



Scheme for Industrial Development of Jammu and Kashmir

Why in News

Recently, the [Cabinet Committee on Economic Affairs](#) has approved the proposal of [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#) for [Central Sector Scheme for Industrial Development of Jammu and Kashmir \(J&K\)](#).

- **DPIIT** comes under the **Ministry of Commerce and Industry**.

Central Sector Schemes

- These schemes are **100% funded by the Central government**.
- Implemented by the Central Government machinery.
- Formulated on subjects mainly from the Union List.

Key Points

- **Aim:**
 - To **take industrial development to the block level in Union Territory (UT)** of J and K, which is the **first time in any Industrial Incentive Scheme of the Government of India** and attempts for a more **sustained and balanced industrial growth** in the entire UT.
- **Beneficiaries:**
 - Scheme is made attractive for **both smaller and larger industrial units**.
- **Expenditure:**
 - The financial outlay is **Rs. 28,400 crore** for the scheme **period 2020-21 to 2036-37** (17 years).
- **Role of J&K in Implementation:**
 - Scheme envisages a greater role of the UT of J&K **in registration and implementation of the scheme** while having proper checks and balances by having an **independent audit agency** before the claims are approved.
- **Incentives Under the Scheme:**
 - **Capital Investment Incentive:**
 - It provides an **incentive at the rate of 30% in Zone-A and 50% in Zone-B on investment** made in plant and machinery (in manufacturing), or construction of building and other durable physical assets (in service sector).
 - **Zone-B** includes far-off areas and will receive higher incentives so as to

ensure equal opportunities of growth in far-flung areas and major towns.

- **Zone-A** includes areas other than Zone-B.

- A **capital investment** is a sum of money that goes towards furthering the objectives of a business or towards purchasing long-term assets for the business.

- **Capital Interest subvention:**

- It provides for **6% capital interest subvention for a maximum of seven years on loans up to Rs. 500 crore** for investment in plant and machinery (in manufacturing), or construction in building and all other durable physical assets (in service sector) for 10 years.

- **Capitalized interest** is the cost of borrowing to acquire or construct a long-term asset.

- **GST Linked Incentive:**

- It is based on **Gross [Goods and Services Tax \(GST\)](#)**.
- This will **incentivise output up to 300% of the eligible value of actual investment** made in the plant and machinery (in manufacturing), or construction in building and all other durable physical assets (in service sector).

- **Working Capital Interest Incentive:**

- This will provide all existing units **incentive at the annual rate of 5% for maximum 5 years**. Maximum limit of incentive is **Rs. 1 crore**.

- **Working capital**, also known as **net working capital (NWC)**, is the **difference between a company's current assets**, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, **and its current liabilities**, such as accounts payable.

- **Significance:**

- The scheme will encourage **new investment, substantial expansion and also nurture the existing industries** in the Union Territory.
- It will also provide **employment to 4.5 lakh people** besides leading to equitable, balanced and sustainable **socio-economic development of the region**.

- **Other Initiatives:**

- Earlier **[Ayushman Bharat Pradhan Mantri Jan Arogya Yojana \(AB-PMJAY\) Social Endeavour for Health and Telemedicine \(SEHAT\) scheme](#)** was launched to extend health insurance coverage to all residents of J&K.

- The **[Union Cabinet has also approved a special package worth Rs. 520 crore in the Union Territories \(UTs\) of J&K and Ladakh](#)** for a period of five years under the **[Deendayal Antyodaya Yojana-National Rural Livelihood Mission \(DAY-NRLM\)](#)**.

- In August 2019, the Central government had suspended all modes of communications in the wake of **[revocation of Jammu and Kashmir's special status, granted under Article 370](#)**. Eventually, services were partially restored, with internet speed restricted to 2G.

[Source:PIB](#)