

INDUSTRY

9.1 Introduction

Karnataka has been spearheading the growth of Indian industry, particularly in terms of high-technology industries in the areas of electrical and electronics, information & communication technology (ICT), biotechnology and, more recently, nanotechnology. The industrial structure of Karnataka presents a blend of modern high-tech capital goods and knowledge intensive industries on the one hand and traditional consumer goods industries on the other. Given this, this chapter throws light on the industrial growth of Karnataka in 2013-14 as well as the industrial policy initiatives taken by the Government, among others.

9.2 Trends in Industrial Production

Trends in industrial production can be analyzed by considering the changes in the index of industrial production (IIP). Towards calculating the index, the weights of different sectors and sub-sectors are assigned based on their contribution to Gross Value Added (GVA) of industry in the base year. The manufacturing sector has the highest weight of about 81.1% followed by electricity sector (11.8%) and the mining sector (6.9%).

The general index of industrial production (IIP) of Karnataka covering mining, manufacturing and electricity sectors for 2013-14 stood at 175.59. The sector wise indices for the period from 2011-12 to 2013-14 with base year as 2004-05 are presented in **Table 9.1**. The overall organized industrial sector of Karnataka has registered 3.66% growth in 2013-14 as compared to 2012-13. Within the organized

industrial sector, Electricity sector has boosted up with highest growth of 11.49% followed by the manufacturing sector (2.92%) and mining sector registered negative growth of (-20.48%). Contraction in mining activities and deceleration in manufacturing output moderate growth was observed in industrial sector.

The average annual growth rates for the overall organized industry mainly for mining, manufacturing and electricity sectors for the period from 2005-06 to 2013-14 with base year as 2004-05 are presented in **Appendix 9.1**. The compounded average growth rate (CAGR) for this period for the entire organized industry was about 6.5% whereas it was 7.0% for manufacturing and 8.1% for electricity. A decline of 12.9% was seen in the output of the State's mining sector.

The quarterly growth in IIP under major sectors for the first three quarters from 2012-13 to 2014-15 with base year 2004-05 along with the sector-wise weights is given in **Table 9.2**. The State's industrial sector has experienced positive growth in all quarters for the current year. The mining sector has once again recorded continuously negative growth rate of 21.49%, 30.05% & 45.59% respectively, whereas Manufacture and Electricity sectors experienced positive growth in the first quarter as a result of which positive growth of 2.32% is observed for the General Index. Similarly in the second & third quarter, electricity sector and manufacturing sector perceived positive growth due to which positive growth rate of 1.58% & 1.69% were observed for General Index

Table 9.1- Index of Industrial Production of Karnataka: 2011-12 to 2013-14**Base Year: 2004-05**

| Sector | Weight | 2011-12 | 2012-13 | 2013-14 |
|----------------|----------|-------------------|---------------------|-------------------|
| Mining | 69.8321 | 49.79 (-57.90) | 36.42** (-26.85) | 28.96 (-20.48) |
| Manufacturing* | 811.3591 | 165.05 (2.41) | 179.19 (8.56) | 184.44 (2.92) |
| Electricity | 118.8089 | 170.85 (15.47) | 180.59 (5.70) | 201.34 (11.49) |
| General Index | 1000.000 | 157.69 (0.69) | 169.38 (7.41) | 175.59 (3.66) |

Note: 1) Figures in brackets indicate percentage changes over the previous year.

2) * Provisional figures. 3) **Index revised as per IBM, Nagpur data

Source: Directorate of Economics & Statistics.

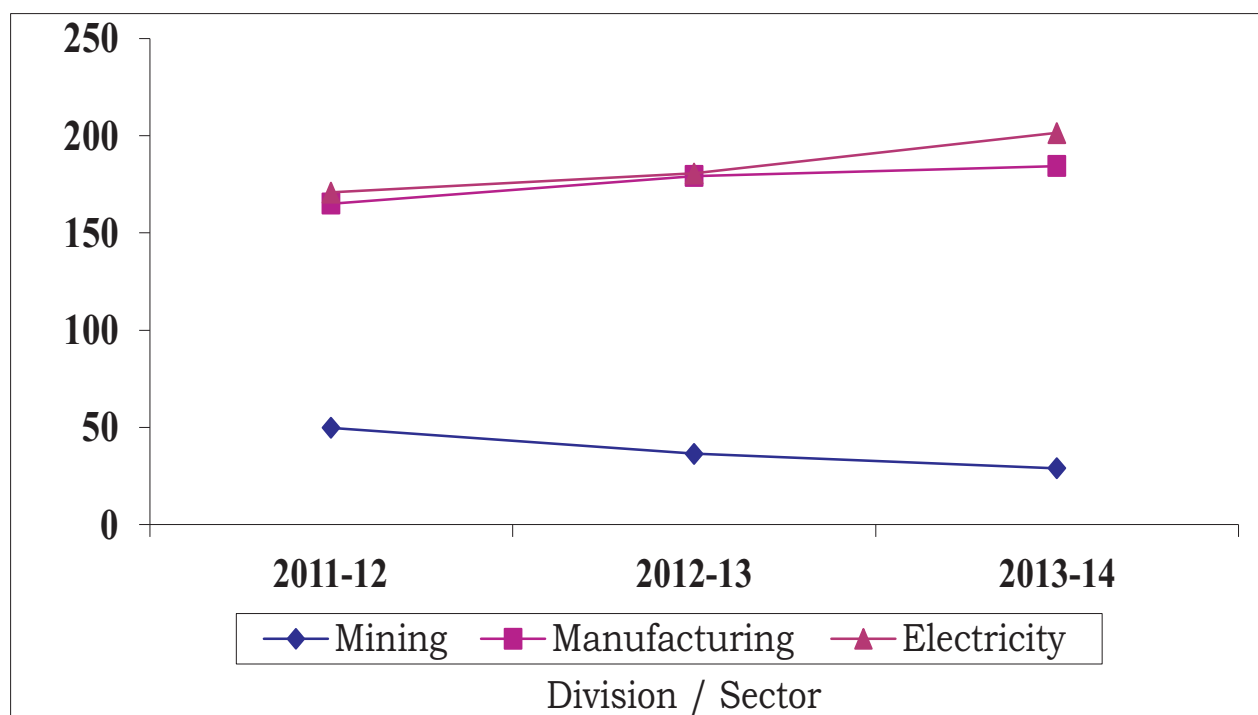
Figure 9.1 Index of Industrial Production of Karnataka-2011-12 to 2013-14

Table 9.2 - Quarterly Growth in IIP: 2012-13 to 2014-15**Base Year: 2004-05**

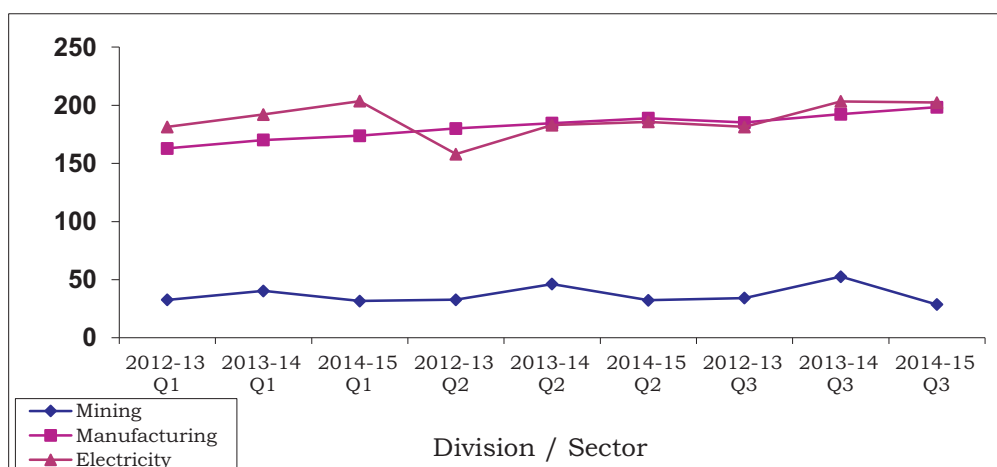
| Period/Sector | Mining | Manufacturing ** | Electricity | General |
|-----------------------|---------------|-------------------------|--------------------|----------------|
| Weight | 69.83 | 811.36 | 118.81 | 1000.00 |
| 2012-13 | 32.64* | 162.91 | 181.36 | 156.00 |
| Q1 April 12 - June 12 | (-56.65) | (12.96) | (31.06) | (12.46) |
| Q2 July 12 - Sept. 12 | 32.72* | 180.10 | 157.97 | 167.18 |
| | (-24.10) | (20.04) | (-1.23) | (16.31) |
| Q3 Oct 12 - Dec. 12 | 34.19* | 185.19 | 181.35 | 174.19 |
| | (35.94) | (10.06) | (2.75) | (9.38) |
| 2013-14 | 40.39* | 170.12 | 192.07 | 163.67 |
| Q1 April 13 - June 13 | (23.74) | (4.43) | (5.91) | (4.92) |
| Q2 July 13 - Sept. 13 | 46.26* | 184.63 | 182.98 | 174.77 |
| | (41.38) | (2.52) | (15.83) | (4.54) |
| Q3 Oct 13 - Dec. 13 | 52.60 | 192.29 | 203.33 | 183.85 |
| | (53.85) | (3.83) | (12.12) | (5.55) |
| 2014-15 | 31.71** | 173.85 | 203.57 | 167.45 |
| Q1 April 14 - June 14 | (-21.49) | (2.19) | (5.99) | (2.31) |
| Q2 July 14 - Sept. 14 | 32.36** | 188.82 | 185.75 | 177.53 |
| | (-30.05) | (2.27) | (1.51) | (1.58) |
| Q3 Oct 14 - Dec. 14 | 28.62** | 198.33 | 202.33 | 186.95 |
| | (-45.59) | (3.14) | (-0.49) | (1.69) |

1.* Revised as per IBM data. ** Provisional

2. Figures in the brackets indicate %age over the corresponding quarter during the previous year.

Source: Directorate of Economics & Statistics.

**Figure 9.2: Quarterly Growth in IIP: 2012-13 to 2014-15
(Quarters I,II and III)**



9.3 Industrial Growth by Use-Based Classification

Industrial growth in terms of use-based classification of industries is presented in **Table 9.3** for four broad groups of organized manufacturing industries: (i) Basic goods, (ii) Capital goods, (iii) Intermediate goods, and (iv) Consumer goods consisting of durables and non-durables. Among the four broad groups, the consumer goods industry sector accounts for the highest weight followed by the basic goods industry. Within the consumer goods industry sector, non-durables account for 24.7% and durables account for 3.7% of the total weight of 28.5%. These weights indicate relative importance of the different groups in the manufacturing industry of Karnataka.

Comparative growth rates of the four broad industrial groups and the two sub-groups of consumer goods from 2011-12 to 2013-14 with base 2004-05 are given in **Table 9.3**. For 2013-14, among the four broad groups, Intermediate goods registered the highest growth of 4.07% followed by Basic goods at 3.64% Capital goods at 3.21% & Consumer goods 1.14%. For the period 2005-06 to 2013-14, with the revised base year as 2004-05, the CAGR for all the groups was 7.04% of which Basic goods stood at 7.05%, Capital goods at 8.06%, Intermediate goods

at 9.14% and Consumer goods at 5.00%. Details of the compounded growth rates are presented in **Appendix 9.2**.

9.4. Industrial Growth by Two Digit Industrial Classification

At the two digit NIC-04 level, manufacturing industry sector has been sub-divided into 22 major industry groups. The weights of each of these major industry groups under manufacturing sector are given in **Appendix 9.3**. Among the major industry groups, Basic Metals have the highest weight of 119.93 followed by Chemical and chemical products (107.89) & Food products & beverages (71.90). These three groups contribute more than 1/3rd of total weight (811.36), for the base year 2004-05.

During 2013-14, among the two digit level industries, highest index is observed in group 22- Publishing & Printing Materials (315.23) followed by group 34- Motor vehicles, Trailers and semi - Trailers (238.45), group 20- Wood and Wood products (231.38), group 29- machinery equipment (218.76) and, group 31- Electrical Machinery & Apparatus (214.17). The indices for two-digit level industries from 2005-06 to 2013-14 with base year 2004-05 are given in **Appendix 9.3**. It is observed that the growth rate has decreased during 2008-09 & has sudden

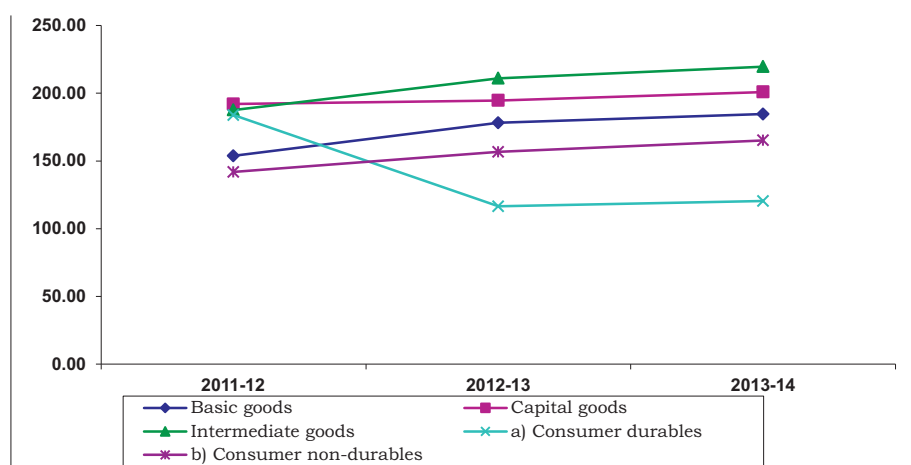
Table 9.3 : Index of Industrial Production for Organized Manufacturing Industry in Karnataka – Use-based Classification: 2011-12 to 2013-14**Base Year: 2004-05**

| Sl. No. | Industry Group | Weight | 2011-12* | 2012-13* | 2013-14* |
|-------------------------------------|--------------------------|----------|----------|----------|----------|
| 1. | Basic goods | 219.8377 | 153.76 | 178.14 | 184.64 |
| | | | (-6.64) | (15.85) | (3.64) |
| 2. | Capital goods | 132.8699 | 192.03 | 194.69 | 200.95 |
| | | | (39.22) | (1.38) | (3.21) |
| 3. | Intermediate goods | 173.5747 | 187.68 | 211.07 | 219.67 |
| | | | (28.40) | (12.46) | (4.07) |
| 4. | Consumer goods | 285.0769 | 147.40 | 153.37 | 155.13 |
| | | | (-10.98) | (4.05) | (1.14) |
| | a) Consumer durables | 37.4330 | 183.85 | 116.51 | 120.36 |
| | | | (18.08) | (-36.62) | (3.30) |
| | b) Consumer non-durables | 247.6439 | 141.89 | 156.70 | 165.20 |
| | | | (-13.28) | (10.43) | (5.42) |
| Total (Manufacturing sector) | | 811.3591 | 165.05 | 179.19 | 184.44 |
| | | | (2.40) | (8.56) | (2.92) |

Note : 1. Figures in brackets indicate percentage change over the previous year.

2. * Provisional Figures.

Source: Directorate of Economics and Statistics.

Figure 9.3: Index of Industrial Production for Organized Manufacturing Industry in Karnataka - Use Based Classifications 2011-12 to 2013-14

shoot up in 2009-10 & observed a fluctuation in 2011-12, 2012-13 & 2013-14.

9.5 Organised Manufacturing Sector

The Annual Survey of Industries (ASI) presents detailed statistics on the manufacturing sector of the organized industrial sector. **Table 9.4** presents ASI statistics for registered factories for 2010-11 to 2011-12 for Karnataka and All-India. Karnataka accounted for 5.27% of the total number of registered factories in 2011-12 in the country. The contribution of registered factories of Karnataka stood at 6.77% of total fixed capital, 6.84% of total output, and 11.51% of Gross Value Added (GVA) in the same year. The share of Karnataka in total registered factories has increased whereas total input has decreased in 2011-12 as compared to 2010-11. However, the relative contribution of Karnataka's registered factories to the national industrial performance in terms of, gross and net value added and profits has increased drastically during the same period.

According to ASI-2011-12 with NIC-2008, the major industrial groups in the registered factory sector of Karnataka in terms of value of output are (i) Basic metals (25.96%), (ii) Coke & Refined Petroleum Products (14.40%), (iii) Food Products (12.21%), (iv) Other manufacturing materials (6.82%), (v) Machinery & equipment (5.89%), (vi) Others (4.30%) and (vii) Electrical equipment (4.29%). These seven industry groups together accounted for more than 74% of the total value of output of registered factories of Karnataka in 2011-12. Details are presented in **Appendix 9.4**.

The important indicators per registered factory based on ASI results for 2010-11 and 2011-12 are presented in **Table 9.5**. Karnataka compares favorably with all-India in terms of all the indicators – per factory investment, employment, output and gross value added. Though registered factories of Karnataka, on an average are more capital intensive than that of all-India, they are also more employment-intensive and generated more value added as well as output.

Table 9.4 - Selected Key indicators of Registered Factories: Karnataka & All-India
(Rs. crore)

| Particulars | 2010-11 | | | 2011-12 | | |
|-------------------|-----------|-----------|---------|-----------|-----------|---------|
| | Karnataka | India | % share | Karnataka | India | % share |
| Industries (No) | 10,722 | 2,11,660 | 5.07 | 11,460 | 2,17,554 | 5.27 |
| Fixed Capital | 1,08,690 | 16,07,843 | 6.76 | 1,31,921 | 19,49,550 | 6.77 |
| Working Capital | 47,255 | 6,20,467 | 7.62 | 48,921 | 5,88,794 | 8.31 |
| Total Output | 2,85,959 | 46,85,212 | 6.10 | 3,94,840 | 57,76,023 | 6.84 |
| Total Input | 2,37,093 | 38,51,963 | 6.16 | 2,82,332 | 47,98,665 | 5.88 |
| Gross value added | 48,866 | 8,33,248 | 5.86 | 1,12,507 | 9,77,357 | 11.51 |
| Net value added | 40,793 | 7,12,640 | 5.72 | 1,03,164 | 8,36,702 | 12.33 |
| Profit | 19,310 | 3,98,002 | 4.85 | 77,791 | 4,51,629 | 17.22 |

Source: Central Statistical Organization (CSO), GOI

The selected economic indicators per worker for Karnataka and All-India are given in **Table 9.6**. Net value added, total output per worker and annual wages per worker reveal that Karnataka was better-off than the all-India, while the State lagged behind with all India for total input per worker in 2011-12.

9.6 Unorganized Manufacturing Sector

The unregistered or unorganized manufacturing sector is an important component of Karnataka's manufacturing industry. The National Sample Survey Organization (NSSO), Ministry of Statistics & Programme Implementation, Government of India conducts periodic surveys covering unorganized sector at the

national level and collect data. The previous survey (67th round) covering unorganized manufacturing enterprise was conducted by NSSO in 2010-11. The highlights of the State wise results of 67th round of NSSO survey covering unorganized manufacturing enterprises are given in **Table 9.7**. Karnataka accounted for 4.37% of total number of unorganized manufacturing enterprises and 4.33% of the total unorganized manufacturing employment in the country in 2010-11.

In addition to the manufacturing sector, service sector enterprises play a crucial role in Karnataka's economy. The highlights of results of NSSO survey covering service sector enterprises (excluding trade) under the 67th round in 2010-11 are presented in

Table 9.5 - Important Indicators per Factory

| Indicator | Unit | 2010-11 | | 2011-12 | |
|-----------------------------|----------|-----------|--------|-----------|--------|
| | | Karnataka | India | Karnataka | India |
| Investment in fixed capital | Rs.Lakh | 1013.7 | 759.6 | 1151.1 | 896.1 |
| Employment | No. | 73 | 60 | 79 | 62 |
| Value of output | Rs. Lakh | 2667.0 | 2213.5 | 3445.3 | 2654.9 |
| Gross Value Added | Rs. Lakh | 455.7 | 393.6 | 981.7 | 449.2 |

Source: Central Statistical Organization (CSO), GOI

Table 9.6 - Selected Economic Indicators of Industries (2008-09 to 2011-12)

| Year | Labour productivity (Net value added per rupee in wages) | | Total input per worker (Rs.lakh) | | Total output per worker (Rs. lakh) | | Annual wages per worker (Rs.) | |
|---------|---|-------|--|-------|--|-------|-------------------------------------|--------|
| | Karnataka | India | Karnataka | India | Karnataka | India | Karnataka | India |
| 2008-09 | 9.9 | 8.8 | 29.6 | 30.3 | 37.8 | 37.3 | 71,120 | 68,103 |
| 2009-10 | 7.7 | 8.4 | 32.5 | 33.1 | 40.1 | 40.6 | 83,218 | 75,277 |
| 2010-11 | 6.8 | 8.3 | 38.9 | 38.8 | 46.9 | 47.2 | 97,406 | 86,449 |
| 2011-12 | 14.6 | 8.4 | 40.0 | 46.0 | 55.9 | 55.4 | 99,948 | 95,662 |

Source: Central Statistical Organization (CSO), GoI

Table 9.7 : Unorganized Manufacturing Enterprises 2010-11

| State | Number (lakh) | | Annual Gross Value Added (Rs.) | |
|------------------|---------------|---------------|--------------------------------|--------------|
| | Enterprises | Workers | Per Enterprise | Per worker |
| Andhra Pradesh | 16.20 | 31.04 | 74012 | 38634 |
| Bihar | 4.48 | 7.51 | 68434 | 40816 |
| Chhattisgarh | 1.65 | 3.52 | 68379 | 32018 |
| Gujarat | 14.17 | 32.15 | 131406 | 57903 |
| Karnataka | 8.61 | 15.09 | 87299 | 49801 |
| Madhya Pradesh | 8.84 | 15.35 | 42714 | 24603 |
| Maharashtra | 13.85 | 32.19 | 146553 | 63069 |
| Orissa | 6.15 | 12.66 | 44786 | 21762 |
| Rajasthan | 6.27 | 12.20 | 110024 | 56590 |
| Tamilnadu | 16.52 | 35.14 | 117350 | 55178 |
| Uttar Pradesh | 23.41 | 52.26 | 64716 | 28992 |
| All India | 197.12 | 348.88 | 89900 | 44347 |

Source: National Sample Survey Organization, GOI.

Table 9.8. The table gives figures for number of enterprises and number of workers as well as GVA per enterprise and GVA per worker. Karnataka accounted for 4.9% of the total service sector enterprises and 4.8% of the total service sector enterprise workers in the Country. In terms of both GVA per enterprise and GVA per worker, Karnataka stood first in the country and accounted for more than twice as much as that of all-India average in terms of GVA per worker and second in GVA per enterprise.

9.7 Micro, Small & Medium Enterprises

Micro, Small & Medium Enterprises (MSMEs) form an important and growing segment of Karnataka's industrial sector. As per the MSME Act 2006, MSME units have been categorized broadly into those engaged in manufacturing and those providing /rendering services. Under the Act, Micro, Small and Medium Enterprises (MSMEs) are classified as under.

During 2013-14, 25966 MSME Units have been registered in the State with an

| Enterprises | Investment in Plant & Machinery (Manufacturing) | Investment in Equipment (Service) |
|-------------|---|-----------------------------------|
| Micro | Up to Rs. 25 lakh | Up to Rs. 10 lakh |
| Small | Above Rs.25 lakh up to` 5 crore | Above Rs.10 lakh uptoRs.2 crore |
| Medium | Above Rs.5 croreuptoRs.10 crore | Above Rs.2 croreuptoRs.5 crore |

Table 9.8 : Service Sector Enterprises (excluding trade) 2010-11

| State | Number (lakh) | | Annual Gross value added (Rs.) | |
|------------------|---------------|----------------|--------------------------------|--------------|
| | Enterprises | Workers | Per enterprise | Per worker |
| Andhra Pradesh | 56.00 | 122.12 | 97420 | 44675 |
| Bihar | 23.09 | 34.37 | 77072 | 51774 |
| Chhattisgarh | 6.76 | 16.61 | 90076 | 44755 |
| Gujarat | 36.35 | 69.70 | 117228 | 61137 |
| Karnataka | 28.11 | 53.90 | 146583 | 76459 |
| Madhya Pradesh | 25.94 | 44.41 | 73604 | 42997 |
| Maharashtra | 51.56 | 101.37 | 149063 | 75824 |
| Orissa | 24.45 | 49.32 | 55235 | 27378 |
| Rajasthan | 21.42 | 37.82 | 117647 | 66649 |
| Tamil Nadu | 44.67 | 90.65 | 146494 | 72191 |
| Uttar Pradesh | 83.83 | 157.79 | 78537 | 41729 |
| All India | 576.73 | 1079.79 | 108951 | 58193 |

Source: National Sample Survey Organization, GOI

investment of Rs. 285056 lakh by providing employment to 167347 persons. Details of year wise registration of MSMEs in the State, persons employed in the registered MSME enterprises and employment per unit during 2012-13 to 2014-15 up to December are given in **Table 9.9**.

As compared to 2012-13, there is a 7.27% increase in the number of units registered, 31.45 % increase in investment and 7.58 % increase in number of persons employed during 2013-14. During the first Nine months of the current year (April to

Dec.2014), 19721 units have been registered with an investment of Rs. 191905 lakh by providing employment to 122286 persons. When compared to previous year for the same period (April to Dec.2013), there is an increase of 12.30 % in the number of units registered under MSME with 4.50% increase in investment and 6.69 % increase in the employment generated. Details of the MSMEs registered in Karnataka are provided in **Table 9.10**. The number of units registered every year in Karnataka has been increasing since 2007-08. Details are in **Appendix 9.5**.

Table 9.9: Micro, Small & Medium Enterprises : 2012-13 to 2013-14

| Year | MSME units | Employment | Employment per unit |
|--------------------------|------------|------------|---------------------|
| 2012-13 | 24206 | 155551 | 6.43 |
| 2013-14 | 25966 | 167347 | 6.44 |
| 2014-15 (up to Dec 2014) | 19721 | 122286 | 6.20 |

Source: Directorate of Industries and Commerce.

25996 units that were registered in Karnataka during 2013-14, about 21.41% (i.e. 5560 units) of the units were related to manufacturing of wearing apparel, dressing and dyeing of fur which occupied the top position followed by Manufacturing of Textiles around 11.09 % registration. Details of the top ten products in which

units were established during 2013-14 are given in **Table 9.11**.

During 2013-14 Manufacturing of Wearing Apparel; dressing and Dyeing of Fur recorded occupied the top position in terms of investment accounting for about 12.52% of the total investments followed by

Table 9.10: Details of MSMEs registered in Karnataka 2011-12 to 2014-15 (Up to Dec.14)

| YEAR | MICRO | | | SMALL | | | MEDIUM | | | TOTAL | | |
|------------------------|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Units (Nos.) | Inv. (Rs. Lakh) | Empl. (Nos.) | Units (Nos.) | Inv. (Rs. Lakh) | Empl. (Nos.) | Units (Nos.) | Inv. (Rs. Lakh) | Empl. (Nos.) | Units (Nos.) | Inv. (Rs. Lakh) | Empl. (Nos.) |
| 2011-12 | 19610 | 43650 | 86216 | 1370 | 91266 | 34400 | 41 | 24724 | 7771 | 21021 | 159641 | 128387 |
| 2012-13 | 22169 | 66019 | 105029 | 1981 | 116791 | 46029 | 56 | 34041 | 4493 | 24206 | 216851 | 155551 |
| 2013-14 | 23229 | 79416 | 110070 | 2661 | 144096 | 46741 | 76 | 61545 | 10536 | 25966 | 285056 | 167347 |
| 2014-15 (Up to Dec.14) | 17786 | 59736 | 83779 | 1877 | 90556 | 33421 | 58 | 41613 | 5086 | 19721 | 191905 | 122286 |

Source: Directorate of Industries and Commerce.

Table 9.11: Top-10 products (by number of units) registered in 2013-14

| Sl. No | Products | NIC-2004 | No. of Units | Investment (Rs. Lakhs) | Employment (Nos.) |
|--------|---|----------|--------------|------------------------|-------------------|
| 1 | Manufacturing of Wearing Apparel; dressing and Dyeing of Fur | 18 | 5560 | 35713 | 27431 |
| 2 | Manufacturing of Textiles | 17 | 2880 | 19668 | 17688 |
| 3 | Manufacturing of wood, products of Wood, Cork, Articles of Straw &Plating Materials, except furniture | 20 | 2305 | 5656 | 6898 |
| 4 | Manufacturing of Food Products and Beverages | 15 | 2271 | 33918 | 19946 |
| 5 | Manufacturing of fabricated Metals Products, Except Machinery and Equipment | 28 | 1710 | 25903 | 12107 |
| 6 | Manufacturing of Furniture; Manufacturing N.E.C | 36 | 1194 | 4940 | 4320 |
| 7 | Manufacturing of Machinery and Equipment N.E.C | 29 | 1152 | 24154 | 9726 |
| 8 | Manufacturing of Other Non-Metallic Mineral Products | 26 | 1090 | 17677 | 9042 |
| 9 | Manufacturing of Chemical &Chemicals Products | 24 | 1019 | 18451 | 9476 |
| 10 | Publishing ,Printing and Reproduction of recorded Media | 22 | 786 | 9833 | 5839 |
| | Grand Total during 2013-14 (62 Classification) | | 25966 | 285056 | 167347 |

Source: Directorate of Industries and Commerce.

Manufacturing of Food Products and Beverages with 11.89 % investment. Details of the top ten products classified by investments are provided in **Table 9.12**.

In terms of employment also, Manufacturing of Wearing Apparel; dressing and Dyeing of Fur stood first by generating about 16.39 %

of the total employment closely followed by Manufacturing of Food Products and Beverages with about 11.91 % employment. Details of employment generated in the units registered during 2012-13 are given in **Table 9.13**.

Table 9.12: Top-10 products (by investment) of units registered in 2013-14

| Sl.No | Products | NIC-2004 | No.of Units | Investment (Rs. Lakhs) | Employment (Nos.) |
|-------|---|----------|-------------|------------------------|-------------------|
| 1 | Manufacturing of Wearing Apparel; dressing and Dyeing of Fur | 18 | 5560 | 35713 | 27431 |
| 2 | Manufacturing of Food Products and Beverages | 15 | 2271 | 33918 | 19946 |
| 3 | Manufacturing of fabricated Metals Products, Except Machinery and Equipment | 28 | 1710 | 25903 | 12107 |
| 4 | Manufacturing of Machinery and Equipment N.E.C | 29 | 1152 | 24154 | 9726 |
| 5 | Manufacturing of Textiles | 17 | 2880 | 19668 | 17688 |
| 6 | Manufacturing of Chemical & Chemicals Products | 24 | 1019 | 18451 | 9476 |
| 7 | Manufacturing of Other Non-Metallic Mineral Products | 26 | 1090 | 17677 | 9042 |
| 8 | Publishing ,Printing and Reproduction of recorded Media | 22 | 786 | 9833 | 5839 |
| 9 | Manufacturing of Rubber and Plastic Products | 25 | 420 | 9349 | 3822 |
| 10 | Manufacturing of Basic Metals | | 334 | 7658 | 3068 |
| | Grand Total during 2013-14 (62 Classification) | | 25966 | 285056 | 167347 |

Source: Directorate of Industries and Commerce.

Table 9.13: Top-10 products (by employment generated) of units registered in 2013-14

| Sl.No | Products | NIC-2004 | No.of Units | Investment (Rs. Lakhs) | Employment (Nos.) |
|-------|--|----------|-------------|------------------------|-------------------|
| 1 | Manufacturing of Wearing Apparel; dressing and Dyeing of Fur | 18 | 5560 | 35713 | 27431 |
| 2 | Manufacturing of Food Products and Beverages | 15 | 2271 | 33918 | 19946 |
| 3 | Manufacturing of Textiles | 17 | 2880 | 19668 | 17688 |
| 4 | Manufacturing of fabricated Metals Products, Except Machinery and Equipment | 28 | 1710 | 25903 | 12107 |
| 5 | Manufacturing of Machinery and Equipment N.E.C | 29 | 1152 | 24154 | 9726 |
| 6 | Manufacturing of Chemical & Chemicals Products | 24 | 1019 | 18451 | 9476 |
| 7 | Manufacturing of Other Non-Metallic Mineral Products | 26 | 1090 | 17677 | 9042 |
| 8 | Manufacturing of wood, products of Wood, Cork, Articles of Straw & Plating Materials, except furniture | 20 | 2305 | 5656 | 6898 |
| 9 | Publishing ,Printing and Reproduction of recorded Media | 22 | 786 | 9833 | 5839 |
| 10 | Manufacturing of Furniture; Manufacturing N.E.C | 36 | 1194 | 4940 | 4320 |
| | Grand Total during 2013-14 (62 Classification) | | 25966 | 285056 | 167347 |

Source: Directorate of Industries and Commerce.

9.8 Selected Industrial Sectors

9.8.1 Status of Implementation of Food parks

I. Food Parks with the Ministry of Food Processing Industries, Govt of India, under the 10th five year plan, the Ministry of Food Processing Industries, Govt. of India had approved the establishment of food parks in Malur in Kolar District, Hiriyyur in Chitradurga District, Bagalkot in Bagalkot District and Jewargi in Gulbarga District. The status of implementation of these food parks are as detailed below:

1. M/s. Innova Agri Bio Tech Park Limited, Malur: The Food Park is being developed in an area of 87 acres of land in Malur, Kolar District. 39.91 acres in the park has been allotted/earmarked to 10 food processing units. The balance land available for allotment is 10.57 acres. The company has started the operations on a commercial scale. The total project cost is Rs. 1800.00 lakhs. The Government of India and Government of Karnataka have sanctioned and disbursed grant of Rs. 400 lakhs each respectively. The implementing agency has mobilized the balance amount including loans from banks and commenced its activities.

The Details of Food processing units established/proposed in the Food Park were as follows:

- M/s Biovet Private Limited - Unit I
- M/s Biovent Private Limited – Unit II
- M/s Quitessence Extracts India Private Limited
- M/s RCC Laboratories India Private Limited
- M/s Cotha Associates
- M/s Century Biologicals Private Limited
- M/s. Malaxmi Agri Ventures Private Limited.,

2. M/s. Green Food Park Limited, Bagalkot: The Food Park is being developed

in an area of 100 acres of land at Navnagar Industrial Area, Bagalkot. The implementing agency has allotted 53 acres of land for 11 food processing units companies and the balance land available for allotment is 1.75 acres. The total project cost is Rs. 1859.00 lakhs. The Government of Karnataka and Government of India have provided grants of Rs. 400 lakhs each as against the total sanctioned amount of Rs. 800 lakhs. The implementing agency has mobilized the balance amount including the loan from banks and the project is under implementation.

The Details of Food processing units established/proposed in the Food Park were as follows:

- M/s BGK Life technologies Private Limited
- M/s Padama Industries
- M/s Bijapur & Bagalkot District Co-operative Milk Producers Societies Union Limited
- M/s Shri Kedar Industries
- M/s Shri Vijay Mahantesh Enterprises
- M/s Laxmi Food Industries
- M/s Nectar Beverages Private Limited
- M/s Mysore Fruits Products Private Limited
- M/s Suvarnamukhi Biotech Park Limited
- M/s Harsha Seeds and Agri Product Privated Limited
- M/s Kenchannavar Oils

3. M/s. Akshay Food Park Limited, Hiriyyur: The Food Park is being developed in an area of 106 acres and 37 guntas of land at Huchavanahally village, Hiriyyur Taluk, Chitradurga District. The implementing agency has allotted 18.35 acres of land for 6 companies and the balance land available for allotment is 38.65 acres. The total project cost is Rs. 1639.00 lakh. The Governments of India

and Karnataka have, each, sanctioned and disbursed grant/un-secured loan of Rs. 400 lakhs. The implementing agency has mobilized the balance amount including loans from banks and commenced operations.

The Details of Food processing units established/proposed in the Food Park were as follows:

- M/s Global Suppliments Unit I
- M/s Global Suppliments Unit II
- Mr. B J Jakeer Hussen
- Mr. Afizulla T A

4. M/s. Jewargi Agro Food Park Limited, Jewargi: The Food Park is being developed in an area of 105 acres of land. The project is under implementation. The total project cost is Rs. 1972.25 lakh. The Government of Karnataka and Government of India have released grants of Rs. 300 lakh each as against the sanctioned amount of Rs. 400 lakh each. The balance amount has been mobilized by the implementing agency.

II. Food Parks under the State Scheme:

As part of the State Budget 2008-09, the Government of Karnataka had approved the establishment of food parks in six districts i.e., Bangalore (Rural), Tumkur, Shimoga, Davanagere, Bijapur and Belgaum. These parks are in various stages of development.

1. **Tumkur Food Park:** M/s. Ramky Infrastructure Limited has been selected for the development of Food Park at Tumkur. Allotment of land at Vasanthanarasapura industrial area, Tumkur is in progress.
2. **Shimoga Food Park:** M/s. LMJ International Limited has been selected as the developer for establishing the food park in an area of 100 acres of land at Sogane Village in NidhigeHobli, Shimoga District. KIADB is forming a connecting road from Nidhige industrial area to the food park site and

the developer is yet to commence the development activities.

3. **Belgaum Food Park:** M/s. LMJ International Limited has been selected as the developer for establishing the food park at Belgaum. KIADB is yet to allot 100 acres of land for the development of the Food Park.
4. **Davanagere Food Park:** There was no response to the notification issued for selection of the private developer for implementing the food project at Davanagere and, KIADB is yet to identify the land.
5. **Ramanagar Food Park (Harohally in KanakapuraTaluk):** The food park project at Harohally in KanakapuraTaluk of Ramanagar District would be taken up after allotment of land by KIADB along with the details of cost of land.
6. **Bijapur Food Park:** 75 acres of land acquired by the Deputy Commissioner, Bijapur at Ittangihala in Bijapur District has been allotted to Food Karnataka Limited for the proposed food park. The tendering process for selection of developer is to be taken up.

III. Spice Park at Byadagi Haveri District:

The State Government has approved the establishment of a Spice Park at Byadagi in Haveri district. No proposals were received for the two notifications issued for selection of developer for the development of Spice Park at Byadgi. In view of this, the board of FKL has decided to initiate the re-tendering process for selection of the developer, only after considering the prevailing cost of the land and verifying the viability of the project.

9.8.2 Textiles Industries

Karnataka NuthanaJavaliNeethi 2013-18

- Karnataka is the first State in the Country to launch State Textile Policy.

- “NuthanaJavaliNeethi 2013-18” has been announced vide G.O.No. Vakai 44 JaKaiYo 2012, Dated : 31-10-2013 is being implemented after completion of SuvarnaVastraNeethi 2008-13.
 - Targets of the proposed policy are as under.
 - Attraction of investments in Textile sector to the tune of Rs.10,000 crores.
 - New employment opportunities to 5 lakhs people.
 - A budgetary provision of Rs.1000 crores has been proposed for NuthanaJavaliNeethi 2013-18 for the policy period of 5 years.
 - NuthanaJavaliNeethi 2013-18 has got the following specialities compared to other States.
 - Maximum Financial Assistance is being provided to MSME sector, 15% to 20% of investments with a ceiling of Rs.2.00 crores.
 - Power subsidy at the rate of Re.1/- per unit to all the industries in the entire gamut of Textile value chain.
 - Existing industries are also assisted with subsidy of 15% to 20% with a ceiling of Rs.1.00 crore.
 - Sick co-operative spinning mills are assisted with subsidy of 20% with a ceiling of Rs.2.00 crores.
 - Textile industries are provided with capital subsidy as well as interest subsidy.
 - Financial assistance to the tune of 40% with a ceiling of Rs.20.00 crores is provided to set up Textile parks in Green Field and Brown Field zones to facilitate Textile industries themselves with infrastructural facilities.
 - Training will be provided to 3 lakhs unemployed people in skill development centres established by Government.
 - More emphasis will be given for development of technical Textile sector.
 - Financial assistance of Rs.10.00 crores will be provided for setting up of centre of excellence for the overall development of Textile sector in the State.
 - These specialties of Nuthana Javali Neethi 2013-18 are not available in any of the other States.
 - With this background, Nuthana Javali Neethi 2013-18 of Karnataka is expected to become a special and historical policy for the development of Textile sector in the State.
- Details of handloom weavers and looms in the State are given in Table 9.14 while details of power-loom weavers and looms are given in Table 9.15. Details of production and employment in the cooperative power-loom and handloom sectors are given in Table 9.16 A and 9.16B.
- During the 11th five year plan, 3000 handloom weavers have been provided with housing facilities. 12500 Handloom weavers have been provided with loan at subsidized rate of 4% / 3% to the tune of Rs. 350.42 lakh. Rs. 4290 lakh has been utilized during the plan period for waiver of loan and interest of weavers. 120 handloom weavers' co-operative societies are being provided with 20% rebate on sale of handloom goods as marketing incentive. Power is subsidized and provided at the rate of Rs. 1.25 per unit for 25000 power-loom units having power connection up to 20 HP benefiting above 90000 weavers.1500 power-loom weavers are being provided with 2 Power-looms each at subsidized rate of 50% subject to ceiling of Rs. 1.00 lakh per beneficiary. Employment for 85000 persons is being generated by imparting skill development training in various segments of textile sector through training and setting up of training centres with an expenditure of Rs. 7000 lakh.

Table 9.14 : Handloom Weavers and Looms in Karnataka

| Sl.No | Particulars | Rural | Urban | Total |
|-------|--|--------|-------|--------|
| 1 | Total Weaver households | 33854 | 3826 | 37680 |
| 2 | Weaver Population | | | |
| | a) Male | 61632 | 6447 | 68079 |
| | b) Female | 60056 | 6203 | 66259 |
| | Total | 121688 | 12650 | 134338 |
| 3 | Weaving workforce | | | |
| | a) No. of adult weavers | 35894 | 4038 | 39932 |
| | b) No. of adult allied workers | 33762 | 3125 | 36917 |
| | Total | 69686 | 7163 | 76849 |
| 4 | Looms | | | |
| | a) Working | 30394 | 4212 | 34606 |
| | b) Idle | 5268 | 614 | 5882 |
| | Total | 35662 | 4826 | 40486 |
| 5 | Per capita income of weaver households (Rs.) | 24840 | 25405 | 24897 |

Source: Handloom census conducted by Govt. of India, 2009-10

Table 9.15: Power-loom Weavers and Looms in Karnataka

| Sl. No. | Particulars | |
|---------|--------------------------|--------|
| 1 | No. of weaver households | 30988 |
| 2 | No. of weavers | 127535 |
| 3 | No. of looms | 88566 |

Source: Power-loom census conducted by Govt. of India, 1995-96

Table 9.16 (A) Production and Employment in Handloom and Power-loom Industries
(In Co-operative sector only)

| Sl No | Item | Unit | Annual Plan 2012-13 | | Annual Plan 2013-14 | | Annual Plan 2014-15 | |
|-------|------------------------------|--------------|---------------------|--------|---------------------|--------|---------------------|-----------------------|
| | | | Target | Acht. | Target | Acht. | Target | Acht. (Upto Dec. end) |
| 1 | Handlooms a) Production | Million mtrs | 45.00 | 46.09 | 50.00 | 47.63 | 55.00 | 41.29 |
| | b) Employment | Lakh | 0.95 | 0.82 | 0.95 | 1.12 | 0.95 | 0.84 |
| 2 | Power-looms a) Production | Million.mtrs | 315.00 | 328.99 | 330.00 | 353.59 | 335.00 | 268.00 |
| | b) Employment | Lakh | 2.60 | 2.56 | 2.60 | 2.60 | 2.90 | 2.94 |

Source: Textile Department

Table 9.16 (B) Production and Employment in Handloom and Power-loom Industries up to December end (In Co-operative sector only)

| Sl No | Item | Unit | Annual Plan 2012-13 | | Annual Plan 2013-14 | | Annual Plan 2014-15 | |
|-------|------------------------------|--------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | | | Target | Acht. (Upto Dec. end) | Target | Acht. (Upto Dec. end) | Target | Acht. (Upto Dec. end) |
| 1 | Handlooms a) Production | Million mtrs | 45.00 | 32.08 | 50.00 | 37.36 | 55.00 | 41.29 |
| | b) Employment | Lakh | 0.95 | 0.84 | 0.95 | 0.82 | 0.95 | 0.84 |
| 2 | Power-looms a) Production | Million.mtrs | 315.00 | 246.48 | 330.00 | 267.57 | 335.00 | 268.00 |
| | b) Employment | Lakh | 2.60 | 2.61 | 2.60 | 2.51 | 2.90 | 2.94 |

Source: Textile Department

During the 12th five year plan, it is planned that 10000 weavers would be provided with housing facilities. 30000 weavers will be provided with 3% interest loans and 10000 employment opportunities will be created for SC/ST beneficiaries by providing training, looms and accessories, working capital and housing facilities. 5000 silk weavers will be covered under catalytic development program of Government of

India for the development of the silk sector in the State. 50 clusters and groups of weavers will be identified and developed under integrated handloom development scheme with coverage of about 10000 weavers. All handloom weavers will be provided with yarn subsidy at the rate of Rs.15 per kg of yarn purchased through National handloom development corporation which is subject to change

according to market fluctuations. The benefit of power subsidy will be extended to power-loom units having power connection up to 50 HP. 20000 weavers will be provided with 2 power looms each at subsidized rate of 50% subject to ceiling of Rs. 2.00 lakh per beneficiary with 5000 SC/ST beneficiaries being provided looms with 90% subsidy. The benefit of power subsidy of Re. 1 per unit will be extended to the old spinning mills also to prevent further closure of mills. Financial assistance will be provided for taking up modernization of ginning, pressing and spinning mills. Special emphasis will be given to technical textiles sector. There would be a special focus on employment generation to the tune of 5 lakh persons and investment mobilization of Rs. 10000 crore.

During the year 2013-14, Rs.23984.79 lakhs budget has been released including central share of Rs.47.96 lakhs. Rs.1499.00 lakhs has been spent for providing living cum workshed for 1570 handloom weavers. Rs.299.63 lakhs has been paid as interest subsidy for 3% interest loan to 4989 Handloom weavers. Rs.150.00 lakhs has been released to 35 weavers co-ops. towards interest on Thrift fund scheme. Rs.600.00 lakhs has been released to 120 handloom weavers' co-operative societies towards 20% rebate on sale of handloom products. Power subsidy of Rs.4692.08 lakhs has been released to Electricity supply companies towards power subsidy of 24000 units. Rs.500.00 lakhs has been released for providing Power-looms to 444 weavers at 50% subsidized rate. Under SCP & TSP Rs.764.59 lakhs has been released. Power subsidy of Rs.249.20 lakhs has been released to Electricity supply companies towards 3483 Power-loom units in backward taluks. Rs.465.80 lakhs has been released for providing Power-looms to 405 weavers in backward taluks at 50% subsidized rate. Rs.270.00 lakhs has been released for Common facility centres in backward taluks. Under Suvarna Vastra Neethi scheme, Rs.2500.00 lakhs additional allotment has been made.

Rs.1000.00 lakhs has been released for providing Garment training to 5653 SC, 5349 ST and 11474 other beneficiaries, Rs.937.66 lakhs has been released as incentives and concession to 139 Textile units. Rs.47.96 lakhs was released for development of 7 Handloom clusters. Rs.2136.71 lakhs has been released to KHDC for implementation of the various schemes.

During the year 2014-15, Rs.11371.36 lakhs budget has been released up to December end, out of the total budget of Rs.24154.94 Lakhs. Out of the released amount Rs.427.34 lakhs has been released for incentive and concessions. Rs.267.16 lakhs has been released subsidy for Pipeline project. Rs.1236.42 lakhs has been released for training 18169 candidates under Garment manufacturing. Rs. 115.20 lakhs has been released to M/s Etco denim pvt.ltd., Bijapur subsidy for incentive and concessions. Rs. 738.10 lakhs has been released for construction of 768 Living Cum Worksheds. Rs.300.00 lakhs has been released to 94 Co-operative societies and Cauvery Handlooms to encourage the marketing of Handloom products under the 20% rebate scheme. Rs.2464.00 lakhs has been released to Electricity supply companies towards arrears of power subsidy provided to 24000 Power-loomunits .Rs. 22.67 lakhs has been released towards interest subsidy for lsons availed by the weavers under 3% interest loan scheme. Rs. 250.00 lakhs has been for the supply of 2 looms to weavers. Rs. 500.00 lakhs has been released towards Rejuvenation of woollen sectors. Rs.300.00 lakhs has been released for setting up of Wollen Textile Mill in Kamadhod, Haveri district. 1055 Scheduled caste and 558 Scheduled tribe unemployed candidates have been introduced to weaving activity for which Rs. 1012.51 lakhs respectively were released. Rs. 995.00 lakhs has been released to Karnataka Handloom Development Corporation for implementation of various schemes of the Corporation.

9.8.3 Sericulture

Sericulture is one of the major employment generating sectors in the State and its growth has immense employment generation potential, particularly in rural Karnataka. The area under mulberry cultivation in the State was about 88879 hectares at the end of December 2014, which is higher than the area under mulberry cultivation in 2013-14

(Table 9.17). The production of cocoons, quantity of cocoons marketed, raw silk production was high in 2014 compared to 2013 and total employment in industry was high in 2014 compared to 2013. Details of the State's production and imports of silk yarn are presented in Table 9.18. Table 9.19 provides details of expenditure incurred under various sericulture promotional programs while Table 9.20 presents details of financial assistance availed by reelers

Table 9.17 : Sericulture industry in Karnataka 2011-12 to 2014-15 (upto December 2014)

| Category | Unit | 2011-12 | 2012-13 | 2013-14 | April to December | | % variation 2013 over 2012 |
|--------------------------------|---------------|---------|---------|---------|-------------------|-------|----------------------------|
| | | | | | 2013 | 2014 | |
| 1. Area under mulberry | '000 hectares | 70.96 | 74.13 | 80.87 | 80.57 | 88.88 | 9.09 |
| 2. Production of cocoons | '000 MTs. | 55.96 | 49.44 | 61.41 | 44.81 | 50.79 | 24.21 |
| 3. Quantum of Cocoons marketed | '000 MTs. | 55.03 | 48.95 | 45.99 | 33.49 | 36.03 | -6.04 |
| 4. Raw silk production | '000 MTs. | 7.79 | 7.06 | 8.57 | 6.25 | 7.11 | 21.38 |
| 5. Employment in sericulture | Lakh | 9.22 | 9.63 | 10.51 | 10.47 | 11.55 | 9.13 |

Note: MTs -Metric Tonnes

Source: Department of Sericulture.

Table 9.18 : Production of raw silk in Karnataka and import of raw silk in India

(Qty: MT)

| Year | Production of raw silk in Karnataka | Import of raw silk by India |
|----------|-------------------------------------|-----------------------------|
| 2011-12 | 7796 | 5673 (P) |
| 2012-13 | 7063 | 2588 (p) |
| 2013-14 | 8574 | 3260 |
| 2014-15* | 4329* | 849* |

P: Provisional Data * April to December period; Source: DOS, Karnataka & DGCI&S, Kolkata

Table 9.19 : Promotional Programs for Sericulture (2014-15)

| Sl No. | Programmes | 2014-15 Budget allocation | December 2014 end of expenditure |
|--------|---|---------------------------|----------------------------------|
| 1 | Catalytic Development Programme | 3927.00 | 1740.70 |
| a | Special Development Plan (SDP) | 900.00 | 176.77 |
| b | Hydrabad Karnataka Regional Development programme | 600.00 | 254.25 |
| c | Special Component Sub Plan (SCSP) | 1337.50 | 269.44 |
| d | Tribal Sub-Plan (TSP) | 635.50 | 125.53 |
| 2 | RKVY | 500.00 | 205.16 |
| 4 | New Initiatives for Sericulture Development & Assistance to Stake holders | 5338.00 | 2844.93 |
| a | Special Component Sub Plan (SCSP) | 641.00 | 203.29 |
| b | Tribal Sub-Plan (TSP) | 261.00 | 39.01 |
| | Total | 14140.00 | 6070.73 |

Source: Department of Sericulture.

Table 9.20 : Financial Assistance availed by Reelers and Sericulturists (2014-15)

| A. Financial Assistance to Reelers | 2012-13 | | 2013-14 | | April - Dec 2014-15 | |
|--|---------------|-------------------|---------------|-------------------|---------------------|-------------------|
| | Beneficiaries | Amount (Rs. Lakh) | Beneficiaries | Amount (Rs. Lakh) | Beneficiaries | Amount (Rs. Lakh) |
| Charaka | - | - | - | - | - | - |
| Cottage Basin | - | - | - | - | - | - |
| Multi-end basin | - | - | - | - | 2 | 127.00 |
| Total | - | - | - | - | 2 | 127.00 |
| B. Financial Assistance to Sericulturists | | | | | | |
| Mulberry Plantation | 146 | 31.392 | 238 | 46.926 | 67 | 17.895 |
| Purchase of equipment | 39 | 8.444 | 208 | 50.69 | 57 | 24.282 |
| Construction of Rearing House | 80 | 206.835 | 342 | 864.84 | 168 | 478.434 |
| Irrigation system | 1 | 0.442 | 4 | 1.342 | 14 | 36.50 |
| Total | 266 | 247.113 | 792 | 963.798 | 310 | 811.111 |

Source: Department of Sericulture.

and Seri culturists. During 2013-14, the estimated mulberry silk production in India was about 18715 MTs of which Karnataka's share was 8574.

The reduction of custom duty on raw silk from 30% to 5% during March 2011 has had a serious impact on the sericulture industry in Karnataka. It is to be noted that the raw silk price in the country is directly related to imported Chinese raw silk price. Reduction of customs duty has resulted in the drastic fall in the silk and cocoon prices in the State resulting in distress sale and large scale agitation by the farmers and other stakeholders.

Considering the above-mentioned issues, the State Government had introduced a scheme of providing incentive to cocoons to farmers in 2011-12. The State Government had announced a package upto Rs.30/- per kg cocoons as distress relief when the cocoon rates go below a package upto Rs.160/-. To encourage and motivate the farmers to continue in sericulture, the Govt. of Karnataka has introduced a scheme of providing incentive of Rs.30/- per kg. to cross-breed cocoons and Rs.50/- per kg. to bivoltine cocoons. The State Government is also actively pursuing the issue of minimum support price for silk with the Government of India.

In the Union Budget of 2013-14 the duty on raw silk imports has been raised from 5% to 15% as against the request for 30% by State Government in the interest of stake holders

with this average cocoon prices of cocoons/kg has gone up.

In 2013-14 many innovative programmes are implemented for the development of Sericulture, like up-gradation of cocoon market, equipping cold storages, pledge loan, seed cocoon incentives etc., of automatic reeling machines, benefits to landless Sericulturists.

During 2014-15 following new Programmes are announced (1) Rs.5 crore will be provided for waiver of loans taken by 1027 sericulturists and reelers during 1982-1995 under Indo-Dutch scheme. (2) 100 Customer Service Centres will be opened. Allocation of Rs.1 crore will be made to provide 90% subsidy for supply of equipment to these centres. (3) Comprehensive and transparent e-tendering system will be established for marketing of cocoon and raw silk.

Karnataka Silk Marketing Board Ltd

The Karnataka Silk Marketing Board Ltd. promoted by the Government of Karnataka was established in 1979. This was done with the intention of stabilising the prices of Silk yarn. During 2013-14 The Company has made a turnover of Rs3860.00 Lakhs as against the turnover Rs.4647.40 Lakhs in the previous year. During this year up to Dec-2014 the turnover was Rs.2190.00 Lakhs. **Table 9.21** presents details of Financial performance of Silk Marketing Board.

Table 9.21 - Financial performance of Silk Marketing Board

(Rs in Lakhs)

| Particulars | 2011-12 | 2012-13 | 2013-14 | 2014-15 (Upto Dec-2014) |
|----------------------------|-----------|-----------|------------|----------------------------|
| 1. Turnover | 4320.00 | 4647.40 | 3860.00 | 2190.00 |
| 2. Profit after tax | (-)368.70 | (-)154.47 | (-) 541.82 | (-) 325.00 |

Source : Karnataka Silk Marketing Board.

During 2014-15 upto December, the transactions in the Silk Exchanges have decreased (36 %) by 348 M. tons when compared to the corresponding period of previous year. The prices of silk yarn for filature silk has decreased by 6% and charka silk prices were decreased by 13%.

During 2013-14 the Company has purchased 132 tons of silk amounting Rs.39.09 Crores and sold 129 tons valued Rs.38.60 Crores and the loss incurred was Rs.541.82 Lakhs. **Table 9.22** presents details of Transactions of Silk Yarn at Silk Exchange and average prices for past three years.

During the year 2013-14 the prices of imported silk in the domestic market was higher than the domestic silk price and the prices of domestic silk were on higher side throughout the year, when compared to previous year.

The Company had purchased the silk by offering the day to day market price and purchased 132 tons and sold 129 tons during 2013-14 and to the end of the year 31-03-2014 the stock holding was 24 tons. During 2014-15 upto December -2014, 63 tons of silk was purchased and sold 75 tons and the closing stock at the end of December - 2014 was 15 M. tons. **Table 9.23** presents details of Particulars of Purchase

Table 9.22 : Transactions of Silk Yarn at Silk Exchange and average prices during 2011-12 to 2014-15 (Upto Dec-2014)

| Year | Quantity | Average Price Rs. Per Kg. | |
|--------------------------|----------|---------------------------|--------|
| | (Tonnes) | Filature | Charka |
| 2011-12 | 1310 | 1913 | 1655 |
| 2012-13 | 1238 | 2236 | 2182 |
| 2013-14 | 1358 | 2860 | 2624 |
| 2014-15. Upto Dec-14) | 1371 | 2672 | 2305 |

Source : Karnataka Silk Marketing Board.

Table 9.23 : Particulars of Purchase & Sales and Profit/Loss of Silk Marketing Board from 2011-12 to 2014-15 (up to December -2014)

(Quantity in tons and value in Rs. Lakhs)

| Year | Purchase | | Sales | | (+/-) Profit (-) Loss Rs. | Accumulated Loss Rs.(-) |
|-------------------------|----------|-------|----------|-------|------------------------------|----------------------------|
| | Quantity | Value | Quantity | Value | | |
| 2011-12 | 270 | 5008 | 215 | 4320 | (-)368.70 | 3208.74 |
| 2012-13 | 118 | 2696 | 209 | 4647 | (-)154.47 | 3363.21 |
| 2013-14 | 132 | 3909 | 129 | 3860 | (-)541.82 | 3905.00 |
| 2014-15 Upto Dec-14) | 63 | 1718 | 75 | 2190 | (-)325.00 | 4230.00 |

Source : Karnataka Silk Marketing Board.

& Sales and Profit/Loss of Silk Marketing Board from 2011-12 to 2014-15. The production of silk yarn and import of silk yarn in Karnataka from 2011-12 to 2013-14 is given in **Table 9.24**.

Karnataka's contribution for sericulture development is substantial. In various process of sericulture and Silk Industry, over the years, the function of KSMB has become a vital link in a stage at which effort of the farmers get money value in real terms. The government of Karnataka has given a financial support by releasing Rs.1 Crore during 2013-14 to meet the administrative expenses. Further to increase the turnover, Government has agreed to give a guarantee to Canara Bank to avail loan up to R.15 Crores. A proposal is

sent to the Government to assist with a financial support of Rs.50 Crores for the revival of the Board. The value of silk goods exports earing from Karnataka is given in **Table 9.25**.

9.8.4 Karnataka Information Technology and Biotechnology Services

The Information Technology Revolution in Karnataka began with the establishment of the multinational company viz., Texas Instruments in 1984. Recognizing the importance of dedicated telecom infrastructure and connectivity, Software Technology Parks of India (STPI) established its first Earth station at Bangalore in 1992. This catalyzed the positive growth in the Information

Table 9.24 : Production of silk yarn and import of silk yarn in Karnataka 2011-12 to 2013-14

| Year | Karnataka Silk Production (in tons) | Import of Silk Yarn (in tons) |
|-------------|--|------------------------------------|
| 2011 - 2012 | 7796 | 5673 |
| 2012 - 2013 | 7063 | 4951 |
| 2013 - 2014 | 8574 | 3259 |

Source : i) Karnataka Silk Marketing Board.
ii) Central Silk Board

Table 9.25 - Earning from exports of Silk Goods from Karnataka and India

| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 (April- October) (P) |
|------------------------|---------|---------|---------|---------|------------------------------------|
| Karnataka | 712.62 | 693.47 | 674.92 | 608.81 | 335.44 |
| India | 2863.76 | 2353.34 | 2303.53 | 2480.97 | 1617.58 |
| Share of Karnataka% | 24.88 | 29.47 | 29.30 | 24.54 | 20.74 |

P = Provisional; Source: Directorate General of Commercial Intelligence & Statistics, Kolkata

Note: 1. Figure includes silk yarn & silk waste.

2. Value of export of silk-goods figures from Karnataka reflects the exports consignments dispatched from ports viz., Bangalore Air and Bangalore, ICD.

Technology sector with 13 companies in 1992 exporting software worth USD 3 million to 2425 companies in 2013 exporting software worth Rs. 1,80,000/- Crores there by maintaining a steady growth.

Karnataka continues to be the most preferred destination for all global Information Technology & Biotechnology giants due to numerous favorable factors such as:

- Pro-active Government
- Industry friendly Labour Laws
- Salubrious Climate
- Excellent Law & Order situation
- Absence of Natural Calamities
- Talent pool of highly trained professionals
- Cosmopolitan social life in the cities particularly at Bangalore
- Investor friendly opportunities

The Information Technology Industry in the State has emerged as one of the largest job providing sector. The Industry provides direct employment to over a million and indirect employment to over 3 million.

Bangalore, the 4th Best Technology Hub in the world, after Silicon Valley, Boston and London (as per United Nations Development Programme (UNDP) Report), has become a global brand in the Information Technology space. Almost all the Fortune 500 Companies have one or the other of their operations outsourced in Bangalore. Many global brands such as GE, Texas Instruments, Intel, AMD, SAP, CISCO, Microsoft, Motorola, Nokia etc., have their Research & Development (R & D) activity based in Bangalore.

The secondary cities of Mangalore, Mysore, and Hubli - Dharwad are also emerging as attractive destinations for Information Technology / Information Technology enabled Services (ITeS) Business Processing Outsourcing (BPO) and Telecom services.

Vision

- To position Bangalore to be the Information Technology Research & Development and product hub of India.
- To maintain Karnataka's leadership in outsourced Information Technology services.
- To retain Karnataka's position as the state with largest skilled workforce in India for Information Technology services, Products and Research & Development.
- To enable Karnataka to be the most preferred destination for MSME (Micro, small and medium enterprises).
- To be the disaster recovery/ Business continuity hotspot due to the state's unique and secure geo-position.

a) Information Technology Investment in Karnataka

The information technology (IT) sector in Karnataka has become one of the main growth drivers of Karnataka's economy. Information Technology activity in Karnataka is largely concentrated in Bangalore. Lately, other parts of Karnataka have also seen a growth in IT-related activities.

Bangalore was the first city in India to set up a satellite earth station for high speed communication services to facilitate software exports in 1992. The State made a giant leap in the Information Technology sector by establishing the Country's first extended facility of the International gateway and network operations centre at the Software Technology Park of India (STPI) in the Electronic city. Karnataka is home to over 2500 IT companies, contributing to over Rs. 1.80 lakh Crores of exports, giving direct employment to over 10 lakh professionals and creating over 30 lakhs indirect jobs. The industry contributes to over 25% of the State's GDP. The share of Karnataka in Information Technology exports is nearly 38% of the country's exports.

Penetration of ITBT into regions other than Bangalore:

The thrust of the Information and Communications Technology (ICT) Policy and Electronic System Design and Manufacturing (ESDM) Policy is on development of IT and ESDM Companies in the Tier – 2 / 3 Cities of Hubli – Dharwad, Mysore, Mangalore, Gulbarga and Belgaum. While IT Parks have been developed in Hubli-Dharwad, Shimoga and Gulbarga, the Government would get feasibility study done for IT Parks in Mysore, Mangalore and Belgaum. Skill Development programs are also proposed to be considered in Tier – 2 and Tier – 3 cities, especially for the Karnataka ESDM companies.

b) Policy Framework for Attracting Private Investments

(i) Karnataka I4 Policy (IT, ITES, Innovation Incentives Policy)

The Government has brought out new IT Policy i.e., Karnataka I4 Policy (IT, ITeS, Innovation Incentives Policy) where in several incentives are being offered to new IT / ITES and other knowledge based sectors to set up their facility in Tier2/3 Cities across Karnataka.

The Dept. of IT, BT and S&T acts as Single Window Agency for clearance of IT / ITeS / Start-ups / other Knowledge based industries.

Some of the highlights of the i4 policy are as under:

- Employment Linked Incentivization of Land Allotment(E-LILA) outside Bangalore Urban and Rural districts' Limits
- Land allotment for IT / ITeS, Animation-Computer Graphics Imagery (CGI) / Knowledge based industries at concessional rates.
- Allotment linked to employment generation for investments outside Bangalore Urban and Rural Districts.

- Thrust to promote Tier2/3 cities.
- Incentives available only for direct end users.
- Land will be allotted at the rate of 1 acre for every 1000 jobs created.
- Start-up companies to be provided plug and play space with internet at concessional rates of Rs.5-15 per square feet depending on location
- Dept. of IT, BT and S&T to act as Single Window Agency for clearance of IT / ITeS / Start-ups / other Knowledge based industries.
- Exemption of Karnataka Industrial Employment (Standing Orders) Rules, 1964 to IT / ITeS / Start-ups / other Knowledge based industries for a period of 5 years.
- IT / ITeS / Start-ups / Animation / KPO / Knowledge based industries to be treated at par with Public Utilities.
- Reimbursement of PF/ESI of Rs.2000 Per month per employee for 2 years for all new employment created in Tier2/3 Cities.
- Industrial Power tariff will be applicable to all IT / ITeS / BPO / Telecom / KPO / Start-ups / Animation / KPO / Knowledge based industries
- Stamp Duty Exemption of 75% in Mysore and Mangalore for IT / ITeS / Start-ups / other Knowledge based industries in addition to other locations.
- Skill development programme for training unemployed youth in basic IT/BPO/ESDM/Telecom etc.

(ii) Setting up of Startup ware House in Bangalore.

Government of Karnataka (GoK) / Karnataka Biotechnology and Information Technology Services (KBITS) in partnership with National Association of Software Services Companies (NASSCOM) has set up the first start up ware house at Diamond

District, Old Airport Road, Bangalore. This is one of the recommendations of the Karnataka ICT Group (KIG) 2020 Report. The first start up ware house has been running successfully and it has facilitated 35 start ups and another 40 are waiting for the space. All the start ups incubated in the ware house are reported to be in Bangalore only and grow their operations locally.

Bangalore is now also known as the Startup Capital of India and it is reported that nearly 30% of the startups are from Bangalore. Encouraged by the success of the first ware house, GoK/KBITS now proposes to put up a second start up ware house in the city and the preliminary works have already been completed and it is expected to take off before March 2015 and is expected to accommodate around 500 work stations along with other infrastructure.

(iii) Karnataka Semiconductor Venture Capital Fund (KARSEMVEN Fund)

Traditionally, Karnataka has been the favored destination for the technology sector in software, semiconductors and biotechnology. Bangalore has been preferred hub of the Government of India (GoI) defence labs. This coupled with the talent pool, access to engineering colleges and attractiveness as an investment destination for private sector companies, has created an ecosystem giving Karnataka a national edge. Bangalore is the largest hub of semiconductor design companies, outside the Bay Area in California. Nearly 70% of the country's chip designers work here and around 80% of the sector's revenues in design are from this city alone.

Government of Karnataka focus is on 3 key activities.

- I. Promote Karnataka as a semiconductor design hub.
- II. Attract investments in high-tech semiconductor manufacturing.
- III. Promote generation and use of green energy specifically solar energy.

(iv) Focus on manpower development

GoK / KBITS has set up Karnataka Semiconductor Venture Capital Fund (KARSEMVEN Fund) for assisting Companies in the Semiconductor sector. The total fund size is Rs.96.15 Crores. The fund has achieved the initial closing of Rs.50 crores on 9/5/2014.

The fund has become operational and the Investment Committee has been set up. Applications from the Companies seeking assistance are being examined.

This is a major achievement in taking the investments in Semiconductor industry forward.

(iv) KAVGC Policy: As per the Karnataka Animation, Visual Effects, Gaming and Comics (KAVGC) Policy the following projects are being implemented.

a) Digital Art Centers

As per the KAVGC policy Digital Training Centres (DTCs) being set up in 7 Art Colleges/Schools across Karnataka in association with Association of Bangalore Animation Industry (ABAI) providing education in traditional arts are proposed to be equipped with Digital Lab and Technologies so that the digital component can be included in the curriculum and offerings by the State's educational institutes. The Project is known as Digitalization of Art Colleges (DACs)

It is proposed to set up the above facilities in 7 DACs in the first phase in Centre for Information Science and Technology (CIST) - Mysore University, Maya Academy of Advanced Cinematics (MAAC)-Hubli, Framebox-Sirsi, Jingles-Gulbarga, Karnataka Chitrakala Parishad and AIGA in Bangalore and Hampi. MoUs have been entered into between ABAI & KBITS for setting up of Digital Art Centers (DACs) in 7 art schools across Karnataka.

b) Commencement of Train The Trainer Programme (TTT)

This is a programme which is basically aimed at bridging the gap in the current

education sector thereby improving the overall level of knowledge imparted in the Animation, Visual Effects, Gaming and Comics (AVGC) Industry and Government of Karnataka in association with ABAI has taken steps to set up a “Train the Trainer” (TTT) Hub in Bangalore.

Objectives of TTT are:

1. To ensure that basic curriculum is prescribed for various long term /short term courses for the development of artistic and technical talent.
2. For bringing in experts and trainers to conduct programmes to create the first batch of trainers in the proposed centres.
3. To develop know-how, tools and learning pedagogy for AVGC education at all levels.

ABAI has entered into MoU with KBITS for setting up of Train The Trainer (TTT) facility in Bangalore. The project is ready for inauguration.

c) Setting up of AVGC Lab & Digital Media City

Government of Karnataka / KBITS proposes to set up State of the Art AVGC Lab and Digital Media City in Bangalore under Public Private Partnership (PPP) for the benefit of the Animation Industry in Karnataka. KBITS / GoKhas entered into MoU with ABAI for selection of the Private Partner through Global tender for the project.

(v) Karnataka's Electronics Systems Design and Manufacturing Policy 2013

Electronic Systems Design and Manufacturing (ESDM) is the fastest growing segment of the Information and Communications Technology (ICT) sector. As per the National Electronics Policy – 2012 (NEP-2012), ESDM is expected to grow to USD \$400 Billion by the year 2020 and will generate a total employment of over 28 million. The objective of the Karnataka ESDM Policy is to facilitate, promote and

develop the “ESDM” sector in the State of Karnataka and make Karnataka a preferred destination for investment in Telecommunications, Defense, Medical, Industrial, Automotive, Consumer Products, applications and components, parts, and accessories required for the aforesaid products and applications. The following targets are set for Karnataka ESDM Policy:

Department of Electronics and IT, Government of India has approved setting up of Brownfield ESDM Clusters-One in Electronics City, Bangalore and another in Mysore. The ESDM Clusters will be set up on PPP mode, stake holders being Government of India, State Government and Industry bodies.

1. Emerge as the leading contributor to India's ESDM sector by accounting for at least 10% of the USD \$400 billion by 2020,
2. Generate over 20% of the country's total ESDM exports targeting at USD \$80 billion by 2020,
3. Develop core competencies in specific ESDM verticals such as telecom, defense electronics, avionics and energy.
4. Make Karnataka the country's preferred destination for investments in ESDM, and
5. Generate at least 240,000 new jobs, 25% of India's PhDs and 5000 patent filings in ESDM sector in Karnataka by 2020
6. Increase the value-addition that is done in Karnataka.

(vi) ICT Skills Development Society

As per the i4 Policy of the Government ICT Skills Development Society (ICTSDS) has been registered in March 2014 with the mandate to take up Skill Development activities in consultation with the Industry for training un-employed and under-employed youth in basic ICT domains of

sub-sectors like BPO, Telecom, ESDM, Manufacturing, Services, Health, Automation etc.

The ICT Skills Development Society has been selected to roll out a skilling program in ESDM Sector by the Department of Electronics and Information Technology, Government of India. Karnataka has been selected as one among six states in the country to implement this Govt. of India Scheme which is to the tune of Rs. 14.3 Crores per state and a provision to provide skilling in ESDM sector to 15,000 youth per state. MoUs have been signed with (i) National Institute of Electronics and Information Technology, Govt. Of India (ii) Electronics Sector Skill Council of India and (iii) Telecom Sector Skill Council.

Skilling program has been launched on Oct 30, 2014 in Bangalore. The Scheme has provision of funding Rs. 14.3 Crores from the Govt. of India for training of 15,000 youth over next four years. Best of breed solutions are being employed in implementing this project. Website of ICTSDS was launched on Sept 18, 2014 and all relevant information and details have been put on the website. The website also gives details of the courses, the industry linkages and other opportunities.

Department of Higher Education, Ministry of Human Resource Development (MHRD), Government of India, proposes to set up 20 new Indian Institute of Information Technology (IIIT) in different parts of the

country. Partners in setting up the IIITs would be Govt. of India (MHRD), State Governments and Industry, who will contribute the tentative estimated cost of Rs.128 Crores in the ratio of 50:35:15. State Government has given its commitment to provide its share of capital expenditure as well as to allot 50 acres of land free of cost. Govt. of India has given its approval for setting up of IIIT project in Dharwad. State Government has recently allotted 61.06 acres of Government land in Dharwad for setting up of Indian Institute of Information Technology (IIIT). Table 9.26 represents performance of Information and Communication Technology Sector.

C. Investment in Biotechnology

Karnataka has played a key role in India's emergence as a significant player in the global biotechnology industry. Karnataka is home to 60% of the country's biotech units. There are over 400 biotech units in the country and in Karnataka their number has increased to 226 in 2013-14 with Karnataka contributing to 26% (1.04 Billion USD) of total Biotech Revenues of over 5.0 Billion USD

This number continues to grow with most of the well-known companies continuing to choose Karnataka for their operations. The biotech export revenues contribution of Karnataka is 530 million USD. The domestic sales revenues is currently 509 million USD.

Table 9.26: Performance of Information and Communication Technology Sector

| Sl. No. | Particulars | Unit | 2013-14 | 2014-15 (up to Dec. 2014) |
|---------|------------------|---------------|----------|------------------------------|
| 1 | IT Units | No. | 2425 | 2560 |
| 2 | IT Exports | Rs. in Crores | 1,80,000 | 1,76,610 |
| 3 | No. of Employees | No. in Lakhs | 9.5 | 10 |

Source : Department of ITBT

Karnataka has put in place a strong policy framework to provide all requisite resources for enhancing this industry's research and development capabilities. Being the pioneer of the biotechnology industry, the State has built up considerable resources and talent pool that are well suited for the needs of the industry. Karnataka was one of first Indian States to frame an industry-oriented biotechnology policy. The millennium biotech policy was formulated by Karnataka Government in 2001 itself to give a thrust to the biotechnology industry in the State. Keeping in tune with rapid changes in the industry, the policy was revised in 2009 and is now being worked up to release version 3.0 of the policy to integrate adoption of new technologies as well as innovation to meet challenges that continue to persist in the society. Karnataka is highest in R&D expenditure in South India.

Highlights of Progress in Alignment with Biotech Policy II:

1. Bangalore Bio Innovation Center (BBC) on fast track to be launched by end of Dec 2014 in Bangalore Helix Park, Electronics City
2. BBC with capacity to house over 20 SMEs with access to high tech instrumentation facility will be an integral part of the Biotech Ecosystem to provide impetus for innovation.
3. Institute for Bioinformatics and Applied Biotechnology (IBAB) and Centre for Human Genetics (CHG) well established in Bangalore Helix Park are being strengthened with hostel and training facilities.
4. MOA signed with Centre for Scientific Industrial Research-Central Food Technological Research Institute (CSIR-CFTRI) to establish Phase I (Incubation Suites cum Common Instrumentation Facility) in the campus of CFTRI - Mysore with focus on Nutraceuticals and Phyto-Pharmaceuticals,. A grant of 5 Crores has been provided.
5. MOA finalized with UAS- Dharwad to establish Phase I (Incubation Suites cum Common Instrumentation Facility) in Dharwad with focus on Agriculture and Biotechnology. A grant of Rs. 6.5 Crores has been provided.
6. Biotechnology Finishing School (BTFS) program strengthened with 210 students enrolled across 12 colleges including 12 students in the Department of Biotechnology of Gulbarga University and 9 in MMAS College, Sirsi. Student fellowship increased by Government of India to Rs. 10,000/- from Rs. 5,000/- per month.
7. Over 60% of job placements of Batch II students.
8. Expert Group on Agriculture Biotechnology (EGAB) constituted as a sub group of VGBT (Vision Group on Biotechnology) has developed a comprehensive Agriculture Biotechnology Policy Document – circulated to all the relevant departments.
9. Funded University of Horticultural Sciences, Bagalkot to the extent of Rs.8.5 Crores over 3 years to carry out R&D on Tomato, Banana, Pomegranate and Garcinia, to develop resistance to diseases and establishment of germplasm / gene banks
10. Proposal sent to Department of Biotechnology-Government of India (DBT-GOI) to establish Center for Biomolecular Engineering in Bangalore – potentially Rs. 700 Crores Project.

Initiatives of e-Governance

Karnataka has an exclusive e-Governance Division in the Department of Personnel and Administrative Reforms headed by Secretary to Government, Department of

Table 9.27 : Achievements in IT&BT Sector for the year

| Sl.No | Particulars | Units | 2011-12 | 2012-13 | 2013-14 | 2014-15 (Apr-Dec' 14) |
|-------|---|-----------------|---------|---------|----------|--------------------------|
| 1 | Software Exports | Rs.in crores | 82110 | 95048 | 102273 | 75680.13 |
| 2 | No STP Units Approved | Nos. | 26 | 16 | 24 | 10 |
| 3 | Investment from STP Units Approved | Rs.in crores | 62.71 | 17.09 | 78.14 | 23.25 |
| 4 | Nos. of Foreign Equity Companies | Nos. | 19 | 14 | 14 | 5 |
| 5 | Investment from Foreign Equity | Rs.in crores | 21.35 | 1.3 | 29.39 | 21.83 |
| 6 | Hardware Exports | Rs.in crores | 3021 | 3250 | 4291.10 | 2414.36 |
| 7 | No of Electronic Hardware Companies | Nos. | 1 | 2 | 4 | 0 |
| 8 | Investment from Hardware Units | Rs.in crores | 0.1 | 0.11 | 182.02 | 0 |
| 9 | No of Major India Companies | Nos. | 0 | 1 | 5 | 0 |
| 10 | Investment from Major Indian Companies | Rs.in crores | 0 | 15.2 | 223.05 | 0 |
| 11 | No of SME's Companies | Nos. | 8 | 3 | 9 | 5 |
| 12 | Investment from SME's Companies | Rs.in crores | 41.46 | 0.79 | 7.72 | 5.2 |
| 13 | No of BPO Companies | Nos. | 3 | 0 | 0 | 0 |
| 14 | BPO Exports | Rs.in crores | 17775 | 20392 | 16692.73 | NA |
| 15 | Investment from BPO Units Approved | Rs.in crores | 1.02 | 0.6 | 0 | NA |

Source : Software Technology Parks of India, Bangalore

Personnel and Administrative Reforms (e-Governance). This was set up in the year 2003 with a view to accelerate the process of IT enabling of Government processes for the benefit of citizens and to improve transparency and efficiency in administration. The Department of Personnel and Administration Reformse-Governance) has created the necessary infrastructure for implementing e-Governance initiatives in the state. The various e-Governance initiatives related to the Department of Personnel and Administrative Reforms(e-Governance) are, briefly, mentioned below

- **e-Procurement:** The e-Procurement project aims at making the process of procurement more efficient and transparent by using information technology tools. As many as 272 departments/ organizations are using the e-Procurement platform as at the end of September, 2014. Procurement valued at over 2,50,341/- crores has been made through this electronic platform. This platform has enabled more competition among the bidders as more bidders are participating in the procurement process resulting in reduction of approximately 10% in bid amount vis-à-vis the estimated expenditure. More than 43,238 suppliers /bidders are registered on the platform.
- **Karnataka State Wide Area Network (KSWAN):** KSWAN project has covered 3749 Government offices comprising 64 departments and I.P. phone provided to more than 2400 offices. KSWAN connectivity has been established between district headquarters and the state capital. This enables conduct of Government programmes through this network, thereby, minimizing the need for the district officers to visit the state headquarters.
- **Human Resources Management System (HRMS):** Human Resource

Management System is fully implemented in all the departments of state Government. Besides, as many as 83,000 employees of fully aided educational institutions and employees of some of the boards/companies such as Karnataka Soaps and Detergents Ltd, Karnataka State Pollution Control Board, Karnataka Residential Schools Society, Karnataka Khadi and Gramodyog Board, Karnataka Labour welfare Board are also on the HRMS platform. Karnataka is the first State to implement HRMS in the country. Functionaries from other States are coming to the state to learn and adopt the system in their states. Government has accorded sanction to upgrade the present HRMS system to HRMS-2.0 and the process is on.

- **State Data Centre (SDC):** A new State Data Centre(SDC) has been established in Vikasa Soudha since 09.06.2011. The old SDC has 52 applications and the new SDC has 62 applications hosted for 65 departments. The State Data Centre has supported common Entrance Examination conducted by CET and Industrial Training Institute Entrance Examination conducted by the Employment and Training Department.
- **Bangalore one Centre:** This project has the objective of providing all G2C (Government to Citizen) and B2C (Business to Citizen) services under a single roof. The target is to establish one center in each of the wards of Bengaluru City. There are now 95 Bangalore one centers. The number of transactions up to September 2014 was more than 895 crore.
- **Karnataka One:** 39 Karnataka one centres have been established (similar to Bangalore One centres) in tier two cities, namely Hubli-Dharwar, Shimogga, Belagavi, Ballary, Mysuru, Mangalore, Davanagere, Kulaburgi and Tumkuru.

- **SECLAN:** LAN Connectivity has been provided to the offices in Vikasa Soudha, Vidhana Soudha, Raj Bhavan and Multi Storied Building. There are 5595 nodes.
- **Aadhar:** The objective of the scheme is to issue unique identity numbers to around 6 crores residents of the state. As many as 4.70 crores of residents have been enrolled and out of them 4.62 crores have received Aadhar numbers. Enhanced publicity measures are undertaken to enroll the remaining residents. The process of establishing permanent Aadharcentres is also on.
- **Karnataka Mobile One Project:** The objective of Karnataka Mobile One project is to render services “Any Where, Any Time, Any Device” to the residents. It is intended to provide several services to the residents through Mobile. Over 4,000 services will be provided soon. The Hon'ble President of India will inaugurate this project on 08.12.2014.
- **Karnataka Resident Data Hub:** Karnataka Resident Data Hub (KRDH) would essentially be a repository of all the Government services availed by each citizen of the State. This data hub will be populated with the beneficiary identifying key from the seeded Department's Data base against the UID of an authenticated citizen. As a result eligible people will avail the services and the volume of pilferage is going to be significantly reduced. At present seeding in 5 departments viz., Social Security Pension, Minorities, RDPR, Food and Civil Supplies, and Social Welfare is in progress.
- **Decision Support System:** The objective of the scheme is to collect data relating to implementation of development programmes of all the departments electronically (Online) and monitor the same. This will enable taking appropriate and quick decisions with regard to those development programmes. At present, this system is being implemented in eight departments. The administrative department concerned for this scheme is the Planning Department.
- **e-District:** e-District is a Mission Mode Project (MMP) under NeGP. This MMP aims at electronic delivery of identified high volume citizen centric services, at district and subdivision level. Government has accorded sanction for implementing this scheme as per the Government order No: DPAR 1 PRJ 2013 dated 02.01.2014.
- **Common Service Center:** The objective of this scheme is to establish over 5,000 Common Service Centers in the gram panchayats in the state. Government has accorded sanction for implementing this scheme as per the Government order No: DPAR 1 PRJ 2013 dated 02.01.2014.
- **State Service Delivery Gateway (SSDG):** This scheme will be enabling the State Portal with other components such as State Service Delivery Gateway (SSDG) and electronic form (e-form) application. e-form application will enable residents to download forms and submit their applications electronically.
- **Capacity Building:** Centre for e-Governance and DPAR(e-Governance) are providing services of consultants to other departments for implementing their e-Governance initiatives. An State e-Mission Team (SeMT) has been set up in the Centre for e-Governance for coordinating with other departments. Over 300 officers have been trained under the STEP training programme formulated by NISG.
- **Sachivalayavahini:** File Monitoring System (FMS), Letter Monitoring System (LMS) and Court Cases Monitoring System (CCMS) have been

operationalised in the Karnataka Government Secretariat. The upgraded Sachivalaya-2 package has been implemented.

9.8.5 Mining and Minerals Industries

Karnataka's Mineral Resources

During the year 2014-15, up to December 2014 the Department of Mines and Geology has granted a total of 4 mining lease, for minerals such as Limestone and dolomite over an extent of 1038.0516 hectares and 01 Mining Lease has been granted for Lime

shell over an extent of 8.31 hectares and 30 quarry leases for ornamental stones have been sanctioned.

The Department has realized revenues of Rs.1282.06 crores as against target of Rs.1259.83 crores upto DEC 2014 against target of 1750.00 crores for the year 2014-15. Details of royalty collections during the period 2012-13 to 2014-15 are provided in **Table 9.28**. Scheme wise details of Plan and Expenditure presented in **Appendix 9.6**.

Table 9.28 : Details of Royalty Collections

(Rs. in crore)

| Year | Target | Achievement | Major Mineral (Ore and other industrial) | Minor Mineral (Building +Ornamental+ Sand) |
|---------|---------|--------------------------|--|--|
| 2012-13 | 1500 | 1485.48 | 794.16 | 691.32 (as per MPR) |
| 2013-14 | 1411.91 | 1366.99 | 743.04 | 623.95 |
| 2014-15 | 1750 | 1282.06 (Upto-DEC-14) | 651.35 | 630.70 |

Source: DCB Section, Mining and Geology Department

Table 9.29 : Performance of Karnataka State Small Industries Development Corporation

| Particulars | Unit | 2011-12 | 2012-13 | 2013-14 | 2014-15 (April 14 to Dec-14) |
|---|-----------|---------|---------|---------|---------------------------------|
| Depots for distribution of raw material | Number | 23 | 23 | 17 | 17 |
| Raw material sold (Iron & Steel) | Rs. Crore | 86.71 | 64.51 | 53.96 | 37.23 |
| Industrial sheds constructed (Indl. Sheds / Godowns / Flats/ Shops) | Number | 6163 | 6163 | 6163 | 6187 |
| Industrial Plots developed (cumulative) | Number | 7010 | 7010 | 7383 | 8127 |

Source: (KSSDIC)

9.9 Status of Public Enterprises in Karnataka

9.9.1 Karnataka State Small Industries Development Corporation

Karnataka State Small Industries Development Corporation Limited (KSSIDC) promotes the development of small scale industry (SSI) sector by providing industrial sheds, channels for procurement and distribution of raw materials and management guidance to SSI entrepreneurs. The Corporation has a network of 17 depots for raw material distribution in the State. It has also acquired land in and around Bangalore and in other districts for the construction of

sheds and plots for development as per the SSI units' demand. The details of raw materials sold, sheds constructed and plots developed by the corporation are given in **Table 9.29**. The financial performance of KSSIDC is shown in **Table 9.30**.

The details of 11th Five Year Plan target & achievement of the corresponding department are given in annexure 9.07. The Corporation's principal objective is promotion and development of Small Scale Industries in the State. Construction and utilization of infrastructure especially in the backward areas, procurement and marketing industrial raw-materials and extending technical support and assistance are the means to achieve the above goals.

Table 9.30 : Financial Performance of Karnataka State Small Industries Development Corporation Limited (Rs. Lakh)

| Year | Total income | Total Expenditure | Net Profit after tax |
|--|--------------|-------------------|----------------------|
| 2011-12 | 15660.91 | 13370.06 | 1699.50 |
| 2012-13 | 13058.41 | 11290.88 | 1254.10 |
| 2013-14 | 11147.00 | 9579.00 | 1126.00 |
| 2014-15 Upto Dec-2014 as per Budget | 28177.00 | 26602.00 | 1200.00 |

Source: (KSSDIC)

Table 9.31 : Financial Projections for the period 01.04.2014 to 31.03.2019 (Rs. Lakh)

| Sl. No | Year | Total income | Total Expenditure | Net Profit |
|--------|---------|--------------|-------------------|------------|
| 1 | 2014-15 | 34100.22 | 32934.08 | 1166.13 |
| 2 | 2015-16 | 35805.23 | 34580.79 | 1224.44 |
| 3 | 2016-17 | 37595.49 | 36309.83 | 1285.66 |
| 4 | 2017-18 | 39475.26 | 38125.32 | 1349.95 |
| 5 | 2018-19 | 41489.63 | 40031.58 | 1417.44 |

Source: (KSSDIC)

In the last few years, the Corporation is playing a key role in the development of MSME Sector in terms of establishment of new Industrial Estates, Up-gradation of basic infrastructure in the existing Industrial Estates by introducing various entrepreneur friendly measures both in Industrial Estate and Commercial activities. KSSIDC's policy initiatives and strategies include:

- To pursue with the Govt., for allotment of minimum 25% of the lands to the Corporation for development of the Industrial estates exclusively for MSME sector whenever huge extent of lands are acquired by KIADB for the purpose of LAND BANK. Also, pursue with the Govt. for reservation and allotment of minimum 25 to 50 acres of land for KSSIDC whenever large extent of lands are allotted to Mega Investors in the proposed "Global Investors Meet" by HLSWC.
- Monitoring of the lands allotted by way of introducing strict time limit on utilisation of plots.
- Initiating participative policy in which land owners are made partners in the benefits of the Industrial Estates to be developed.
- To form new industrial clusters in about 16 places based on the availability of local skill & demand from the industry side in various districts of the State.
- Policy to develop Functional Industrial Estates / Parks on PPP Model on privately owned to avoid land acquisition and thereby, avoid blockage of funds.
- Proposals to develop new Industrial Estates keeping in mind the modern infrastructure, utility and service requirements.
- To upgrade the existing Infrastructure and to take up Critical infrastructure works in the Indl. Estates, by seeking separate funds in the State Budgets and also by bringing them under the ambit of Industrial Township Act so that the concerned Industries

Table 9.32 - Sales Performance of KSSIDC (2013-14 & 2014-15)

| Sl. No | Items | Target for 2013-14 | | Target for 2014-15 | | Sales performance 2013-14 | | Sales performance up to Dec-2014 | |
|--------|-----------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|--------------------|----------------------------------|--------------------|
| | | Qty in Mts | Value in Rs. lakhs | Qty In Mts | Value In Rs. lakhs | Qty in Mts | Value in Rs. lakhs | Qty in Mts | Value in Rs. lakhs |
| 1 | Iron & Steel | 15,000 | 7283 | 15,000 | 7,350 | 11,664 | 5396 | 7612 | 3723 |
| 2 | Coal | 40,000 | 1200 | 40,000 | 1,250 | 35,415 | 970 | 15303 | 431 |
| 3 | Wax | 200 | 200 | 200 | 205 | 69 | 76 | 47 | 54 |
| 4 | Cement | 1,500 | 90 | 1,500 | 91 | 765 | 40 | 3063 | 144 |
| 5 | Bitumen handling commission | 500 | 10 | -- | -- | 33 | 0.06 | - | - |

Source: (KSSIDC)

Associations of the Estates collect taxes and other levies and maintain the Estates themselves efficiently.

- With a view to assist the SSI Sector in marketing their products, Marketing Assistance Scheme is being implemented which goes a long way for the SSI sector in catering to the requirements of Public Sector Undertakings / Boards and Corporations and other Agencies. In this connection KSSIDC has requested the Government to extend exemption under section 4(g) of the KTPP Act.

KSSIDC has been continuing to serve the SSI units in the State by procuring and distributing various Industrial Raw materials required by them like Iron & Steel, Coal, Cement, Paraffin Wax etc. through its 17 raw material depots throughout the State.

Since KSSIDC is procuring & distributing various industrial raw materials, this has helped the SSI units in getting quality raw materials at reasonable prices. This has acted as a deterrent to the Private Traders from exploiting the SSI units. KSSIDC has been extending 30 days interest free credit facility to the SSI units for purchase of raw materials through KSSIDC raw material depots against Bank Guarantee. Also under the provisions of MOU executed between KSFC and KSSIDC, M/s. KSFC is extending Rs. 100.00 lakhs financial Assistance per unit / per year to the SSI Sector for purchase of Industrial Raw Materials under line of credit. This has helped the SSI units to meet their raw material requirements without immediately arranging the funds.

Due to severe competition during 2014-15, the prospects of improving the sales of raw materials through KSSIDC are not encouraging. KSSIDC may find it difficult to achieve the sales target for 2014-15. However, efforts will be made to achieve maximum possible sales target through KSSIDC raw material depots. Departmental Target & Achievements given in **Appendix 9.7**.

9.9.2 Karnataka State Industrial Area Development Board (KIADB)

Karnataka Industrial Areas Development Board (KIADB) is a statutory body, playing an important role in development of industries in the state. Since inception, the KIADB has developed 152 Industrial Areas in 28 districts of the state covering an area of about 48659.51 acres. In all the industrial areas developed by KIADB, basic infrastructural facilities like internal roads, water supply, power supply, street lights, common facilities centers, buildings, housing and offsite infrastructure like widening & improvement of approach roads etc., are provided.

Govt. of Karnataka vide its order dtd.13-08-2007 and 13-05-2010 in order to facilitate land acquisition activities for industrial development, has introduced a land-sharing scheme to KIADB acquired lands, wherein about 9583.00 Sq.ft. of developed land will be provided to the land owner in lieu of land compensation fixed for one acre of land acquired. The statistics on the performance of KIADB for the last four years are given in **Table 9.33**. Achievement made by KIADB in 11th five year details are presented in **Appendix 9.8**.

9.9.3 Karnataka State Electronics Development Corporation Limited (KEONICS)

The activities that are presently being undertaken by KEONICS can be broadly categorized as i. IT Infrastructure Facility Services ii. Commercial & Marketing Services iii. Training Services iv. Information Technology Enabled Services (ITES) and Allied Services v. Consultancy Services and viz., Human Resources & Manpower Consultancy Services.

KEONICS is actively involved in establishing IT Parks in Tier - 2 Cities in the State such as Hubli, Gulbarga & Shimoga. The progress made in this direction is as under-

IT Park, Hubli: The Government of Karnataka has initiated several measures

Table 9.33 : Performance of Karnataka State Industrial Areas Development Board 2011-12 to 2014-15 (April to December 2014)

| Sl. No. | Particulars | Unit | 2011-12 | 2012-13 | 2013-14 | 2014-15 (Upto Dec.2014) |
|---------|--------------------------------------|--------------|------------|------------|------------|--------------------------------|
| 1. | Area acquired | Acres | 7723.25 | 10012.20 | 5497.47 | 2824.55 |
| 2. | Area allotted | Acres | 1004.86 | 1006.37 | 458.56 | 145.06 |
| | (a) SSI, L &M | Acres | 5145.44 | 7604.72 | 574.88 | 1845.01 |
| | (b) Single Unit Complex | | | | | |
| | Total | Acres | 6150.30 | 8611.09 | 1033.44 | 1990.07 |
| 3. | Expenditure incurred for acquisition | Rs. in lakhs | 98,210.00 | 173,100.00 | 118,021.00 | 90,550.00 |
| 4. | Expenditure incurred for development | Rs. in Lakhs | 15,575.00 | 31,260.00 | 52,894.00 | 21,251.00 |
| 5. | Total Expenditure incurred | Rs. in Lakhs | 113,785.00 | 204,360.00 | 170,915.00 | 111,801.00 |
| 6. | No. of Entrepreneurs | No. | 438 | 452 | 359 | 105 |
| | (a) SSI units, L & M | No. | 20 | 29 | 10 | 4 |
| | (b) Single Unit Complex | | | | | |
| | Total | | 458 | 481 | 369 | 109 |

Source: Karnataka State Industrial Areas Development Board, Bangalore

to establish IT park in Hubli with state-of-the-art infrastructure. The first step in this direction was taken way back in the year 1999-2000 by setting up an IT park with 2,75,000 sq. ft. built up area in a sprawling IT complex at Hubli with a total investment of Rs 42.36 crore. The Government has offered additional incentives including providing work space at concessional lease rentals to prospective entrepreneurs to utilize the space available for establishing IT and IT enabled businesses in the complex. KEONICS has been entrusted with the responsibility of maintaining the IT Park Complex at Hubli.

IT Park, SEZ, Shimoga: The Government of Karnataka has announced the establishment of IT SEZ and IT PARK in Non-SEZ areas in Shimoga. KEONICS has

been mandated to establish and develop IT - SEZ and IT park in KIADB Industrial Estate, off Shimoga Bhadravathi Highway. Developmental works have been undertaken to create 1 million sq.ft built up area in 25 acres of land allotted for developing the IT SEZ with an estimated investment of Rs. 250 crore on PPP model. Co-developers have been identified and the work is in progress in the first phase in an area of 6 acres. All necessary approvals have been obtained from the Government of India and other Agencies

IT Park Non- SEZ Shimoga: The first phase of construction for setting up of IT Park in the non-SEZ at Shimoga for a built-up area of 67599 sq.ft out of a total area of 100000 sq.ft. has been completed and ready for occupation.

IT Park, Gulbarga: KEONICS has taken up II' Park project in Gulbarga in an area of 2 acres of land with a built-up area of 150000 sq.ft. in 3 phases with an estimated cost of Rs. 23.90 crore. The construction of the IT Park complex 1st Phase has been completed and ready for occupation. Several incentives are offered to the local entrepreneurs including allotting workspace at very nominal rates.

Along with the implementation of activities related to establishment of IT Parks, KEONICS is also involved in other activities as indicated above. The financial performance of KEONICS is given in **Table 9.34**.

Keonics is poised to play a vital role in the upcoming Information Technology Investment Region (ITIR) project conceived and being developed by the Government of India and Government of Karnataka near the international airport, Bangalore with an initial investment of Rs. 1600 crore in and area spreading over 2100 acres in the first phase. The Project is aimed at housing IT SEZ, Electronic Hardware park among other ancillary industries with an integrated township.

KEONICS has established a cyber lab at Mangalore with the support of the department of information technology, Government of Karnataka, to develop capacity building unit for law enforcement

agencies, legal fraternity, Government departments, banking, corporate, students and citizens on the fast growing cyber security risks, cyber crime investigating skills, cyber laws of India and other countries, cyber crime mitigation measures, cyber security policies and framework etc.

The mission of the KEONICS cyber lab is to provide training and investigation support to agencies and entities involved in prevention, investigation and prosecution of economic and high tech crime. The vision of the KEONICS cyber lab is i. Training of law enforcement, prosecution, judiciary in Cyber Crime Investigation (Tools and Techniques), Cyber Forensics Process & procedures and Cyber Laws for their respective roles in dealing with cyber crimes/ cyber threat incidents ii. Training Banking & Financial Institutions and Education Segment on Cyber Security to prevent security breaches iii. Conducting cyber safety sensitization programs for all Government Department iv. To act as a resource center for guiding law enforcement authorities of cyber crime cases and v. Knowledge enhancement for the core departments handling cyber crime issues.

9.9.4 Department of Factories, Boilers, Industrial Safety and Health

The Department of Factories, Boilers, Industrial Safety and Health is a regulatory

Table 9.34: Financial Performance from 2011-12 to 2014-15 upto December 2014

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 up to Dec. 2014 |
|----------------------------|----------------|----------------|----------------|--------------------------------|
| Sales and Service Turnover | 137.90 | 208.97 | 191.19 | 125.24 |
| Other Income | 5.81 | 6.62 | 7.10 | 3.91 |
| Total Turnover | 143.71 | 215.59 | 198.29 | 129.15 |
| Profit before Tax | 7.59 | 38.08 | 11.23 | (-)2.39 |
| Profit after Tax | 4.51 | 24.66 | 7.49 | (-)2.39 |

Source: KEONICS

department Enforcing various labour laws related to workplace safety, health and welfare measures which include the factories Act, the payment of wages Act and the maternity benefit Act. The State has 14133 registered factories with about 14.26 lakh workmen working in such industries. The State also has 1072 hazardous industries of which 71 are major accident hazard units. The details of newly registered units under various production categories are given in **Table 9.35**. Registered Factories by Industries in 2013-14 are presented in **Appendix 9.9**.

9.9.5 Karnataka State Financial Corporation (KSFC)

Karnataka State Financial Corporation (KSFC) is a State Level Financial Institution established by the State Government in 1959 under the provisions of SFCs Act, 1951 which is a Central Act. The basic objective of the Corporation is the development of Micro, Small & Medium Enterprises (MSMEs), backward areas &

first generation entrepreneurs in the State of Karnataka. The Corporation has worked in this direction since the beginning and has been successful in achieving the same. Since its inception up to the end of 31st March 2014, the Corporation has extended assistance to the extent of 66% for Small Scale Industries, 54% for Development of Backward Areas and 51% for the promotion of First Generation Entrepreneurs.

Major Initiatives :

During the FY: 2013-14, the Corporation with the 'in principle' approval of the State Government submitted a proposal for one time settlement (OTS) of outstanding liabilities with SIDBI. As against the total liability of Rs. 725 crore, the settlement amount has been arrived at Rs.450 crore. The settlement would cause a major restructuring of finances and the Corporation would explore re-defining its role and resource base with the assistance of the State Government.

Table 9.35: Registration of New Industrial Units in Karnataka

| Sl. No | Industrial Units | 2011 | 2012 | 2013 | 2014 (Jan- Dec) |
|--------|--|------|------|------|-----------------|
| 1 | Food Products | 30 | 90 | 107 | 75 |
| 2 | Paper & paper products | 12 | 30 | 54 | 23 |
| 3 | Metals & Alloys | 43 | 82 | 118 | 44 |
| 4 | Chemical manufacturing & Chemical using industries | 11 | 30 | 44 | 26 |
| 5 | Transports & Equipment | 10 | 54 | 79 | 22 |
| 6 | Textiles | 28 | 69 | 104 | 39 |
| 7 | Wood & wood Products | 13 | 20 | 36 | 16 |
| 8 | Other | 647 | 496 | 307 | 381 |
| | Total | 794 | 871 | 849 | 626 |

Source: Department of Factories, Boilers, Industrial Safety and Health

Major achievements during FY: 2013-14:

- During the FY: 2013-14, the Corporation Sanctioned Rs.90926 lakhs, Disbursed Rs.70747 lakhs & Recovered Rs.83652 lakhs.
- The cumulative gross Sanctions of the Corporation reached Rs.13,13,553 lakhs covering 1,68,152 cases as on 31st March 2014.
- The cumulative Disbursements reached Rs. 10,26,750 lakhs as on 31st March 2014.
- The cumulative Recovery touched Rs.13,09,441 lakhs as on 31st March 2014.
- The Standard Assets portfolio of the Corporation registered a growth of 8.58% from Rs. 1,60,726 lakhs to Rs. 1,74,519 lakhs as on 31st March 2014.
- The State Government infused an additional share capital of Rs. 5000 lakhs to augment the financials of the Corporation.
- The State Government continued the One Time Settlement (OTS) scheme till 31st March 2014 to help the small borrowers of the Corporation to come out of the debt trap and provided equity

support of Rs. 193 lakhs during the FY:2013-14.

- The State Government extended the Interest Subsidy Scheme for the SC/ST Entrepreneurs and provided Rs. 1725 lakhs during the FY: 2013-14.
- In spite of the adverse market conditions, the Corporation earned a net profit of Rs. 1,14,188 lakhs during the FY:2013-14.
- The gross Non Performing Assets of the Corporation declined from 17.08% to 15.81% during the FY:2013-14.
- The Net Performing Assets of the Corporation stood at 2.57% during the FY:2013-14 compared to 24% in 2007-08.

Performance of the Corporation during the FY: 2014-15 (April to December 2014)

During the FY:2014-15 (April to December 2014) the Corporation has assisted 730 cases to an extent of Rs.40229 lakhs, disbursed Rs.38922 lakhs and recovered Rs.58309 lakhs.

The performance of the Corporation in the key areas of operations is summarized in **Table 9.36**. Assistance sanctioned and disbursed by KSFC are represented in **Appendix 9.10**.

Table 9.36 : Performance of KSFC

| Period | Sanctions | | Disbursements | Recovery |
|---------------------|-----------|--------|---------------|----------|
| | No. | Amount | No. | Amount |
| April'11 to Dec.'11 | 1037 | 58909 | 41403 | 45707 |
| FY 2011-12 | 1485 | 81732 | 59708 | 66090 |
| April'12 to Dec.'12 | 1129 | 65643 | 50093 | 53401 |
| FY 2012-13 | 1598 | 94406 | 73470 | 79289 |
| April'13 to Dec.'13 | 991 | 62118 | 46448 | 60696 |
| FY 2013-14 | 1426 | 90926 | 70747 | 83652 |
| April'14 to Dec.'14 | 730 | 40229 | 38922 | 58309 |

Source: KSFC

9.9.6 Karnataka State Industrial Investment & Development Corporation (KSIIDC)

KSIIDC, established in 1964, has been greatly instrumental in the industrialization of the State, especially in the large and medium sector. KSIIDC has stopped financial lending activity since October 2002 onwards. At present, recovery of the past lending/advances and loans and disinvestment of Equity are the main activity. However, certain Investments as per the directions of Government of Karnataka are being made from time to time.

KSIIDC continued its proactive role in the promotion of infrastructure projects on Public Private Partnership model and its role as nodal agency for Bangalore International Airport Project. Duly noting the initiatives taken up by KSIIDC in the infrastructure sector, the name was changed to "Karnataka State Industrial and Infrastructure Development Corporation Limited" with effect from November 22, 2010.

As the nodal agency of the State Government, KSIIDC has initiated activities for the development of the following projects which will be pursued for completion during 12th five year plan.

- a) Expansion of the Bengaluru International Airport (Completed & commissioned during 2013-14)
- b) Bengaluru International Convention Centre Complex adjacent to the Bengaluru International Airport.
- c) Development of Devanahalli Business Park
- d) Tadadi Port
- e) Dabhol-Bangalore Gas Pipeline Completed & commissioned during 2013-14)
- f) City Gas Distribution Project

Also, KSIIDC will continue to act as Nodal Agency of the State Government in respect of the specified projects assigned from time to time by the State Government.

Govt. of Karnataka designated KSIIDC as Nodal Agency for establishing following major industrial infrastructure projects:

- National Investment and Manufacturing Zone (NIMZ), Tumkur
- Special Investment Region (SIR), Dharwad
- Peninsular Region Industrial Development (PRIDe):
 - Chennai - Bangalore - Chitradurga Industrial Corridor (CBCIC)
 - Bengaluru – Mumbai Economic Corridor (BMEC)

In addition to the above activities in the infrastructure sector, the following existing activities will be pursued.

- Thrust on recovery from advances
- Settlement of remaining loan accounts under OTS
- Sale of primary assets taken over under section 29.
- Recovery of advances through legal recourse under SFC & other Acts.

Besides, KSIIDC through its Joint Venture Company with IL & FS, Viz KSIIDC would extend advisory services for project development to the Government Agencies for development of their projects on PPP model. Performance of Karnataka State Industrial and Infrastructure Development Corporation limited is given in **Table 9.37**. Departmental Target and Achievements are presented in **Appendix 9.11**.

9.9.7 Department of Public Enterprises

Government of Karnataka had established the Karnataka State Bureau of Public Enterprises in the year 1981. Later on, in the year 2002 this Bureau was converted as

Table 9.37 : Performance of Karnataka State Industrial and Infrastructure development Corporation limited From 2011-12 to 2013-14 (Upto December 2014)

| Assistance Sanctioned (Gross) | Unit | 2011-12 | 2012-13 | April to Dec | | April to Dec |
|-------------------------------------|------------|---------|---------|--------------|-------|-----------------------|
| | | | | 2012 | 2013 | 2014 (provisional) |
| 1. Sanctions: | | | | | | |
| a) Loan | Rs. Crores | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| b) Equity | Rs. Crores | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Disbursements: | | | | | | |
| a) Loan | Rs. Crores | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| b) Equity | Rs. Crores | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Recovery: | Rs. Crores | 26.15 | 9.05 | 13.15 | 41.84 | 8.61 |

Source: KSIIDC

Note: KSIIDC has stopped financial lending activity since October 2002 onwards. At present, recovery of the past lending/advances and loans and disinvestment of Equity are the main activities.

The Department of Disinvestment and Public Enterprises Reforms. The main aim/object of this department is to take decisions in matters relating to disinvestment, restructuring, amalgamation etc. In the year 2005 Government had accorded independent status to this department and re-named it as the Department of Public Enterprises. This department is vested with the responsibility of monitoring, regulatory, evaluatory and advisory functions for the betterment of the Enterprises.

Out of the 60 operating units, details of the profit-making top 8 State-level Public Enterprises in Karnataka are given in **Table 9.38**.

The 60 State Level Public Enterprises in Karnataka are grouped into various sectors like Agriculture, Horticulture, Animal Husbandry, Energy, Housing, Transport, Co-operation etc. While more than 40 Enterprises are profit making ones, rest are experiencing loss. In order to identify the deep root cause for the sickness and non-viability of the enterprises, the Department

of Public Enterprises, through Professionalized external Institutions, has taken up evaluation studies to identify and to focus on such detrimental areas and to work out on the remedial measures which will make the Enterprises to come out of the clutches of loss making status and achieve profitability.

In order to update knowledge and skill, the Department also conducts Management Development and Training programmes to the officers and officials working in the PSEs which aim at improving the performance in the areas of productivity, marketing, finance, Human resources, administration, industrial regulations, environment and ecology, industrial safety etc., through various recognized institutions.

Further, in order to recognize, motivate and appreciate the best performing Public Sector Enterprise, this Department gives Annual 'Chief Minister's Ratna Award' for the three best performing Public Sector Enterprises, every year.

Table 9.38 - Performance of top 8 State Level Public Enterprises in Karnataka.

| Sl. No. | Name of the Enterprise | Enterprise status as on 31-03-2014 (2013-14) | | | Enterprise status as on 31-12-2014 (2014-15) | | |
|---------|--|--|----------------------------|---|--|----------------------------|---|
| | | Investment (Rs. in Lakh) | Employment (in Numbers) | Profit (Rs. in Lakh) | Investment (Rs. in Lakh) | Employment (in Numbers) | Profit (Rs. in Lakh) |
| 1 | Mysore Paints and Varnish Ltd | 94.73 | 60 | 1334.38 (PBT) | 94.73 | 60 | 534.59 (PBT) |
| 2 | Karnataka VidyuthKarkane Ltd | --- | 194 | 576.65 | --- | 189 | 200.00 (Provisional) |
| 3 | Karnataka Soaps & Detergent Ltd | 3182.21 | 663 | 3283.74 | 3182.21 | 679 | 2618.14 |
| 4 | Karnataka Silk Industries Corporation Ltd | 5800.00 | 690 | 1668.22 | 5800.00 | 670 | 925.00 |
| 5 | Karnataka State Road Transport Corporation | GOI 4909.76 GOK 24278.94 Total 29188.70 | 38776 | -7555.79 | GOI 4909.76 GOK 24278.94 Total 29188.70 | 37831 | -6791.31 |
| 6 | Mysore Minerals Ltd | 600.00 | 985 | Profit before tax 31335.24 Profit after tax 19692.01 | 600.00 | 952 | Profit before tax 30085.12 Profit after tax 19859.14 |
| 7 | Hutti Gold Mines Ltd. | 23982.00 | 4,308 | 8961.06 | 25181.42 | 4,301 | 4585.27 |
| 8 | Bangalore metropolitan transport ltd | 10459.48 | 36,080 | - 14758.92 | 10459.48 | 36,709 | -757.76 (Unaudited) |

Source : Department of Public Enterprises

9.10 Industrial Policy Initiatives and Industrial Investment

Karnataka has been pursuing a pro-active industrial policy to facilitate and promote a favorable investment climate both for existing and prospective investors. The State's current industrial policy (2009-2014) has been introduced for a period of five years with effect from 1st April 2009. The policy has the major objectives of (i) building a prosperous Karnataka by developing human and natural resources in a systematic, scientific and sustainable manner (ii) creating an additional employment of 1 million with an investment of Rs.30000 crore in the industrial sector by the end of 2014 (iii) creating enabling investment for robust industrial growth and achieving inclusive industrial development in the State and (iv) enhancing the contribution of manufacturing sector to the State GDP from the present 17% to 20% by the end of March 2014.

Industrial investments proposed through filing of industrial entrepreneurs' memorandum (IEM) and issuing of industrial licenses (IL) are presented in **Table 9.39**. Even though there is decrease in the number of Industrial Entrepreneurs Memorandum filed, amount of proposed investment has increased in 2014 when

compared to 2013. Industrial approvals in Karnataka are presented in **Appendix 9.12**.

9.10.1 Foreign Direct Investment (FDI)

Details of State-wise FDI inflows from 2011-12 up to 2014-15 (upto Nov' 2014) as well as cumulative FDI inflows from April 2000 till November 2014 are given in Table 9.40. The total FDI inflows to the State in the last decade accounted for 6% of the total FDI inflows to India and Karnataka stands third among Indian States, in terms of quantum of FDI inflows.

9.10.2 Karnataka UdyogMitra (KUM)

Karnataka UdyogMitra (KUM) is a single contact point for all investors who are looking at setting up enterprises / business in Karnataka. As a nodal agency, its role is to facilitate investments & execute initiatives to enable a smooth transition, from receiving an investment proposal to the eventual implementation of the project.

It acts as a secretariat for State High Level Clearance Committee (SHLCC) chaired by Hon'ble Chief Minister for projects above Rs. 100.00 crores & State Level Single Window Clearance Committee (SLSWCC) chaired by Chief Secretary to Government for projects between Rs.15 to 100.00 Crores.

Table 9.39 - Details of Industrial Approvals in Karnataka

| Particulars | 2011 | 2012 | 2013 | January - December | |
|--|--------|--------|--------|--------------------|--------|
| | | | | 2013 | 2014 |
| Industrial Entrepreneurs Memorandum filed (Nos.) | 214 | 169 | 101 | 101 | 83 |
| Proposed investment (Rs. crores) | 94,082 | 47,967 | 10,019 | 10,019 | 21,858 |
| Letter of Intent & Direct Industrial Licenses issued | 3 | - | 9 | 9 | 6 |
| Proposed Investment (Rs. crores) | 65 | - | 31 | 31 | 8 |

Source : Department of Industrial Policy & Promotion, GoI

Table 9.40 : State-wise FDI Inflows¹**(US \$ in Million)**

| Sl. No. | Reserve Bank of India – Regional Office ² | States Covered | 2011-2012 | 2012-2013 | 2013-2014 | 2014-15 (up to Nov. 2014) | Cumulative Inflows (April. 2000 – Nov. 2014) | % to Total Inflows |
|---------|--|---|-----------|-----------|-----------|---------------------------|--|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 | Mumbai | Maharashtra Dadra & Nagar Haveli Daman & Diu | 9,553 | 8,716 | 3,420 | 3,657 | 70,414 | 30.0 |
| 2 | New Delhi | Delhi, Part of UP & Haryana | 7,983 | 3,222 | 6,242 | 3,239 | 45,775 | 19.0 |
| 3 | Chennai | Tamil Nadu Pondicherry | 1,422 | 2,807 | 2,116 | 2,607 | 15,803 | 7.0 |
| 4 | Bangalore | Karnataka | 1,533 | 1,023 | 1,892 | 1,498 | 14,174 | 6.0 |
| 5 | Ahmedabad | Gujarat | 1,001 | 493 | 860 | 678 | 10,188 | 4.0 |
| 6 | Hyderabad | Andhra Pradesh | 848 | 1,159 | 678 | 1,082 | 9,728 | 4.0 |
| 7 | Kolkata | West Bengal Sikkim Andaman & Nicobar Islands | 394 | 424 | 436 | 142 | 2,884 | 1.0 |
| 8 | Chandigarh | Chandigarh Punjab Haryana Himachal Pradesh | 130 | 47 | 91 | 36 | 1,328 | 0.6 |
| 9 | Jaipur | Rajasthan | 33 | 132 | 38 | 537 | 1,260 | 0.5 |
| 10 | Bhopal | Madhya Pradesh, Chattisgarh | 123 | 220 | 119 | 100 | 1,215 | 0.5 |
| 11 | Kochi | Kerala Lakshadweep | 471 | 72 | 70 | 85 | 1,066 | 0.4 |
| 12 | Panaji | Goa | 38 | 9 | 17 | 34 | 822 | 0.3 |

Contd...

| Sl. No. | Reserve Bank of India – Regional Office ² | States Covered | 2011-2012 | 2012-2013 | 2013-2014 | 2014-15 (up to Nov. 2014) | Cumulative Inflows (April. 2000 – Nov. 2014) | % to Total Inflows |
|---------|--|--|---------------|---------------|---------------|---------------------------|--|--------------------|
| 13 | Kanpur | Uttar Pradesh, Uttaranchal | 140 | 31 | 25 | 46 | 418 | 0.2 |
| 14 | Bhubaneswar | Orissa | 28 | 52 | 48 | 9 | 397 | 0.2 |
| 15 | Guwahati | Assam Arunachal Pradesh Manipur Meghalaya Mizoram Nagaland Tripura | 1 | 5 | 0.6 | 1 | 80 | - |
| 16 | Patna | Bihar Jharkhand | 24 | 8 | 1 | 8 | 47 | - |
| 17 | Jammu | Jammu & Kashmir | - | 0 | 0.2 | 4 | 4 | - |
| 18 | Region Not Indicated ³ | | 11,399 | 4,004 | 8,245 | 5,122 | 60,861 | 25.74 |
| | Total | | 35,121 | 22,424 | 24,299 | 18,884 | 2,36,465 | 100.0 |
| 19 | RBI's NRI Schemes (from 2000 to 2002) | | - | - | - | - | 121 | - |
| | Grand Total | | 35,121 | 22,424 | 24,299 | 18,884 | 2,36,586 | - |

Source : Department of Industrial Policy & Promotion, GoI.

1. Includes equity capital components only.
2. The regional-wise FDI inflows are classified as per RBIs – Regional Office received FDI inflows, furnished by RBI, Mumbai.
3. Represents, FDI inflows through acquisition of existing shares by transfer from residents to non residents. For this RBI Regional wise information is not provided by Reserve Bank of India.
4. On the basis of clarification received from RBI, the amount of stock swap & advance pending for issue of shares has been deleted from FDI data.

The details of projects cleared indicating the investment & employment to be generated by the projects cleared by the State Level Single Window Clearance Committee (SLSWCC) & State High Level Clearance Committee (SHLCC) from 2011-12 to 2014-15 are given in the **Table 9.41 & Table 9.42** respectively.

Global Investors Meet 2010

Government of Karnataka organized Global Investors Meet 2010 on 3rd & 4th June 2010 at Palace Grounds, Bangalore. During the Global Investors Meet 2010;

Government entered into MOUs with 389 companies with an investment of Rs. 3.92 lakh crores which would create an employment opportunities to more than 7 lakh people.

As a result of constant follow up and review, 83 projects were implemented with an investment of Rs.32957 crores. 25 projects are under construction stage with an investment of Rs.7735.32 crores. 194 projects are in the various stages of implementation with an investment of Rs.2.32 lakh crores.

Table 9.41 : Projects approved by State Level Single Window Clearance Committee (SLSWCC) 2011-12 to 2014-15

| Year | Approved Projects | Investments (Rs. In crores) | Employment (In Nos.) |
|--------------------------------------|-------------------|-----------------------------|----------------------|
| 2011-12 | 410 | 5328.50 | 65549 |
| 2012-13 | 675 | 9350.79 | 141821 |
| 2013-14 | 209 | 3558.21 | 43759 |
| 2014-15 (up to December 2014) | 30 | 1079.08 | 16435 |
| Total | 4030 | 60906.08 | 1591259 |

Source: Karnataka UdyogMitra, Bangalore

Table 9.42 – Projects approved by State High Level Clearance Committee (SHLCC) 2011-12 to 2014-15

| Year | Approved Projects | Investments (Rs. In crores) | Employment (In Nos.) |
|------------------------------|-------------------|-----------------------------|----------------------|
| 2011-12 | 60 | 34188.8 | 165165 |
| 2012-13 | 100 | 133109.77 | 1158001 |
| 2013-14 | 28 | 24566.37 | 83803 |
| 2014-15 (Upto December 2014) | 16 | 10750.94 | 8086 |
| Total | 724 | 1036195.01 | 5469462 |

Source: Karnataka UdyogMitra, Bangalore

Global Investors Meet 2012

Global Investors Meet 2012 was held at Bangalore International Exhibition Centre (BIEC), Bangalore on 6th, 7th & 8th of June, 2012. It attracted an investment of Rs.6.78 lakh crores from 751 projects who have signed MOU / EOI / ROI with Government. Further, as a part of Global Investors Meet, MoUs in MSME and other sectors involving investment of Rs.42364 crore have been entered.

This event provided investors an excellent opportunity to explore the potential of the state & network with global investors. Several sectoral sessions were held and eminent speakers participated. An exhibition was also held as a part of the event.

As a result of constant follow up and review, 59 projects were implemented with an investment of Rs.27071.65 crores. 33 projects are under various stages of consideration / implementation with an investment of Rs.267860.8 crores.

9.10.3 Major Industrial Policy Initiatives

The State Government now intends to consolidate the strategies and achievements made so far by providing adequate infrastructure support with attractive enhanced incentives and improved facilitation mechanism coupled with governance reforms.

Government of India has come out with the National Manufacturing Policy in 2011 with the objective of accelerated development, inclusive growth and provision of gainful employment. The policy aims to enhance share of manufacturing in GDP to 25% within a decade and create 100 million jobs with appropriate skill sets, increase the depth in manufacturing and enhance global competitiveness.

The Karnataka Manufacturing Taskforce (MTF) constituted by the State Government to study the manufacturing sector in Karnataka and suggest interventions to drive growth in the sector in a sustainable

and holistic manner, taking into account global trends and existing challenges in the manufacturing sector has given its valuable recommendations and suggestions.

It is in this context that the State Government is desirous of formulating a new Industrial Policy to be in alignment with the objectives and goals of the National Manufacturing Policy 2011 and the recommendations of Karnataka Manufacturing Taskforce (MTF) which would enable smooth transition of policy measures for the benefit of investors in the State.

Industrial Policy 2014-2019:

(i) VISION

To build a prosperous Karnataka through inclusive, sustainable and balanced industrial growth

(ii) MISSION

1. To make Karnataka as preferred destination for industrial investment with special focus on manufacturing sector
2. To provide opportunities across the State for Industrial growth and enable scope for local employment through private sector
3. To develop human capital to meet the needs of industry
4. To create conducive environment for optimal utilization of natural resources for sustainable industrial growth

Salient Features

The major strategies include:

1. Creation of quality infrastructure with comprehensive facilities.
2. Human resource development through capacity building and skill up gradation.
3. Facilitation mechanism and procedural reforms.
4. Classification of Taluks

5. Encouragement for industrial development in Hyderabad Karnataka Area.
6. Promotion of MSMEs.
7. Special thrust for encouraging SC/ST entrepreneurs.
8. Encouragement to Women entrepreneurs.
9. Encouragement to Minorities, Backward Classes, Physically challenged persons, Ex-Servicemen entrepreneurs
10. Encouragement to Non Resident Kannadigas (NRKs)
11. Encouragement for export promotion.
12. Encouragements to units adopting energy efficiency measures.
13. Encouragements to renewable energy projects.
14. Encouragements for adoption of green and clean practices.
15. Support for R&D and Digital Direct Manufacturing
16. Intellectual property rights initiatives
17. Promotion of investment and trade
18. Encouragement for anchor industries
19. Incentives and concessions for Large, Mega, Ultra Mega, Super Mega enterprises:
20. Focused manufacturing industries
21. Budget Support

i. Agribusiness sector

A. Integrated Agribusiness Development

Policy 2011: The policy provides exemption from Stamp Duty & Concessional Registration for MSME, Large and Mega agro based industries and agri-infrastructure. Export oriented units in the agribusiness sector benefit from exemption from Entry Tax, Exemption of APMC cess/fees and Incentives. The policy facilitates the provision of Interest Free Loan on VAT for Large and Mega agro based industries and exempts agro units & agri-infrastructure from electricity duty. The

policy also enables the provision of special incentives in selected zones.

B. Karnataka Grape Processing and Wine Policy, 2007:

The policy has declared Wineries as "Horticultural & Food Processing Industries" and enabled the simplification of rules for getting lands for production of grape wine varieties. The policy envisages the production of wine and for issuing License and Permit to the Wineries. Capital Investment Subsidy and Subsidy for Grape Processing, Incentives for marketing and distribution of wines and establishment of wine Parks have been proposed as part of the policy.

C. Karnataka State Policy on Organic Farming, 2004:

This policy promotes the integrated and sustainable management of natural resources for achieving food, nutritional, environmental and livelihood security. The policy envisages improvement in soil fertility & productivity through safe farming and the use of efficient, economic, eco-friendly and sustainable crop production and protection technologies. Other related policies in the State's agribusiness sector include Karnataka Agriculture policy, Karnataka Horticulture Policy and Karnataka Industrial Policy 2009-14.

Foreign Direct Investment in the agribusiness sector: 100% FDI under automatic route is permissible for the following agricultural subsectors under Agriculture:

- Floriculture, Horticulture, Apiculture and Cultivation of Vegetables & Mushrooms under controlled conditions.
- Development and production of Seeds and Planting material.
- Animal Husbandry (including breeding of Dogs).
- Pisciculture, Aquaculture, under controlled conditions and
- Services related to agro and allied sectors.

Other than the above-mentioned subsectors, FDI is not allowed in any other agricultural sector/activity. Any import of genetically modified materials, if required, shall be subject to the conditions laid down vide Notifications issued under Foreign Trade (Development and Regulation) Act, 1992.

ii. Aviation/Aerospace industry

Karnataka produces more than a quarter of India's aircraft and spacecraft and, the State is the base for most global players in India. The State is home to some of India's first and top R&D centres in Aerospace & Defence such as Indian Space Research Organization (ISRO), Defence Research and Development Organization (DRDO), etc. Boeing Research & Technology centre, Airbus Engineering Centre, and DRDO's Gas Turbine Research Establishment (GTRE) are located in Bangalore. The State has extensive experience and inherent competencies in aerospace with India's first private aircraft factory, Hindustan Aircraft Ltd, having been established here in 1940. The State has strong backward linkages in the sector with the Society of Indian Aerospace Industries and Technologies (SIATI) recording membership of approximately 300 small and medium-scale industries. 984 acres have been allocated for an exclusive industrial area and sector specific SEZ for Aerospace industries near Bangalore International Airport.

An FDI of 100% is allowed under the automatic route in this industry. In the defence sector, 100% private sector participation and 26% FDI permitted in the Defence production Sector with prior Govt approval and industrial licensing (if applicable). Defence Procurement Procedure (DPP) provides for a uniform offset of at least 30% in case of foreign contracts valued over US\$ 62.5 million (INR 300 crores).

In the civil aviation sector, 100% FDI is allowed under automatic route for green

field airport projects and for existing projects 74% can be under automatic and remaining under Government route. 74% FDI is permissible (Automatic up to 49%; Government route beyond 49% and up to 74%) for Ground Handling Services subject to sectoral regulations and security clearance. 100% FDI is permissible under automatic route for Maintenance and Repair organizations; flying training institutes and technical training institutions.

iii. Industrial Infrastructure

The State is currently home to 58 Special Economic Zones that provide a Duty-free Enclave for driving FDI and Exports.

Karnataka State Policy for Special Economic Zones Act, 2009 allows for the single point clearance by unit approval committee headed by the Development Commissioner, SEZ. All industrial units and other establishments in the SEZs are declared as Public Utility Service under the provisions of the Industrial Dispute Act, 1947. Units in SEZs are eligible for 50% exemption of Stamp Duty and Registration fees, exemption of Electricity Duty or Taxes, exemption of 1% Labour Welfare Cess on construction cost and, Exemption from any other State taxes, cess, duties or levies as may be notified by the State Government.

The units are also eligible for Duty-free import/domestic procurement of goods and, 100% Income Tax exemption on Export Income for SEZ units for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. The SEZ units benefit from exemptions from taxes such as minimum alternate tax, Central sales tax, State sales tax and other State Government levies. External Commercial borrowing by SEZ units up to US\$ 500 million (Rs. 2,400 Crore) in a year is permitted without any maturity restriction through recognized channels.

Energy Sector

A. Karnataka Renewable Energy Policy 2009-14:

The policy lays emphasis on Energy Conservation and Energy Efficiency by a saving of 1,500 MU per year (900 MW by 2014). The policy proposes the sublease of the developed lands to the Renewable Energy developers for a period of 30 years and renewed for a period of 5 years at a time after the lease period subject to fulfilment of conditions stipulated by the Government. The State Government will assign the Power Purchase Agreements to the ESCOMs at the time of allotment. The policy proposes the establishment of an AkshayaShakthiNidhi (Green Energy Fund) to facilitate Renewable Energy project financing and Energy Conservation and Efficiency measures. "Green Energy Cess" of INR 0.05 (five paise) per unit would be levied on the electricity supplied to commercial and industrial consumers.

Land Policy for Renewable Energy Projects:

The availability of suitable land and making the land available expeditiously is a major issue for RE development. Renewable Energy Special Economic Zone (SEZ) (under Industrial Policy 2009) proposes that 10% portion of the lands to be at the disposal of KREDL to develop Renewable Energy projects and allied Renewable Energy industries (in proposed and future SEZs).

The State's renewable energy policy promotes the development of (i) Sugar and co-gen power in Bidar, Belgaum, Bagalkot, Shimoga and Mandya Districts.(ii) Power Generation sector specific industrial zones in Raichur, Bellary, and Bijapur & Chitradurga Districts and (iii) Renewable energy SEZs at Shimoga, Hassan, Bangalore, Udupi, Mysore and Bellary.

Clearance of Renewable Energy projects: The concerned department will give necessary approval and clearance within 90 days of the application submitted. KREDL will monitor with the concerned departments. Wheeling charges at 5% will

be applicable subject to the KERC norms and, grant of incentives available to industries would be guided by the Industrial Policy 2009.

B. Karnataka Solar Policy 2011-16: A major feature of the policy is that it envisages a purchase obligation that the Quantum of power that is to be procured by ESCOMs from solar resources will be 0.25% of the total consumption.

9.10.4 Special Economic Zones (SEZs)

In order to support the efforts of the Govt. of India in development and promotion of SEZs in the State, the Government of Karnataka has formulated a State policy for SEZs as per the Central SEZ Act 2005 & Rules 2006. The Policy aims to provide a hassle-free environment for the manufacturing & service sectors and to attract FDI. The salient features of the State Policy for SEZs are as below:

- Single point clearance to SEZ developers & units.
- Acquisition of land on consent basis.
- To set up SEZs on waste, dry and single crop land.
- Delegation of Labour Commissioner's powers to Development Commissioner – SEZ.
- Monitoring and Review committee is constituted to monitor and review the implementation of SEZs under the Chairmanship of Chief Secretary, Govt. of Karnataka.

The fiscal package of incentives & concessions extended to SEZ developers and SEZ units includes:

- Exemption from State taxes for all purchases from domestic tariff area excluding petroleum products.
- Exemption from stamp duty and electricity duty.
- Capital subsidy for common effluent treatment plant.

The Board of approval of SEZ constituted under SEZ Act 2005 has granted formal approvals for 60 SEZs and in-principle approval for 1 SEZ in the State. SEZs numbering 25 are operational in the State with an investment of Rs. 37,225 crores and generating employment for 11, 65, 560 persons. Currently there are 199 SEZ units functioning in these SEZs. The value of exports from these SEZs during the year 2013-14 accounted to Rs. 51,200 crores.

ASIDE Scheme :

VTPC is the nodal agency for the implementation of Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) scheme in Karnataka. The agency has extended financial support for the completion of 96 export infrastructure projects out of total of 120 projects in various parts of the State. The projects of connectivity to ports, formation and upgradation of roads in industrial area/estates, flyovers, by-pass, water supply, power supply, cold storage, training centres, warehouses, R&D centres, common facility centre, Human resource Development, pre-harvest & post harvest technological facilities etc. are implemented in the State. 24 projects are under various stages of implementation. Karnataka has been recognized as the Best Performing State in the implementation of ASIDE scheme.

Visvesvaraya Trade Promotion Centre (VTPC):

In order to encourage growth and development of exports from the State, the Government of Karnataka has established a dedicated nodal agency, Visvesvaraya Trade Promotion Centre (VTPC) for promotion of International Trade. In addition to compiling of data on the State's exports, VTPC conducts various capacity building programmes and also provides services across market intelligence, export documentation, finance and other critical areas to the exporting community. VTPC also organizes several export-related

programmes for both prospective and existing exporters in the State. Export awareness programmes are also conducted at district/ potential places. VTPC has established Export Information Centres at Dharwad & Mysore to facilitate exporters of the State.

The promotional activities of VTPC for exports are as follow :

- Export Awareness Programmes.
- Export Training Programmes.
- Export Management Training Programmes.
- Seminars, Workshops & Conferences.
- Interaction and Open House Meetings.
- Participation in National/International Exhibitions & Trade Fairs.
- Financial Support to the all Artisans, SC, ST, Women Entrepreneurs of Micro and Small enterprises, who participate in the Trade Fair and Exhibitions.
- Conferring State Export Awards for Export Excellence.
- Market Development Assistance (MDA) to industries / exporters for their Overseas Visits for business promotion.
- ASIDE Scheme.
- WTO and IPR Relay Cell.
- Incubation Centre & Facilitation Cell.
- Assistance to the traders/exporters in certification for the export/ import of commodities.
- VTPC is authorized to issue certificate of origin (non preferential)
- Conduct of Short term courses in association with IIFT, New Delhi.
- Trade Point to provide live trade enquiries, Global Directory Services & Online Trading Facility.
- Secretariat services for promotion of SEZs and EOUs in the State
- Liaison office for International Help Desk.

10.11 KARNATAKA TOURISM

Karnataka with its great Heritage and Cultural Background has vast potential for the sustainable development of tourism industry. State Government has declared 'Tourism as an industry' since 1988. The Department has brought out series of Tourism Policies with the package of incentives, concessions and subsidies for development of Tourist Infrastructure in the State through the private investment. Tourism has been given priority and it is instrumental for Socio-Economic growth of the State as well as providing lot of employment opportunities for both skilled and unskilled man power.

The Economic benefits of Tourism are far-reaching. In addition to enhancing revenues within the segment, tourism has the potential to create employment and generate wealth in a short of "ripple effect" across industries throughout an entire geographical region. By boosting local spending and generating direct job opportunities, tourism provides socio-economic benefits that, far out weight the costs. Rural areas, in particular, stand to gain the most from the improved regional infrastructure and enhanced revenue circulation engendered by tourism-related development projects.

The growth of Tourism is directly proportional to the arrivals of tourists to a particular destination. More number of arrivals will make more economic activities and generate employment and other social facilities.

The impact is measurable at a particular destination comparing with its previous position. The Road connectivity, Electrical Connection, Water Supply, Poultry, Handicrafts and various other related sectors are also improved in that particular destination. Totally, growth of community Development in that particular area is because of growth of Tourism.

The Directorate of Tourism at Bangalore is looking after the administration of Tourism Department along with promotional and developmental activities. It is supported two other Government undertaking agencies namely, Karnataka State Tourism Development Corporation Ltd and Jungle Lodges and Resorts Ltd.

Karnataka Tourism is actively participating every year in the Tourism Marts and Events. In the last year Department has actively participated in the International events like AmeGujarathi-London, ATM-2013-Dubai, ITB-Asia-Singapore, PATA-2013, China, ITB-berlin, JATA Japan-2013, Topresa-2013- Paris, WTM-London-2013, FITTUR-2014-Madrid, Along with these events Department participated in domestic exhibitions like Tourism Trade Fair-Kolkata, Hyderabad, Ahmadabad, Surat, Chennai, Bangalore, Mumbai, Pune, Jaipur, Cochin, Newdelhi, Hubli. During the current year Department has taken action to participate in International events like PATA-Combodia, Topresa-Paris, JATA-Japan, WTM-London, ILTM-Canas, Fittur-Madrid, ITB-Berlin, MITT-Russia.

Karnataka Tourism considered infrastructure development as its top priority, and has taken several concrete steps to enhance facilities at tourist destinations. Department has also made all possible efforts and took all possible steps for aggressive marketing and publicity campaigns both at National and International levels. As a result of this, Karnataka has a considerable growth in tourist arrivals, the flow of tourists registered a considerable increase compared to the past few years. The figures of arrivals are given in **Table 9.43**.

The tourist flow in to the State has continuously been increasing steadily from 8.41crores in 2011 to 9.81 crores in 2013, which indicates comprehensive increase in arrivals. In 2014 also the tourist inflow to the State is steadily increasing. This is the result of Tourism Department's work plans.

Table 9.43 : Tourist's Arrival from 2011 to end of 2014

| Sl. No | Year | Indians | Foreigners | Total |
|--------|--------------|---------------------|------------------|---------------------|
| 1 | 2011 | 8,41,07,390 | 5,74,005 | 8,46,81,395 |
| 2 | 2012 | 9,40,52,729 | 5,95,359 | 9,46,48,088 |
| 3 | 2013 | 9,80,10,140 | 6,36,378 | 9,86,46,518 |
| 4 | 2014 | 11,82,83,220 | 5,61,870 | 11,88,45,090 |
| | Total | 39,44,53,479 | 23,67,612 | 39,68,21,091 |

Source : Department of Tourism

Table 9.44 : Revenue Realized by the Tourism**(Rs. in lakhs)**

| Name of the Organization | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| Directorate of Tourism | 119.70 | 35.61 | 89.21 | 101.63 | 104.50 |
| Jungle Lodges and Resorts | 3298.74 | 4268.21 | 4093.72 | 4524.16 | 3907.68 |
| Karnataka Tourism Development Corporation | 5240.00 | 6256.00 | 6684.20 | 6583.74 | 6811.00 |
| Total | 8658.44 | 10559.82 | 10867.13 | 11209.53 | 10823.18 |

Table 9.45 : Details of Budget allocations and Expenditure made from 2011-12 to 2014-15**(Rs. in lakhs)**

| S No | Head of account | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | |
|------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | Budget | Exp. | Budget | Exp. | Budget | Exp. | Budget | Exp. |
| 1 | 3452-PLAN | 8552.05 | 5721.34 | 8774.00 | 8647.79 | 11339.00 | 10454.00 | 11823.00 | 6246.97 |
| 2 | 3452-NON-PLAN | 326.90 | 187.60 | 343.43 | 339.63 | 372.14 | 371.39 | 410.66 | 264.40 |
| 3 | 5452-CAPITAL OUTLAY | 13660.00 | 7760.59 | 13205.00 | 13071.83 | 20340.00 | 19522.30 | 27677.00 | 8192.37 |
| | Total | 22538.85 | 13669.53 | 22322.43 | 22059.25 | 32051.00 | 30377.69 | 39910.66 | 14703.74 |

Source : Department of Tourism

Tourism as an Economic Activity:

In view of integrated development of Tourism in the State action has been taken to bring new tourism policy for (2014-19). In the overall period of this policy (5 Years), it is estimated that 15,000/- Crores of private investment will be made in tourism sector. To minimize the same period 5.4 lakhs of employment opportunities will be generated. To minimize the financial burden to state PPP scheme has been introduced to attract more number of Mega investors.

Analysis of work patterns of tourist related employees highlights that it will provide employment to not only skilled man power but also for unskilled man power. Tourism attractions, monuments etc are fall in the rural area and there is a good opportunity for the regional people to get employment.

Income from Revenue Earnings:

Tourism earns a handful foreign exchange compare to other products. The revenue generated by the Tourism is from various sources both by direct and indirect incomes. One of the reports issued by World Travel and Tourism Council says that the contribution of tourism sector to India's GDP is 6.6% during the year 2012. The revenue generate made under the public sector during the last 5 years are summarized as under in **Table 9.44** &

Budget allocation & Expenditure given in **Table 9.45**. Target & Achievements of 12th Five year plan given in **Table 9.46**.

Other Initiatives taken by the Department: In order to maximize impact, Karnataka Tourism has devised and implemented a four-pronged strategy for the development of tourism in Karnataka. The Department has focused its efforts on four separate areas-policy and implementation, infrastructure development, marketing and preservation and sustenance.

- District Tourism Promotion Councils have been created for all the 30 districts which are headed by Deputy Commissioners of the concerned district. This committee will be functioning by focusing of development of identified areas in their region and will also monitoring the progress. In order to strengthen the council opportunity has been provided to stakeholders to be the part of the council also Rs.20.00 lakhs funds has been released to all districts Tourism council to take up tourism activities at district level.
- Under the Chairmanship of Principal Secretary, Tourism Department. A State Level Monitoring Committee is also been created for monitoring the

Table 9.46 : Department of Tourism Targets and Achievements of 12th Five Year Plan

| Sl.No | Details | Quantity | 12 th Five year Plan Target | Achievement |
|-------|----------------------------------|----------|--|-------------|
| 1 | Foreign Tourists arrivals | Lakhs | 25 | 18 |
| 2 | Domestic Tourists arrivals | Lakhs | 4000 | 2883 |
| 3 | Tourist Accommodation facilities | | | |
| | A) Hotels | Number | 1000 | 1002 |
| | B) Food Facilities (Restaurant) | Number | 75 | 45 |
| | C) Road side Facilities | Number | 15 | 5 |
| | D) Market Studies | Number | 50 | - |
| | E) Public Convenience | Number | 300 | 50 |

Source : Department of Tourism

- overall developments and progress of Centrally Financial Assistance projects.
- Master Plans for all the districts has been prepared.
 - Tourist facilities are being developed near two World Heritage Sites under mega project, namely, Hampi and Pattadakal. The integrated development of the Hampi site is in progress. The detail project report for the development of circuits- Badami-Pattadakal-Aihole has been submitted to Central Government and the estimated cost of this mega project is Rs. 143.00 Crores. Action has been taken to establish tourist plazas at World Heritage Sites Hampi and Pattadakal to provide all Tourist services under single roof.
 - Development of tourist facilities at Almati Dam has been taken by providing tourist infrastructure near this Dam.
 - In addition to the existing Eco-Tourism units, initiatives have been taken for the development of more Eco-Tourism resorts centers under central financial assistance namely, Talakle near Jog, Vilaspur tank in Bidar, Daroji near Hampi, Khanapur near Belgaum, Pilikula near Mangalore.
 - A separate Budget head has been provided by NABARD for development of last mile connectivity roads leading to monuments from the main road. The works are under progress.
 - Steps have been taken to erect signages and Hoardings across the state in the importance locations.
 - A systematic approach has been followed to increase the tourism manpower specifically in Hospitality sector by imparting tourism training through Institute of Hotel Management & Food craft institute under the funds of Hunar Se RozgarTak scheme of central Government.
 - Food craft Institute at Belur has been started to give training to the local young educated youths in various hospitality courses.
 - Under the Rural Tourism Project, Anegundi, Kokkare Bellur, Banavasi and Attiveri Bird Sanctuary have been developed. Schemes will be prepared to develop Rural Tourism at other places also to showcase rural life, art and culture and heritage.
 - Works are under progress for providing tourist facilities at Hill Stations namely Kemmannugundi and Nandi Hills.
 - A separate Budget Head has been provided for development of scheduled Caste and Tribes under Special Component Plan and Tribal Sub Plan, under which tourists taxis have been provided to the eligible SC & ST candidates with subsidy. Apart from this supply of musical instruments, training under green police programme, short term courses in hospitality sector have been provided to the Youth's of these community. Karnataka Darshan Programme is being arranged for the students studying in 8th, 9th & 10thstd in Government schools.
 - On the lines of SCP/TSP programmes Karnataka Darshan Tour Programme are being organized to the students of all communities studying in 8th, 9th & 10th STD in Government schools.
 - Establishment of Karnataka Tourism Infrastructure Limited.
- Action has been taken to establish separate entity called Karnataka Tourism Infrastructure Limited in order to implement all the infrastructure projects of the Department.
- Karnataka Tourism Trade Facilitation Act

Action has been taken to enact Karnataka Tourism Trade Facilitation Act 2014. In order to Control, Encourage, Facilitate all the Tourism related activities also to provide legal frame work for Tourism Industry.

- Karnataka Tourism Policy (2014-19)
- Action has been taken to bring in New Tourism Policy (2014-19) in order to encourage the private investors by giving concessions and subsidy under this policy in the tourism sector.
- Karnataka Tourism Vision Group
- Karnataka Tourism Vision Group is established under the Chairmanship of Sri Mohandas Pai which comprises members from the experts in various sector like Art, Culture, Education, Tourism etc. to give the road map for Karnataka Tourism development and this committee submitted it's report action has been taken to implement the same at an estimated cost of Rs.50.00 crores.
- Adoption of Tourist Destinations under Corporate Social Responsibility

In India for the first time a Noval programme Adoption of Tourist Destinations under Corporate Social Responsibility has launched in Karnataka this regard Government has issued the order. Initially 46 places have been identified and tremendous response has come from corporate entities.

Execution of 7 point strategy in tourist destinations:

1. Development of Last Mile Connectivity
2. Development of Accommodation.
3. Supply of publicity Material
4. Hygiene & Sanitation
5. Safety and Security of tourists
6. Drinking Water Facility
7. Signages and Heritage

Investments Plans:

The Investment for creation of infrastructure and promotional activities mainly come from State Budget, Central Financial Assistance. In the year 2014-15 central Government has been prioritized 12 projects of Karnataka State for central finance assistance. The details are given in the **Table 9.47**. District wise details & Roads taken up with NABARD assistance are presented in **Appendix 9.13 & 9.14**.

a. JN-NURM Scheme:

The Urban Development Department, Government of India, under the JNNURM scheme has sanctioned an amount of Rs. 39.45 crore for development of Heritage path around Mysore Palace in Mysore. The work is implementing through City Corporation of Mysore.

b. Mega Tourism Projects:

Ministry of Tourism Government of India in the year 2013-14 has sanctioned the development of coastal Tourism circuit (Mega project) in Karnataka at an estimated cost of Rs. 50.00 crores and released Rs. 10.00 crores as a first installment to state Government and in the year 2014-15 Mega Cauvery Tourism circuit project has been prioritized by Ministry of Tourism, Government of India under this project it is proposed to develop tourist destinations which comes under the Cauvery Valley districts Mandya, Chamarajanagar, Mysore and Coorg.

A Plan is being prepared to provide Wayside amenities of International Standard near major National and State High ways. Action has been taken to install signage and Hoardings in high ways for the tourist convenience

c. Other Initiatives:

A Biological park has been developed in the Bannerughatta National Park, which is about 22 km's from the city.

In order to provide all facilities under single roof to tourists to tourism plazas are

Table 9.47 : Twelve Projects Prioritized by GOI in 2014-15
List of Prioritised by the Ministry of Tourism, Government of India for the Year
2014-15 (Rs. In Lakhs)

| Sl.No | Project Name | Estimated Cost |
|-------|---|-----------------|
| 1 | Mega Cauvery Tourism Circuit Development | 5000.00 |
| 2 | Introduction of Tourist Train to KukkeSubrahmanya via Sakaleshapura | 2500.00 |
| 3 | Development of Jog Tourism circuit | 800.00 |
| 4 | The Great Canara Trails by Jungle Lodges & Resorts Ltd. | 800.00 |
| 5 | Development of Tourism infrastructure at Sira, TumkurDist | 500.00 |
| 6 | Development of Tourism infrastructure at Kittur, Belgaum District | 500.00 |
| 7 | Development of Eco Tourism Park and Crocodile Park at Dandeli, Uttara Kannada Dist. | 500.00 |
| 8 | Development of Wayside amenities between Sadashivagada and Kumata | 300.00 |
| 9 | Development of roadside amenities near Malkhed, Gulbarga District | 300.00 |
| 10 | Development of roadside amenities near Basavakalyana, Bidar District | 300.00 |
| 11 | Development rural tourism at Molakalmuru Handicrafts village, Chitradurga District. | 70.00 |
| 12 | Development rural tourism at Bijapur city | 70.00 |
| | Total | 11640.00 |

Source : Department of Tourism

proposed to be set up at Hampi, Pattadkal, Mysore, Dandeli and Bijapur and also action taken to establish tourist interpretation centers at Chamarajanagar, Karwar, Kabini.

Action has been taken to privatize 18 hotel properties of the Department in a view of providing better facilities to tourists.

Action has been taken to organize weekend cultural activities at Royal Heritage city of Mysore through out the year.

Action is initiated to establish Cauvery tourism authority, Cubbon Park Management Authority and Hoysala Heritage Trust.