An Analytical Study of Work Progress on Indian Industrial Corridors

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Abstract

Indian residential realty, predominantly pinned to the tertiary IT/ITeS sector, is now looking towards the strengthening of secondary sector with the proposal to develop major industrial/infrastructure corridors. This provokes a magnitude of ambiguity with the real estate segment in qualifying areas hoarding future residential growth prospect. Furthermore, the critical warehousing and storage industry is set to bloom along these prospective areas which will be followed by massive residential alignment. It aims to identify all pre-qualified potential areas for both short and long-term realty growth in the purview of these corridor developments. Final research findings showcase different Tier-I & Tier-II cities with possible outgrowth of residential realty classified in two sparse categories, short and long-term impacts. The findings of an analytical study of work progress on Indian Industrial Corridors are believed to assist in accommodating retail and institutional investment considerations from both domestic and international catchment.

Keywords: Industrial Corridors, Industrial Sector, Geographical Information System, Government Initiatives, Investment, Growth potential, Parliamentary panel, Work Progress,

Introduction

The Central Government is bound to boost manufacturing sector, it intends to develop industrial corridors and smart cities for providing infrastructure based on modern technology with high-speed communication. Listing its achievements and initiatives in 2014-15, the Commerce and Industry Ministry also said that existing infrastructure would be strengthened."Innovation and research activities are supported through fast paced registration system and accordingly infrastructure of Intellectual Property Rights registration set-up has been upgraded. The requirement of skills for industry are to be identified and accordingly development of workforce to be taken up. Strengthening infrastructure is one of the four pillars on which 'Make in India' is based. The other pillars include improving ease of doing business, focus on 25 identified sectors and new mindset. Industry is accustomed to see Government as a regulator. 'Make in India' intends to change this by bringing a paradigm shift in how government interacts with industry. The government will partner industry in economic development of the country. The approach will be that of a facilitator and not regulator.

Further it is said that after de-licensing of several defence sectors' products, 61 pending applications for defence industries have been disposed off, including granting of 43 licenses, and advising that 18 applications do not need license. About e-Biz project, it is said that eight more Central government services such as PAN and TAN services of CBDT, DIN, Certificate of Incorporation and certificate of commencement of business services and Employer Registration Service of EPFO will be integrated shortly. Delhi Mumbai Industrial Corridor (DMIC), it said request for qualification proposal for the empanelment of the EPC (engineering, procurement and construction) Contractors for roads and services for activation area of Ahmedabad Dholera Special Investment Region in Gujarat has been floated. Final environmental clearance has already been obtained from the Ministry of Environment for three DMIC nodes. Significant progress has been made in the model solar power project at Neemrana, Rajasthan and the first batch of panels have arrived at the site, it said adding the actual commissioning of the project has been initiated. It said that things are moving for other corridors including Chennai Bangalore Industrial Corridor, Vizag Chennai Industrial Corridor (VCIC) and Bengaluru Mumbai Economic Corridor. To revamp special economic zones, it said "mixed land use in non-processing areas to be allowed" soon.

On leather sector, the ministry said that government is taking steps to ramp up a training programme to cover 1,38,000 persons for 2014-15 with mandatory placement of at least 75 per cent by March 2015 and

1,44,000 persons during 2015-16.To boost exports, intensive discussions are underway with Department of Revenue to finalise the new Foreign Trade Policy (2014-19).

India's Growth Story – A Background

To reminisce, the country's progress has been unique in many ways as it developed a distinct growth model. From agriculture, the economy transformed into a knowledge one driven by the services sector, leapfrogging the intermediate manufacturing stage which was seen in all developed countries. The liberalisation and reforms process of the 1990s triggered unprecedented changes in the Indian economy. A significant structural shift was seen with the emergence of the services sector as its contribution to India's GDP rose from 42.55 per cent in 1990-91 to 60 per cent in 2013-14. During this period, the services sector grew at a compound annual growth rate (CAGR) of 8.1 per cent compared to 6.5 per cent overall economic growths.

Rapid growth in services was essentially driven by two major factors- exponential technological advances and the rise in per capita income. This ultimately led to high demand for better services in the country. There has been a significant rise in demand, both in terms of quality and quantity and technology grew at an exponential speed. Interestingly, growth in services also kept pace. This was followed by an acceleration in financial services, telecom, retail and the rise of the retail customer. The change continued with transportation, travel, tourism, media, health services and the list goes on.

"Make in India" Initiative

It is a known fact that the performance of the manufacturing sector is a bellwether of the health of an economy. India's manufacturing sector, unfortunately, contributes only about 16 per cent of the GDP and has been static for decades while its share in world manufacturing is a pitiable 1.8 per cent. This is in sharp contrast to China (similar demographics) – where manufacturing contributes 34 per cent of the GDP and is almost 13.7 per cent of the world manufacturing.

If we look back, India's manufacturing sector has witnessed extremes over the years - a few very large enterprises and a multitude of very small ones. There is a complete lack of mid-size firms, a phenomenon which was termed as the 'missing middle' by the noted economist Anne Krueger. It is this middle layer that fundamentally fuels the growth of an economy at the ground level.

But now India's demographic profile demands otherwise - with more than seven million working age population being added every year primarily from rural areas, we have to make a choice - demographic dividend or disaster. With the huge population in rural areas over dependent on agriculture, such excess or new workforce needs to be given jobs in the non-agricultural sector. Unfortunately, the services sector will not be able to absorb such a huge number and nor do the skills set match.

Thus, growth of the manufacturing sector is the only answer which will result in employment-oriented growth. Studies have already indicated that every job created in manufacturing can create two-three jobs in the services sector. Our future lies on how best we utilise our most powerful reserves - the human resource.

Besides job creation, manufacturing will also contribute significantly to India's international trade. In the past three years, India's exports have been hovering around $300 billion mark while the target was to reach $340 billion by fiscal year ending 2014-15.

If we compare India's position with its peer emerging economy China, India's share in world manufacturing exports increased from 0.6 per cent to merely 1.4 per cent over the period from 2000 to 2009. While China tripled its contribution from 3.2 per cent to over 10 per cent in the same period (Planning Commission, India 2012). Thus, pinning hopes on dividends from 'Make in India' campaign and a conducive business environment, India expects a promising year ahead for its exports. The Government of India, which formulated India's Five-Year Plans, among other functions.

Needless to mention, over the years, India has taken up different measures to boost manufacturing. The most ambitious effort to revive manufacturing was made in 2005, with the passing of the Special Economic Zones Act (SEZs). While the SEZ policy was brought out to boost domestic manufacturing in a hassle-free way, the tax benefits have been substantially whittled down. Even earlier, most policies of the tax department whether direct or indirect unfortunately discouraged manufacturing and encouraged imports. This is indeed ironical and short-sighted as growth in the manufacturing sector will have a huge multiplier effect, which in the medium to long term will boost revenue collections phenomenally.

In a major bid to boost the manufacturing sector in the country, the present government has taken up the "Make in India" initiative so as to make India an investment hub. With the launch of this initiative in 2014, Narendra Modi, the Prime Minister of India, aims to give global recognition to the Indian economy and place India on the world map as a manufacturing hub.

Moreover, as per the Planning Commission, the country has also set for itself an ambitious target of increasing the contribution of manufacturing output to 25 per cent of GDP by 2025, from 16 per cent currently. Thus, India's manufacturing sector could touch US$ 1 trillion by 2025, according to a report by McKinsey and Company. Add to this, there is a potential for the sector to create up to 90 million domestic jobs by 2025.

Currently, the government has an ambitious plan to locally manufacture as many as 181 products. The move could help infrastructure sectors such as power, oil and gas, and automobile manufacturing that require large capital expenditure and revive the US$ 29.74 billion Indian capital goods business. And growth in Infrastructure sector will create employment opportunities, mobilise resources, generate revenue, which will help reviving the economy.

With India's rapid urbanization and burgeoning middle class, the need for better infrastructure is pressing. Some 590 million people will live in cities by 2030, and could account for 70

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percent of Indian GDP, according to a McKinsey report.

Industrial Corridors of India

With major impetus being given to the manufacturing sector, it goes without saying that the country needs a robust physical infrastructure connecting all major industrial clusters in an efficient manner. To keep in tune with this, the government is giving major impetus to India's 5 Industrial Corridors and the 'smart cities' concept so as to ensure holistic development of the nation and boost the manufacturing sector further. The corridors would further assist in integrating, monitoring and developing a conducive environment for the industrial development and will promote advance practices in manufacturing.

Five Industrial Corridors: The Impact Cities

Realizing the potential, the Central government has announced various initiatives and reforms over the last one year which, in a way, are likely to boost the future prospects across the country. Be it the "Make in India' campaign or the emphasis on infrastructure development of the five major industrial corridors, the stage is aptly set for the country to move on the right growth track.

Besides DMIC and AKIC, the other proposed corridors are Bengaluru- Mumbai Economic Corridor (BMEC), Chennai-Bengaluru Industrial Corridor (CBIC) and Visakhapatnam-Chennai Industrial Corridor (VCIC or the East Coast Economic Corridor). AKIC covers Punjab, Haryana, Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal, while DMIC spans Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. BMEC covers Karnataka and Maharashtra. CBIC includes Tamil Nadu, Karnataka and Andhra Pradesh, whereas VCIC covers Andhra Pradesh and Tamil Nadu.

"As regards DMIC, eight nodes have been identified in six states under the first phase by the DMIC Development Corporation (DMICDC)", the commerce and industry ministry said. The master plans for these nodes except for one each in Uttar Pradesh and Rajasthan have been completed and accepted by the states. However, the ministry said one of the main impediments was land availability. Land acquisition was a time-consuming and cumbersome process requiring huge financial resources.

As a step forward, the government has proposed setting up of NICA (National Industrial Corridor Authority), which will be responsible for the execution and management of these five industrial corridor projects. Each of the five major Industrial Corridors passes through various existing industrial clusters, towns and cities that are likely to become investment hubs. Thus, once completed, the real estate growth at India's hinterlands, connected via these corridors, will be exponential.

In the wake of these new developments, we have identified the key cities, towns and regions along these corridors that are geared to witness realty growth in the short to mid-term. Moreover, the 'Smart City' tag for many cities and towns along these corridors is in itself a boon.

Thus, in order to identify the impact areas of these 5 industrial corridors, we have analysed the city population as per Census 2011 and the geographical location of these cities by using GIS-based tools.

All in all, infrastructure is set to play a major role in the future growth of realty sector across the country.

Delhi-Mumbai Industrial Corridor

Table 1

DMIC Impact Cities

S. No.	State Name	Zone	Impact Cities in the short to mid-term
1	Uttar Pradesh	North	Noida,Ghaziabad, Meerut and Dadri
2	Haryana	North	Faridabad, Palwal, Rewari, and Hissar
3	Rajasthan	North	Jaipur, Kushkhera-Bhiwadi-Neemrana
4	Gujrat	West	Vadodra, Ahemdabad, Baruch-Ankleswar-Dahej, Dholera and Surat
5	Madhya Pradesh	Central	Pitampura-Dhar-Mhow,Nimach-Nayagaon
6	Maharashtra	West	Nasik, Sinnar, Dhule-Nardhana and Pune

Source: Real Insights@commonfloor.com

Amritsar-Kolkata Industrial Corridor

Table 2

Amritsar-Kolkata Industrial Corridor Impact Cities

S. No.	State Name	Zone	Impact Cities in the short to Mid-term
1	Punjab	North	Amritsar, Jalandhar, Ludhiana
2	Haryana	North	Delhi
3	Bihar	East	Patna
4	West Bengal	East	Kolkata, Durgapur
5	Uttar Pradesh	North	Kanpur, Varanasi

Source: Real Insights@commonfloor.com

Bangalore-Mumbai Industrial Corridor

Table 3

Bangalore-Mumbai Industrial Corridor Impact Cities

S. No.	State Name	Zone	Impact Cities in The Short to mid-term
1	Karnataka	South	Tumkur, Davanagiri, Dharwad and Belgaun
2	Maharashtra	West	Mumbai, Pune

Source: Real Insights@commonfloor.com

Bangalore-Chennai Industrial Corridor

Table 4

Bangalore-Chennai Industrial Corridor Impact Cities

S. No.	State Name	Zone	Impact Cities in the Short to mid- term
1	Tamil Nadu	South	Chennai, Sriperumbudur and Ranipet
2	Karnataka	South	Bangarpet, Hoskote and Bengalore

Source: Real Insights@commonfloor.com

Vizag-Chennai Industrial Corridor

Table 5

Vizag-Chennai Industrial Corridor Impact Cities

S. No.	State Name	Zone	Impact Cities in the Short to mid-term
1	Andhra Pradesh	South	Nellore, Vijayawada and Vizag

Source: Real Insights@commonfloor.com

Quick Facts

1. The corridor connects two major Urban Agglomeration in the country - Delhi (16,314,838- Census 2011), the political capital of the country and Greater Mumbai (18,414,288- Census 2011), and the financial capital of the country.
2. The backbone of the DMIC would be the Dedicated Freight Corridor (DFC) starting from Dadri near Delhi to Jawaharlal Nehru Port Trust near Navi Mumbai. It aims to cut logistics costs, which is the lifeblood of manufacturing industries expected to come along the proposed industrial corridor.
3. Estimating an influence zone covering about 150-200 km on either side of the DFC, the project has an influence area covering approximately 436,486 square kilometres which amounts for about 14 per cent of the total geographic area of the country.
4. Physical development of the DMIC was commissioned in three phases spanning over a time frame of nine years. A time frame of five years for Phase-I (i.e. by 2012) followed by four years each for phase 2 and 3.

In terms of prominence of economic activity, the DMIC region constitutes:

1. Large industrial belts such as Ghaziabad, Noida, Faridabad, Jaipur, Ahmedabad, Vadodara, Surat, Valsad, Vapi, Nashik, Thane and Pune besides Delhi and Mumbai.
2. Mineral rich areas in states such as Rajasthan (Nagaur, Pali, Jhunjhunu, Bhilwara, Chittaurgarh, Kota, Udaipur) and Gujarat (Mahesana, Amreli, Bhav Nagar and Bharuch).
3. Connecting ports along DMIC include:
   a. Kandla and 40 other minor in Gujarat
   b. Mumbai Port, Jawaharlal Nehru Port and 48 other minor ports in Maharashtra
4. Airports - There are 37 Airports along this project including:
   a. 4 international airports
   b. 4 custom airports
   c. 3 model airports
   d. 26 other domestic airports

A Parliamentary Panel to be Constituated to Visit Different Sites

A Parliamentary panel is to be formed to undertake field visits to sites where industrial corridors are to be established and prepare a report in a bid expedite the projects. Many industrial corridor projects are yet to take off due to various impediments including land acquisition and finance. Initially, the government wanted the Parliamentary Standing Committee on Commerce to include only the Delhi-Mumbai Industrial Corridor (DMIC) for the study as it had witnessed the maximum progress in work compared to the other projects. However, the panel decided to undertake an indepth study of all the problems affecting all industrial corridors.

The panel will look into all issues concerning these corridors including land acquisition, infrastructure development and financial aspects including loans from banks, financial institutions and multi-lateral/regional agencies such as the World Bank, Asian Development Bank (ADB) and Japan International Cooperation Agency (JICA). The development of these corridors is also being monitored by the Prime Minister's Office and the Cabinet Secretariat.

Report before Budget Session

Significantly, this also includes Amritsar-Kolkata Industrial Corridor (AKIC) which covers Varanasi, the Parliamentary constituency of Prime Minister Narendra Modi, where work has hardly begun. Panel Chairman and BJP MP, Chandan Mitra, disclosed this fact that the committee will visit Amritsar, Mumbai and Bangalore between January 28 and February second, and then cover Varanasi, Lucknow and Kolkata from February 14 to 18. Other important corridor sites will also be covered and the panel intends to submit a comprehensive report -- to be titled 'Growth and Development of Industrial Corridors in India' -- before the end of the forthcoming Budget Session of Parliament (on May 8).

Land Acquisition: A Major Problem

Land acquisition is a sensitive issue, and there will always be people who go to court challenging it and the compensation. But the government don't expect the kind of trouble we saw in Singur (in West Bengal over land acquisition). States are negotiating with farmers and people are coming forward as the corridors are to bring benefits including jobs and lead to greater investment, manufacturing and exports.

Besides, the institutional framework for formation of node/city-level Special Purpose Vehicles (SPV) for implementation of DMIC project has also been a time consuming process, needing amendment of existing laws / passing new laws for delegating powers of planning and development to node/city level SPVs and facilitate notification of the proposed investment regions / industrial areas under the DMIC. State-level meetings are being held to expedite these issues.

On CBIC, the ministry said the nodal agency JICA has completed a comprehensive regional perspective planning and master planning completed, and three nodes have been identified for master planning. Regarding VCIC, the ADB has completed a conceptual development plan report and two nodes have been identified for master planning. The AKIC feasibility study is under progress.

Conclusion

The DMIC and other Corridors provide excellent investment opportunities to the businesses which is expected to not only facilitate ease of doing business and increase industrial output but is also expected to generate employment opportunities and promote socio-economic growth of India. The states which are under the influence area of DMIC are Delhi, Haryana, Uttar Pradesh, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra. The business environment in these states were studied to know the operational problems faced by the enterprises in these states, promising sectors of investment, ease of doing business in these states and future outlook of the firms operating in DMIC states. According to the survey, there are various promising sectors in which the upcoming enterprises can invest. Agro and food processing industry, Auto components & automotive industry, Drugs & pharmaceuticals, Engineering, FMCG industry, Gems and jewellery, Infrastructure, Leather and leather products, Services sector and Textile and readymade garments are the areas where the new startups can invest and where existing enterprises can expand to generate profitable outcomes. As far as future outlook of the industrial units is concerned, majority of the firms plan to increase their business operations through organic growth that is, through increase in their sales and profit. About 74% of the respondent firms plan to target other markets while 62% of them plan to seek FDIs and FIIs for expansion and diversification. This states that the foreign investors have ample opportunity to come and Make in India. Further, 60% of the firms would also consider the option of location expansion, that is, setting up their business units in other states. Thus, the firms in these states are willing to expand their operations and diversify their business and look forward to collaborations which can be reaped in by the international community. It is expected that the new government would undertake additional measures under its ambitious programme “Make in India” which will create more conducive environment for the growth of business in the coming times. However, there are few problems which are faced by the firms which need to be addressed. Shortage of power, time consuming process of obtaining new power connections, power cuts, high electricity rates and energy cost is a major problem faced by the firms which make it less viable for any business units to set up their enterprises. There are infrastructure constraints in terms of lack of basic amenities, proper transportation facility and connectivity. Further, the administrative procedures are complex and time consuming. There is no single window mechanism in practice and hence taking licenses from various government departments leads to delays in process thereby increasing the costs of doing business in the country. Also small enterprises face problems relating to availability of finance. Banks are not willing to give loans to small manufacturing firms due to which these firms have to resort to private moneylenders who charge them a very high rate of interest. Further, the problem of heavy and dual taxation, difficulties in marketing and selling, complex labour related compliances, unskilled workforce, heavy documentation, problems in land procurement, bureaucratic hurdles, and limited R&D are other areas of concern for the firms.

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