBEF Punjab Report

⁴⁴ IBID

⁴⁵ Make in India, Government of India document

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This sector is expected to grow further with the expansion of refinery projects as well as the increasing production of fertilizers in the state. The state of Punjab is dominated by agriculture, which requires top quality fertilizers for the production of food grains. The state should promote use of organic fertilizers which will increase the quality of produce. One of the major initiatives in the fertilizer sector is to strengthen the existing quality control procedures for fertilizers in laboratories. Nitrogenous fertilizer is one of the most consumed fertilizers in the state. The government should set a physical target of usage for chemical fertilizers. Initiatives like Soil Health Management (SHM), should be conducted by the government for the prevention of soil degradation.

3.5 Handicrafts and Handlooms: Punjab has a rich tradition of arts and crafts. The richness of the land is reflected in its handicraft. The people of Punjab lay much importance on their artistry and the minute details of their work. The artistic creations of Punjab are acclaimed all over the world. The skilled and dexterous artisans of the state produce a variety of handicrafts and even the rural women have a major contribution in the production of these fascinating art works. Mud work is a famous rural practice in Punjab, prevalent from the ancient times. It is a trend in Punjab to mud-plaster the walls of the house and then, creates motifs and designs on the mudded walls. Shawls are hand embroidered and involve many other hand processes. Skill development among the artisans would go a long way to strengthen these activities and to create employment in the state.

Handicrafts are presently manufactured majorly in two cities of Punjab i.e. Amritsar and Ludhiana. The state should promote traditional footwear, jewellery, phulkari dupattas through exhibitions and online portal. Marketing of traditional wear should be increased, so that more consumers are attracted to buy them. Measures must be taken to promote the growth of shawl industry in the state. Urban Haats for the Handicraft Artisans and Handloom Weavers should be increased so that the sector moves towards a higher grower trajectory. The state and regional clusters contribution will increase the handicrafts export, which will enhance the global footprint of the handicraft products from Punjab.

3.6 Information Technology: The state has identified IT and ITES as their niche areas and focuses to make the state as one of the most preferred and competitive investment destination in the field of Information Technology (IT), Information Technology Enabled Services (ITES), Knowledge and Electronics Hardware Industry. Infrastructure development, investment in human capital along with provision of special incentives will promote information technology industry in the state. The state should promote the growth of the electronics industry in the state.

Punjab's IT policy and the incentives offered to the IT industry are aimed at promoting Punjab as an attractive destination for the industry. Mohali has been developed as an IT and ITeS hub in the state. Chandigarh Administration's visionary project of RGCTP (Rajiv Gandhi Chandigarh Technology Park) , has been established for offering human resources with employment opportunities. The establishment of this technology park has opened up city of Chandigarh to various multi-national as well as national companies across the globe. On the

back of rising demand for information technology and related services, the state should establish Information Technology hubs in areas like Amritsar, Patiala, Jalandhar.

3.7 Solar Energy: There is a huge potential for solar power generation in the state and by setting up more solar energy plants, the solar capacity of the state will increase to fulfill the rising demand. Solar thermal systems installed in the state are not very encouraging. The share of solar energy in state's energy matrix stands at only 5%. The number of solar thermal systems was around 3123 in 2008-09 which declined to 2611 in 2014-15⁴⁶. The state needs to attract solar components manufacturers with new technology. The solar energy plants will generate clean and green energy which will be environmentally safe. There is a huge potential for solar power generation in the state. The farmers should be encouraged to install stand alone solar power agriculture tube wells through capital subsidy under Ministry of New and Renewable Energy (MNRE) schemes. This will promote the renewable resource of energy and provide employment to workforce in the state.

3.8 Sports goods: The sports goods industry of Punjab is a highly labour intensive industry providing employment to a large number of women as well as weaker sections of the society. The Industry has witnessed a phenomenal growth over the past five decades and now occupies a place of prominence in Punjab's economy in view of its massive potential for employment and growth. High priority should be given to open more research institutes in the states while the existing sport institutes should be facilitated by research departments to test sports equipments and research on producing various sports equipments. The market has a huge scope of expanding to other countries further increasing its exports, on the back of comparatively cost effective and qualitative products.

3.9 Steel: Mandi Gobindgarh, also referred as Steel Town, has one of the biggest steel re-rollers industrial clusters in the state. This is a major hub for steel and has a huge scope for employment opportunities. The establishment of more steel associated industries such as automotive, bicycle etc. would give a boost to the industrial ecosystem of the state, going forward. The steel sector has a huge scope in the state because it compliments and is associated with sectors like construction, real estate and automotive industry. The state should set up more re-rolling steel mills to generate employment for the unskilled, semiskilled and skilled workforce. There is an urgent need to give concessions to the existing old industries to strengthen them to generate and absorb more workforce.

3.10 Textiles Sector: The state has huge potential in the textile sector and is one of the biggest sources of employment generation, especially for the female workforce from rural areas. Free transport facility is also provided to the rural ladies as a safe and secure means of transport as no other transport facility is available to them to reach their work place, this helps the ladies in promoting and boosting their morale in order to work, which further helps in boosting the employment in the state. The state has emerged as a hub for textile-based industries including yarn, hosiery and readymade garments. Textile's share in the state's manufacturing sector stands at about 38% and in terms of employment stands at

⁴⁶ Economic Survey Punjab, 2015-16

21%⁴⁷. However, the sector is facing labour shortage, so courses aimed at skill development and training of unskilled labour should be launched under MSME training center for fulfilling the manpower requirement of labour intensive industries. The textiles sector can be promoted by conducting exhibitions within the state, and nationally which will enhance the growth prospects of the sector. The readymade garments have a high per capita income in the region and have an attractive market for readymade garments. It has a large access to the domestic market and has the potential to be a top exporter to large markets internationally. Manufacturing cost of textile units needs to be reduced with the availability of raw materials and reduction in power tariffs and this will support the growth of textile sector in the state. The sector has strong backward linkages with raw cotton, wearing apparel and chemical industry. The sector has the potential to post a twofold increase in the next five years.

3.11 Tourism: The key tourist destinations of the state are Golden Temple, Jalianwala Bagh at Amritsar and Wagah Border at Amritsar, Anandpur Sahib Fort and Khalsa Heritage Centre at Anandpur Sahib, Rajmahal at Faridkot, Bahia Fort and Qila Mubarak at Bathinda, among others. The number of foreign tourist arrivals in the state has increased marginally from about 2.04 lakhs in 2013 to 2.4 lakhs in 2015⁴⁸. The government should promote religious, adventure, wildlife tourism and spiritual tourism in the state. The government should design special packages for domestic and foreign tourists who are visiting the state. Rural Punjab does not have hills and mountains, malls, five star hotels, but it does have clean environment and lush green fields, which can be a treat for tourists and for the development of eco-villages. These eco-villages will promote the traditional and culture aspects of the state such as food, living, clothing, and folk dance. Strong explored tourism potential of the state, construction of more hotels will attract large chunk of investments, provide employment to skilled and unskilled labour force and boost growth rate of tourism sector in the state.

⁴⁷ Punjab Vision Document 2030

⁴⁸ IBEF Punjab Report

Industrial Clusters in Punjab

There are 127 clusters in the state of Punjab, which are playing a vital role in transforming the state's economy. The state should focus on encouraging and supporting the industry clusters to promote job creation and state's economic growth. Developing industry clusters continuously in the state can play a key role for regional economic development as clusters have been shown to strengthen competitiveness by increasing productivity, stimulating innovative new partnerships, even among competitors, and presenting opportunities for entrepreneurial activity. Besides identifying industries and clusters, the state must develop the ecosystem at all the key industrial hubs in the state.

Industrial Clusters in the State			
S. No.	Area	Number of Clusters	Nature of Cluster
1	Ludhiana	16	Auto Parts, Metal Parts, Machinery, Printing & Packaging, Tractors, Wire Drawing, Bicycle, Dyeing, Electroplating, Footwear, Foundry, Hoisery, Industrial Fasteners, Knitwear, Oil Machinery, Printing, Screw Drivers, Agriculture Implements, Sewing Machine
2	Jalandhar	10	Agriculture Implements, Auto Parts, Footwear, Foundry, Handtools, Leather, Sports goods, Rubber, Surgical Instruments, Valves and Cocks
3	Amritsar	8	Agriculture Implements, Electric Fan, Footwear ,Power loom, Rice Mills, Textiles, Shoddy Yarn, Wood Products, Electric Fan
4	Patiala	4	Agricultural Implements, Footwear, Machine tools, Rice Mills,
5	Mohali	3	Metal, Machinery , Foundry, General Engineering
6	Ferozepur	3	Agriculture Implements, Footwear, Rice Mills
7	Moga	3	Agriculture Implements, Footwear, Wheat Threshers, Foundry, General Engineering
8	Batala	3	Foundry, Machine Tools, Rice Mills
9	Phagwara	2	Foundry & General Engineering, Engines, Auto Components
10	Sangrur	2	Footwear and Rice Mills
11	Kapurthala	2	Rice Mills, Agriculture Implements
12	Hoshiarpur	1	Tractor Parts
13	Mukatsar	1	Agriculture Implements, Footwear, Rice Mills
14	Gobindgarh	1	Steel Re-Rollers
15	Goraya	1	Foundry
16	Gurdaspur	1	Agriculture Implements
17	Malerkota	1	Agriculture Implements
18	Malout	1	Agriculture Implements
19	Bathinda	1	Footwear

Source: PHD Research Bureau; Compiled from Cluster Observatory

In the state of Punjab, more than 50% of industrial clusters are focused in three cities, viz. Ludhiana, Jalandhar and Amritsar. Majority of the industrial clusters in Punjab are focused in

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sectors such as Agriculture implements, Footwear, Machine tools, rice mill among others. For the industrial transformation of the state, not just overcoming constraints to development are essential but also to make industrial development more inclusive and sustainable.

From conducive transformation of Punjab from agrarian to industrial economy, the diversification of industrial clusters across all major industrial cities is essential. For instance, automotive related clusters can be established near Gobindgarh and Mohali as the city is already endowed with steel related clusters. Food parks to be established in the border areas of the state such as Taran Taran, Firozpur, and Hoshiarpur. Clusters related to Solar power equipments should be developed in Ludhiana and Amristar.

Handloom Clusters in the State

1	Faridkot	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
2	Kapurthala	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
3	Jalandhar	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
4	Ropar	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
5	Amritsar	1	Bride's trousseau, suits, Sarees, bedspreads, curtains, wall hangings
6	Bathinda	1	Dhoti, long cloth, bed sheet etc.
7	Ferozepur	1	Duree, furnishing
8	Gurdaspur	1	Dhoti, long cloth, bed sheet, shawl, loi etc.
9	Hoshiarpur	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
10	Ludhiana	1	Dhoti, Suiting, long cloth, bed sheet, shawl, blanket etc.
11	Muktsar	1	Khess, Duree
12	Patiala	1	Dress material
13	Malerkotla	1	Khaddar, Khess, Shawl

Source: PHD Research Bureau; Compiled from Cluster Observatory

The Handloom industry has not only survived but also have grown over the decades due to its inherent strengths like flexibility of production in small quantities, openness to innovation, low level of capital investment and immense possibility of designing fabrics in the state of Punjab. The government should focus on promoting quality handloom products and encouraging weavers and artisans to showcase their artwork for the rest of the country to see. Also the state should identify geographical locations that specialize in specific products, with close linkages and inter dependents amongst the key players in the cluster by improving the infrastructure facilities, with better storage facilities, technology up-gradation

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in pre-loom/on-loom/post-loom operations, weaving shed, skill up-gradation, design inputs, etc. to meet the market demands both at domestic and at the international level and raise living standards of weavers engaged in the handloom industry in the state.

Handicraft Clusters in the State			
1	Anandpur Sahib	1	Block Printing
2	Malerkotla	1	Other Decorative Items
3	Rajpura	1	Phulkari
4	Hoshiarpur	4	Wood Craft, Other Decorative Item, Carpets & Durries, Wooden Furniture
5	Ferozepur	1	Leather Products
6	Chananwal	1	Tilla Jutti
7	Dogarabasti	1	Embroidery
8	Behrampur	1	Embroidery
9	Dera Baba Nanak	1	Embroidery
10	Pathankot	2	Leather products, Embroidery
11	Mansa	1	Phulkari
12	Balchaur	1	Patch work
13	Handiya	2	Zari
14	Pakhpur	1	Embroidery
15	Jaintiur	1	Embroidery
16	Gurdaspur	2	Embroidery, Carpets & Durries
17	Mukerian	2	Embroidery, Wood Turning & Lacquerware
18	Amritsar	6	Jewellery, Other Decorative Items, Embroidery, Carpets & Durries, Wooden Furniture, Woodwork & Lacquerware
19	Taran Taran	1	Carpets & Durries
20	Abohar	2	Phulkari, Hand Printing
21	Fazilka Bagh	1	Embroidery
22	Batala	1	Wooden Furniture
23	Mukerian	1	Wood Turning & Lacquerware
24	Jalandhar	1	Jewellery
25	Nakodar	1	Carpets & Durries
26	Kartarpur	1	Woodwork & Lacquerware
27	Sultanpur	1	Textiles Hand Printed
28	Muktsar	1	Leather Products
29	Malout	1	Textiles Hand Embroidered
30	Subhash Nagar	1	Tilla Jutti
31	Nabha	1	Furniture & Fixtures
32	Bhogpur	1	Stone carving

Source: PHD Research Bureau; Compiled from Cluster Observatory

The Indian Handicraft Industry is a USD 100 billion industry and its contribution in global market is a negligible 1.2%. Punjab has a rich collection of arts and crafts. The rich tradition of Punjab handicrafts includes Phulkari along with Pidhis, Jootis, Durries and Parandis. Phulkari is however the most popular of them all.

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Presently, the handicraft sector in the state is mainly unorganized and faces sticky bottlenecks such as lack of modern machinery, infrastructure and training. Despite having plethora clusters in the state, complimentarity between clusters is at a minimum. Although Phulkari is the prominent product of handicraft in Punjab, the cluster presence is only in Abohar, Mansa and Rajpura. New clusters for development of Phulkari should be established in Amritsar and Ludhiana.

Atleast 20 new clusters should be setup in the cities of Mansa (footwear and chemical plants); Bathinda (petrochemicals, oil refinery and foundaries); Malerkotla (furniture and fixtures, footwear and leather); Sangrur (Machine tools, food processing and electrical products); Patiala (food processing, phulkari and jewellery); Malout (Textiles, Automotive components); and Mohali (bath fittings, automobiles, IT and ITeS and electronics) to further the rising demand for food processing products, auto motive products, bicycles, iron and steel related items among others. The existing and new clusters should enhance their capabilities and increase the volume of exports to match the growing global demand for the aforementioned products.

Suggestive reforms for new industrial environment



4. Suggestive reforms for new industrial environment

The industry sector⁴⁹ in Punjab is growing in a lackluster trajectory as the growth rate during the last 3 years FY 2014 and 2016 (average) is estimated at 3.5% which is significantly lower as compared with the growth of many states⁵⁰ of India. To kick start the industrial growth, reforms are required in many areas of industrial infrastructure and ease of doing business.

Top 20 suggested⁵¹ reforms for new industrial environment in the state

1. The perception about the state as an attractive investment destination needs to be build up;
2. Strengthening of the single window clearance system along with digitization of all the departments of the state government with electronic filing facilities;
3. Inspector Raj from the state to be completely abolished ;
4. Skilling of the Government officials and lower rungs to be undertaken to strengthen the policy implementation at the grass roots level;
5. Reduce cost of electricity to Rs. 5 per unit;
6. Supply of power to the existing and upcoming industries of the State would be crucial in attracting Industrial Investments;
7. Lucrative PPP models in the power sector to generate power for industrial development would attract investors to come and make in Punjab;
8. Linking of high schools with the vocational training (dual education system) to enhance the skill development in the state;
9. A good vocational training centre in the radius of every 25 Kms across the state;
10. Create special bank for MSMEs;
11. Strengthen single window clearance for all issues pertaining to industry – Micro, Small, Medium and Large Enterprises;
12. New Skill development centres to meet the growing demand for skilled manpower;
13. Strengthen industry and trade union relations to create a win-win situation for the workforce and industry ;
14. Exempt tax on any investment done by Start-up for five years and provide subsidy to train persons to start the start up venture;
15. The process of obtaining certificate for pollution in Industrial zone and focal points must be simplified;
16. Develop industrial infrastructure in Patiala, Sangrur, Mansa, Bathinda belt of the state;
17. Robust insurance schemes for trade and industry persons/workforce;
18. Up-gradation of district industrial centres;
19. Use panchayat land/ shamlats for Business Development Centres (BDCs) for Rural Youth;
20. Abolish the Truck Unions;

⁴⁹ Data compiled from Economics and Statistical organization, Government of Punjab, Industry/Secondary sector comprises of manufacturing, electricity, gas, water supply & other utility services and construction

⁵⁰ States such as Bihar, Chhattisgarh, Odisha, Delhi, Himachal Pradesh, Gujarat, Andhra Pradesh, Maharashtra, Uttar Pradesh, Karnataka, Jharkhand, Haryana, Uttarakhand, Kerala, Telangana, Madhya Pradesh, Tamil Nadu.

⁵¹ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

4.1 Land

Land is one of the major factors of production, so the availability of land becomes crucial for industrialization. The cost of land in Punjab is very expensive and there exists vacant ideal land called Shamlats in rural areas of the state. Thus, the state must ensure availability of land to industry and businesses in reviving the industrial production and to generate employment opportunities in the state.

Suggestions to improve the availability of land to industry and businesses in the state⁵²

- The state must focus on developing land bank for the use of the industry. The state should bring down the collector rates of land and should immediately grant due approval to set up Industrial Parks with proper amenities.
- Vacant ideal land called Shamlats in rural areas of the state can be provided to Entrepreneurs and Start Ups.
- Land pooling in the state can provide employment to local people and generate business opportunities.
- Waive the condition of procuring CLU's (Change of Land use) for duly notified Industrial Zone. Clear notification of the khasra numbers, which are permitted for the use of industry.
- Once the purchased land is within the notified khasra numbers, is applied for conversion, it should be a matter of report and record only and CLU should be granted immediately.

4.2 Labour

Labour is another major ingredient in the factors of production. The state of Punjab has been making significant efforts to maintain the industrial peace for better industrial relations between workers and employers through investigation and settlement of industrial disputes to promote industrial harmony. However, the state needs to go a long way to amend its Industrial Disputes Act, bring reforms in contractual labour laws and flexibility in laws that allow hiring and terminating policy.

Therefore, labour reforms are needed in the state to help the industry to fasten and deepen the process of Industrialization. The state should focus upon specific issues related to labour laws, create an agenda to solve issues annually and then monitor the implementation of the reforms undertaken/announced.

⁵² These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

Suggestions to improve the productivity of labour in the state⁵³

- Strengthen industry and trade union relations to create a win-win situation for the workforce and industry, keeping in mind the long term perspective to fasten and deepen the process of Industrialization and for the employment of vast pool of young workforce.
- The state should adopt a clear mechanism for the increase in wage rates on the basis of certain methodology. Also, wages and salaries paid to workers and staffs should be allowed to be paid in cash for the payments below Rs.10,000/- instead of cheques.
- Provision of social support to workers including facilities and amenities for improving their health, efficiency, economic betterment, recreation and social status.

4.3 Capital

Capital formation is one of the significant ingredients in the factors of production. The major problems faced by the businesses in the state of Punjab is getting access to adequate capital in terms of financing, capital subsidy etc for setting up their industries in the state. Therefore, the need of the hour is to raise norms to simplify the process of raising capital and provide capital investment subsidy at ease to the businesses in the state.

Suggestions to enhance the access to capital in the state⁵⁴

- Border town industrial units should be provided reasonable finances by the banks at reduced rates of interest of 7%, capital subsidy at 30% of Fixed Capital Investment (FCI) upto maximum of Rs. 30 lakhs per unit.
- The government must provide subsidy to old Industry to change their old machines i.e. subsidy for 10 years without interest.
- Creation of special bank for MSMEs wherein SIDBI and Government of India through this bank can provide financial assistance and support MSME. The limit of SIDBI subsidy may also be increased to more than Rs. 2crore.
- In order to attract solar components manufacturer in the state with new technology, interest subsidy @ 5% on bank loan for 7 year should be provided.

⁵³ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

⁵⁴ IBID

4.4 Entrepreneurship

Entrepreneurial spirit is emerging in the state of Punjab. Cities like Patiala, Bathinda, Chandigarh, Mohali and Jalandhar are witnessing rise of new age entrepreneurship. However, Startup system has not been fully exploited in the state and there is a need to explore entrepreneurial ventures for budding startups in various sectors of the state's economy.

Suggestions to strengthen entrepreneurial zeal in the state⁵⁵

- To promote Startup Culture in Punjab, the state Government should come up with new start up policy and must provide special fund of Rs. 100 crores to provide entrepreneurs with world class state of the art ease of doing business facilities.
- Exempt tax on any investment done by Start-up for five years and subsidy may be provided to trained persons to start the start up venture.
- Industrial motivational campaign / Entrepreneurship Development Programme (EDP) may be conducted in educational institutions with provision for bank linkages to motivate students to go for start-up/ entrepreneurial ventures
- The state government must disburse all pending incentives under Industrial Policies of 1996 & 2003 to all eligible entrepreneurs as per the verdict of Punjab and Haryana High Court.
- One permanent exhibition ground at Amritsar is urgently needed where entrepreneurs can organize exhibitions to attract customers from all over India and across the World.
- Encouragement should be provided to women entrepreneurs to promote the women entrepreneurs in the state.

4.5 Infrastructure

The importance of infrastructure for sustained economic development is well recognized. The performance of infrastructure sector is largely a reflection of the performance of the state's economy. Punjab's road and railway network spans across 64,037 and 2,126 km respectively. The state has three domestic airports in Chandigarh, Ludhiana and Pathankot and two international airports in Amritsar and SAS Nagar (Mohali). The state's telecom circle has 31.63 million wireless subscribers and 1.05 million wire-line subscribers.

The installed plant capacity for electricity supply in the State is 4949 Mega Watt (MW) in 2015-16 of which Hydro consists of 2309 MW and Thermal is at 2640 MW. The installed

⁵⁵ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

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plant capacity for power supply stands at 4949 MW. The total energy availability in the state has increased to 51172 million KWH during 2015-16 from 39675 million KWH in 2010-11.

However, the state lacks adequate level of industrial infrastructure for the enhancement of industrial development and there lies huge potential in the state in terms of development of roads, railways, airports and ports, setting up of industrial parks and power plants in the state. Thus, there is a need to upgrade the overall infrastructure of the state in order to enhance the industrial production, setting up of more industries and generate employment opportunities in the state.

Suggestions to improve the industrial Infrastructure in the state⁵⁶

- Assistance required from the central government for the development of Special Economic Zones, apparel parks, cluster development for machine tools at Batala, bicycle & parts at Ludhiana, re-rolling steel mills at Gobindgarh, textiles centers and food parks in Amritsar, Ludhiana, Patiala, Sangrur, Mansa and Bhatinda.
- More private sector investments in development of industrial Parks/Estates/Agro Parks/IT Parks are required; exemption from the Punjab Apartment and Property Regulation Act 1995 and no stamp duty on first sale/transfer of developed infrastructure by the developer is required to be introduced.
- Implementation of Patti – Makhu Rail Link will bring Amritsar and Mumbai nearer by 240 Kms via Rajasthan. Patti – Makhu Rail Link will create new connectivity between Maharashtra, Gujrat, Rajasthan, Malwa and Majha regions of Punjab. This will help the state to enhance its exports basket.
- Dry port at Lalru should be made operational. As the state is far from the major ports of India, incentives/subsidy on freight charges may be framed to save the existing industry and new investments as transportation is a great burden on state's industry. Also, special efforts must be taken to set up industrial parks near Lalru and Derabassi as this industrial land can attract huge investments.
- For optimum utilization of dam based hydro capacity and its operation in an optimum manner, the gates of the balancing reservoirs downstream the dams (Nangal Dam of Bhakra and Shah Nahar barrage of Pong Dam etc) need to be made operational so that dams are operated during peak demand periods and releases as per irrigation requirement are controlled through gates for consistent releases from the barrage.
- Setting up of roof top solar plants under net metering need to be promoted. Farmers should be encouraged to install stand alone solar power agriculture tube wells through capital subsidy under MNRE schemes.

⁵⁶ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

4.6 Skill Development

Punjab has a significant demographic dividend with a rising working age population. Between 2017 and 2022, an additional 23.2 lakh are expected to enter the working age group (these are Gross numbers, without netting off retirees). Considering the historical trend in labour participation rates of Punjab, the state would witness a gross addition of 10.2 lakh people to labour force (i.e. portion of the working age population willing to seek employment and work) during 2017-22 period. Therefore, state must introduce state specific skill reforms to up-grade the skill sets of the youth to improve the overall skill development scenario and to provide skilled workforce to the businesses in the state.

Suggestions for up-gradation of skill sets of the workforce in the state⁵⁷

- Productive engagement of youth by introducing state specific policy for skill development. There is need to set up new skill development centres to meet the needs of the industries and skills to be imparted as per the industrial requirements. Also, the syllabus of the I.T.I / Polytechnics must be upgraded.
- Vocational trainings emphasizing skill development should be provided to women community that enables them to understand the production process and production management. – Specific training programmes aimed at developing professional competencies in managerial, leadership, marketing, financial, production process, maintenance of accounts should be provided to women so that they can run enterprises successfully.

4.7 Ease of Doing Business

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, has ranked⁵⁸ the state of Punjab at number 12 with a score of 91% among 36 states and UTs with implementation of various economic reforms such as single window systems, tax reforms, environment and labour reforms and inspection reforms. Therefore, there is need of reforms to improve the ease of doing Business scenario in the state in order to encourage the setting up of more industries and improve the overall industrial environment in the state.

Suggestions for Ease of Doing Business in the state⁵⁹

- State Government should make all the data digital at district level and all the information/approvals should be on line and may be routed through Suvida Centers.

⁵⁷ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

⁵⁸ Data compiled from DIPP. Data updated as on 20th March 2017.

⁵⁹ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

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- The state must incorporate online documentation for the export of goods as the entrepreneurs face a lot of difficulties from Customs department in processing of their documents.
- Relaxation of Floor Spacing Index (FSI) in towns to the extent of 50% for IT & Biotechnology related industries.
- Modification of old rules and regulations are urgently needed for Punjab State Industries & Export Corporation (PSIEC)
- Provision of easy access to the funding of the projects by waiving off the Registered Mortgage charges for the new MSME units coming up in the state, more so, when the loan raised has to be utilized in Punjab state only for industrialization.

Reforms for Taxation

GST will be a major breakthrough for the state. This would help in enhancing the state's GSDP and will improve ease of doing business scenario in the state. Through GST, industry will get a boost with the removal of cascading impact of taxation. This will subsume all other indirect taxes except those levied by local bodies and eliminate need for filing multiple returns and assessments. Also, GST will enable one market nation that will enhance the footprint of products produced in the state, nationally.

- However, shawl Industry has desired GST exemption and has requested to separate shawls from the category of made-ups and be treated under Handicrafts and handloom sector. Motor Vehicle (MV) tax for the buses used by the Textile Industry for providing free transport facility to the staff should be at par with the School/College buses as it used to be earlier.
- Sales Tax on packaging materials, Information Technology (IT) & Biotechnology (BT) products must be provided at minimum floor level. Also, no market fee and rural tax should be levied on commodities other than wheat and paddy.
- Need for adjustable Entry Tax paid by the industrialists
- Speedy process of claiming refunds from Excise & taxation departments needs to be promoted
- For the existing industrial units in the Border Districts, need to launch a special scheme for modernization and diversification comprising Margin money, Capital Subsidy and Tax Holiday support for the MSMEs sector to be promoted.

Reform for Certifications/Clearances

- Fast approvals by regulatory bodies should be encouraged to avoid increase in project costs.
- The immense powers given to departments like Pollution Control Board and Factory Act etc. should be curtailed. These departments should organize district level camps like LokAdalats where local issues could be resolved
- Optional Scheme for Certification/Inspection/Verification by Chartered Engineers in place of government inspectors for
 - a) Electrical installations exclusively relating to Industrial Units under Indian Electricity Rules, 1956.
 - b) Industrial units for grant of consent to operate under the Water (Prevention & Control of Pollution) Act, 1974, Air (Prevention & Control of Pollution) Act, 1981.
 - c) Self Certification Scheme relating to various Acts of the Department of Labour & Employment
- The process of obtaining certificate for pollution in Industrial zone and focal points must be simplified.
- Automatic clearance to sugar mills for co-generation of power, manufacture of ethanol and setting up of distilleries.

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Reforms for Getting Electricity

- Simplified procedure for obtaining a new Industrial Electricity connection.
- Efforts to ensure full capacity utilization of power plants owned by Powercom and the existing PPAs to be renegotiated to ensure that low cost power is first availed by the state for the benefit of its consumers. Also, Transparency in operations of power com should be ensured through third party pre audit.
- Electricity Tariff for the existing and new industry must be frozen at Rs 5/- per unit for the next five years along with commercial and residential.
- Monthly parallel operation charges for Captive Power Plant (CPP)/Co-generation shall be at Rs. 200 per KVA on 5% of the installation capacity of TG set instead of 7.1/2%. Also, electricity duty exemption for captive power generated for self use must be allowed.
- Rate of Electricity Duty (ED) should be reduced by 10% i.e. from the present rate of 13% to 3% and Infrastructure Development Fund (IDF) must be abolished.
- Permission to install Electric Power Transformer upto 10 KVA without locational restrictions.
- Import of bulk power from any source to be allowed on terms and conditions approved by Punjab State Electricity Regulatory Commission (PSERC)/Central Electricity Regulatory Commission (CERC).
- The corporate structure to manage power utilities should be empowered and granted adequate autonomy and support of the government to pursue next generation power reforms.
- The state has introduced one time settlement scheme for the defaulter of Punjab Financial Corporation (PFC) and this scheme was expired on 31.12.2016. It may be noted that there are so many units who could not avail this scheme due to Demonetization. Hence, it may be extended for one more year i.e. up to 31.12.2017
- In view of surplus capacity and high variable cost of these units, it is suggested that GNDTP Bathinda and Units 1 and 2 of Guru Gobind Singh Super Thermal Plant (GGSTP) Ropar be dismantled. The sale proceeds of the equipment of these plants and sale of land becoming surplus are utilized to repay the capital loans already taken by Punjab State Power Corporation Limited (PSPCL) to reduce the interest burden on consumers.
- There is need to create consumer friendly ambience and commercial instructions should be clear and issued after taking concurrence of Punjab State Electricity Regulatory Commission (PSERC) BY PSPCL. Also, PSPCL and Punjab State Transmission Corporation Limited (PSTCL) should follow the time frame for submission of "True up of accounts of the previous year, Revised Estimates of the current year and Projections for the ensuing year" in the ARR holistically so that the power sector runs on prudent financial practices. These audited financial statements should also be available on the website of the Licensees for information of the stake holders.
- To reduce the Aggregate Technical and Commercial Losses, shifting of Metering Cubicles outside the premises in Pillar Boxes should be expedited and completed in a fixed time frame. It is also added that an Annexure attached with the Agreement signed under Ujwal DISCOM Assurance Yojana (UDAY) scheme indicates division wise Transmission & Distribution (T&D) losses in PSPCL which indicates very high losses in some divisions. Special campaign needs to be undertaken in the divisions where the losses are highest in a time bound manner.
- Gross Metering Policy for rooftop solar plants also need to be notified to further promote the non-polluting solar plants in the state

Strategy for boosting exports



5. Strategy for boosting exports

Punjab is one of the states which has played pivotal role in making India 2nd largest food producer in the world and 3rd largest producer of Food Grains in the world. Punjab holds tremendous export potential in the wheat and rice produce and its derivatives. Punjab holds significant scope in expanding its raw wheat exports to world.

India's share in overall world imports of wheat (HS 1001) is at a meager of 0.14%. This suggests that with infrastructural improvements and proper channelization of wheat produce, Punjab can accentuate its export potentiality of raw wheat with the World to new heights. On the derivatives front of wheat, products like wheat flour (HS 1101); wheat gluten (HS 1109); bread, pastry, cakes, biscuits and other wares (HS 1905); pasta (HS 1902); Cereals (HS 1103, HS 1104); prepared foods through swelling or roasting (HS 1904); Soups and broths (HS 2104); Beer (HS 2203) and Bran, sharps and other residue of wheat (HS 230230) can expand in exports on the back of robust production possibilities in Punjab and rising demand for the same in the world economies.

India has a very strong footprint for rice exports in the global community. India's share in global imports of rice stood at a staggering 28.45% in 2016. On the other hand, the derivatives of rice couldn't find similar expansion during the same period. Philippines is the major importer of rice derivatives such as rice flour (HS 110230); and bran, sharps and other residues of rice (HS 230220) in the world.

Global demand for derivatives of wheat and rice stood at USD 71.10 billion and 10.37 million in 2016, of which India exported around 581 million and zero, respectively. The share stood at 0.82% and 0% for wheat and rice, respectively. With development of existing food processing plants and establishing new clusters primarily focusing on wheat and rice, the derivative produce and export of wheat and rice would render tremendous boost in the Punjab's economy.

The food processing industry in Punjab holds a bright future, given the huge volume of production of a wide variety of crops especially wheat and rice. However, there is considerable scope to reduce the wastage of agricultural produce and expand the scope for exporting processed value added products. Given the wide-ranging and large raw material base of Punjab industry holds considerable opportunities for growth and investment. Interestingly, while the developed world's food basket consists of 80% of processed food, various reports estimate the share of this segment to be only 1.3% in India. The international supermarket chains of the EU and US and increasingly sourcing value-added agri-produce from the Asian countries in recent period, provided they fulfil the quality specifications like Hazard Analysis and Critical Control Points (HACCP), Good Agricultural Practice (GAP), Good Hygiene Practice (GHP) etc. In other words, there is a need to deviate from the traditional mode of operation towards a more professional conduct of business both during pre and post-harvest period and processing period.

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Wheat and Rice trade at a Glance

S. No.	Pro duct	HS-Code	Description	Total World Imports 2016 (in USD thousand)	India's Share 2016		Top importing Nations in world		
					Volume (in USD thousand)	Share (in %)	Nation	Volume (in USD thousand)	Share in World (in %)
1	Wheat in Raw Form	1001	Wheat and meslin	36781512	49912	0.14%	Indonesia	2408210	6.55%
							Italy	1786868	4.86%
							Algeria	1542460	4.19%
							Egypt	1537611	4.18%
							Japan	1361701	3.70%
		1101	Wheat or meslin flour	4222158	90465	2.14%	Iraq	494847	11.72%
							Afghanistan	329820	7.81%
							USA	182105	4.31%
							Angola	157336	3.73%
							Netherlands	143862	3.41%
		1109	Wheat gluten, whether or not dried	1484465	23	0.00%	USA	373128	25.14%
							Norway	241833	16.29%
							Belgium	128448	8.65%
							Netherlands	99460	6.70%
							France	66156	4.46%
		1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa;	30765065	338599	1.10%	USA	4655466	15.13%
							UK	2381624	7.74%
							France	2113870	6.87%
							Germany	2090747	6.80%
							Canada	1435305	4.67%
	Wheat Derivatives	1902	Pasta, whether or not cooked or stuffed with meat or other substances or otherwise prepared	8200264	21559	0.26%	USA	912331	11.13%
							Germany	729617	8.90%
							France	608204	7.42%
							UK	520340	6.35%
							Canada	377183	4.60%
		1103	Cereal groats, meal and pellets	1030849	22345	2.17%	USA	131014	12.71%
							Malaysia	69714	6.76%
							Germany	44906	4.36%
							France	43663	4.24%
							Saudi Arabia	43453	4.22%
		1104	Cereal grains otherwise worked, e.g. hulled, rolled, flaked, pearled, sliced or kibbled	1375904	10720	0.78%	USA	184179	13.39%
							Netherlands	109746	7.98%
							Mexico	81656	5.93%
							Germany	60792	4.42%
							Hong Kong	55078	4.00%
		1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products	5911522	49208	0.83%	Canada	520803	8.81%
							USA	517685	8.76%
							France	424949	7.19%
							UK	344603	5.83%
							Germany	302830	5.12%
		2104	Soups and broths and preparations therefor; food preparations	2888792	3933	0.14%	USA	262909	9.10%
							Mexico	205375	7.11%
							UK	205280	7.11%
							Canada	199933	6.92%

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			consisting of finely homogenised				France	153749	5.32%
	2203		Beer made from malt	14300199	43841	0.31%	USA	5080570	35.53%
							UK	722089	5.05%
							France	704405	4.93%
							China	665733	4.66%
							Italy	594421	4.16%
	230230		Bran, sharps and other residues of wheat, whether or not in the form of pellets	921847	346	0.04%	Turkey	211665	22.96%
							Vietnam	73269	7.95%
							Netherlands	57295	6.22%
							Morocco	54865	5.95%
							Germany	43287	4.70%
	Total of Wheat Derivatives			71101 Million	581 Million	0.82%	-	-	-
2		1006	Rice	18681338	5315535	28.45%	China	1585832	8.49%
	Rice in Raw Form						Saudi Arabia	917304	4.91%
							Benin	773532	4.14%
							USA	714565	3.83%
							UAE	678116	3.63%
		11023	Rice flour	9824	0	0.00%	Philippines	9657	98.30%
	Rice Derivatives	0					UAE	125	1.27%
							Qatar	39	0.40%
							Barbados	3	0.03%
							-	-	-
		23022	Bran, sharps and other residues of rice, whether or not in the form of pellets	543	0	0.00%	Philippines	512	94.29%
		0					Barbados	31	5.71%
							-	-	-
							-	-	-
							-	-	-
	Total of Rice Derivatives			10.37 Million	0	0.00%	-	-	-

Source: PHD Research Bureau; Compiled from Trademap

Suggestive reforms for socio-economic development



6. Suggestive reforms for socio-economic development

6.1 Income & Employment

The per capita income⁶⁰ of the state is Rs. 126063 for the year 2015-16 at current prices. The unemployment rate in the state stands at 2.4% as against 2.3% for all India rate⁶¹. The youth unemployment rate (age group 15-29 years) in the state stands at 7.7% in rural Punjab as against 6.5% at all India level and 6.3% in urban Punjab as against 10.2% at all India level. Low labour productivity in the labour intensive sectors without safety norms is a cause of concern. In addition, complicated rules, lack of expertise of competent authorities and unnecessary stages of inspection exists in the state which hampers employment.

Suggestions for enhancing the incomes of the people in the state⁶²

- The state must focus on creating online portals for giving details of job openings and should give these details in local newspaper, magazines etc.
- Regular employment opportunities for unskilled workers in labour intensive sectors (such as construction, food processing, textiles, among others) who are below the poverty line.
- Promote tie-ups of educational institutes and industries for enhancing employability of the youth.

6.2 Health

Diseases related to lifestyle conditions and conditions of work are prominent in the state. The birth rate⁶³ of the state stands at 15.7 per thousand persons, death rate at 6.7 per thousand persons and infant mortality rate⁶⁴ stands at 23 per thousand live births. The crude birth rate of the state has been declining over the last two decades.

Although there is a huge contribution of 4.75% by employer and 1.75% by employees in Employees State Insurance (ESI) schemes, industry is not being able to get proper advantage of ESI scheme because of shortage of ESI Dispensaries, Hospitals as well as availability of Doctor and medicines. Therefore, the state must initiate reforms to ensure quality health services to the people to improve the overall health scenario which would help in socio-economic development of the state.

⁶⁰ Economic and Statistical organization, Government of Punjab

⁶¹ The data pertains to Economic Survey 2015-16, Government of Punjab. This is as per NSS 68th round of National Sample Survey conducted during 2011-12. Unemployment rate (per 1000) 15-59 years age group.

⁶² These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

⁶³ Data for 2011-15 from IBEF

⁶⁴ Office of Registrar General and Census Commissioner, India (IndiaStat.com)

Suggestions for improvement of the health scenario of the state⁶⁵

- Need for comprehensive healthcare policy for addressing changing healthcare needs in the state. There is a need to provide preventive, promotive and curative health services to the people with special emphasis to women, child, old aged, SCs, STs and OBCs.
- Medical care services needs be promoted at the door-steps of the people living in the far off areas especially rural areas.
- Strengthen the health infrastructure in terms of buildings, equipments and human resources in all health institutions and medical colleges in both rural and urban areas of the state. Private sector participation in modernizing the healthcare services and building state of the art infrastructure must be promoted.
- A good hospital with 24x7 emergency services, modern amenities and state of the art infrastructure must be built in the radius of every 25 km across the state
- Construction of more Employee State Insurance Scheme (ESI) Dispensaries and Hospitals.
- Health clubs for labour or use of latest techniques for the health and physical stability of workers must be promoted.
- A district health fund can be created to purchase selected services from private sector whenever needed at a rate contract fixed by the state government on the lines of CGHS.

6.3 Education

The literacy rate⁶⁶ of the state stands at 76% in 2011-12 which is higher than the national average of 73% during the same period. Nonetheless there is a need to improve the overall education sector of the state and to link education with vocational training at school level which would help in enhancement of a state's human capital and skill development.

Suggestions to improve the access to quality education in the state⁶⁷

- Emphasis to be laid on spreading awareness to get education and avail the benefits of state level education schemes/policies especially in the rural areas of the state.
- The major focus must be given to quality of education by way of accreditation across all institutions. Also, a special mechanism for monitoring the performance of state specific educational schemes must be set up to assess the progress of these schemes.

⁶⁵ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas .

⁶⁶ Economic Survey 2015-16, Government of India

⁶⁷ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas .

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- 50% reservation for girl students should be made in schools, colleges and higher institutions to enhance education and participation of the girl child.
- Value based employment friendly and practical approach must be adopted while framing curriculum. Synergizing the education sector with manufacturing to create R&D hubs to help the development of new technology and globally competitive.
- A good vocational training college with state of the art infrastructure must be built in the radius of every 25 km across the state to enhance the skill development in the state.
- Promote Faculty development programmes to motivate existing and attract youngsters to take up teaching careers. Immediate filling up of all vacant posts in schools and colleges on a regular basis.
- Setting up of district universities under Public Private Partnership PPP mode to strengthen educational infrastructure in the stat.

6.4 Poverty

Punjab has 8.2% of the population living below the poverty line (BPL) as against the national average⁶⁸ of 21.92% during 2011-12. The population living below the poverty line (BPL) in rural areas stands at 7.6% and 9.2% in urban areas during the same period. There is a gap between rural and urban poverty ratio which needs to be addressed with more focus on employment opportunities for the young population in the urban and rural areas. Therefore, the state must initiate reforms to eradicate poverty by empowering underprivileged sections of the society and bringing down the percentage of the population living below the poverty line.

Suggestions for eradication of poverty in the state⁶⁹

- Empowerment of underprivileged sections of the society by enhancing their access to basic services, natural resources, technology, financial services including microfinance and social infrastructure by introducing effective social schemes on regular basis.
- Enhance accessibility of poor to gainful self-employment opportunities and skilled wage employment opportunities
- Provision of cheap subsidized prices nutrition rich foods like kidney bean, soya bean and seasonable vegetables.

6.5 Safe drinking water

In the state, almost 90% of the population depends upon groundwater for drinking water. Groundwater resource of the state face many environmental problems such as depletion of

⁶⁸ Poverty Estimates 2011-12, Planning Commission, July 2013

⁶⁹ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

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water levels, rising water logging and salinization, deterioration of groundwater quality due to presence of high level of uranium and fluoride posing serious threat to safe drinking water and sanitation schemes. Therefore, the state must initiate reforms to reduce depletion of water table and river pollution and decrease the over dependence of the population on ground water.

Suggestions to enhance the access to safe water⁷⁰

- Provision for providing 100% metered household free private connections of water in rural areas of Punjab.
- Ensure all households to have access to and use safe sanitation systems which collect and treat human waste without allowing the contamination of ground water. Also, it is important to ensure sanitation facilities in the schools and rural areas through low cost construction of toilets.
- Setting up of more sewage plants under PPP and ensure technical assistance for treating waste water and remodeling village ponds.
- Ground water levels to be recharged by harnessing rain water techniques.

⁷⁰ These suggestions are prepared on the basis of various inputs received from the direct and indirect members of PHD Chamber of Commerce & Industry and the inputs from experts in their respective areas.

Conclusions and suggestions



7. Conclusions and suggestions

The state of Punjab endowed with rich culture, tradition and religion is predominantly an agrarian state and has been accorded with the status of Granary of India. The real Gross State Domestic Product (GSDP) of the state has increased from Rs. 112997 crores in FY2007 to Rs 331940 crores in FY2016. However, the growth rate of real GSDP has been declined to around 6% in FY2016 from 10% in FY2007. According to the new series (base year 2011-12) the real GSDP of the state grew at an average growth rate of 5.6% during FY2013 to FY2016 which is significantly lower than the average growth rate of Indian economy at about 7% during the same period.

The progress of the state has been stagnated over the last many years as the share of the state in India's GSDP (combined GSDP of all the States in India) has declined from 3.2% in FY2007 to 2.9% in FY2016. The state needs to focus on the manufacturing activities especially on MSMEs to create employment opportunities. The focus on housing and construction sector will create enormous employment opportunities for the unskilled, semiskilled and skilled workforce in the state. Development of new industrial clusters and focus on exports of processed food vis-à-vis immense agriculture produce would kick start economic progress of the State.

Though the Gross Fiscal Deficit (GFD) as a percentage to GSDP is at 2.9% (FY2017), the state's developmental expenditure as a percentage to GSDP has declined from 10.5% in FY2008 to 7.6% in FY2017 while social sector expenditure as a percentage to GSDP has remained stagnated at 4.6% during the same period.

The state has introduced several policies to attract industrial investments and promote industrial growth in the state. However, the share of Punjab in India's industrial investment proposals⁷¹ is not encouraging. The share of Punjab in India's industrial investment proposals has declined from 1.9% in 2006 to 1.3% in 2016. Punjab has been able to attract Rs. 74,321 crore as industrial investment proposals in the last ten years (2006-2016). Going ahead, the state has potential to attract investments in the growth promising areas such as textiles, steel, agriculture, agribusiness and food processing, dairy farming, fertilizers, electronics, sports goods, solar energy, tourism, handicrafts and handlooms. The food processing industry in Punjab holds a bright future, given the huge volume of production of a wide variety of crops especially wheat and rice.

The agriculture sector is the most prominent sector of the state's economy. Rural Punjab is majorly dependent on agriculture sector directly or indirectly. However, the share and growth of agriculture and allied sector is not promising over the last few years. There is a need to focus the agri infrastructure including strengthening of irrigation/tube-well facilities, rural roads and linkages with mandis, development of Kisan Guidance Centres (KGCs) and review of the Minimum Support Prices. Also, there is considerable scope to reduce the

⁷¹ Industrial investment proposals are the investment intentions in terms of Industrial Entrepreneur Memoranda (IEMs) Filed, Letters of Intent (LOIs) issued / Direct Industrial Licences (DILs) granted

wastage of agricultural produce and expand the scope for exporting processed value added products.

Given the wide-ranging and large raw material base of Punjab, food processing industry holds considerable opportunities for growth and attracting investments (domestic and foreign). Interestingly, while the developed world's food basket consists of 80% of processed food, various reports estimate the share of this segment to be only 1.3% in India. There is a need to deviate from the traditional mode of operation towards a more professional conduct of business both during pre and post-harvest period and processing period. Also, minimization of the wastages with augmenting storage capacities, modernizing/ upgrading the godowns and set up of cold storage facilities would enhance farmer's income.

MSME sector can be a major growth vehicle for the new industrial environment in the state to achieve 10% growth in the manufacturing and overall industrial sector. So, the need of the hour is to create industrial infrastructure particularly for the MSMEs. Also, setting up of more large scale units in Punjab must be encouraged as many small and medium scale industries become ancillary to these large scale units which will generate revenue and employment in the state.

The construction sector is one of the promising sectors of the state as the sector is the 2nd largest generator of employment after agriculture sector. However, the share of construction sector⁷² in the state's GSVA at current prices has declined from 7.08 % in FY 2013 to 6.84% and 6.55% in the FY 2014 and FY 2015 respectively. The state needs to revise this sector to create employment opportunities for the unskilled, semi-skilled and skilled workforce in the state and to give a boost to the housing industry in the state. Also, it is important to promote affordable housing in partnership with Public & Private sectors and the Government of India's programme on Housing for All.

The services sector is the fastest growing sector in the state mainly driven by trade, hotels, real estate, financial services, communications, transport and other services. Tourism is one of the most significant sectors of the state's economy. Therefore, emphasis must be given to expansion of services such as financial institutions, telecom services in the rural areas to strengthen the growth of the services sector in the state.

Going ahead, the agriculture and agri-business including food processing and dairy farming has potential to generate 3 lakh new employment opportunities every year in the state and to push the state's GSDP by another 1 percentage point each. The reforms in the MSME sector would go a long way to achieve 10% growth in the manufacturing sector and to create one lakh new jobs in the manufacturing sector every year and would add 1 percentage points in the growth of the state's GSDP. Also, the reforms in the construction sector hold the potential to push the state's GSDP by another 1.25 percentage point and generate 2 lakh new opportunities every year. Further, reforms in the services sector holds an immense potential to generate 50,000 employment opportunities in the sectors such as tourism, banking, telecom etc and to push the state's GSDP by another 1 percentage point.

⁷² Economic Survey 2015-16, Government of Punjab

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In a nut shell, these reforms will help in generating 20 lakh new employment opportunities by 2020 in the state.

The state has huge scope for religious, spiritual, adventure, wildlife, and cultural tourism. The handicrafts of the state are world famous and are in great demand in the domestic and foreign markets. The state needs to focus on the improving and expanding the sports goods, IT, steel and textile sector. Solar energy is another sector which has huge potential which will lead to increase the solar capacity of the state.

New industrial environment in the State should focus on the seven basic ingredients of production/manufacturing efficiency including availability of land, conducive industry-labour relations, availability of adequate finances, zeal for entrepreneurship, availability of skilled manpower, state of the infrastructure including rail, road, port (dry port), airport and a greater ease of doing business including the availability of required utilities such as power at reasonable rates, water, internet and telecom services coupled with speedy government approvals in environment clearances, electricity connections, construction permits, among others .

The top 20 suggestions provided by industry stakeholders for the improvement in above ingredients include building up the perception about the state as an attractive investment destination; strengthening of the single window clearance system along with digitization of all the departments of the state government with electronic filing facilities; comprehensively abolishing Inspector Raj; skilling of the Government officials and lower rungs to strengthen the policy implementation; reduce cost of electricity to Rs. 5 per unit; supply of power to the existing and upcoming industries of the State would be crucial in attracting Industrial Investments; develop lucrative PPP models in the power sector to generate power for industrial development; linking of every high school in the state with the vocational training (dual education system) to enhance skill development in the state and generate employment opportunities; establishing a good vocational training centre in the radius of every 25 Kms across the state; create special bank for MSMEs; establish single window clearance for all issues pertaining to industry – Micro, Small, Medium and Large Enterprises; new skill development centres to meet the growing demand for skilled manpower; strengthen industry and trade union relations to create a win-win situation for the workforce and industry; exempt tax on any investment done by Start-ups for five years and subsidy may be provided to trained persons to start the start up venture; simplification of obtaining certificate for pollution in Industrial zone; develop industrial infrastructure in Patiala, Bathinda, belt of the state; creation of robust insurance schemes for trade and industry persons/workforce; Up-gradation of district industrial centres; Use panchayat land/shamlats for Business Development Centres (BDCs) for Rural Youth; and abolishing the Truck Unions.

To accentuate the engagement of industrial sector in the state's GSDP, atleast 20 new clusters should be setup in the cities of Mansa (footwear and chemical plants); Bathinda (petrochemicals, oil refinery and foundaries); Malerkotla (furniture and fixtures, footwear

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and leather); Sangrur (Machine tools, food processing and electrical products); Patiala (food processing, phulkari and jewellery); Malout (Textiles, Automotive components); and Mohali (bath fittings, automobiles, IT and ITeS and electronics) to further the rising demand for food processing products, auto motive products, bicycles, iron and steel related items among others. The existing and new clusters should enhance their capabilities and increase the volume of exports to match the growing global demand for the aforementioned products.

The diversification of industrial clusters across all major industrial cities is essential. For instance, automotive related clusters should be established near Gobindgarh and Mohali as the city is already endowed with steel related clusters. Food parks to be established in the border areas of the state such as Taran Taran, Firozpur, and Hoshiarpur. Clusters related to solar power equipments should be developed in Ludhiana and Amristar.

Punjab holds tremendous export potential in the wheat and rice produce and its derivatives. The state has significant scope in expanding its raw wheat exports to world. With development of existing food processing plants and establishing new clusters primarily focusing on wheat and rice, the derivatives export of wheat and rice from the state can cater to the rising global demand for wheat and rice derivatives, which stood at USD 71.10 billion and 10.37 million in 2016, of which India exported around 581 million and zero, respectively.

The state has a literacy rate of 76% of which male literacy rate stands at 80% and female literacy rate at 71%. The state has 8.2% of the population living below the poverty line (BPL) as against the national average^[2] of 21.9% (2011-12). The population living below the poverty line (BPL) in rural areas stands at 7.6% and in urban areas at 9.2%. There is a need to create employment opportunities for unskilled workers in labour intensive sectors (such as construction, food processing, textiles, among others) who are below the poverty line.

On the merit goods front, the Government should focus to improve the infrastructure related to education and health sector. In order to provide quality health services to the people of the state, a good hospital with 24x7 emergency services, modern amenities and state of the art infrastructure must be built in the radius of every 25 km across the state. Similarly, to increase the accessibility of education and to enhance the skill development, a good vocational training college with state of the art infrastructure must be built in the radius of every 25 km across the state.

^[2] Poverty Estimate 2011-12, Planning Commission, July 2013, Government of India

PHD Chamber's Vision 2020 for Punjab

PHD Chamber look forward to a dynamic policy environment, which, through effective policy interventions and reform initiatives, would pave the way for a higher and sustainable growth trajectory in the state in the coming times.

With the suggested economic reforms measures and considering the conducive policy environment and the scope for infrastructural development in various segments including roads, railways, energy, aviation, rural infrastructure, urban infrastructure, food processing, industrial and handicraft cluster development, smart cities development, tourism sector, sports sector, water and sanitation and social infrastructure, **the state has every potential to achieve strong and sustainable high double digit growth rate at more than 10% GSDP growth rate by FY2020; and to attract industrial investments of Rs. 10,000 crores and generate 6.5 lakh new employment opportunities every year.**

Punjab: Key Contacts

S. No.	Key Contact	S. No.	Key Contact
1.	Shri Karan Avtar Singh, IAS Chief Secretary Government of Punjab Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9501822666, 0172-2740156, 2740860	9.	Shri Anirudh Tiwari Principal Secretary Non-Conventional Energy, Finance, and Investment Promotion Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9646200052, 0172-2703814
2.	Shri D.P. Reddy Addl. Chief Secretary Industries and Commerce Punjab Udyog Bhawan, Sector 17, Chandigarh Ph: 9872218150	10.	Shri Mandeep Singh Sandhu Addl. Chief Secretary Animal Husbandry, Fisheries & Dairy Development Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9915470044, 0172-2742606
3.	Shri Vikas Garg Special Secretary Agriculture Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9417080002	11.	Shri Anurag Agarwal Financial Commissioner Taxation Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9646200025
4.	Shri M.P. Singh Addl. Chief Secretary Technical Education and Industrial Training Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9872987254, 0172-2742307	12.	Shri Jaspal Singh Principal Secretary Tourism and Cultural Affairs Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9988528481, 0172-2740771
5.	Shri Sanjay Kumar Principal Secretary Labour Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9814073164	13.	Shri D.K. Tiwari Secretary Local Government Punjab Udyog Bhawan, Sector 17, Chandigarh Ph: 9417621001, 0172-2651164
6.	Shri Viswajeet Khanna Addl. Chief Secretary Planning Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9815470001	14.	Shri S.K. Raju Secretary Finance-cum-Secretary, Institutional Finance and Banking Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 0172-2742963
7.	Smt. Vini Mahajan Addl. Chief Secretary Housing and Urban Development Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 8872090003	15.	Shri Daljit Singh Mangat Special Secretary Power and Renewable Energy Punjab Civil Secretariat, Sector 1, Chandigarh
8.	Dr. Roshan Sunkaria Principal Secretary Food Processing Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 8288019900, 0172-2743189	16.	Shri Manpreet Singh Special Secretary Excise and Taxation Punjab Civil Secretariat, Sector 1, Chandigarh Ph: 9888446362
<p>Mr. Rupinder Singh Sachdeva, Chairman, Punjab Committee Ms. Madhu Pillai, Resident Director, Punjab Committee; Ms. Rimneet Kaur, Resident Manager, Punjab Committee PHD Chamber of Commerce and Industry Regional Office PHD House, Sector 31A, Chandigarh – 160031 Phone: 0172-2638941, 2638662, 2638981</p>			

Team, PHD Research Bureau, PHD Chamber



Dr. S P Sharma
Chief Economist



Ms. Megha Kaul
Associate Economist



Ms. Surbhi Sharma
Sr. Research Officer



Ms. Aresha
Research Associate



Ms. Abha Chauhan
Research Associate



Mr. Rohit Singh
Research Associate

Team, Punjab Committee, PHD Chamber



Ms. Madhu Pillai
Resident Director



Ms. Rimneet Kaur
Resident Manager



Mr. Jasdeep Singh Makkar
Executive Officer

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“Punjab: Roadmap for the New Government”: Suggestions for the Industrial and Socio-economic development is prepared by PHD Chamber of Commerce and Industry to provide suggestive measures for boosting industrial growth and socio-economic development of the state.

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PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India)
 Tel. : +91-112686 3801-04, 49545454, 49545400 · Fax : +91-11-2685 5450
 E-mail : phdcci@phdcci.in · Website : www.phdcci.in

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**PHD
CHAMBER**

PROGRESS HARMONY DEVELOPMENT

PHD Chamber of Commerce and Industry

Regional Office
PHD House, Sector 31A,
Chandigarh 160 030 India

Head Office
PHD House, 4/2 Siri Institutional Area,
August Kranti Marg, New Delhi 110 016 India
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