

बिहार सरकार  
सूचना प्रावैधिकी विभाग

संकल्प

पटना, दिनांक .....

विषय : आईटी०/आईटीईएस० निवेश प्रोत्साहन विजन, 2017 तथा ईएसडीएम (इलेक्ट्रॉनिक सिस्टम डिजाइन और विनिर्माण) विजन, 2017 के संबंध में।

[IT/ITeS Investment Promotion Vision 2017 and ESDM (Electronic System Design & Manufacturing) Vision 2017- regarding]

बिहार सरकार राज्य में उद्योग एवं निवेश को बढ़ावा देने के लिए कृत संकल्प है एवं तद्वहेतु एक ही नीति, एवं "सिंगल विंडो क्लियरेन्स" प्रणाली की व्यवस्था को अपनाते हुये बिहार औद्योगिक निवेश प्रोत्साहन नीति, 2016 एवं बिहार स्टार्ट अप नीति, 2016 का निरूपण किया गया है।

2. आईटी/आईटीईएस एवं ईएसडीएम ऐसे महत्वपूर्ण प्रक्षेत्र हैं, जिनमें आर्थिक विकास की अपार संभावनाएँ हैं। देश की अर्थव्यवस्था में सूचना प्रावैधिकी क्षेत्र की लगभग 10 प्रतिशत हिस्सेदारी है। सर्विस निर्यात का लगभग 45 प्रतिशत हिस्सा इसी क्षेत्र से होता है, जबकि विश्व के आउटसोर्सिंग बाजार में भारत की हिस्सेदारी लगभग 56 प्रतिशत है। प्रत्यक्ष विदेशी निवेश में इस प्रक्षेत्र का स्थान चौथा है, जबकि स्टार्ट-अप के दृष्टिकोण से भारत तीसरा सबसे बड़ा देश है। भारत के इलेक्ट्रॉनिक उत्पादों के उपभोग का दो तिहाई हिस्सा आयात किया जाता है एवं आयात के दृष्टिकोण से भारत में इसका तीसरा स्थान है।

3. आईटी/आईटीईएस एवं ईएसडीएम प्रक्षेत्र में विद्यमान अपार संभावनाओं का लाभ राज्य को प्राप्त हो और बिहार निवेश के सबसे आकर्षक गंतव्य के रूप में विकसित हो, इस हेतु आवश्यक है इन क्षेत्रों को उच्च प्राथमिकता प्रक्षेत्र के रूप में चिन्हित कर उनमें लक्षित निवेश हेतु विशेष प्रयास किए जाए।

4. आईटी/आईटीईएस एवं ईएसडीएम प्रक्षेत्र में निवेश को बढ़ावा देने हेतु राज्य सरकार की गम्भीरता को रेखांकित करने के उद्देश्य से आईटी/आईटीईएस निवेश प्रोत्साहन विजन, 2017 तथा ईएसडीएम (इलेक्ट्रॉनिक सिस्टम डिजाइन और विनिर्माण) विजन, 2017 तैयार किया गया है। (दृष्टिपत्र संलग्न)

5. इसका उद्देश्य यह है कि राष्ट्रीय एवं अन्तर्राष्ट्रीय निवेशकों को बिहार में इन क्षेत्रों में विद्यमान निवेश की संभावनाओं से अवगत कराया जा सके, जिससे राज्य में उद्योग एवं निवेश को बढ़ावा मिलेगा। परिणामस्वरूप रोजगार के अवसर बढ़ेंगे जिससे प्रति व्यक्ति आय में वृद्धि होगी। इस क्षेत्र में प्रगति होने से स्वास्थ्य शिक्षा, कृषि इत्यादि क्षेत्रों के विकास पर भी सकारात्मक प्रभाव पड़ेगा।

6. वर्णित स्थिति में राज्य सरकार के द्वारा आईटी०/आईटीईएस० निवेश प्रोत्साहन विजन, 2017 तथा ईएसडीएम (इलेक्ट्रॉनिक सिस्टम डिजाइन और विनिर्माण) विजन, 2017 पर स्वीकृति प्रदान की गई है।

7. उक्त संकल्प को दिनांक 12.09.2017 को मद संख्या-13 के रूप में मंत्रिपरिषद के द्वारा स्वीकृति प्रदान की गयी है।

आदेश :- आदेश दिया जाता है कि इस संकल्प को राजकीय राजपत्र के असाधारण अंक में प्रकाशित किया जाय और इसकी प्रति सभी विभाग/विभागाध्यक्ष/प्रमंडलीय आयुक्त/जिलाधिकारी/अनुमंडलाधिकारी को सूचना एवं आवश्यक कार्रवाई हेतु भेजी जाय।

बिहार राज्यपाल के आदेश से,

ह०/-

(राहुल सिंह)

सरकार के सचिव



ज्ञापांक : 06-सूअ-11/2017..... पटना, दिनांक.....  
प्रतिलिपि : (अनुलग्नक-सी०डी० सहित) उप सचिव (ई-गजट) वित्त विभाग, बिहार, पटना को बिहार राजपत्र के असाधारण अंक में प्रकाशनार्थ प्रेषित।

ह०/-

सरकार के सचिव

ज्ञापांक : 06-सूअ-11/2017..... पटना, दिनांक.....  
प्रतिलिपि : महालेखाकार, बिहार, पटना को सूचनार्थ एवं आवश्यक कार्रवाई हेतु प्रेषित।

ह०/-

सरकार के सचिव

ज्ञापांक : 06-सूअ-11/2017..... पटना, दिनांक.....  
प्रतिलिपि : सभी विभाग/सभी विभागाध्यक्ष/सभी प्रमंडलीय आयुक्त/सभी जिलाधिकारी/सभी अनुमंडलाधिकारी को सूचनार्थ एवं आवश्यक कार्रवाई हेतु प्रेषित।

ह०/-

सरकार के सचिव

ज्ञापांक : 06-सूअ-11/2017..... पटना, दिनांक.....  
प्रतिलिपि : प्रबंध निदेशक, बिहार राज्य इलेक्ट्रॉनिक्स विकास निगम लि, बेल्ट्रॉन भवन, पटना को सूचनार्थ एवं आवश्यक कार्रवाई हेतु प्रेषित।

ह०/-

सरकार के सचिव

ज्ञापांक : 06-सूअ-11/2017.....1270..... पटना, दिनांक.....15/09/2017  
प्रतिलिपि : आई०टी० प्रबन्धक, सूचना प्रावैधिकी विभाग, बिहार, पटना को सूचनार्थ प्रेषित।  
आपको निदेश दिया जाता है कि इसे सूचना प्रावैधिकी विभाग के पोर्टल पर अपलोड किया जाय।

सरकार के सचिव





# Bihar IT/ ITeS Investment Promotion Division 2017

Department of Information Technology  
Government of Bihar



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# 1 Preamble

## An overview of the Indian IT/ ITeS industry

India is steadily marching towards becoming a leading global economy. Government of India's initiatives such as 'Make in India', 'Digital India', 'Ease of Doing Business in India' etc. aimed at strengthening the country, have led to an outburst of positive energy that has tied both the Central and State Governments together. Each State is gradually coming out in support of the initiatives and contributing towards developing a powerful economy that is self-reliant and at par with global practices. As the Nation reinforces Government-citizen interfaces that are faceless, paperless and cashless, technology, today, is playing a pivotal role in enhancing the efficiency, accountability, and transparency of governance systems.

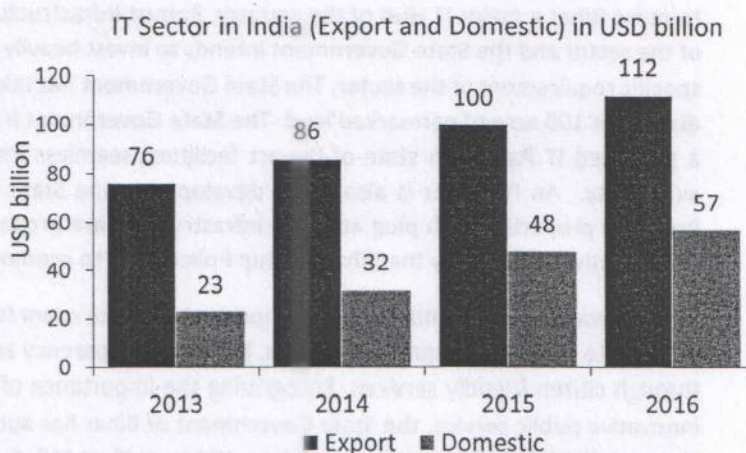
The global IT sector is one of the fastest growing industries in the world, with market value expected to reach US \$1,147 billion by 2017. Likewise, in India as well the sector has emerged as one of the prime drivers of the economy of the country. With a huge potential for income augmentation and employment generation, the Indian IT/ ITeS sector aggregated revenues worth US \$147 billion<sup>1</sup> in FY 2015, with exports accounting for US \$99 billion. The sector accounted for 9.3 percent of the country's economy and emerged as the single largest contributor to the services exports with a share of 45 percent. According to NASSCOM, the sector grew at a CAGR of 15 percent between 2010 and 2015, three to four times higher than the global growth and is expected to reach US \$300 billion by 2030.

In terms of FDI share, the sector ranks fourth and accounts for approximately 37 percent<sup>2</sup> of the total private equity and venture investments in the country. Between April 2000 and February 2014, the sector attracted Foreign Direct Investments (FDI) worth US \$13,788.56 million, according to the Department of Industrial Policy and Promotion (DIPP) estimates. India's IT BPM sector accounts for approximately 56 percent of the global outsourcing market, and 45 percent of total Indian services exports according to estimates by DIPP.

The Indian IT/ ITeS industry has come a long way between 1995 and 2015. A large technology talent pool with strong mix of young and experienced professionals, enhanced internet penetration and adoption of technology, robust IT infrastructure, and forward looking Government initiatives have led to the unparalleled growth of the sector in the country. Accounting for 56 percent of the global outsourcing market, India currently has 640 Development Centres that serve companies from more than 80 countries in the world. The Indian IT firms are moving from enterprise servicing to enterprise solutions and are even making global acquisitions. The top six IT firms account for only 36 percent of the revenues, with TCS being the market leader with 10.1 percent market share. India also plays host to close to 4,200 tech start-ups, third largest in the world, and is poised to increase its base to 11,500 tech start-ups by 2020.

All these have been further accelerated by the forward-looking initiatives by the Central

Government to attract more foreign direct investment in a bid to fuel growth in the country and create job opportunities for a fast growing young workforce. The Digital India campaign launched by the Central Government aims for online



<sup>1</sup> Source: NASSCOM

<sup>2</sup> Source: Department of Industrial Policy and Promotion (DIPP), Government of India



availability of Government services to citizens, improved online infrastructure and internet connectivity in the country, and digital empowerment of the country in the field of technology. With a vision to transform the entire Nation into a digitally empowered society and a knowledge economy, Digital India centres on three key areas:

- Digital infrastructure as a core utility to every citizen,
- Governance and services on demand and,
- Digital empowerment of citizens.

The sector is also significant for employment generation and as of FY15, is expected to provide employment to about 3.5 million people directly and another 10 million people indirectly<sup>3</sup>. The National Policy on Information Technology 2012 provides the necessary thrust to the sector and aims to enable India to emerge as the Global Hub and Destination for IT and BPM services by 2020.

According to the Information Technology Association of America 'IT' is defined as "the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware." This majorly comprises software products, engineering services and IT services. The expected market size of the IT services segment in India is US \$78.3 billion by the end of FY 15, with exports accounting for 67 percent of the revenues. The market size of the software products and engineering services segment is close to US \$24.11 billion by FY 15, with exports accounting for more than 79 percent of the revenues. The IT sector is majorly driven by more than 16,000 firms in the country, with more than 1,000 of them being large firms with 50 plus delivery locations in the country.

ITeS majorly comprises Business Process Outsourcing (BPO), back office operations, call centres etc. The BPM segment is expected to have generated a turnover of US \$28.15 billion by the end of FY 15, with 85 percent revenues happening through exports. The market size of the BPM industry is expected to rise to US \$41 billion by FY 2020 and to US \$54 billion by FY 2025.

## Bihar IT & ITeS Investment Promotion Vision 2017

The State of Bihar is currently one of the fastest growing State economies of the country. In 2014-15, Bihar emerged as the fastest growing State economy of the country clocking a growth rate of 17.06 percent of GSDP at current prices<sup>4</sup>. Enjoying a healthy growth momentum, the State, according to estimates by the Central Statistical Organization, experienced a medium term growth rate of 7.6 percent in GSDP (FY 2012 to FY 2016), with figures for FY 2012 as the base, compared to 6.8 percent of the national average.

Riding a robust State economy, a large pool of technically skilled workforce, booming sectoral infrastructure, low cost of doing business, and a stable governance and legal framework, the IT/ ITeS sector of the State shows a lot of promise in terms of revenue augmentation, and employment generation in the State. The State Government of Bihar is poised to make Bihar a major IT Hub of the country. Robust infrastructure is an essential hygiene factor for the development of the sector and the State Government intends to invest heavily in developing specialized infrastructure given the very specific requirement of the sector. The State Government has taken a decision to build an IT City in Rajgir in the Nalanda district on 100 acre of earmarked land. The State Government has also earmarked 25 acre of land at Bihta in Patna for a proposed IT Park with state-of-the-art facilities, seamless internet connectivity and uninterrupted quality power availability. An IT Tower is also being developed in the State capital to house IT/ ITeS and Electronics companies. Premium properties with plug and play infrastructure are proposed to be offered to start-ups in the State and as per the incentives offered by the Bihar Startup Policy 2017 to promote entrepreneurship in the State.

In the present era of digitization, it is important to make room for improved services through the use of technology. It will lead to faster and improved services, bring in transparency and accountability along with bringing ease to the users through citizen friendly services. Recognizing the importance of ICT in delivering a modern, more efficient, and more innovative public service, the State Government of Bihar has adopted several initiatives such as Bihar State Wide Area Network (BSWAN), Secretariat Local Area Network (SecLAN), State Data Centre (SDC), e-District, e-Shakti, Integrated Workflow and Document Management System (iWDMS), City Surveillance and Dial 100, Crime and Criminal Tracking

<sup>3</sup> Source: DIPP, Make in India

<sup>4</sup> Source: Center for Monitoring Indian Economy (CMIE)



Network and System (CCTNS), Bihar State Service Delivery Gateway (SSDG), Bihar Cloud, and free Wi-Fi across colleges and universities of the State.

Besides these, to promote industry-led growth in the State, Bihar is also in the process of implementing key reforms and strategic initiatives that will help the State accelerate its envisaged development plan in the sector. The State has drafted the Bihar Industrial Investment Promotion Policy 2016, and Bihar Startup Policy 2017, offering sector specific incentives, and subsidies to IT/ ITeS units and startups in the State. The State Government now envisages to emerge as the next investment destination for IT/ ITeS in the East and attract large-scale investments in the sector in the next five years.

All these initiatives have already led to an outburst of positive energy that has closely tied the Government and the citizen/ entrepreneur community of the State. As the States of India are wooing investors by being the most agile and facilitative, the State Government of Bihar has conceptualized the ICT Vision of the State. The Government's vision to develop the sector in the State revolve around:

- a. Spurring the growth of knowledge based economy in the State
- b. Bridging the digital divide between the urban and rural Bihar
- c. Developing Bihar into the next investment destination for IT/ ITeS, and allied industries, and
- d. Enabling good governance with technology-enabled reforms in the State

The State Government recognizes that the intended change in the IT/ ITeS industry of the State is a transformational goal and in order to facilitate the same, it will introduce enablers in the form of branding, changing the policy paradigm and encouraging a culture of entrepreneurship that will help in creation of a healthy ecosystem of doing business in Bihar. To achieve this transformation, Bihar will undertake a combination of policy, infrastructure, skilling, investment promotion and other interventions to channelize efforts into attaining prominence in the IT/ ITeS industry.

Earlier, States would provide common infrastructure and a general policy support for a diverse set of industrial sectors. However, the situation today demands sector-specific solutions aimed at addressing its specialized needs in terms of industrial infrastructure, policy interventions, regulatory support and in some cases, even social infrastructure.

Accordingly, the State Government has accorded a 'high priority' status to the sector and has made provisions for sector-level incentives and concessions in the Bihar Industrial Investment Promotion Policy 2016, targeting the very specialized needs of the sector. In order to further enable the State to achieve its intended development in the sector, the Bihar IT/ ITeS Investment Promotion Vision 2017 has been drafted, charting out targeted interventions that can potentially create large scale growth opportunities in the sector of the State. The Bihar IT/ ITeS Investment Promotion Vision 2017 charts out the specifics of the intended developments through adequate sector-level interventions, while addressing the specialized needs of the sector.



## 2 Vision, mission, & objectives in the IT/ ITeS space

### Vision

Once recognized primarily as an agrarian economy, the State of Bihar has a lot to offer in the IT/ ITeS sector. The State Government envisages to exploit the ICT prowess of the State and develop the IT/ ITeS sector for inclusive growth and large-scale gainful employment generation. The State also intends to leverage electronic medium to improve service delivery, and provide greater access to information and convenience to citizens. The IT/ ITeS sector is poised to play a dominant role in contributing towards developing a powerful State economy that is self-reliant as well as at par with notable global practices.

#### **Bihar IT/ ITeS Vision**

*"To develop the IT/ ITeS industry of the State for inclusive socio-economic growth and gainful employment generation, and to emerge as the next investment destination for IT/ ITeS companies in the country, while offering an enabling environment for industrial investments, stable policies and transparent governance, strategic infrastructure development, and enhanced service delivery by effective use of information technology"*

### Mission

1. To promote Bihar as one of the leading investment destinations for IT/ ITeS companies in the country by ensuring a congenial industrial climate, stable policies that are industry-friendly, transparent governance, and a large technology talent pool available at competitive rates.
2. To develop a sector-focused state-of-the-art infrastructure ecosystem in the State through a slew of financial, regulatory and institutional reforms leading to a revival of investor sentiment in the State.
3. To create opportunities for gainful employment of the youth in the sector, enhancing their employability, and developing a sustainable skill ecosystem wherein the workforce is equipped with employable skills and knowledge to be able to contribute to the economic growth of the State and the country.
4. To leverage IT to contribute significantly to GSDP and employment and to provide seamless, secure, and reliable citizen-centric services and information for the people and thereby to enhance transparency, efficiency, and accountability of the Government and Government bodies.
5. To build a strong eco-system for nurturing innovation in the State and empower Startups to grow through innovation, design, and by inviting new ideas and businesses across domains in the IT/ ITeS sector.
6. To promote and develop new IT/ ITeS destinations in the State by providing assistance in setting up state-of-the-art IT infrastructure in these locations.
7. To strengthen the assessment and certification standards, and encourage IT/ ITeS companies within the State to conform to quality standards at par with global practices.

### Objectives

1. To develop the IT/ ITeS sector as a high-priority sector and a major contributor to the economy of the State.
2. To promote 'Brand Bihar' as one of the Top five investment destination for IT/ ITeS sector in the country.
3. To attract at least ten major IT/ ITeS players, domestic as well as international, in the State in the next five years.
4. To create an incremental employment for 20,000 people in the State in the IT/ ITeS space in the next five years.
5. To enhance the contribution of the sector to the GSDP of the State to 15 percent.



6. To generate a gross turnover of Rs. 10,000 Crore in the next five years in the IT/ ITeS space.
7. To further accelerate investments flow in the IT/ ITeS sector at an average annual growth rate in excess of 20 percent.
8. To emerge as one of the leading Startup Hubs in the country in the IT/ ITeS sector.
9. To conduct skill development and capacity building for at least 20,000 youth in the sector of the State in the next five years.
10. To improve, spread, and facilitate education in the State to achieve computer literacy of 10% within the next five years
11. To leverage IT/ ITeS as a tool for socio-economic development through improved citizen-centric services for the public.
12. To foster the R&D ecosystem of the State to move up the value-chain of the IT/ ITeS sector of the State.

The State Government recognizes that the intended changes in the industrial economics of the sector of the State is a transformational goal and in order to facilitate the same, it will have to introduce enablers in the form of branding, infrastructure augmentation, changing the policy paradigm and encouraging a culture of entrepreneurship that will help in creation of a healthy ecosystem of doing business in the sector of the State. The holistic growth of any industry in the State can be achieved only if appropriate sector-level interventions are adopted in policies, infrastructure, skilling, startups, and marketing.

The IT/ ITeS industry in the State is still in the growing stages, as the State Government is adopting a slew of reforms aimed at strengthening the sector in the State. All these initiatives have already led to an outburst of positive energy that has closely tied the Government and the citizen / entrepreneur community of the State. As the States of India are wooing investors by being the most agile and facilitative, the State Government of Bihar has conceptualized the IT/ ITeS Vision of the State. The Government's Vision to develop the sector in the State and achieve the intended targets within the next five years, would involve reforms along the below six pillars:

- i. Fiscal support
- ii. Regulatory reforms
- iii. Infrastructure augmentation
- iv. Skill development and capacity building
- v. Entrepreneurship and MSME development
- vi. Market accessibility and branding

## Focus Areas

As the State recognizes the significance of the IT/ ITeS sector as major contributor towards the State economy, the State Government wishes to channelize its efforts towards certain key areas that have been identified as major avenues towards high growth, gainful employment generations, and income augmentation while leveraging the traditional strengths and strategic advantages of the State. These focus areas include:

- i. IT products, software and services
- ii. Business Process Outsourcing (BPO)
- iii. Knowledge Process Outsourcing (KPO)
- iv. Call-centres
- v. Digital content development
- vi. Smart technologies
- vii. Internet of Things (IoT)
- viii. Data centres
- ix. Big Data



# 3 Incentives

## 3.1 Fiscal support

Fiscal policies, today, can play a dominant role in fostering innovation through its effects on R&D, leading an inclusive socio-economic growth through enhanced industrial productivity, and stimulating entrepreneurship and technology transfer.

Today, the biggest challenge faced by the budding entrepreneurs and startups, and even established industrial players in the country is access to finance. It is imperative for startups to make significant capital investment for embracing the ever-changing technology and fighting the rising competition. Startups need to navigate through the unique challenges arising from their venture on routine basis which may also be expensive. Even established industrial players also face issues such as lack of collaterals, higher expenses and lack of operating cash flows, which can be arrested by corrective fiscal instruments.

In order to ensure access to adequate and timely finance at different stages of business cycles, which in turn will promote investments in the State, the Government of Bihar, therefore, intends to offer a slew of fiscal incentives and concessions targeting the sector.

The State Government of Bihar has accorded a 'high-priority' status to the IT/ ITeS sector of the State, and intends to develop the same with targeted fiscal incentives, considering the specialized needs of the sector, as per the section 3.0 in the Amended Bihar Industrial Investment Promotion Policy 2016, as modified from time to time.



## 3.2 Regulatory Reforms

In order to successfully enhance the experience of doing business in the country and accomplish a holistic transformation in the country's investor attractiveness, it is pertinent to drive regulatory reforms across all relevant areas of business regulation. The Government of India as well as various State governments have embarked on several reforms focussed on improving ease of doing business at each stage, through rationalisation of regulations and implementation of technology driven interventions.

Ease of Doing Business is manifested by radical regulatory reforms that improve the experience of doing business by reducing the time, costs and number of procedures associated with starting, operating and exiting a business. These reforms can provide impetus to the overall economic growth in the State by enhancing investments, productivity and exports in the manufacturing sector. The streamlined processes also help Governments save time and resources, allowing them to focus on investment policies, incentives and other core functions.

The State Government of Bihar would, therefore, ensure that the business environment in the State is conducive to investors and that the licensing procedures for setting up and running a business are streamlined, adaptable, transparent and relevant through a slew of regulatory reforms.

### 3.2.1 Essential service

The State Government may declare IT/ ITeS industry as essential service under the Bihar Essential Services Maintenance Act, 1947.

### 3.2.2 Exemption from statutory power cuts

IT/ ITeS units in the State may be exempted from the purview of statutory power cuts and will enjoy uninterrupted quality power supply. IT/ ITeS units, being categorized as industries, will also be eligible for industrial power tariff rates.

### 3.2.3 Time-bound single-window clearance

The Government of Bihar will ensure the provision of time-bound single window clearance mechanisms for faster processing of applications of IT/ ITeS projects in the State, and approval and disbursement of incentives under the Bihar Industrial Investment Promotion Policy 2016. The single-window mechanism will have provisions for:

- i. Single integrated application for all permissions
- ii. Handholding for filling application forms
- iii. Time-bound grievance redressal
- iv. Dedicated relationship officers for anchor projects and ultra-mega projects
- v. Regular monitoring with provisions for escalation at various levels

The State Government designated empowered committee, will ensure smooth clearance process and to process, administer, and disburse incentives in a speedy, transparent and time-bound manner. The committee will also take up the issues of long-drawn processes of land allotment for IT/ ITeS industries as a special drive putting the entire process on a fast track.

The State Government will set up an Investor Facilitation cum Project Management Unit (PMU) for investor facilitation under the Department of Information Technology, Govt. of Bihar, that will be responsible for the below mentioned activities:

- i. Facilitating investment proposals and assisting entrepreneurs and investors in setting up their IT/ ITeS units in the State
- ii. Facilitation investor query addressal, and grievance redressal and handholding entrepreneurs through the entire process of compliance to statutory obligations
- iii. Disseminating information through mass media related to prospects of IT/ ITeS industries, investable projects, and statutory compliance requirements for setting up units etc.
- iv. Organizing, sponsoring, associating or participating in any fair, exhibition, celebration or campaign aimed at promotion of IT/ ITeS industrial development
- v. Reviewing and assessing the performance of the State in the sector in terms of number of units set up, persons employed, amount of investments drawn and value of production



- vi. Deploying dedicated relationship officers for maintaining investor relationship for Mega and Ultra-Mega projects in the State

### 3.2.4 Exemption from inspections

The IT/ ITeS industry of the State may be exempt from compliance inspections under the Acts and Rules as given below, and industries may file self-certification or third party certification, except for inspection for verification on receiving certain complaints.

- i. Factories Act, 1948 and Rules framed thereunder.
- ii. Minimum Wages Act, 1948 and Rules framed thereunder.
- iii. Payment of Wages Act, 1936 and Rules framed thereunder.
- iv. Contract Labour (Regulation & Abolition) Act, 1970 and Rules framed thereunder.
- v. Payment of Bonus Act, 1965 and Rules framed thereunder.
- vi. Payment of Gratuity Act, 1972 and Rules framed thereunder.
- vii. Maternity Benefit Act, 1961 and Rules framed thereunder.
- viii. Child Labour (Prohibition & Regulation) Act, and Rules framed thereunder.
- ix. Shops & Commercial Establishments Act, 1958 and Rules framed thereunder.
- x. The Inter-State Migrant Workmen (RECS) Act, 1979 and Rules framed thereunder.
- xi. The Equal Remuneration Act, 1976 and Rules framed thereunder.
- xii. Motor Transport Workers Act, 1961 and Rules framed.

IT/ ITeS units may also be exempted from the purview of Water (Prevention and Control of pollution) Act, 1974, and Air (Prevention and Control of pollution) Act, 1981, except in the case of use of power generation sets.

### 3.2.5 Relaxation of working hours of women employees

Working hours of women employees in IT/ ITeS industry may be relaxed under the Factories Act and women employees will be allowed to work 24 hours, subject to the conditions of women's safety and security, at the working place and during transit, being sufficiently fulfilled by the employer. In this case the employer will, therefore, be responsible for escorting the woman employee after general shift to and fro the workplace by armed security guards.

General permission may also be granted for operations in three shifts, provided the IT/ ITeS units in the State take the necessary prescribed precautions with respect to the safety and security of the employees.



### 3.3 Skill development and capacity building

Skilled workforce is one of the major contributors to the economic growth of any State. States with high skill standards are able to cope up in a much better way with the challenges and opportunities presented by the ever changing domestic and international markets. To harness its demographic dividend and overcome its skill shortage, our country is working aggressively towards developing a sustainable skill ecosystem wherein the workforce is equipped with employable skills and knowledge to be able contribute to the economic growth of the country.

Given that IT/ ITeS industry holds paramount importance in terms of income augmentation and employment generation, the State Government accords high priority to skilling and capacity building in the sector, and aims to provide the overall institutional framework to expedite and scale up skill development efforts.

#### 3.3.1 Skill enhancement and capacity building

- i. Technical institutes in the State will be encouraged to offer more cross-sectoral degrees. More IT modules will be included in the course curricula of other streams of engineering. Industries will be encouraged to collaborate more with colleges in setting up research labs in college campuses. Internships will be made an integral part of the course curriculum in all colleges. An independent regulatory authority will be set up under the competent authority as defined by Government of Bihar that will oversee criteria of entry, accord of degree, ensuring standards of education.
- ii. Vocational Training Improvement Project (VTIP) will be adopted to improve the employability of the ITI graduates in the State by fine tuning the training delivery according to the demand of the industry. An Industrial managing Committee will be set up at district-level, with representation from the local industries, and will facilitate decision making at a local level and choosing disciplines and trades according to the local industry needs.
- iii. The State Government will incentivize institutes that ensure 'training to placement', and such that training and capacity building should focus on post training placement opportunities and mobilization of resources and opportunities for self-employment and entrepreneurship with a focus on IT/ ITeS in the State. The State Government will also train and certify at least 300 trainers annually for the next five years for the IT/ ITeS industry through certified Training Service Providers (TSPs) in the State.
- iv. The growth of the IT/ ITeS industry requires a steady access to a large pool of technology talent. Accordingly, more number of IIITs and ITIs will be planned to be set up in the State to augment Information Technology skills in the State. Industries will be encouraged to collaborate more with colleges in setting up research labs in college campuses.

The State Government will also train and certify at least 2,000 Bihari youth annually for the next five years for the IT/ ITeS industry through certified Training Service Providers (TSPs) in the State.

- v. Delivering a modern, more efficient, and more innovative public service will mandate adopting and adapting to newer digital technologies. Hence, the technical skills of the functionaries, who would be the principle luminaries of public service delivery, need to be periodically assessed and timely upgraded in order to counter implementation issues, data quality/ efficiency issues as well as the duplication (e.g. entry/records being done by technical and nontechnical medium like hand-written books/files) currently being in practice.

The State Government will implement an IT literacy Enhancement Program for its employees with a training programme of duration of 100 hours on IT enablement and soft skills, designed for 200 mid-level Government employees in each of the next five years from the major Departments. IT literacy will have a minimum level of defined proficiency including email, data entry and data management, and MS Office.



## 3.4 Entrepreneurship and SME Development

Entrepreneurship has multi-faceted impact on the economy of a State. Two important ones are innovation driven growth and increase in MSME activity which act as building blocks for the manufacturing as well as services sector.

The State of Bihar has seen an ocean of changes and developments over the last few years and has adopted several enablers to push forward the agenda of getting the workforce 'digitally' skilled, empowering the citizens, bridging the rural-urban divide through digital literacy, improving Government services and enhancing the access to digital infrastructure. Recognizing the importance of entrepreneurship as building block of innovation-driven ideas that could solve existing issues or bring in greater efficiency in existing processes, now is the right time to promote entrepreneurship and innovation in the State.

- i. The State Government will set up incubators established in key institutes like IIT, NIT, ICAR, NIFT, CIPET, etc. Entrepreneurship Development Cells and Facilitation Centres shall be set up in Divisional towns and Nagar Nigams to provide mentoring, business plan support, market research and management consultancy for handholding startups.
- ii. The State Government shall allot 10 percent of spaces in forthcoming IT Parks, SME Clusters and Hub, for startups/ incubators/ common shared infrastructure on preference.
- iii. In order to promote innovation, incubation, and entrepreneurship, the State Government may set up a Startup Hub in Patna as a Technology Innovation and Incubation Zone in the State, where the startups will get access to plug-and-play infrastructure, quality power, seamless internet connectivity at subsidized rates, and the much-needed services in consulting, training, implementation, incubation, and statutory compliances.

### 3.4.1 Preferential Procurement

The State Government may award a fixed number of IT/ ITeS contracts with Government Departments to registered SMEs/ startups incorporated in the State. The State Government of Bihar may also encourage local participation while awarding projects with Government Departments for implementation, through collaborative arrangements between national and international companies and local enterprises having relevant experience, expertise and reach. For availing incentives, IT/ ITeS enterprises that have their registered offices in Bihar and having at least 50 percent of their employees who are domicile of the State, will be termed as local enterprises.



## 3.5 Infrastructure augmentation

Robust infrastructure is a major hygiene factor and the fulcrum of economic development of any State. While sector-supportive policies, and competitive and cooperative federalism are hygiene factors of development, the differentiator, today, is often the sector-focused strategic infrastructure ecosystem development, that positions the State favourably among the investors. Given the enormity and specialized needs of different sectors, a gradual shift has been observed from providing a common infrastructure support to sector specific interventions in terms of industrial infrastructure, and support mechanisms.

With a resurgent economy and a strong focus on bolstering investment and economic development, the State will undertake targeted infrastructure initiatives to strengthen investor sentiment in the State.

### 3.5.1 Additional FSI for IT/ ITeS industries

The State Government intends to encourage intensive usage of land by providing additional FSI to IT/ ITeS units in the State. Land usage may be amended for all IT/ ITeS units and Parks to enable the development of 'Integrated Industrial Townships'. Accordingly, 100 percent additional FSI on the allowable FSI for Residential/ Office purposes (whichever is more) may be allowed for IT/ ITeS units in approved public and private IT Parks, industrial areas, and STPIs within the State, set up under the Bihar Industrial Investment Promotion Policy or previous ICT, or IT/ ITeS Policy of Bihar.

### 3.5.2 Promotion of PPP in infrastructure development

The growing investments in the infrastructure sector, increasing scale and magnitude of projects and private ownership of public properties have all led to the growth of the number of PPP projects in the State.

The State Government of Bihar recognizes the significance of eliminating the infrastructural bottlenecks that could possibly jeopardize the growth of IT/ ITeS industry in the State. State Government will therefore encourage more investments in the PPP route for the creation of state-of-the-art social and civil infrastructure for professionals engaged in the sector.

- i. The buildings, infrastructure, and facilities, in the form of IT Parks, IT Towers, and IT Zones, shall be developed adopting a transparent PPP policy, involving a consortium of developers and/ or industry players, selected through a transparent bidding process involving QCBS methodology of selection.
- ii. Developers of private IT Parks will be permitted to build quality road connectivity with nearest Airports.

### 3.5.3 Promotion of Level II locations apart from Patna

Socio-economic development and investment promotion can be accelerated and facilitated by the presence of social and economic infrastructure in a Nation. Development would be slow or difficult to achieve if these things are not in place. Since investment projects often mandate temporary or permanent relocation of the investor or the management team to the destination of investment, the image of the destination, as a place to stay and work becomes extremely significant. Investors often tend to avoid places for investment that are perceived to be less hospitable.

In this respect, social infrastructure, including education and health facilities, become extremely important. Improved social infrastructure is required to create a conducive ecosystem for IT/ ITeS industry comprising hospitals, universities, primary schools, and shopping malls.

A multi-departmental mechanism will be adopted to improve the condition of social infrastructure including hospitals, primary schools, universities, colleges in the cities selected to be developed as IT/ ITeS hubs in the State such as Patna, Bihta, and Rajgir. Thrust would be given on creation and improvement of world class civil infrastructure like roads, cities, airports and transportation networks with the Level II cities like Bhagalpur, Darbhanga, Purnia, Gaya, Bodhgaya and Muzaffarpur.



## 3.6 Market accessibility and Branding

Marketing aims at creating awareness of an area as a location for new investment among potential investors and correcting weak or misperceptions about the area that could act as a “killer” factor. In other words, marketing aims at building up the image of the location and at putting it on the investment destination map.

Hence, while a review of policies and infrastructure in Bihar will suggest that the State has moved ahead in doing the right things for aiding businesses, it is important to understand how investors perceive of the State and the developmental activities undertaken in the last few years. These need to be showcased to the global investor communities to foster the mobilization and attraction of foreign and domestic investments.

### 3.6.1 Promotional activities

The Government would organize various promotional events and road shows at various domestic and international locations from time to time to attract large-scale private sector investments from target countries. The Government shall promote and encourage participation from the industry, industry associations, PE and VC firms etc. from across the country and worldwide in IT/ ITeS events, exhibitions, roadshows and conferences organized by the State Government. The State Government will regularly organize Business Plan Competitions, Hackathons, and other events in partnership with industry bodies, associations, and other agencies to showcase the fact that “Bihar is changing”.

The State Government will also organize an annual ICT event, in collaboration with industry bodies, industry associations, private sector, and academia, showcasing the State’s prowess in the ICT sector and highlighting the tremendous change that the State has witnessed in the sector in the past few years.



## 4 Definition

1. **Anchor unit:** An anchor unit refers to an IT/ ITeS unit investing more than Rs. 100 Crore, excluding the cost of land, for commercial operations within the State, and employing at least 250 people in the State within three years from the commencement of commercial operations, with at least 100 of them being domicile of the State of Bihar.
2. **Department:** Department refers to Department of Government of Bihar, unless otherwise specified as the Government of India, or the Government of any other State of the country.
3. **Domicile of the State:** Domicile of the State of Bihar means those who have been defined by the Bihar State Government, from time to time, as the original domiciles of Bihar and who hold the certificate issued for this purpose by the competent authority.
4. **Government:** Government means Government of Bihar in this Vision unless otherwise specified.
5. **Incubation centre:** Incubation centre means physical spaces which helps entrepreneurs to convert their ideas in becoming successful and profitable ventures by supporting them in business planning, mentoring, recruiting their top team, commercializing their technologies, developing their products, getting early seed funding, helping in forging partnerships at the national and global level, advising on intellectual property, training and development and many other things. This could be a private agency or a Government institution.
6. **IT Park:** An IT Park refers to a designated industrial area in the State, earmarked for industrial units with at least 75 percent being in IT/ ITeS and allied sectors, as defined by the Department of Information Technology, Government of Bihar, from time to time. The land proposed for the Park should be either Government owned land or under the absolute possession of the promoter/ developer, and should be free from encumbrances. The land should not have been obtained/ owned by the promoter on leasehold basis. The minimum area of the Park should be 3 acre, and should have minimum five independent units, and at least 20 percent of the land would be earmarked for the general use/ development of basic infrastructure/ green area and future requirements.
7. **IPR:** IPR refers to Intellectual Property Right which is the right granted to the creator of Intellectual Property and includes copyright, patent, trademark etc.
8. **Level II cities:** Level II cities refers to Bhagalpur, Darbhanga, Purnia, Gaya, Bodhgaya and Muzaffarpur in Bihar.
9. **Local IT/ ITeS unit:** A local IT/ ITeS unit refers to an IT/ ITeS unit having a registered office in Bihar and having at least 50 percent employees who are domicile of the State.
10. **Project cost:** Approved project cost shall mean the project cost finally approved by the competent authority as defined by the State Government of Bihar from time to time
11. **Registered entity:** Registered entity refers to an entity registered with Registrar of Companies (RoC) Bihar.
12. **Scheduled Caste/ Scheduled Tribe entrepreneur:** Scheduled Caste/ Scheduled Tribe entrepreneurs mean such entrepreneurs who have established units as sole proprietor or invariably have a 100 percent share in partnership/ private limited companies.
13. **SME:** SME refers to small, and medium enterprises in Bihar, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five Crore rupees for small enterprises, and where the investment in plant and machinery is more than five Crore rupees, but does not exceed ten Crore rupees for medium enterprises.
14. **Startup:** Startup means an entity, incorporated or registered in Bihar not prior to five years with an annual turnover not exceeding Rs. 25 Crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.
15. **Term loan:** Term loan refers to term loan sanctioned and disbursed by banks/ financial institutions for the purpose of financing.
16. **Ultra-Mega Project:** An Ultra-Mega Project means a project with investments, excluding land cost, of at least Rs. 500 Crore, for operations within Bihar, and generating employment for at least 1,000 people, with at least 250 people who are domiciles of the State, within a period of three years from the commencement of commercial operations.
17. **Women entrepreneur:** Women entrepreneur means such domicile women of the State who are first generation entrepreneurs and who have established units as sole proprietor or invariably have 100 percent share in partnership/ private limited companies.



## 5 Index

|                |                                                         |
|----------------|---------------------------------------------------------|
| <b>B2C</b>     | Business to Citizen                                     |
| <b>BPO</b>     | Business Process Outsourcing                            |
| <b>BSWAN</b>   | Bihar State Wide Area Network                           |
| <b>CAGR</b>    | Compound Annual Growth Rate                             |
| <b>CCTNS</b>   | Crime and Criminal Tracking and Network System          |
| <b>CMIE</b>    | Centre for Monitoring Indian Economy                    |
| <b>DIPP</b>    | Department of Industrial Policy and Promotion           |
| <b>DPR</b>     | Detailed Project Report                                 |
| <b>FY</b>      | Financial Year                                          |
| <b>G2B</b>     | Government to Business                                  |
| <b>G2C</b>     | Government to Citizen                                   |
| <b>GSDP</b>    | Gross State Domestic Product                            |
| <b>ICT</b>     | Information and Communication Technology                |
| <b>IP</b>      | Intellectual Property                                   |
| <b>IT</b>      | Information Technology                                  |
| <b>ITeS</b>    | Information Technology enabled Service                  |
| <b>ITI</b>     | Industrial Training Institute                           |
| <b>ITIL</b>    | Information Technology Infrastructure Library           |
| <b>iWDMS</b>   | Integrated Workflow and Document Management System      |
| <b>KPO</b>     | Knowledge Process Outsourcing                           |
| <b>NASSCOM</b> | National Association of Software and Services Companies |
| <b>PPP</b>     | Public Private Partnership                              |
| <b>R&amp;D</b> | Research and Development                                |
| <b>SDC</b>     | State Data Centre                                       |
| <b>SecLAN</b>  | Secretariat Local Area Network                          |
| <b>SGST</b>    | State Goods and Services Tax                            |
| <b>SSDG</b>    | State Service Delivery Gateway                          |
| <b>STPI</b>    | Software Technology Park of India                       |
| <b>TSP</b>     | Training Service Provider                               |
| <b>VTIP</b>    | Vocational Training Improvement Project                 |



# Bihar ESDM Vision 2017

Department of Information Technology

Government of Bihar





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# 1. Preamble

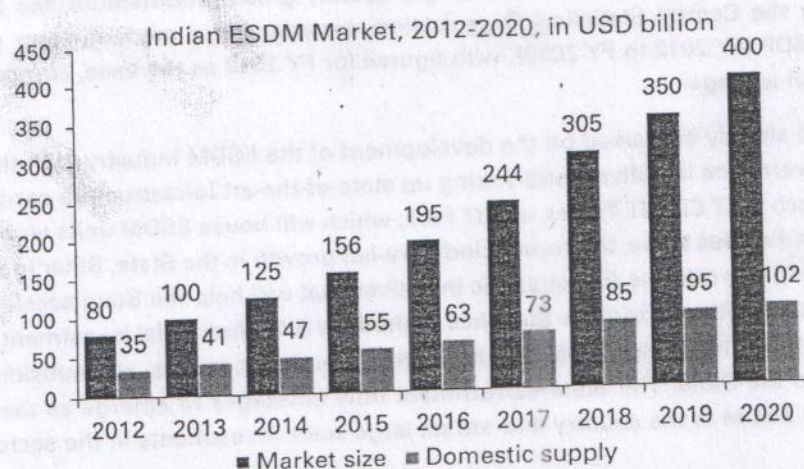
## An overview of the Indian ESDM Industry

India is steadily marching towards becoming a leading global economy. Government of India's initiatives such as 'Make in India', 'Digital India', 'Ease of Doing Business in India' etc. aimed at strengthening the country, have led to an outburst of positive energy that has tied both the Central and State Governments together. Each State is gradually coming out in support of the initiatives and contributing towards developing a powerful economy that is self-reliant and at par with global practices.

Over the last couple of decades since economic liberalization, our country has emerged as the epicentre of consumer demand propelled by a phenomenal GDP growth. While demand increased across all sectors, demand for high technology products, specifically electronic products has registered significant growth. Due to the changing consumer/ institutional demand patterns over the last five years and the expected increase in demand for similar goods, Electronic System Design and Manufacturing (ESDM) sector has been exhibiting the maximum promise in the manufacturing space of the country. However, despite there being a significant increase in the demand, indigenous supply of electronic products has been relatively modest. Today, approximately 65% of domestic demand is met through imports as electronics accounts for 3<sup>rd</sup> largest imports followed by oil and precious metals. 62 percent of the country's demands are being met by electronic products from China and Taiwan.

Keeping pace with the global scenario, the Indian ESDM industry is currently one of the fastest growing industries in the country with its current size of US \$94.2 billion in 2015<sup>1</sup>. Rapidly increasing population, growing disposable income and encouraging policy initiatives by the Government, have resulted in a huge ESDM market in India, with demand reaching US \$94.2 billion in 2015. The sector is projected to grow at a CAGR of 26 percent between 2014 and 2020<sup>2</sup>. According to industry estimates, India will import electronics products worth US \$300 billion to meet the US \$400 billion strong demand between 2014 and 2020.

This gap along with the strong consumer appetite and change in the global landscape in electronic design and manufacturing capabilities, presents huge opportunities for foreign investors in the country, as, however, still 35 percent of products manufactured by India belong to the 'Low Value Added Manufacturing'.



<sup>1</sup> Source: DIPPI, Make in India

<sup>2</sup> Source: DIPPI, Make in India



Government of India has set a vision to transform India into a global hub for ESDM companies, so as to meet the growing domestic and global demand. At the time when India is pushing hard to open up her markets, reduce regulatory roadblocks and develop innovative campaigns such as 'Make in India' to attract more foreign direct investment in a bid to fuel growth in the country and create job opportunities for a fast growing young workforce, the ESDM sector offers great opportunities of attracting large scale investments from marquee domestic and global companies.

While multiple challenges to electronic manufacturing in India are currently thwarting the growth of domestic manufacturing, the last couple of years have witnessed the announcement of a slew of policy measures and initiatives by Government of India to partly offset these disabilities. The sector currently enjoys several facilitative Government initiatives, such as, Modified Special Incentive Package Scheme (M-SIPS), Electronics Manufacturing Clusters Scheme (EMC), National Policy on Electronics (NPE), Export incentives etc. 100 percent Foreign Direct Investment (FDI) is allowed in the ESDM sector under the automatic route and is subject to all applicable laws and regulations. The National Policy on Electronics (NPE) has been framed to create a globally competitive ESDM industry in the country by attracting investments worth more than US \$100 billion and creating employment for 28 million people in the sector at various levels. Likewise, the preferential market access policy offers preference to nine electronic products and twenty three telecom products for Government procurement. Recognizing this importance of the ESDM sector of the country as a driving force behind economic growth, job creation, and citizen enablement, the Government of Bihar is now adopting focused initiatives towards developing the sector as a priority sector in the State.

## Bihar ESDM Vision 2017

The State of Bihar is currently one of the fastest growing State economies of the country. In 2014-15, Bihar emerged as the fastest growing State economy of the country clocking a growth rate of 17.06 percent of GSDP at current prices<sup>3</sup>. Enjoying a healthy growth momentum, the State, according to estimates by the Central Statistical Organization, experienced a medium term growth rate of 7.6 percent in GSDP (FY 2012 to FY 2016), with figures for FY 2012 as the base, compared to 6.8 percent of the national average.

The State has already embarked on the development of the ESDM industry with the implementation of several governance initiatives, and setting up state-of-the-art infrastructure earmarked for IT/ITeS and ESDM, such as IT City, IT Tower, and IT Park, which will house ESDM units along with units in the IT/ITeS sector. Besides these, to promote industry-led growth in the State, Bihar is also in the process of implementing key reforms and strategic initiatives that will help the State accelerate its envisaged development plan in the sector. The State has drafted the Bihar Industrial Investment Promotion Policy 2016, and Bihar Startup Policy 2016, offering sector specific incentives, and subsidies to ESDM units and startups in the State. The State Government now envisages to emerge as the next investment destination for ESDM in the country and attract large-scale investments in the sector in the next five years.

All these initiatives have already led to an outburst of positive energy that has closely tied the Government and the citizen/ entrepreneur community of the State. As the States of India are wooing investors by being the most agile and facilitative, the State Government of Bihar has conceptualized the Vision of the State with special and targeted focus on the ESDM sector. The Government's vision to develop the ESDM sector in the State revolve around:

- a. Developing Bihar into the next investment destination for ESDM and allied industries

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<sup>3</sup> Source: Center for Monitoring Indian Economy (CMIE)



- b. Promoting the indigenous manufacturing of entire range of ESDM products for economic growth and gainful employment
- c. Enhancing employability of the Bihari youth in the ESDM sector to meet most of the resource demand in the sector of the State
- d. Developing the ESDM startup ecosystem in the State for an innovation driven economy and increased MSME activities

While the ESDM sector of the State is still at a nascent stage, the sector shows promises owing to major enablers offered by the State, in terms of a robust economy, a large pool of technically skilled workforce, booming sectoral infrastructure, low cost of doing business, and a stable governance and legal framework.

ESDM has one of the most distributed global value chains and hence every investor needs to ensure that manufacturing in the State is competitive not only within India, but should be comparable or better than other global destinations. Interactions with some of the biggest ESDM players globally, helped in identification of some of the most important issues that they face:

- o Capital Requirements
- o Design (R&D, Patent, IPR)
- o Cost of Capital in India vs other countries
- o Tax (inverted taxation) issues
- o Infrastructure and Connectivity
- o Lack of cutting edge electronics startups/ MSMEs

This helped in understanding that ESDM investors are looking for very specific advantages in selecting one location over the other. Given the enormity and specialized needs of this sector, therefore, a gradual shift is needed from providing a common infrastructure and a general policy support to sector specific interventions in terms of industrial infrastructure, policy interventions, and regulatory support mechanisms targeting this sector.

The Government recognizes that the intended changes in the industrial economics of the sector of the State is a transformational goal and in order to facilitate the same, it will have to introduce sector-targeted enablers in the form of branding, infrastructure augmentation, changing the policy paradigm and encouraging a culture of entrepreneurship that will help in creation of a healthy ecosystem of doing business in the sector. Earlier, States would provide common infrastructure and a general policy support for a diverse set of industrial sectors. However, the situation today demands sector-specific solutions aimed at addressing its specialized needs in terms of industrial infrastructure, policy interventions, regulatory support and in some cases, even social infrastructure. While the State has drafted the Bihar Industrial Investment Promotion Policy 2016, and Bihar Startup Policy 2016, the holistic growth of any industry in the State can be achieved only if appropriate sector-level interventions are adopted in policies, infrastructure, skilling, startups, and marketing for the sector. As the sector evolves into a major focus sector of the State, it needs to be continuously promoted and encouraged as well, among the global investor communities. Countries like China, Taiwan, Germany, South Korea, and Singapore, the major exporters in the sector, have all been continuously promoting ESDM with forward-looking sector-focussed initiatives.

Accordingly, to enable the State to achieve its intended development in the ESDM sector, the Bihar ESDM Vision 2017 has been drafted, charting out targeted incentives and concessions that can potentially create large scale growth opportunities in the ESDM space of the State. The Bihar ESDM Vision 2017 charts out the specifics of the intended developments through adequate sector-level interventions, while addressing the specialized needs of the ESDM sector. The interventions and reforms revolve around five major action areas as given below:



- i. Fiscal support
- ii. Regulatory reforms
- iii. Infrastructure augmentation
- iv. Skill development and entrepreneurship
- v. Market accessibility and branding



## 2. Vision, mission, and objectives in the ESDM space

### Vision

Once recognized primarily as an agrarian economy, the State of Bihar has a lot to offer in the ESDM sector. The State Government envisages to exploit the growing electronic manufacturing prowess of the State and develop the ESDM sector for inclusive growth and large-scale gainful employment generation. The State also intends to leverage electronic medium to improve service delivery, and provide greater access to information and convenience to citizens. The ESDM sector of the State is poised to play a dominant role in contributing towards developing a powerful State economy that is self-reliant as well as at par with notable global practices.

#### **Bihar ESDM Vision**

*"To facilitate, promote, and develop the ESDM sector of the State and make Bihar one of the most preferred investment destinations for ESDM companies in the country, while offering an enabling environment for industrial investments, transparent and dynamic governance, large scale adoption of R&D and innovation, and supply of a large pool of technically trained manpower available at affordable cost."*

### Mission

1. To promote Bihar as one of the top five investment destinations for ESDM companies in the country through a balanced regional and sustainable development of the sector of the State.
2. To develop the State into an electronics design and manufacturing hub that is globally competitive and meets the country's needs.
3. To increase the contribution of the manufacturing sector to the State economy, in line with the Central Government's 'Make in India' initiatives, by creating the next ESDM hub in the State.
4. To develop a sector-focused state-of-the-art infrastructure ecosystem in the State through a slew of financial, regulatory and institutional reforms leading to a revival of investor sentiment in the State.
5. To create opportunities for gainful employment of the youth in the sector, enhancing their employability, and developing a sustainable skill ecosystem wherein the workforce is equipped with employable skills and knowledge so as to be able to contribute to the economic growth of the State and the country.
6. To reposition Bihar to imply a 'business-friendly' and 'investment-attractive' destination with major policy push to build 'Brand Bihar', and be a part of the 'Top-of-the-mind-recall' amongst global investors through reforms that are unique and aimed at increasing the investor confidence in the Vision of the State in the sector.



7. To build a strong eco-system for nurturing innovation in the State and empower startups to grow through innovation, design, and by inviting new ideas and businesses across domains in the ESDM sector.
8. To build a strong and sustainable supply chain for raw materials, accessories, parts, and electronic components for manufacture/ value-addition within the State from within and outside the country.

## Objectives

1. To develop the ESDM sector as a priority sector of the State.
2. To promote 'Brand Bihar' as a major investment destination for ESDM sector in the country.
3. To attract at least five major ESDM players, domestic as well as international, in the State in the next five years.
4. To create an incremental employment for 10,000 people in the State in the ESDM space in the next five years.
5. To generate a gross turnover of Rs. 5,000 Crore in the next five years in the ESDM space.
6. To emerge within the top three Startup capitals in the ESDM sector of the country
7. To conduct skill development and capacity building for at least 5,000 youth in the sector of the State in the next five years.
8. To enhance the indigenous manufacturing of electronic products in the State and promote activities by MSMEs and startups.
9. To develop an Electronic Manufacturing Cluster (EMC) and a Design and Fabrication Centre in the State.

## Focus Areas

- i. Computer peripherals and other office equipment
- ii. Chip manufacturing and design
- iii. Semiconductors
- iv. Server and storage devices
- v. Communication and Networking devices
- vi. Automotive electronics
- vii. Medical Electronics
- viii. Industrial Electronics
- ix. Telecom electronics
- x. Strategic electronics and devices
- xi. Electronic manufacturing services
- xii. Solar Photo Voltaic including thin film, polysilicon cells
- xiii. Electronic consumer products
- xiv. LEDs
- xv. Embedded software
- xvi. Defence electronic equipment
- xvii. Information, and broadcasting electronic devices



# 3. Incentives

## 3.1 Fiscal support

The cost of capital in our country is much higher as compared to one available abroad at LIBOR linked interest rate. Also for products with high value addition, the cycle from design to commercialization is relatively long. High cost of capital in India thus results in high per unit interest cost on such products.

Today, the biggest challenge faced by the budding entrepreneurs and startups, and even established industrial players in the country is access to finance. It is imperative for startups to make significant capital investment for embracing the ever-changing technology and fighting the rising competition. Startups need to navigate through the unique challenges arising from their venture on routine basis which may also be expensive. Even the established players face issues with lack of funds as the cash-to-cash cycle in the manufacturing sector is relatively long.

In order to ensure access to adequate and timely finance at different stages of business cycles, which in turn will promote investments in the State, the Government of Bihar, therefore, intends to offer a slew of fiscal incentives and concessions targeting the sector.

The State Government of Bihar has accorded a 'high-priority' status to the ESDM sector of the State, and intends to develop the same with targeted fiscal incentives, considering the specialized needs of the sector, as per the section 3.0 in the Amended Bihar Industrial Investment Promotion Policy 2016, as modified from time to time.



## 3.2 Regulatory Reforms

Ease of Doing Business is manifested by radical regulatory reforms that improve the experience of doing business by reducing the time, costs and number of procedures associated with starting, operating and exiting a business. These reforms can provide impetus to the overall economic growth in the State by enhancing investments, productivity and exports in the manufacturing sector. The streamlined processes also help Governments save time and resources, allowing them to focus on investment policies, incentives and other core functions.

The State Government of Bihar would, therefore, ensure that the business environment in the State is conducive to investors and that the licensing procedures for setting up and running a business are streamlined, adaptable, transparent and relevant through a slew of regulatory reforms.

### 3.2.1 Essential service

The State Government may declare non-hazardous Electronic System Design and Manufacturing as essential service under the Bihar Essential Services Maintenance Act, 1947.

State Government of Bihar is taking efforts to ensure availability of 24 hours of uninterrupted power supply to the industries situated in all industrial areas. All the industries getting electricity supply from 132/220 KVA feeders, may be exempted from power cuts, until necessary for safety of the grid.

### 3.2.2 Time-bound single-window clearance

The Government of Bihar will ensure the provision of time-bound single window clearance mechanisms for faster processing of applications of anchor projects and Ultra-Mega projects under EMC scheme and under other Central and/ or State Government scheme.

The State Government designated empowered committee will ensure smooth clearance process and to process, administer, and disburse incentives in a speedy, transparent and time-bound manner. The committee will also take up the issue of long-drawn processes of land allotment for ESDM industries as a special drive putting the entire process on a fast track.

### 3.2.3 Exemption from inspections

The ESDM industry of the State may be exempt from compliance inspection under the Acts and Rules as given below, and industries may file self-certification or third party certification, except for inspection for verification on receiving certain complaints.

- i. Factories Act, 1948 and Rules framed thereunder.
- ii. Minimum Wages Act, 1948 and Rules framed thereunder.
- iii. Payment of Wages Act, 1936 and Rules framed thereunder.
- iv. Contract Labour (Regulation & Abolition) Act, 1970 and Rules framed thereunder.
- v. Payment of Bonus Act, 1965 and Rules framed thereunder.
- vi. Payment of Gratuity Act, 1972 and Rules framed thereunder.
- vii. Maternity Benefit Act, 1961 and Rules framed thereunder.
- viii. Child Labour (Prohibition & Regulation) Act, and Rules framed thereunder.
- ix. Shops & Commercial Establishments Act, 1958 and Rules framed thereunder.
- x. The Inter-State Migrant Workmen (RECS) Act, 1979 and Rules framed thereunder.
- xi. The Equal Remuneration Act, 1976 and Rules framed thereunder.
- xii. Motor Transport Workers Act, 1961 and Rules framed.

Non-hazardous electronic hardware manufacturing units may also be exempted from the purview of Water (Prevention and Control of pollution) Act, 1974, and Air (Prevention and Control of pollution) Act, 1981, except in the case of use of power generation sets.



### 3.2.4 Relaxation of working hours of women employees

Working hours of women employees in the IT product manufacturing and ESDM industry may be relaxed under the Factories Act and women employees will be allowed to work 24 hours, subject to the conditions of women's safety and security, at the working place and during transit, being sufficiently fulfilled by the employer. In this case the employer will, therefore, be responsible for escorting the woman employee after general shift to and fro the workplace by armed security guards.

## 3.3 Infrastructure augmentation

Robust infrastructure is a major hygiene factor and the fulcrum of economic development of any State. While sector-supportive policies, and competitive and cooperative federalism are hygiene factors of development, the differentiator, today, is often the sector-focused strategic infrastructure ecosystem development, that positions the State favourably among the investors.

With a resurgent economy and a strong focus on bolstering investment and economic development, the State will undertake targeted infrastructure initiatives to strengthen investor sentiment in the State.

### 3.3.1 Additional FSI for ESDM industries

Land usage may be amended for all ESDM/ IT and ITeS units and Parks to enable the development of 'Integrated Industrial Townships'. Accordingly, 100 percent additional FSI on the allowable FSI for Residential/ Office purposes (whichever is more) will be allowed for ESDM units in approved public and private IT Parks, industrial areas, and EMCs within the State, set up under the Bihar Industrial Investment Promotion Policy 2016 or previous ICT, IT/ ITeS Policy of Bihar.

### 3.3.2 Development of support infrastructure for IT Parks/ EMCs

IT Park developers will be allowed to build residential/ commercial complexes and industrial centres within the Park in the ratio of 20 to 80. Developers of private IT Parks will be permitted to build quality road connectivity with nearest airports, State or National highways, and the investments made by the developers will be adjusted against the property taxes payable by the developers of such Parks to the urban local bodies within the State.

### 3.3.3 Electronic Manufacturing Cluster

In order to emerge as a significant ESDM player in the East, the State Government may develop an Electronic Manufacturing Cluster (EMC) in Rajgir, to be developed in the PPP route through a consortium selected by a bidding process involving QCBS methodology of selection. The State Government may set up a Design and Fabrication Centre within the EMC. Special targeted facilities for the ESDM sector may then be provided through the Centre, which would include:

- o Test and Certification; Tool Room, Design House
- o IT/Communication Centre
- o Common Training/ Convention Centre
- o Workers Housing Complex and Related facilities
- o Utilities, Roads, Backup Power generation, Water supply, Welfare facilities
- o ESDM innovation centres for entrepreneurs for concept to prototyping
- o Enabling infrastructure such as VLSI design tools, prototype development facilities, testing facilities, characterization labs, compliance and certifications labs

### 3.3.4 Exclusive transport arrangement

As most of the electronic products and components are light weight and are of high value, air freight is a preferred mode of transport. 24/7 Airport facility, with exclusive cargo access to Anchor Units without any airspace time restrictions (maximum of 30 minutes travel time from the manufacturing centre) and quick turnaround time will be ensured for the growth of the sector at the Patna and the Bodhgaya Airports. A dedicated air cargo complex will be set up close to Patna International Airport to provide the intended impetus to the exports of hardware and electronic products from the State.



### 3.3.5 Promotion of PPP in infrastructure development

The State Government of Bihar recognizes the significance of eliminating the infrastructural bottlenecks that could possibly jeopardize the growth of ESDM industry in the State. State Government will therefore encourage more investments in the PPP route for the creation of state-of-the-art social and civil infrastructure for professionals engaged in the sector.

The buildings, infrastructure, and facilities, in the form of IT Parks, IT Towers, and IT Zones, EMCs shall be developed adopting a transparent PPP policy, involving a consortium of developers and/ or industry players, selected through a transparent bidding process involving QCBS methodology of selection.



### 3.4 Skill development and entrepreneurship

Skilled workforce is one of the major contributors to the economic growth of any State. States with high skill standards are able to cope up in a much better way with the challenges and opportunities presented by the ever changing domestic and international markets.

Given that ESDM is a high precision industry involving advanced technology, the State Government accords high priority to skilling and capacity building in the sector, and aims to provide the overall institutional framework to expedite and scale up skill development efforts.

#### 3.4.1 Skill enhancement and capacity building

- i. Technical institutes in the State will be encouraged to offer more cross-sectoral degrees. More IT and Electronics modules will be included in the course curricula of other streams of engineering. Industries will be encouraged to collaborate more with colleges in setting up research labs in college campus. Internships will be made an integral part of the course curriculum in all colleges. An independent regulatory authority will be set up under the State Board of Technical Education, Government of Bihar that will oversee criteria of entry, accord of degree, ensuring standards of education.
- ii. Vocational Training Improvement Project (VTIP) will be adopted to improve the employability of the ITI graduates in the State by fine tuning the training delivery according to the demand of the industry. An Industrial managing Committee will be set up at district-level, with representation from the local industries, and will facilitate decision making at a local level and choosing disciplines and trades according to the local industry needs.
- iii. The State Government will incentivize institutes that ensure 'training to placement', and such that training and capacity building should focus on post training placement opportunities and mobilization of resources and opportunities for self-employment and entrepreneurship with a focus on Electronics Hardware in the State. The State Government will also train and certify at least 200 trainers annually for the next five years for the ESDM industry through certified Training Service Providers (TSPs) in the State.
- iv. The growth of the ESDM industry requires a steady access to a large pool of technology talent. Accordingly, more number of IIITs and ITIs will be planned to be set up in the State to augment Information Technology and Electronics skills in the State. Industries should collaborate more with colleges in setting up research labs in college campuses.

#### 3.4.2 Support for incubation, innovation, and entrepreneurship

Entrepreneurship has multi-faceted impact on the economy of a State. Two important ones are innovation driven growth and increase in MSME activity which act as building blocks for the manufacturing as well as services sector.

The State of Bihar has seen an ocean of changes and developments over the last few years and has adopted several enablers to push forward the agenda of getting the workforce 'digitally' skilled, empowering the citizens, bridging the rural-urban divide through digital literacy, improving Government services and enhancing the access to digital infrastructure. Recognizing the importance of entrepreneurship as building block of manufacturing in the State, and innovation-driven ideas that could solve existing issues or bring in greater efficiency in existing processes, now is the right time to promote entrepreneurship and innovation in the State.

- i. Startups will be provided plug-and-play space with seamless power connectivity and internet at concessional rates depending on location. Allocated space may be Government owned/ leased or privately leased, with internet connectivity, electricity and water security.



- ii, The State Government shall allot 10 percent of spaces in forthcoming IT Parks, SME Clusters and Hub, for startups/ incubators/ common shared infrastructure on preference.

### 3.4.3 Preferential procurement

In order to promote the startup environment in the State, the State Government will encourage local participation while awarding projects with Government Departments for implementation, through collaborative arrangements between national and international companies and local enterprises having relevant experience, expertise and reach. For availing incentives, ESDM enterprises that have their registered offices in Bihar and having at least 50 percent of their employees who are domicile of the State, will be termed as local enterprises.



### 3.5 Market accessibility and Branding

Marketing aims at creating awareness of an area as a location for new investment among potential investors and correcting weak or misperceptions about the area that could act as a "killer" factor. In other words, marketing aims at building up the image of the location and at putting it on the investment destination map.

Hence, while a review of policies and infrastructure in Bihar will suggest that the State has moved ahead in doing the right things for aiding businesses, it is important to understand how investors perceive of the State and the developmental activities undertaken in the last few years. These need to be showcased to the global investor community to foster the mobilization and attraction of foreign and domestic investments.

#### 3.5.1 Promotional activities

The Government would organize various promotional events and road shows at various domestic and international locations from time to time to attract large-scale private sector investments from target countries. The Government shall promote and encourage participation from the industry, industry associations, PE and VC firms etc. from across the country and worldwide in ESDM events, exhibitions, roadshows and conferences organized by the State Government. The State Government will regularly organize Business Plan Competitions, Hackathons, and other events in partnership with industry bodies, associations, and other agencies to showcase the fact that "Bihar is changing".

The State Government will also organize an annual ESDM event, in collaboration with industry bodies, association, and academia, showcasing the State's prowess in the ESDM sector and highlighting the tremendous change that the State has witnessed in the sector in the past few years.



## 4. Definition

1. **Anchor unit:** An anchor unit refers to an ESDM unit investing more than Rs. 100 Crore, excluding the cost of land, for commercial operations within the State, and employing at least 250 people in the State, with at least 100 of them being domicile of the State of Bihar within three years from the commencement of commercial operations.
2. **Department:** Department refers to Department of Government of Bihar, unless otherwise specified as the Government of India, or the Government of any other State of the country.
3. **Domicile of the State:** Domicile of the State of Bihar means those who have been defined by the Bihar State Government, from time to time, as the original domicile of Bihar and who hold the certificate issued for this purpose by the competent authority.
4. **Electronic Manufacturing Cluster (EMC):** An Electronic Manufacturing Cluster (EMC) refers to either a Greenfield EMC or a Brownfield EMC, as notified under the EMC scheme, issued by the Department of Electronics and Information Technology (DeitY), Government of India. A Greenfield EMC would be an undeveloped/ underdeveloped geographical area, preferably contiguous, where the focus is on development of basic infrastructure amenities and other common facilities for ESDM units. A Brownfield EMC would be a geographical area where a significant number of existing ESDM units are located and the focus is on upgrading infrastructure and providing common facilities for the ESDM units.
5. **ESDM unit:** ESDM unit refers to an industrial unit with more than 50 percent investments, excluding the cost of land, transfer fee, and registration charges, into the entire value chain of all electronic verticals/ electronic products covered under the National Policy on Electronics and the related notifications issued by the Department of Electronics and Information Technology (DeitY), Government of India, including but not restricted to computer system hardware, communication and networking devices, strategic electronics and components, electronic manufacturing services, automotive electronics, industrial electronics, telecom electronics, medical electronics, information and broadcasting electronic devices and equipment, Nano electronics, Solar Photo Voltaic including thin film, polysilicon, electronic toys, LEDs, semi-conductors, embedded software, electronic consumer products, and defence electronic equipment. The value chain of ESDM will include designing, manufacturing and assembling, testing of electronic products/ components/ accessories for OEMs within the State.
6. **Government:** Government means Government of Bihar in this Vision unless otherwise specified.
7. **Incubation centre:** Incubation centre means physical spaces which helps entrepreneurs to convert their ideas in becoming successful and profitable ventures by supporting them in business planning, mentoring, recruiting their top team, commercializing their technologies, developing their products, getting early seed funding, helping in forging partnerships at the national and global level, advising on intellectual property, training and development and many other things. This could be a private agency or a Government institution.
8. **IPR:** IPR refers to Intellectual Property Right which is the right granted to the creator of Intellectual Property and includes copyright, patent, trademark etc.
9. **IT Park:** An IT Park refers to a designated industrial area in the State, earmarked for industrial units with at least 75 percent being in IT/ ITeS and allied sectors, as defined by the Department of Information Technology, Government of Bihar, from time to time. The land proposed for the Park should be either Government owned land or under the absolute possession of the promoter/ developer, and should be free from encumbrances. The land should not have been obtained/ owned by the promoter on leasehold basis. The minimum area of the Park should be 3 acre, and should have minimum five independent units, and at least 20 percent of the land would be earmarked for the general use/ development of basic infrastructure/ green area and future requirements.



10. **Project cost:** Approved project cost shall mean the project cost finally approved by the competent authority as defined by the State Government of Bihar from time to time
11. **Registered entity:** Registered entity refers to an entity registered with Registrar of Companies (RoC) Bihar.
12. **SME:** SME refers to small, and medium enterprises in Bihar, where the investment in plant and machinery is more than twenty-five lakh rupees but does not exceed five Crore rupees for small enterprises, and where the investment in plant and machinery is more than five Crore rupees, but does not exceed ten Crore rupees for medium enterprises.
13. **Startup:** Startup means an entity, incorporated or registered in Bihar not prior to five years with an annual turnover not exceeding Rs. 25 Cr. in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.
14. **Term loan:** Term loan refers to term loan sanctioned and disbursed by banks/ financial institutions for the purpose of financing.
15. **Ultra-Mega Project:** An Ultra-Mega Project means a project with investments, excluding land cost, of at least Rs. 500 Crore, for operations within Bihar, and generating employment for at least 1,000 people, with at least 250 people who are domicile of the State, within a period of three years from the commencement of commercial operations.



## 5. Index

|                |                                            |
|----------------|--------------------------------------------|
| <b>CAGR</b>    | Compound Annual Growth Rate                |
| <b>DPR</b>     | Detailed Project Report                    |
| <b>EMC</b>     | Electronics Manufacturing Cluster          |
| <b>EoDB</b>    | Ease of Doing Business                     |
| <b>ESDM</b>    | Electronic System Design and Manufacturing |
| <b>FDI</b>     | Foreign Direct Investment                  |
| <b>FY</b>      | Financial Year                             |
| <b>GDP</b>     | Gross Domestic Product                     |
| <b>GSDP</b>    | Gross State Domestic Product               |
| <b>ICT</b>     | Information and Communication Technology   |
| <b>IIIT</b>    | Indian Institute of Information Technology |
| <b>IIM</b>     | Indian Institute of Management             |
| <b>IIT</b>     | Indian Institute of Technology             |
| <b>IT</b>      | Information Technology                     |
| <b>ITeS</b>    | Information Technology enabled Service     |
| <b>LIBOR</b>   | London Interbank Offered Rate              |
| <b>M-SIPS</b>  | Modified Special Incentive Package Scheme  |
| <b>NPE</b>     | National Policy on Electronics             |
| <b>PE</b>      | Private Equity                             |
| <b>PPP</b>     | Public Private Partnership                 |
| <b>QCBS</b>    | Quality and Cost Based Selection           |
| <b>R&amp;D</b> | Research and Development                   |
| <b>SGST</b>    | State Goods and Services Tax               |
| <b>VTIP</b>    | Vocational Training Improvement Project    |