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ECONOMY OF HIMACHAL PRADESH

Himachal Pradesh's economy is characterized by its diversity, spanning agriculture, industry, and the service sector, and it has rapidly evolved into a dynamic and growing economy.

The key economic aspects of the state's economy are:

- **State GDP** - The state's real gross domestic product (GDP) or GDP at constant prices (2011-12) in the FY2022-23 is estimated to be ₹1, 34,576 crore as against the provisional estimate of ₹1, 26,433 crore for FY 2021-22, registering a growth of ₹8,143 crore.
 - ❖ In 2022-23, the nominal GDP is projected to be ₹1,95,404 crore, up by ₹19,135 crore from ₹1,76,269 crore in 2021-22.
 - ❖ This represents a growth rate of 10.9% for the FY2022-23, compared to 13.5% in 2021-22.
- **Economic Growth** - According to the advance estimates, Himachal Pradesh's economy is expected to expand by 6.4% during the fiscal year 2022-23, a decrease from the 7.6% growth achieved in the previous fiscal year, 2021-22.
- **Sector Wise Contribution (Current Price)** - The tertiary sector contributed 43.6% (Rs 80, 379) to the state's GVA, with the secondary sector following closely at 42.7% (Rs 78, 848), and the primary sector at 13.7% (Rs 25, 284).
 - ❖ Himachal Pradesh had 57.03% of its workforce in agriculture and related sectors, whereas the national average was 45.46%.
- **Per Capita Income** - The Per Capita Income at current prices for the FY 2022-23 is estimated at ₹2, 22,227, showing a growth rate of 10.4%.
 - ❖ There is a steep rise in the state's PCI, going from ₹87,721 in FY 2011-12 to ₹2, 22,227 in FY 2022-23, registering a growth rate of 153%.
- **Inflation Rate** - Himachal Pradesh had moderate inflation in the FY2021-22, with the Consumer Price Index-Combined (CPI-C) at 3.9% in December 2022.
- **Employment Scenario:**
 - ❖ **Labour Force Participation Rate (LFPR)** - According to the 2021-22 Periodic Labour Force Survey (PLFS), Himachal Pradesh's overall LFPR stands at 58.1%, surpassing Uttarakhand (40%), Punjab (41%), Haryana (35%), and the national average (41.3%).
 - ❖ **Worker Population Ratio** - The Worker

Population Ratio (WPR) for all ages (15+) was 55.8%, and notably, women (50.5%) had a higher participation rate in economic activities compared to men.

- ❖ **Unemployment Rate** - Himachal Pradesh boasts the lowest unemployment rate at 4%, outperforming the national average of 4.1%.

Key Challenges to the Economy of Himachal Pradesh:

- **Dependency on Agriculture** - Himachal Pradesh's economy is heavily reliant on agriculture, with a large portion of the population (around 57%) engaged in farming.
 - ❖ The agriculture sector is vulnerable to factors such as weather conditions, pests, and diseases, which can lead to fluctuations in agricultural production.
- **Seasonal Tourism** - Tourism is a significant contributor to the state's economy, but it is highly seasonal, with the bulk of tourists visiting during the summer and peak holiday seasons.
 - ❖ This seasonality can create challenges in terms of employment generation and revenue stability.
- **Limited Industrial Base** - Himachal Pradesh has a limited industrial base, and the establishment of industries is concentrated in mostly plain areas of Himachal, i.e., Baddi-Barotiwala-Nalagarh, Una, Kangra, etc.
- **Transportation Infrastructure** - The state's rugged terrain and challenging topography make it difficult to develop and maintain transportation infrastructure.
- **Skill Development** - There is a need for skill development and training programs to enhance the employability of the state's workforce.
 - ❖ E.g., around 90% of Himachal Pradesh's workforce has not received any formal skill training.
- **Limited Access to Credit and Financial Services** - Many areas in Himachal Pradesh are remote and have limited access to banking and financial services. This can hinder economic growth and financial inclusion.
- **Dependence on Central Grants** - The state receives a significant portion of its revenue from central grants and subsidies.
 - ❖ Over-dependence on such grants can make the state vulnerable to changes in central policies and funding allocations.
- **Vulnerability to Natural Disasters** - Himachal Pradesh is prone to natural disasters such as

landslides, floods, and earthquakes. These events can damage infrastructure, disrupt economic activities, and impede recovery efforts.

- ❖ E.g., this year's monsoon season resulted in a cumulative financial loss of Rs 9,711.85 crore for the state.
- ❖ As per the data reported by the State Disaster Management Authority of the state, more than 1,893 people died due to rain-related disasters between 2017 and 2022.

➤ **Sustainability and Environment** - The state's economy heavily relies on its natural resources, and there is a growing concern about sustainability and environmental conservation.

- ❖ Balancing economic development with environmental preservation is a challenge.

Way Forward:

➤ **Diversify Agriculture** - Promote diversification in agriculture and allied sectors to reduce dependency on a few crops.

- ❖ E.g., pulses, millets, vegetables, fruits, aromatic plants, poultry, bee-keeping, pisciculture, etc.

➤ **Tourism Sector Enhancement** - Develop and promote alternative tourism niches and formulate a comprehensive tourism framework.

- ❖ E.g., Himachal State Tourism Policy, which aimed to diversify the tourism industry of the state.

➤ **Industrial Growth** - Provide incentives for small and medium-scale enterprises to reduce the regional disparities of industrialization in the state.

- ❖ E.g., Chief Minister's Startup/Innovation Projects/New Industries Schemes, Mukhya Mantri Swavalamban Yojana, etc.

➤ **Transport Infrastructure** - Explore innovative transport solutions like ropeways and funicular railways to ensure sustainable infrastructural development.

- ❖ E.g., Parvatmala Program, etc.

➤ **Skill Development** - Establish vocational training centres to impart skills relevant to local industries and encourage entrepreneurship and self-employment through skill development.

- ❖ E.g., the Government of Himachal Pradesh (GOHP) have taken a loan from ADB to implement the Himachal Pradesh Skill

Development Project in the State.

➤ **Reducing Dependency on Central Grants** - Focus on alternative methods for revenue generation through tourism, agriculture, and industries, etc.

- ❖ E.g., recently CM Sukhvinder Singh Sukhu emphasized reducing the dependency on central grants by seeking a larger share in power projects of Central PSUs and also conducted auctions for liquor vends.

➤ **Disaster Preparedness** - Invest in early warning systems and disaster management infrastructure. Also, promote community-based disaster risk reduction measures.

- ❖ E.g., "Himachal Pradesh Disaster Risk Reduction and Preparedness Programme" aims to establish the State Institute for Disaster Management, with Rs 890 crore budgetary support.

➤ **Sustainability and Environment** - Implement strict environmental regulations and promote eco-friendly practices.

- ❖ E.g., Organic Farming, promotion of renewable energy, eco-tourism, etc.

By fostering a more resilient and sustainable economy, Himachal Pradesh can secure a brighter and more prosperous future for all its citizens while preserving its natural beauty and resources.

DIVERSIFICATION IN AGRICULTURE AND ALLIED ACTIVITIES

Diversification in agriculture and allied activities is a critical strategy for Himachal Pradesh, as it can help reduce the state's heavy dependence on traditional crops.

➤ Himachal Pradesh is known for its hilly terrain, which poses unique challenges and opportunities for agricultural diversification.

The Diversification in Agriculture and Allied Activities are:

➤ **Fruit Production** - Orange, guava, pomegranate, litchi, plum, pecan nut, persimmon, mango, and other fruits are produced in Himachal Pradesh.

- ❖ Apples occupy 49% of the overall fruit crop area, contributing significantly to the state's fruit economy, which amounts to Rs 3,583 crore, accounting for 81% of the total.

➤ **Vegetable Production** - The state is promoting vegetable cultivation, particularly off-season and

high-value vegetables like peas, tomatoes, capsicum, Onion, Ginger, Cauliflower, etc. produced in the state.

- ❖ Among different vegetables grown in the state, the greatest increase in the area, production and productivity was found in cauliflower followed by peas.
- ❖ The peas dominated the cropping pattern with the maximum share in the area (27.53%) and tomatoes had the maximum share in production (27.80%).
- **Medicinal and Aromatic Plants** - Himachal Pradesh's diverse climate and topography make it suitable for the cultivation of medicinal and aromatic plants like lavender, rosemary, Saffron, amla, Giloye, Brahmi, Tulsi, Gucchi, etc.
 - ❖ This not only diversifies income sources but also supports the pharmaceutical and cosmetic industries.
 - ❖ E.g., the farmers of Chamba district in Himachal Pradesh are gradually embracing cultivation of aromatic plants.
 - ❖ The agriculture department supplied 10 quintals of saffron corm in 2023 to the farmers to facilitate the diversification of agriculture in the area.
 - ❖ To promote flower cultivation, two Tissue Culture Laboratories have been established under Model Flower Cultivation Centres at Mahogbagh (Chail, District Solan) and Palampur.
- **Organic Farming** - Organic farming is gaining momentum in Himachal Pradesh, driven by increasing demand for organic produce.
 - ❖ The hill state of Himachal Pradesh has registered an increase of 11,107 hectares of area under organic farming in the last three years.
 - ❖ Also, Nek Ram Sharma, a farmer from the Mandi district, was honoured with Padma Shri for outstanding work in organic farming.
- **Dairy Farming** - Dairy farming and milk production have been traditional allied activities. The state encourages the adoption of improved cattle breeds, better feeding practices, and value addition to dairy products.
 - ❖ Milk Production in the state has grown from 11.39 lakh tonnes in 2012-13 to 16.54 lakh tonnes in FY 2022-23.
- Cow milk makes up 70% of total milk production, buffalo milk accounts for 27%, and goat milk

contributes 3%.

- ❖ **Poultry** - Poultry farming emerging as a profitable venture. The state provides support for setting up poultry and fish farms, offering farmers an additional source of income.
- ❖ E.g., Him Kukkut Palan Yojana, Backyard Poultry Project, etc.
- **Pisciculture** - Fishing has become an important sub-sector of the primary sector of the state economy. About 6,175 fisherman in the state are directly depends upon the reservoir fisheries.
 - ❖ The state has framed the Himachal Pradesh Fisheries Rules 2020 for the promotion of pisciculture.
 - ❖ Cumulative fish production was around 17, 136, 00 MT in the state during FY 2022-23.
- **Beekeeping** - Beekeeping is promoted as an allied activity to enhance pollination and increase fruit yields. It also generates income through honey production and other bee products.
- **Agro-Tourism** - Agro-tourism is another way to diversify income sources. Farmers can offer tourist experiences like farm stays, orchard tours, and traditional cuisine, generating income from tourism.
 - ❖ E.g., Tribal youths in Himachal's Lahaul are promoting agro-tourism to sustain the economy.
 - ❖ They have grown exotic vegetables on their land to attract tourists, which is purely organic produce.

Various Schemes and Programs Initiated by the State Government to Facilitate Diversification in Agriculture and Allied Activities:

- **Prakritik Kheti Kushal Kisan Yojana** - This initiative is introduced to promote Zero Budget Natural Farming to eliminate us of synthetic fertilizers and pesticides and reduce cultivation costs.
 - ❖ Around 1, 71,000 farmers in the state have opted for natural farming, spanning of area of 9464 hectares.
 - ❖ The state government has set the target to add an extra 20,000 hectares of area under natural farming in FY 2022-23.
- **The Mukhya Mantri Nutan Polyhouse Pariyojana** - It aims to establish 5000 polyhouses.
 - ❖ It will be executed in two phases, with the initial phase spanning from FY 2020-21 to 2022-23.
 - ❖ This initiative offers an 85% subsidy for polyhouse construction.

➤ **HIMCAD** - The state government of Himachal Pradesh has started a new scheme named 'HIMCAD', to provide irrigation facilities to farmers.

❖ The scheme will provide end-to-end connectivity of farmers' fields for better water conservation, crop diversification and integrated farming.

➤ **Mukhyamantri Krishi Samvardhan Yojana** - This scheme subsumed the eight ongoing programs with similar goals to prevent activity duplication and arranged them into four components.

These are:

- ❖ Cluster Bases Vegetable Production Scheme;
- ❖ Input Based Umbrella Scheme;
- ❖ Strengthening of Seed Multiplication Scheme;
- ❖ Strengthening of Laboratories.

➤ **Himachal Pushp Kranti Yojana** - HPKY is launched to promote commercial floriculture farming in the state and provide employment to skilled and unskilled unemployed youth.

➤ **Him Kukkut Palan Yojana** - Within the framework of the program, there is a provision for setting up 120 poultry units in the state.

❖ The beneficiaries receive a 60% subsidy on both capital investment and recurring costs.

➤ **Him Unnati** - The "Him Unnati" initiative, commencing with an initial allocation of Rs. 150 crore, will primarily focus on elevating diverse agricultural clusters, encompassing areas related to milk production, pulses, millets, vegetables, fruits, flowers, cash crops, and natural farming.

❖ Over the forthcoming five years (2023-28), more than 2600 such clusters will be created, promising substantial growth in the state's agricultural sector.

➤ **Trout Livestock Insurance Scheme** - The state government implemented this program for FY 2022-23 to offer insurance coverage for the livestock of cold-water fish producers in the state.

❖ Under this scheme 65% of the premium is paid by the state government and 35% is paid by the recipient.

➤ **Uttam Pashu Puraskar Yojana** - During FY 2022-23, this scheme is being implemented with a provision of Rs 100 lakh for farmers who have milch cattle/buffaloes with an output of 15 litres or more per day.

❖ This plan provides a Rs 1,000 reward per beneficiary per animal.

Challenges to diversification in agriculture and allied activities in Himachal Pradesh include:

➤ **Climate Change:** Erratic weather patterns due to climate change are affecting crop yields and horticulture, posing a significant challenge to agriculture-dependent livelihoods.

❖ E.g., according to the State Agriculture Department report, the state has incurred the loss of crops of around Rs 20 crores due to erratic weather.

➤ **Natural Disasters** - Himachal Pradesh is prone to many types of natural disasters, which damage the suitable agricultural lands of the people.

❖ E.g., the recent scenario is a live example of H.P.'s vulnerability to disasters. According to government estimates, around 9.4 lakh farmers have been affected in the state.

➤ **Rampant wildlife intrusion** - Wildlife intrusion is also a major cause of crop loss in the state. Even in many areas of Kasauli, people left agriculture due to the menace of the monkeys.

❖ E.g., a survey titled "Economic assessment of crop damages by the animal menace in mid-hill regions of Himachal Pradesh" reported that out of the total sample area, 56% of the area is wildlife intrusion prone.

➤ **Limited Arable Land** - Himachal Pradesh's hilly terrain limits the availability of arable land, and expansion of agriculture is also a challenging factor.

➤ **Lack of Irrigation Facility** - In Himachal Pradesh, only 20% agricultural area has irrigation facilities, whereas 80% area is rainfed. This is also a major concern for the future of agriculture in the state.

➤ **Hilly Terrain and Topography:** Himachal Pradesh's hilly terrain poses unique challenges for infrastructure development, transportation, and the cultivation of certain crops.

❖ It may require significant investment and innovation to make these areas suitable for diversification.

➤ **Storage and Infrastructure** - Proper storage and transportation infrastructure are essential for perishable products like fruits and vegetables. The lack of adequate infrastructure can lead to post-

harvest losses, discouraging diversification efforts.

- ❖ E.g., the post-harvest losses of apples alone account for more than 15% of total post-harvest losses in fruit production.
- **Market Access** - Access to markets, especially for high-value and niche products like medicinal plants and organic produce, can be a challenge.
- **Skill and Knowledge Gap** - Diversification often requires a shift in farming practices and techniques. Providing training and knowledge support to farmers for the successful cultivation of new crops and the adoption of new practices is essential.
- **Sustainability and Environmental Concerns:** Diversification should be pursued with a focus on sustainability. Overuse of resources or improper farming practices can have negative environmental impacts, and managing this balance is crucial.

To address the challenges and promote diversification in agriculture and allied activities in Himachal Pradesh, the following strategies can be considered:

- **Infrastructure Development** - Invest in road and transportation infrastructure to improve access to markets, especially in remote hilly areas.
 - ❖ E.g., construction of ropeways as an alternative transportation method as envisaged under the Parvatmala Program.
- **Research and Extension Services** - Strengthen agricultural research and extension services to provide farmers with the latest knowledge and best practices for diversified crops and activities.
- **Crop Insurance and Risk Mitigation** - Implement crop insurance schemes to protect farmers from weather-related risks and market volatility.
 - ❖ E.g., PM Fasal Bima Yojana.
- **Promote Sustainable Practices** - Encourage and educate farmers about sustainable and organic farming practices to protect the environment and enhance the quality of diversified products.
 - ❖ E.g., Prakritik Kheti Kushal Kisan Yojana.
- **Skill Development** - Provide training and capacity-building programs for farmers to acquire the necessary skills for new crops and activities.
 - ❖ E.g., Himachal Pradesh Kaushal Vikas Yojana.
- **Market Linkages** - Develop efficient market linkages and value chains for diversified products, connecting farmers with processors, retailers, and export markets.

- ❖ E.g., H.P. State Agricultural Marketing Board and Agriculture Produce Marketing Committees (APMC) are formed to market agricultural products in the state.
- **Financial Support** - Offer financial incentives, subsidies, and easy access to credit for farmers diversifying into new crops and activities.
 - ❖ E.g., Mukhya Mantri Krishi Kosh Yojana, Trout Livestock Insurance Scheme, etc.
- **Research on Resilient Varieties** - Invest in research on crop varieties that are resilient to Himachal Pradesh's climatic conditions, reducing the risk associated with diversification.
 - ❖ E.g., Sub Mission of Seed and Planting Material.
- **Promote Agri-Entrepreneurship** - Support and incubate agri-entrepreneurs who can lead the way in diversification, value addition, and marketing of diversified products.
 - ❖ E.g., Him Ganga Scheme, Mukhya Mantri Swavlamban Yojana, etc.

With a holistic approach and continued government support, Himachal Pradesh can achieve its goal of diversified and resilient agriculture in the face of evolving challenges.

SKILLED/UNSKILLED LABOUR IN HIMACHAL PRADESH

- **Skilled Labor:**
 - ❖ Skilled labour refers to workers who possess specialised training, education, or experience in a particular field or trade.
 - ❖ These individuals typically have a higher level of expertise and can perform complex tasks or jobs that require a specific set of skills.
- **Unskilled Labour:**
 - ❖ Unskilled labour, conversely, encompasses workers who do not undergo or require specialised training or education to perform their jobs.
 - ❖ These jobs typically involve tasks that are relatively simple and do not demand specific skills or expertise.

Why Effective Skill Development Initiatives are Necessary in Himachal Pradesh:

- **Workforce with extremely limited skill levels** - In Himachal Pradesh, around 90% of the workforce has

not received any formal skill training.

- **Positive Demographic Dividend** - With a bustling young population of 35.25 per cent, Himachal has a clear advantage over other states as the literacy rate in this section is 95 per cent, among the highest in the country.
 - ❖ The share of the youth population is 35.25 per cent which is more than the national level of 34.80 per cent
 - ❖ According to the report of the Economic and Statistics Department, named “Youth in Himachal Pradesh-2018”, the youth population of Himachal has grown by 129 per cent in the last 40 years as compared to the 85 per cent growth rate of the general population.

Constrains to Skill Development in the State:

- **Absence of Adequate Infrastructure** - A considerable segment of the population (89.97%) lives in rural areas, where there is a shortage of appropriate vocational institutions for the local youth to develop their skills.
- **Geographical Barriers** - Himachal Pradesh’s diverse geography poses challenges in providing essential facilities to affiliated institutes, hindering students’ access and impacting their interest in skill development.
- **Limited Exposure to Industry** - Himachal Pradesh hosts a relatively low number of industries, and these are primarily situated on the state’s borders. Consequently, the needs of these industries are often met by neighbouring states, leaving the youth of Himachal Pradesh without sufficient exposure and thus unskilled.
- **Migration Patterns** - Many skilled workers from Himachal Pradesh migrate to other states or countries in search of better job opportunities, leaving a shortage of skilled labour in the region.
- **Educational System** - The existing education system is not aligned with the needs of the job market, leading to a mismatch between the skills workers possess and the skills demanded by local industries.
- **Financial Barriers** - The cost of acquiring skills or education is a barrier for many individuals, especially in economically disadvantaged areas.
- **Information**
 - ❖ **Deficiency** - Remote areas in the state often lack access to current economic developments, rendering their residents unaware of new trends and knowledge, which in turn results in a lack of skill acquisition.

State Government Initiatives to Foster Skills Development in the Workforce:

- **Skill Development Allowance Scheme** - This program offers financial assistance to the State’s qualified unemployed youths in order to help them improve their skills and increase their employability.
 - ❖ **Amount of Assistance** - Monthly allowances are disbursed at a rate of Rs 1000 and are raised to Rs 1500 for individuals with a 50% or greater physical disability.
 - ❖ **Time Period** - It is available for a maximum duration of two years.
- **SANKALP** - It is a World Bank-assisted scheme, aimed at strengthening institutional mechanisms and skilling ecosystem across the state.
 - ❖ It is implemented by HP Kaushal Vikas Nigam.
- **Asian Development Bank Assisted HP Skill Development Project** - The Government of Himachal Pradesh (GOHP) has secured a loan from ADB to support the implementation of the Himachal Pradesh Skill Development Project.
 - ❖ The primary objective of this project is to modernize and revamp the technical and vocational education and training (TVET) programs in Himachal Pradesh.
 - ❖ The project aims to increase training capacity and enhance the employability and livelihood opportunities for Himachali youth aged 16 to 30 years.
- **NAVDHARNA Program** - Himachal Pradesh Kaushal Vikas Nigam (HPKVN) is implementing a special campaign called as Navdharna for the skill development of specially-abled people of the state.
 - ❖ The employment oriented training in the tourism, hospitality and retail sectors would be provided to the specially-abled under this programme.
- **English, Employability and Entrepreneurship (EEE) Training** - HPKVN has introduced this program in a total of 56 government degree colleges of the state.
 - ❖ The objective is to facilitate the development of EEE skills amongst the 5000 final-year graduating students.
- **Flexible Memorandum of Understanding (Flexi-MoU)** - The State Skills Mission has introduced a program called the “Flexible Memorandum of Understanding” (Flexi-MoU).
 - ❖ This program aims to promote skill development

by bringing together industries and organizations.

- ❖ It encourages companies that already have partnerships with other industries to collaborate with HPKVN (Himachal Pradesh Kaushal Vikas Nigam) on this initiative.
- ❖ A scheme has been implemented, ensuring a minimum of 70% job placement success, with 70% of the payment being contingent on the successful placement of certified candidates.

By implementing these initiatives, the government of Himachal Pradesh is taking concrete steps to bridge the skills gap, increase employability, and empower its youth to participate more effectively in the job market.

REVENUE GENERATION WITH SPECIAL REFERENCE TO HYDRO POTENTIAL, TOURISM, FLORA AND FAUNA

Hydro Power Potential

Himachal Pradesh has significant hydroelectric potential, with 27,436 MW capacity from five river basins. Currently, 10,519 MW is harnessed.

- Satluj River has the highest hydropower generation potential (13,332 MW- 48.6% harnessed) followed by Beas (5,995 MW-21.8% harnessed), Chenab (4,032 MW-14.7% harnessed), Ravi (3,237 MW – 11.8% harnessed), and Yamuna (840 MW-3.1% harnessed).

Here's how hydropower production contributes to revenue generation in Himachal Pradesh:

- **Electricity Generation and Sales** - Hydropower projects in Himachal Pradesh efficiently harness the state's rivers to generate electricity, contributing significantly to the state's revenue.
 - ❖ E.g., in the fiscal year 2022-23, the state generated and sold electricity worth Rs. 2188 crore.
- **Royalties and Tariffs** - The state government generates revenue by imposing royalties, cesses and tariffs on the use of water resources for hydropower production.
 - ❖ These fees, paid by hydroelectric project developers, constitute a substantial income source for the state.
 - ❖ Recently, the state government introduced changes to the water cess on hydropower projects and also set up a three-member committee with the aim to generate ₹4,000 crore from the water

cess.

- **Employment Opportunities** - The development and operation of hydropower projects create employment opportunities for local residents, encompassing various roles from construction to plant maintenance.
 - ❖ E.g., the Luhri Stage 1 HEP on the Satluj River has the potential to generate 20 lakh man-days of employment.
- **Infrastructure Development** - Hydropower projects necessitate infrastructure development, including roads, bridges, and transmission lines.
 - ❖ E.g., the construction of Parbati HE Project-III improved communication and accessibility for villages in the Sainj Valley, facilitating better transportation of local farmers' horticulture products to the nearby NH-21 market.
- **Tourism and Eco-Tourism** - Hydropower projects often create reservoirs and water bodies that attract tourists, promoting tourism and eco-tourism in the region.
 - ❖ E.g., include Govind Sagar Lake (Bhakra Dam) and Maharana Pratap Sagar (Pong Lake).
- **Increased Property Values** - The presence of hydropower projects and associated infrastructure can boost property values in the vicinity, leading to increased property tax revenues for state and local governments.
- **Corporate Social Responsibility (CSR) Initiatives** - Many hydropower project developers engage in CSR initiatives to support local communities, including funding for education, healthcare, and infrastructure.
 - ❖ E.g., Satluj Jal Vidyut Nigam contributed Rs. 31.77 crore under CSR.
 - ❖ Further, during the operational phase of its projects, HPPCL has pledged to allocate 1% of its power generation revenue to the Local Area Development Fund (LADF).
- **Revenue Sharing with Local Communities** - The state government implements revenue-sharing mechanisms with local communities affected by hydropower projects, allocating a portion of the project revenue for community development.
 - ❖ E.g., during the construction of Parbati HEP-III, 1.5% of the project cost was allocated for developmental projects in the Project Affected Area, benefiting local communities.

Challenges Associated with the Hydro-Power Generation in Himachal Pradesh:

- **Ecological Impact** - A report by ‘Himdhara Collective NGO’ reveals substantial evidence of drying springs, landslides, obstruction to fish migration, and destruction of flora and fauna in the areas surrounding power projects such as Karcham Wangtoo, Kashang, and Parvati.
 - ❖ E.g., the recent protest over the Jhangi-Thopan HEP project is also over the ecological impact of the project.
- **Landslide Risks in Proximity to Hydro Projects** - The state disaster management cell reports that approximately 10 Mega Hydro projects are located in medium and high-risk landslide areas.
- **Environmental Consequences** - A study published in the journal ‘Land Use Policy’ in September 2020 underscores that in areas near these projects, cases of floods, deforestation, soil erosion, and ecosystem fragmentation have become commonplace.
- **Decreased Water Availability and Economic Viability** - Due to climate change and melting glaciers, water availability for hydropower generation has substantially decreased.
 - ❖ E.g., a 1 per cent reduction in flow leads to a 3 per cent reduction in energy output.
 - ❖ With increasing human-induced hydrological changes, the economic viability of power projects is in question.
- **Health Impacts and Pollution during Tunnel Construction** - Blasting during tunnel construction leads to dust that harms vegetation and causes severe air and water pollution.
 - ❖ E.g., a study by “Indira Gandhi Medical College reports” an increase in diseases like silicosis in areas near power projects.
- **Greenhouse Gas Emissions and Climate Change** - According to the “World Energy Council”, power projects are significant sources of greenhouse gases, especially Methane, carbon dioxide, and nitrous oxide, contributing to climate change.

Striking a sustainable equilibrium is essential to ensure the continued prosperity of the state while preserving its natural beauty and biodiversity.

Tourism

Tourism plays a significant role in revenue generation in Himachal Pradesh. The state is known for its picturesque landscapes, diverse culture, and pleasant climate, making

it a popular tourist destination.

Here are some ways in which tourism contributes to revenue generation in Himachal Pradesh:

- **Contribution to State GDP** – Tourism accounts for 7% of the state’s Gross Domestic Product (GDP).
- **Foreign and Domestic Tourists** – Up to June 2023, the cumulative visitor count had reached 1,06,000, comprising 99,78,504 domestic tourists and 28,239 foreign tourists in the state.
- **Contribution to Local Economy** – These tourists create livelihood opportunities for the local population through services such as hotels, homestays, restaurants, tourist guides, cab services, etc.
- **Cultural and Heritage Tourism** - The state’s rich cultural heritage and historical sites also draw tourists.
 - ❖ Entrance fees to heritage sites, museums, and cultural events contribute to revenue generation.
- **Infrastructure Development** - The revenue generated from tourism is often reinvested in infrastructure development, such as better roads, improved transportation facilities, and the maintenance of tourist destinations.
 - ❖ E.g., the Kiratpur-Manali highway includes 87 km of upgrading the existing configuration from a 2-lane highway to a 4-lane highway. There will be 37 major bridges, 14 tunnels, and three toll plazas.

Tourism in Himachal Pradesh provides a sustainable income source while preserving natural beauty and cultural heritage, benefiting the region’s well-being.

Flora and Fauna

Himachal Pradesh is known for its rich and diverse flora and fauna due to its varied topography, which ranges from lowland forests to high-altitude alpine meadows.

- This diversity assisted the state to produce additional revenue generation for the state.

The State of Himachal Pradesh Derives Revenue from Flora and Fauna in Several Ways:

- **Ecotourism** - Himachal Pradesh’s rich biodiversity, including various species of flora and fauna, contributes significantly to ecotourism.
 - ❖ The state attracts a substantial number of tourists interested in wildlife and nature.
 - ❖ E.g., the Himachal govt identified 11 sites for developing eco-tourism.

- **Herbal and Medicinal Plants** - Himachal Pradesh's diverse flora, rich in medicinal and aromatic plants, historically contributes to revenue through the herbal and pharmaceutical industries, including exports.
- **Timber Production** - The timber industry generates revenue through timber sales, permits, leases, and auctions conducted by the government.
 - ❖ E.g., the state has around 86,874 salvage trees expected to yield 64,000 cubic meters of timber.
 - ❖ The CM stressed monthly marking on forest land for timely extraction to maximize timber revenue.
- **Agriculture and Horticulture** - Himachal's varied climate and terrain support diverse crops, benefiting its largely rural population.
 - ❖ Agriculture and related activities constitute 13.14% of the state's GDP and offer employment to roughly 57% of its workforce.
- **Conservation Initiatives** - Conservation efforts in Himachal Pradesh, including those aimed at protecting endangered species like the snow leopard, often receive funding from various sources, including government grants and international organizations.
 - ❖ E.g., Rs 800 Crore HP Forest Eco-System Management and Livelihood Improvement Project, funded by Japan International Cooperation Agency (JICA).
- **Animal Husbandry** - Animal husbandry plays a crucial role in the primary sector, engaging a significant portion of the population and contributing significantly.
 - ❖ It primarily involves the production of meat, milk, and eggs, serving as an additional source of income and revenue for the state.
- **Fish Production** - Commercially valuable fish species in reservoirs like Gobind Sagar, Pong Dam, Chamera, and Ranjeet Sagar Dam have become a means of economic upliftment for local communities.
 - ❖ E.g., Himachal Pradesh produced 16 thousand metric tons of fish during FY2022.

In conclusion, Himachal Pradesh's rich and diverse flora and fauna play a vital role in generating revenue and sustaining the livelihoods of its residents.

TAX BASE OF HIMACHAL PRADESH

The tax base refers to the total value or amount on which a tax is calculated and imposed by a government authority,

such as a federal or state government.

- It represents the pool of economic activities, assets, or income that is subject to taxation.

Major Fiscal Indicators for FY 2022-23:

- **Revenue Receipts** - As per the budget estimates, the revenue receipts of the state government for FY2022-23 were estimated at 18.62% of state GDP, i.e., Rs 36,375 crore.
- **Tax Revenue (Including Central Share)** - The tax revenue was estimated at Rs 17,660 for FY2022-23 crore as against Rs 15,933 crore in FY2021-22.
- **Non-Tax Revenue** - The expected figure for FY2022-23 is likely to reach Rs 2,769 crore, indicating a growth of 5.49%.

Why Tax Base Collection is less in H.P.:

- **Large Rural Population** - Around 90% of the population of the state resides in rural areas and primarily practices agricultural and related activities, which is non-taxable.
- **Low Taxpayer Base** - The percentage of Himachal Pradesh's population that pays taxes is only 3.3%.
- **Tax Avoidance** - In addition to rural labourers, numerous affluent landowners and business individuals remain outside the tax jurisdiction by categorizing their earnings as agricultural income.
- **Less Industries** - The lower presence of industries and infrastructure projects in Himachal Pradesh compared to other states results in reduced tax collection.
 - ❖ Many tax concessions to these industries under the Special Economic Zone, further reduce the tax base of the state.
- **Dependency on Tourism** - Though tourism provides revenue for the state, due to its seasonal nature, it is unable to provide a steady tax base to the state government.
- **Tax Exemptions** - Further various tax exemptions and benefits provided to the senior citizens, keep a large portion of the population out of tax ambit.

Measures taken to Increase the Tax Base of Himachal Pradesh:

- **Simplify Compliance** - Simplifying tax compliance means making the process of fulfilling tax obligations more straightforward for taxpayers.
 - ❖ E.g., amendment to the Income Tax Act, Faceless Assessment Scheme, etc.
- **Consider FBT** - Fringe Benefits Tax (FBT) is a tax

levied on benefits provided by employers to their employees in addition to their salary.

- ❖ Considering FBT as a means to expand the tax base be useful as a temporary measure until overall income tax collections increase.
- **Track Cash Transactions** - By monitoring these transactions, tax authorities can better understand the extent of cash-based economic activities and identify individuals or entities potentially evading taxes.
- **Prevent Enterprise Migration** - To prevent large and medium-sized enterprises from migrating to simpler tax systems to evade taxes, tax authorities must ensure that these enterprises remain in the regular tax system where they belong.
- **Support SMEs** - Supporting Small and Medium-sized Enterprises (SMEs) involves simplifying their registration processes, providing clear information on tax obligations, conducting targeted audits to identify compliance issues, and establishing support centres to assist them.
 - ❖ E.g., Udyam Portal of Ministry of MSME, Champion Scheme, etc
- **Retail Sector GST Compliance** - Ensure that retailers are accurately reporting and paying the Goods and Services Tax (GST).
- **Tax Large Agricultural Incomes** - Taxing farmers with incomes exceeding a specified threshold. This helps broaden the tax base of the state.
- **Promote Digital Economy** - Transactions through digital platforms will provide a clear sight of money movement in the economy and help to curb tax avoidance practices.
- **Review Exemptions and Incentives** - To broaden the tax collection, tax concessions and exemptions to various industries and businesses in the state should be reviewed or done away with.
 - E.g., Tax exemptions and concessions in Baddi-Brotiwala-Nalagarh industrial zone.
- **Cultivate a Tax Culture** - This can be achieved through educational initiatives, transparency in tax administration, and building trust between taxpayers and tax authorities.
- **Promote GST Composition Scheme** - Encouraging small taxpayers to opt for the GST Composition Scheme simplifies their tax obligations.
 - ❖ This scheme allows them to pay a fixed rate of turnover as GST, reducing administrative burdens.

While expanding the tax base in Himachal Pradesh is a complex task, these measures aim to create a more inclusive and effective tax system, ultimately contributing to the state's fiscal sustainability and development.

SPECIAL CATEGORY STATUS

The Special Category Status (SCS) is a designation provided by the Central Government to support the development of states dealing with geographical and socio-economic challenges.

- This classification was established following the recommendations of the Fifth Finance Commission in 1969.
- The initial recognition of SCS was granted to Jammu and Kashmir, Assam, and Nagaland in the same year.

Conditions for Designating Special Category Status (SCS) entail:

- **Economic Disadvantage** - Indicating economic hardships and inadequate infrastructure.
- **Challenging Terrain** - Being situated in hilly and rugged landscapes.
- **Sparse Population** - Possessing a low population density combined with a noteworthy tribal population.
- **Strategic Border Placement** - Holding a strategic position along the borders of neighbouring countries.

Various benefits provided to the SCS states are:

- **Central Funding Dominance** - The central government covers 90% of state expenditures for centrally sponsored programs, with the remaining 10% provided as a zero-interest loan.
- **Special Consideration for Funding** - States with Special Category Status receive special attention when applying for government funding, enhancing their development prospects.
- **Tax Incentives for Investment** - Enterprises are attracted to these states due to reduced excise taxes, creating an appealing business environment.
- **Generous Federal Allocation** - States in the special category receive 30% of the total federal budget, ensuring significant financial support.
- **Debt Reduction and Exchange Programs**: These states have access to programs aimed at reducing and exchanging debt, alleviating their financial burdens.
- **Non-lapsable funds** - Unspent money in a financial year does not lapse and is carried forward.

Why Provided to Himachal Pradesh:

- **Geographic Terrain** - Himachal Pradesh qualifies due to its rugged and mountainous terrain, coupled

with a low population density.

- **Strategic Border** - Its proximity to the China border adds to its eligibility for special category status, requiring unique security and infrastructural considerations.
- **Resource Limitations** - The state's limited resource base justifies its special status.
- **Economic and Infrastructural Challenges** - Himachal Pradesh faces significant economic and infrastructural obstacles, warranting targeted assistance for development.
- **Winter Isolation** - Certain areas like Pangi and Spiti are geographically isolated during the harsh winter season, necessitating specific support to overcome accessibility challenges.
- **Scheduled Area** - Around 42% of the state falls under scheduled area and also has a sizeable tribal population.

Disadvantages of Special Category Status (SCS) in Terms of Financial Health and the Economy:

- **Heavy Reliance on Central Grants** - SCS-designated states heavily rely on financial support from the Union Government to meet their fiscal needs.
- **Revenue Surplus Illusion** - These states often appear to have a revenue surplus because the expenditure they incur on asset creation from central grants is not classified as revenue expenditure, which contradicts established accounting standards.
- **Escalating Central Fiscal Deficit** - The provision of SCS contributes to an increase in the fiscal deficit of the central government as it allocates substantial funds to these states.
- **Demand Proliferation** - The conferment of SCS can lead to a cascade of demands from other states seeking similar status, as seen in the cases of Odisha and Bihar.
- **Discriminatory Perception** - SCS can be viewed as discriminatory and potentially undermining the federal structure of India, raising concerns about unequal treatment among states.

The 14th Finance Commission advised the Centre to raise the state's share of tax receipts from 32% to 42%, which has been in place since 2015. This would help to close the resource gap in each state.

APPRAISAL OF EDUCATION

The appraisal of education in Himachal Pradesh, India, can be evaluated from various perspectives, including infrastructure, enrollment, literacy rates, government initiatives, and educational outcomes.

Here's an overview of the state of education in Himachal Pradesh:

- **Literacy Rate** - H.P. has an 82.80% literacy rate as per the 2011 census, 8.8% higher than the national average of 74%.
 - ❖ The literacy rate for males stands at 89.53%, while for females, it is 75.93%.
- **Enrollment Rate** - The gross enrolment ratio of primary, middle and high schools in the state was 100% while in the senior secondary schools, it was 85.6%
 - ❖ The average of state's gross enrolment ratio in higher education is 40.8% against the national average of 27.1%.
 - ❖ According to the ASER-2022 Rural Report for Himachal Pradesh, the highest enrollment in government schools is recorded among girls (82.4%) and boys (77.6%) aged 15 to 16 years.
- **Infrastructure Facilities** - As per the HP Economic Survey 2022-23, there are 10,786 Primary Schools, 1,965 middle schools in the state, 963 High Schools and 1,999 Senior Secondary Schools.
 - ❖ Out of these, 97.40% of government schools have libraries, while 100% have access to drinking water facilities, and 99.06% provide girls' toilets.
 - ❖ Additionally, the state hosts a total of 166 degree colleges, comprising 11 Sanskrit colleges, 1 B.Ed college, and 1 Fine Art college.
- **Technical Education** - The state has 373 technical educational institutes.

Various Schemes and Programs to Promote Education in the State:

- **Medha Protsahan Yojan** - The objective of the scheme is to assist meritorious students of Himachal Pradesh, whose family income does not exceed Rs 2.50 lakh, by providing them coaching for various competitive exams.
- **Dr Ambedkar Medhavi Chattarvriti Yojan** - Each year, the top 1250 students from the Scheduled Caste category and the top 1000 meritorious students from the Other Backward Classes (OBC) category, based on their performance in the H.P. Board of School Education's matriculation examination, receive financial support.
 - ❖ Specifically, SC students receive Rs 12,000 per

year, while OBC students receive Rs 10,000 per year.

- **Mukhya Mantri Gyandeep Yojana** – The Mukhya Mantri Gyandeep Yojna (MMGY) is an education loan scheme introduced by the Government of Himachal Pradesh with the primary objective of assisting students in pursuing higher education.
 - ❖ Under this program, students enrolled in professional or technical courses at recognized educational institutions across India can avail of education loans of up to INR 10 lakh at an interest subsidy of 4% per annum.
- **Mukhya Mantri Vidyarthi Yojana** – The government started the scheme with the proposed expenditure of Rs 200 crore, under which eligible poor children will be given education loans at the interest rate of 1% to pursue engineering, medical, management, PhD, nursing, etc.
- **C.V. Raman Virtual Class Rooms for Schools and Colleges Scheme** – Under the scheme, virtual classrooms in 23 government senior secondary schools and 13 colleges will be established.
- **Swaran Jayanti Vidyarthi Anushikshan Yojana** – As part of the program, students enrolled in government schools and studying in the 9th to 12th grades receive complimentary coaching for JEE/NEET entrance exams.
 - ❖ For this, study materials are made available on the Har Ghar Patshala Portal every Saturday and Sunday.
- **MERITE Project** – Multi-Disciplinary Education and Research Improvement in Technical Education (MERITE) will be implemented in 4 engineering colleges and 8 polytechnics institutions in the next five years.
 - ❖ These colleges and institutions will be eligible to receive Rs 10 crore and Rs 5 crore respectively for the next 5 years.

The state's commitment to inclusive and accessible education through various schemes and initiatives is commendable and lays the foundation for further improvements.

Appraisal of Health

With a focus on expanding healthcare infrastructure, enhancing healthcare services, and addressing public health challenges, the state has made significant progress in various health indicators.

Here's an overview of the state of Health in Himachal Pradesh:

- **Health Infrastructure** – The state has network of 108 civil hospitals, 104 Community Health Centres, 580 Primary Health Centres, and 16 Civil Dispensaries.
- **Institutional Birth** – The percentage of institutional births increased to 88.3% in 2019-20 from 76.4% in 2015-16.
- **Total Fertility Rate** - The total fertility rate in the state was 1.7 children per woman, a drop from 1.9 children per woman recorded in NFHS-4.
- **Breastfeeding Rates:** Encouragingly, 70% of children under 6 months are exclusively breastfed, marking a positive trend in infant care practices.
- **Crude Birth Rate** – The state's Crude Birth Rate (CBR) stands at 15.3, which is lower than both Haryana and Uttarakhand, as well as the national average for India.
- **Infant Mortality Rate** – IMR in Himachal Pradesh is 17, lower than Punjab, Haryana, Uttarakhand, and the national average as well.
 - ❖ Himachal saw a 23% decline in the infant and child mortality rate in 2019-20 as compared to 2015-16, the National Family Health Survey-5 (NFHS-5) revealed.
- **Vaccination Status** - Nearly 9 in 10 children (89%) aged 12-23 months received all vaccinations against six major diseases, including tuberculosis, diphtheria, pertussis, tetanus, polio and measles.
 - ❖ Additionally, 98% of children are at least partially vaccinated; only 2% have not received any vaccinations at all.
- **Malnutrition** - A significant 25.5% of children in the state grapple with underweight issues, while 17.4% suffer from wasting, including 7% severely wasted.
 - ❖ The rural areas bear a heavier burden, with a 4.5% rise in stunted children.
 - ❖ Chamba emerges as the most affected district with 42.6% of children suffering from stunting.
- **Sanitation Facility** - A total of 81 per cent of households had access to 'improved sanitation facilities' that were not shared with other households.
 - ❖ Access to such facilities was higher in urban areas (84.8 per cent) than in rural areas (80.4 per cent).

Various Initiatives Started by State Government to Improve Health Status in State:

- **Himachal Pradesh Care Scheme (HIMCARE)** – The HIMCARE scheme is for families who are not covered under Ayushman Bharat or are not entitled to avail the government medical reimbursement.
 - ❖ Under the HIMCARE Scheme, cashless treatment coverage up to Rs. 5.00 lakh per year per family is being provided in the empanelled hospitals.
- **Janani Shishu Suraksha Karyakaram** – This is for the elimination of out-of-pocket expenses for both pregnant women and sick infants up to one year.
 - ❖ The initiative entitles all beneficiaries to absolutely free drugs, consumables, diagnostics, blood, surgeries, etc.
- **Senior Citizen Health Insurance Scheme** – Under this scheme, the government provides top-up coverage of up to Rs 30,000 per senior citizen in the state.
 - ❖ This scheme covers all the senior citizens who are the smart card holders of the Rashtriya Swasthya Bima Yojana.
 - ❖ A person with an age of more than 60 years is eligible under the scheme.
- **Centre for Excellence** – A Centre for Excellence for Cancer Care and Nuclear Medicine Department will be started in Dr Radhakrishnan Government Medical College, Hamirpur.
- **Critical Care Blocks** – CCBs of 50-bed capacity will be constructed in medical institutions.
 - ❖ For providing 24/7 emergency services, the availability of specialist officers, staff nurses and other para medical staff will be ensured in these institutions.

Continued efforts, especially in addressing malnutrition and ensuring equitable healthcare access, will be essential to further enhance the state's healthcare system and the overall well-being of its people.

APPRAISAL OF PHYSICAL AND FINANCIAL INFRASTRUCTURE DEVELOPMENT

Appraisal of Physical Infrastructure Development

Physical infrastructure development in Himachal Pradesh plays a crucial role in enhancing the state's economic growth, connectivity, and overall quality of life for its residents.

Here are some key areas of physical infrastructure development in Himachal Pradesh:

- **Roads and Bridges:**
 - ❖ Till December 2022, the state government has constructed 41,048 Km of motorable roads.
 - ✓ There are 9 national highways with a total length of 1,208 km.
 - ✓ 19 state highways with a total length of 1,625 km.
 - ❖ **Target for FY2023-24** - The government has set a target to upgrade 300 km of roads under PM Gram Sadak Yojana;
 - ✓ Construction of 1,060 km of new roads;
 - ✓ Construction of 70 new bridges;
 - ✓ Connectivity to 70 villages.
- **Railway Network:**
 - ❖ **Budget Allocation** - Himachal Pradesh has been allocated a budget of Rs.1,838 crore for railway infrastructure development and safety projects.

The major railway lines in Himachal Pradesh are:

Narrow Gauge:

- **Kalka-Shimla Railway Line** – Inaugurated on 9 November 1903 by Lord Curzon is listed in UNESCO's World Heritage Sites.
 - It is 96.54km long and it has 102 tunnels. Barog tunnel is the longest tunnel.
- **Pathankot-Jogindernagar Railway Line** – It is a 113 km long railway line and opened for traffic on 1 April 1929.
 - ❖ It was built by Britishers for transporting raw materials to Shanan Power House at Jogindernagar in Mandi.

Broad Gauge:

- **Nangal-Una-Chararu Railway Line** – It is 33 km in length and was opened for traffic on 11 January 1991.
 - ❖ It is the only functional broad gauge railway line in H.P.

Bhanupali-Bilaspur-Beri Railway Line – This project is in process and the state government has issued the notification for the acquisition of 40.54 hectares of land in 10 villages of the Sadar tehsil of Bilaspur.

➤ **Aviation Infrastructure:**

- ❖ **Civil Aviation** - At present, there are 3 airports in Himachal Pradesh, i.e., Jubbarhatti Airport (Shimla), Buntar Airport (Kullu) and Gaggal Airport (Kangra).
- ❖ One Greenfield airport at Nagchala, Mandi is proposed to develop.
 - ✓ The 15th Finance Commission has recommended Rs 1000 crore for Mandi airport.
 - ✓ The process of land acquisition to increase the length of the runway of the Kangra airport from the existing 1, 372 meters to 3,010 meters is under process.
- ❖ **Helipads** – Presently, out of five heliports in the state, three are being used commercially.
 - ✓ The Himachal Pradesh government has given clearance for setting up eight heliports in different districts of the state.
 - ✓ Heli-Taxi service will be operationalized soon from Sanjauli and Baddi Heliports.

➤ **Urban Infrastructure Development:**

- ❖ **Status of PM Awas Yojana (Urban)** - Under PMAY-U, 13,266 houses have been sanctioned in Himachal Pradesh and 7,985 houses have been completed as of September 19, 2022.
 - ✓ Central assistance of Rs. 240.92 crores have been allocated for Himachal Pradesh out of which Rs. 172.41 crores have been utilized.

Various Schemes and Programs Initiated by State Government to Facilitate Infrastructure Development in the State:

- **Rural Infrastructure Development Fund** – Prepared by NABARD to provide funds to the state for infrastructural development in the rural areas
 - ❖ With the NABARD’s assistance, the state government set a target to construct 205km of new roads, 305km of cross drainage, 425km of metalled roads and 27 bridges.
- **Amrit Bharat Station Scheme** - Under the scheme, 508 railway stations are being redeveloped in the country.
 - ❖ The scheme included the Amb-Andaura railway station of Himachal Pradesh and Rs. 20.74 crore would be spent on the renovation of this station.

- **UDAN-2 Scheme** - Under the scheme, the Central Government 5 new heliports are being developed in the state to provide connectivity and to give boost to the tourism industry of the state.
- **Budgetary Support** - In the budget for the year 2023-24, the Centre had allocated Rs 1,000 crore for the Bhanupali-Bilaspur-Beri rail line that holds strategic importance, Rs 450 crore for Chandigarh-Baddi rail line, and Rs 452 crore for the Nangal-Talwara line.

Continued investment in these sectors is essential for sustaining economic growth and improving the overall well-being of the state’s residents.

Appraisal of Financial Infrastructure in Himachal Pradesh

The state has a network of 2234 bank branches and more than 76% are located in rural regions.

- 20 new branches were opened by different banks from October 2021 to September 2022.
- The lead Bank responsibility for H.P. has been divided between three banks:
 - ❖ **Punjab National Bank (PNB)** in six districts, i.e., Hamirpur, Kangra, Kinnaur, Kullu, Mandi and Una.
 - ❖ **United Commercial Bank (UCO)** in four districts, i.e., Bilaspur, Shimla, Solan and Sirmaur.
 - ❖ **State Bank of India (SBI)** in the remaining two districts, i.e., Chamba and Lahaul-Spiti.
- The PNB has the most branches with 350, followed by SBI with 348 and UCO with 174.
- There are 541 Cooperative Sector Bank branches in the state.

District-wise Spread of Banking Network:

- Kangra has the highest number of 411 bank branches and Lahaul-Spiti has the lowest of 25 branches.
- There are 2127 ATMs installed in the various districts of the state.
- At present 14,848 Bank Mitras are deployed in the state by various banks for providing basic banking services in villages.
- RBI and NABARD both have regional offices in Shimla.

Credit Flow:

- The banks have extended 57.68% of their total loans to the Priority Sector Activities.

- Agricultural loans account for 18.69% of total loans, compared to RBI's national threshold of 18%.
- Advances to weaker sections account for 20.30% of total lending, compared to national targets of 11%.
- Women account for 11.95% of total lending, surpassing the national target of 5%.

Various Schemes and Programs Implemented by Banks in the State:

- **Pradhan Mantri Jan Dhan Yojana** - Pradhan Mantri Jan Dhan Yojana is a government program in India aimed at providing affordable financial services like bank accounts, remittances, credit, insurance, and pensions to Indian citizens.
 - ❖ As of 18 October 2023, banks have 18, 43,511 lakh accounts under the scheme, of which 16, 96,291 beneficiaries are from rural/semi-urban areas and 1,47,220 are from urban areas.
- **National Rural Livelihood Mission** – The Ministry of Rural Development launched a flagship program for promoting poverty reduction initiatives.
 - ❖ Banks in Himachal Pradesh have been allocated the annual target of Rs 110 crore covering 8,000 beneficiaries under this scheme.
- **Pradhan Mantri Employment Generation Program** – PMEGP is a credit-linked subsidy program, run by the Ministry of MSME.
 - ❖ It is implemented by the Khadi and Village Industries Commission.
- **Stand Up India Scheme** – SUIS aims to encourage entrepreneurial culture among unserved and underserved segments of the society represented by STs, SCs and women.
 - ❖ This scheme facilitates loans of Rs 10 lakh to Rs 1 crore from banks to at least one SC or ST borrower and at least one woman borrower per bank branch for setting up a new enterprise in the field of construction, business or service sector.

Overall, Himachal Pradesh's banking sector is making strides in enhancing financial accessibility and fostering economic development.



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