

Topic: Industrial Development and Investments in Sikkim: Facts and Figures

Presenter: Mainak Sen, Research Fellow, MAKAIAS

External Expert: Dr. Saibal Kar, Centre for Studies in Social Sciences, Calcutta

Date: 25.10.2013

Time: 3.30 pm

Venue: Azad Bhavan, Salt Lake

Rapporteur: Mili Ghose, Research Fellow, MAKAIAS

The speaker, Mainak Sen, highlighted the rural composition of Sikkim, stating that 75% of Sikkim is rural with a very significant tribal population which, according to the speaker, is impressive compared to the national population. He said that the per capita income is also higher than the average per capita income of the country. Referring to the industrial scenario, he suggested that Sikkim is perhaps the least developed state in the country. In 2007, as part of the nationwide Micro, Small and Medium scale Industrial Enterprise Development Act, enacted in 2006, a North-eastern industrial development promotion policy was launched, which was augmented by the State Industrial and Investment Promotion Incentive Amendment Act 2007 and these two initiatives gave impetus to large scale industrial development as well as the development of small and medium size industries. He said that the drug and pharmaceutical segment experienced a significant boost in the state under these policies. There are seven large drug and pharmaceutical companies like Dabur, Cipla and others who have set up farms in Sikkim.

Talking about the incentives offered, the speaker said that most of the north-eastern states offer incentives to the industries in their state. In Sikkim there are various exemptions in excise duty, income tax, subsidized capital investments, insurance etc. and exemptions in particular segments like bio technology, power generation and transport.

Referring to the Micro, Small and Medium Enterprises (MSME) Development Act, 2006, the speaker said that the act is very significant for a state like Sikkim because of its high employment potential at low capital cost. It encourages labour intensive industries with a very modest amount of capital investment, which promotes initiatives by local entrepreneurs. The speaker then discussed in detail the district wise variations of the investments under the MSME Act in Sikkim. He said that ever since the enactment of the MSME, there has been steady growth in investment, which has been good except in the northern part of the state. The speaker said that between 1975 and 2011, 675 registered industries were recorded in the state, of which half are not functioning. Referring to the 'thrust areas' of the government, the speaker said that pharmaceutical products, the hydel power and education received significant investment; there has been significant investment in the thrust areas emphasized by Sikkim government, unlike in other north eastern states (except Tripura and Arunachal Pradesh). He stated that there are 27 completed projects in the state. The biggest chunk of investment has been in electricity generation. The central government has invested heavily in the

hydel power generation projects in Arunachal Pradesh and Tripura. He said that the drug and pharmaceutical sector also received significant investment.

The speaker also referred to some outstanding projects, i.e. projects which are in either progress or recently announced, like big infrastructure projects in roads, airport, hotel and tourism, education, technology etc. which are coming up in Sikkim. He said that electricity generation is drawing the maximum investment in the state.

He said that although private equity is coming up in the power generation sector, there is no foreign investment in this sector yet, which he suggested is typical of the northeast region and a normal state of affairs until development takes place.

Comments of the external expert

- Macro-economic variables like poverty, growth, labour market should be mentioned.
- He suggested relating investment with large variables happening in the state.
- He suggested mentioning the growth rate of industry in Sikkim.
- He advised putting emphasis on labour force participation in the industrial growth of Sikkim
- The Expert suggested mentioning the existing literature on Sikkim economy.
- He suggested studying whether public investment has been the cause of absence of private investment in Sikkim
- He advised study of the implications of investment in the private and the public sector.
- He also advised studying the background of economic development, for example, growth and investment in Sikkim, to make a comparative study with other parts of Northeast India.

Q/A

Dr. Anita Sengupta, Fellow, MAKAIAS, asked whether there has been any increase in investment in Sikkim after 2003.

Dr. Mrinal Kanti Chakma, Fellow, MAKAIAS, asked about the process of industrialization in Sikkim.

Mr. Krishnan Srinivasan put forward some comments on the presentation. He mentioned that there is no prospect currently in infrastructural development in Sikkim and also there is no market. He also mentioned the industrial labour force in the state. He insisted that Sikkim needs soft industry like Information and Technology.