

Gap Bridging Between Policy and Reality of Industrial Development in the State of Gujarat

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Abstract:- The need and importance of economic development for the well-being and betterment of any region has been accepted as a universal truth and as a prime necessity of life; hence any further elaboration in the context is needless. Gujarat State has understood the necessity of industrialization for economic development very early and hence adopted the “Industrial Policy” as systemic approach to achieve it. State has used its “Industrial Policy” as a tool to achieve desired industrialization at macro level and to mitigate regional disparities at micro level. State has also formulates special-apex level institutions like GIDC and GIDB to boost the industrial development. It’s notable that GIDC and GIDB are first of its kind in entire country and after the remarkable performance of both, other States forced to adopt the similar approach later. Thus the concern of the study was to understand focus of industrial policies & their impacts, changing needs of present industrial base, their futuristic inclination & inspiration and sectoral issues & excepted interventions. The last objective was to find out hindering issues identified by different stakeholders and industrial sectors. In conclusion, the implementation of suggested strategies may bridge the gap of policies envisaged industrialization and optimum economic development of Gujarat State.

Keywords:- Industrial Development, Industrial Policy, Industrialization, Urbanization, Industrial awareness.

I. INTRODUCTION - INDUSTRIALIZATION IN INDIA

Since independence in India, the role of state and union government is to provide all socio-economic facilities to its all citizens, for which government has to lead the economic development from the front. Until recent past, the government use to play role of “provider” which altered and became as “facilitator” after economic reforms in 90’s. Even before its inception, the union government has realized the need of sizable industrial development for rapid economic development and hence since first Five-Year Plan, the heavy thrust has been given on industrialization.

In initial phase of nation building, issues like adequate employment, poverty alleviation, nutrition, access to basic level of health and education was need of nation; hence sheer thrust of industrial development was on economic development merely.

II. APPROACH TOWARDS INDUSTRIAL DEVELOPMENT OF GOVERNMENT OF GUJARAT

The aim of state’s all policies till now is “to ensure accelerated development of backward areas and the creation of large scale employment opportunities while sustaining and increasing flow of investment to the industrial sector, which leads to sustainable long term industrial growth for which state ensures the development of required infrastructure” (Gujarat industrial policy - 1995, 2000 and 2003).

➤ *Base of Policy Formulation*

- Trend of industrial development in the state since 1991.
- Suggestion and recommendation from various industrialists, industries groups, academicians & subject experts.
- Careful investigation of industrial development process in surrounding state, within the country and selected foreign economies.
- Critical analysis of taluka level economic condition based on “potentiality & limitation factor” and scope/need of economic development/base upgradation/diversification.

➤ *Core Objectives of Policy*

- To develop backward region of state through industrialization to mainstream them in the process of economic development.
- To minimize and mitigate inter-state economic disparities.
- To discourage rural-urban migration for economic opportunity and betterment by developing rural economy.
- To minimize governmental interference, delay, time-consumption for statutory approval and permission for industrial development.
- To mainstream the marginalized segment of society like SC, ST, OBC, Poor and Women through equal opportunity for employment.
- To achieve maximum industrial investment under recent economic liberalization and globalization.
- To upgrade infrastructure as per the international standards achieved and set by developed industrial economies of world.
- To generate adequate qualitative and quantitative employment to sustain rapidly increasing workforce.
- To promote and prioritize local industries, local industrial produces, local industrial entrepreneurship,

local industrial techniques for self-sustained, self-contained and self-dependent industrial growth.

- To update and upgrade human development base through capacity building, investment social and physical infrastructure for betterment of habitats.
- To achieve holistic economic development at constantly increasing pace.

➤ *Directive Measures of Policy*

- Declaration of 82 talukas under category-I and 4 talukas under category-II along with 8 special backward areas for industrial incentives.
- Formation of apex level-independent body for superior quality infrastructure development called GIDB.
- Relaxation in NA permission for change in land-use for industrial usage and systematic formulation of industrial area through planned land-use.
- Integrated industrial development along with thrust on national and international level competitiveness.
- Investment in energy generation sector and promotion of non-traditional energy production and usage.
- Encouraging private sector participation in infrastructure development and promoting privatization of selected infrastructure facilities.
- Formulation of new and upgradation of existing technical education imparting institute within the state to overcome shortage of skilled workers and subject experts.
- Strict measures for environmental protection & pollution control and its forceful implementation along with promotion for CETP formation within estate.
- Declaration of new mineral policy in order to explore new sources of mineral, optimum utilization of resource through latest techniques.
- To promote agro-based industries, food-processing units, horticulture, aquaculture, fisheries and coastal development for true and realistic achievement of rural economic development.
- To promote individual industrial unit for acquiring national/international level quality certificate/recommendation.
- Special thrust on development of crucial elements of infrastructure like transportation, electricity production, port and road-network development.
- To established comprehensive system for T&SSI offering them undisturbed availability of raw material, monetary aids, technical expertise.
- Formulation of vocational training centre, training programmes for quality improvement among the worker.
- Fiscal incentive for establishing small scale cottage/house-hold industrial unit for self-help groups, group of artisans, group of skilled/educated unemployed persons, women, co-operative societies, group of SC-ST-OBC.
- Disinvestment in non-profitable public sector industries/industrial units.

- Easy and user-friendly procedure for industrial unit set-up and establishing one-window approval system for speedy statutory clearances.
- Formulation of entire state' industrial data-bank having all important information for individual units/industries in all sectors.
- Total digitization, computerization, and networking of records/data from all concerned industrial departments of state government.
- Fiscal incentives like sales-tax exemption, delay in sales-tax payment, tax-holidays, octroi exemption, subsidies, etc. are being offered by the government.

III. FISCAL INCENTIVES AT STATE LEVEL

The Government of Gujarat has offered package of attractive fiscal incentive policies under Gujarat Industrial Policy – 2003 for both, S&MI (Small & Medium Industrial) Unit and T&SI (Tiny & Small Industrial) Unit.

➤ *Policies for S&MI Unit sector are fiscal aid for*

- Technology upgradation, technology acquisition, patent tracking and registration.
- Production and management quality certificate acquisition.
- innovation/methods/techniques leads environmental protection; reduction in consumption of key-elements like energy, water, raw material, CPR; waste minimization, formation of CETP and waste exchange networking system.
- Formation of industrial park, high-tech park, investment park, export park, private industrial park.
- infrastructure base facility expansion, strengthening, upgradation (for road, transportation, communication, water supply, gas, energy, electricity, warehouse and storage, product development centre, training centre, testing centre, R&D centre, common facility centre).
- Industrial cluster development, databank development, trade-fare planning, export promotion, quality improvement.
- Product marketing, market development and promotion.
- Collective industrial pollution treatment, control and mitigation programme.
- Entrepreneur development institute.

➤ *Policies for T&SI Unit sector are fiscal aid for*

- Total quality improvement and management.
- International trading and trade competition.
- Reservation in government purchase at controlled rate.
- Sub-contractual, supportive exchange formation.
- State level testing centre, modernization centre, extension centre.
- Credit guarantee fund scheme.
- Formulation of comprehensive tool room, upgradation of existing tool room.

IV. PRESENT STATUS OF INDUSTRIALIZATION WITHIN STATE

State has vision for attracting large industrial investment to continue the rapid industrialization process and for the same, concerned departments has made supplementary policy framework for it. State has realized the inter-state disparities and shows its concern by adopting approach of "Disparity-mitigation backward area development plan" in all industrial policy of 1995, 2000 and 2003 along with it's core-objective of industrial development.

The state is front-runner in industrialization and has superior economic environment to continue to remain so. In addition to this as on bases of fact that "leader takes greater fruit", it also expanding its industrial and infrastructure base quite significantly. But to compete with advanced global economies and to remain leader in race of development at both national and international level, the state needs to update and upgrade all its industrial policies constantly as per the changing need of time. Hence, the management of existing base is equally important as its upgradation and by formulating apt management policy, state will able to provide apex-leveled faculties for industrial development.

V. ISSUES PERTAINING TO INDUSTRIAL DEVELOPMENT

Industrial development itself has various crucial key-elements like Industrialization, Urbanization, Agriculture, Infrastructure, Land, Labour and Employment, Capital investment, Technology, Resource availability and consumption, Environmental impact and Industrial awareness & entrepreneurship development. Here, the quality of each individual in both, available and desirable reference shapes the profile of industrial development and industrialization.

On other hand, such issues of industrial development have inherent conflicts, which need to resolve immediately to achieve sustainability in terms of both, industrial development & management and human development & management...

- **Industrialization:** Unplanned physical growth, environmental degradation, uncontrolled rural-urban migration.
- **Urbanization:** Overstressed land-use and increased density, slum and squatter development, unhygienic shelter formation, rapid shift from agriculture activities to non-agriculture activities resulting into inadequate employment.
- **Agriculture:** Loss of fertile and productive agriculture land due to both industrialization and urbanization, change in cropping pattern and yield due to change in irrigation system and soil-salinity, adverse impact of over-extracted water, land and other CPR, adverse impact of improper industrial waste and effluent disposal into ground and water.

- **Infrastructure:** Inadequate infrastructure providence and maintenance to support increasing population, over stressed services like energy, fuel, water supply, sanitation, electricity, road network, transportation, communication, health and education, hygiene and solid-waste management
- **Land:** Most stressed resource as it is the base of all kind of activities, unplanned land-use and improper management, environmental and qualitative degradation, fertility and utility losses.
- **Labour and Employment:** Uncontrolled-unmanageable migration of unskilled-baseless-landless labours into industrial regime and urban area, lack of skill-specialization-knowledge-awareness-job, extreme burden on employment generation, overcrowding of informal working sector, occurrence of socio-economic disparities.
- **Capital investment:** Inadequate-insufficient capital investment in all sectors like industrial development, infrastructure development, socio-economic development at right time with right pace.
- **Technology:** Lack of latest-cutting edge technology for better-cleaner-safer-faster and superior production for optimum economic development, technology expansion and upgradation, lack of technological awareness among all executives-officials-industrialists-entrepreneurs and workers.
- **Resource availability and consumption:** Availability and adequacy of basic raw-material; over-extraction, abuse and very high consumption of CPR like air, land, water, mineral, power, fuel, flora, and fauna.
- **Environmental impact:** Very harsh and adversely proportionate equation between industrial growth and environmental degradation in most cases of industrialization, threat on ecological disorder, risk of unrecoverable damage to crucial element of environmental due to industrial pollution.
- **Industrial awareness and entrepreneurship development:** Lack of information system about latest updates in sector; unavailable or inaccessible mode of quality improvement/upgradation measures.

VI. INTER-STATE REGIONAL DISPARITIES

Central and South Gujarat (C&SG) accounts 51% of state's total industrial investment and also have 70% of state's total employment. Employment potential ratio per Crore of industrial investment is 1:3.5 in state, which is comparatively low as per international standard. The same also varies drastically within the state as C&SG have 1:11.82 as highest where Saurashtra have 1:1.4 as lowest. As M&LSI units are dominant in NVA and as C&SG is flourished by it, apparently C&SG enjoys greater share of profit and prosperity.

On other hand, Saurashtra has higher concentration of T&SSI units, which has lesser role to play in NVA at state level. No. of registered T&SSI are increasing steadily through out the state but they are also turning to be more and more capital intensive. In addition to this, employment

generation capacity of T&SSI also reduced from 110 person to 58 person per crore of investment from 1995-95 to 1998-99.

Few interesting details are emerging by comparative analysis of data from C&SG (including Mehsana) and Saurashtra in terms of both, no. of project and employment generation against investment (with respect of investment category – 1. upto 5 crores, 2. between 5 to 10 crores and 3. above 10 crores). For category-1; C&SG has 85% of total projects, 86% of total investment and 74% of total employment for state; where Saurashtra has only 8% of such projects, 10% of investment but produces 21% of jobs. Here, for both region ratio of no. of project v/s investment is similar at near to 1.00, which is not the same for employment generation.

On other hand, C&SG has ratio for no. of project v/s job created and investment v/s job created as low as 0.87 and 0.86, Saurashtra has it as high as 2.63 and 2.1 respectively. The concerned ratio for category-2 in C&SG are 1.02 & 0.98 and in Saurashtra are 1.11 & 1.02, where he said for category-3 is 0.96 & 1.25 and 0.79 & 0.44 in respective region. Such eye-catching difference suggests that high capital-intensive industrial developments are not fulfilling the objective of high employment generation, any more. In addition to this, C&SG continue to be favorite destination for industrial investment, where most advanced industrial regime of "Golden Corridor" (NH between Maheana and Vapi) is flourished by Chemical and Petrochemical units.

VII. ISSUES PERTAINING TO HUMAN DEVELOPMENT

Although the state is able to envisage almost all important issues of industrialization for socio-economic development, but the most important issues of human development like socio-economic development, gender development; environmental protection, ecological balance and resources management are neither identified nor recognized as core issues.

The need of human development instead of mere economic development is now widely accepted as universal truth. As the fruits of better economic development are rarely transferred in to social development, the careful investigation of such cause and special attempt to form appropriate policy along with systematic implementation of the same is an unavoidable requirement for any industrial, economic, or social development.

The concept known as human development means increased capacity and capabilities of people that enable them to access larger and better opportunities in life. In other words, the support system helps marginalized segment of society to strengthen their capacity by which they can also be the part of mainstream of development.

Essential aspects of human life like level of living, quality of life, life expectancy at birth, per capita income, literacy, and level of education, nutrition, and access to food, health, and availability of primary health-care system, etc. are the major standards of assessing human development of any given society. Gender related characters like male-female sex ratio, juvenile sex-ratio, IMR, MMR, female literacy, matriarchy, age of marriage, female contraceptives usage, nutrition and health-care during pregnancy and TFR, etc. are also crucial to understand gender scenario of any given social system.

Although, State doing well in economic development is still lagging in human development measures in comparison with other states (comparative study done between 15 selected states). State has 6th rank in both HDM and HDI in 2001, was at 4th rank in 91. State has 6th rank in both income and education in 2001, was at 4th rank in 91. State has 9th rank in health in 2001, was at 5th rank in 91. State has 13th position in environment in both 2001 and 91. Study area has 3rd and 5th rank in HDM and HDI in 2001, was at 8th and 7th position in 91, respectively. Study area has 1st and 6th rank in health and income in 2001, was at 8th and 11th position in 91, respectively. Study area has 13th and 17th position in education and environment in 2001, was at 7th and 17th position in 91, respectively.

As human development is state's concern in country like India, most vital factor for human development is government budget and outlay for the same. Along with government expenditure, the public-private sector investment are also required to develop social sectors like health and nutrition, water supply, sanitation and hygiene, literacy and education, gender development and equity.

As industrial sector have greater share in production, NVA, investment and resource exploitation and consumption; it must be their responsibility to take up the issues of human development and acts as front-runner to achieve the same. Hence, such public-private sector level investment in social development can be envisaged and obtained mainly from industrial sector, which helps to achieve human development comparable with economic development.

VIII. PARADOXICAL SITUATION

In last two decade, major shift towards high volume-low margin/profit manufacturing sector like Petrochemical, Petroleum Refineries, Fertilizers, Chemicals, Dyes, Sponge iron, etc. It has multifold adverse effects, which transforms agriculture land into industrial area, displaces local community, generate very little employment, produces lot of effluent, and requires greater resources to mitigate its environmental impacts.

Gujarat stood 1st in investment attraction but lag far behind in NVA from Maharashtra. Gujarat produce and export plastic polymers to country like China; China supplies finished goods like toys after NVA to India itself

and collects greater profits from Gujarat only. Similarly in case of cotton and manmade yarns, threads and fibre; Gujarat produce and export them to foreign countries and imports finished goods from same raw-material, in a process loses great profit due to lack of NVA within the state.

Clients/countries are become very cautious about the goods there are importing and the way they are been produced, which resulted into decline of foreign direct investment and export due to high polluting-unclean-environmental degrading production techniques. Its hightime for adopting cleaner-safer-non polluting-environment friendly production techniques.

Issues pertaining to energy like very high-energy consumption in terms of both, availability and optimum usage standards set by US & EU, over-extraction, and higher export of local energy fuel like natural gas are alarming. Issues like lack on innovation, investment and care in R&D, latest technology adoption, base upgradation, generating skilled labour force and capacity building by training are need to resolve at earliest.

In case of Gujarat, where more then half of the industrial investment is from non-governmental sources (greatly from FDI, Private industrial sector/parties); above mentioned issues are most critical to resolve by die-hard efforts and innovation, if state continuously wants to enjoy/attract the industrial investment in similar trend. However, Gujarat have superior infrastructure in country's context, but it is not enough to attract best of industrial investment in global competitive market (especially with reference of east-Asian industrial countries with which state is often compared). Need of excellent and world-best holistic infrastructure, as base is the only solution in this regards and for the same, role of all public and private level industrial players of state needs to be focused and strengthen.

IX. TREND OF INVESTMENT IN STATE

The trend in foreign direct industrial investment in state of Gujarat is constantly under decline since last three years. The total investment from 2003-04 till December, 2005 is Rs. 1890.48 crores. Where for the year 2003-04, it was Rs. 917.12 crores; for the year 2004-05, it was Rs. 610.53 crores and for the year 2005-06 till December, it is Rs. 362.83 crores.

This fact poses depressing picture with regards of state's high hopes in outstanding achievement in industrialization in context of both, domestic and global market. Such phenomena is even nerve-racking in the light of the fact that up till now, majority of such industrial investment in the state is from non-governmental sources and such decline can be directly linked with factors like, (1) Lack of investor-friendly economic environmental within the state and (2) Equivalent and competitive opportunities for desired investment by other players/states/countries.

As the Gujarat is front runner industrial state within the country and also acts as leader-state for the nation in global scenario, the careful and clinical investigation of such cause has to be undertake immediately for sustained industrial investment and industrial development for the both, state and country. In further, the dominant sectors, which pull maximum investment for concerned time-period, are as under

- Transportation with total investment of Rs. 756.55 crores.
- Electricity & Oil-refineries with Rs. 437.18 crores.
- Electronics goods with Rs. 175.93 crores.
- Metal industries with Rs. 129.00 crores.
- Ceramic industries with Rs. 120.70 crores.

Detailed analysis of such fact in light of past trend poses interesting scene as one finds diversification in investment pattern. Sectors like Petroleum produces, Chemicals, Dyes and Fertilizers that used to cater major industrial investment in past are not in front-line now. Other important sectors like Textile, Cotton industries, Production units having Engineering, Machinery manufacturing, machine tools are also seems unable to pull industrial investment at constant pace the way they used to do it in the past.

On other hand, important element of infrastructure development – Road and transportation come forward as leader in investment attraction. Though sector wise breakup is not available for Electricity & Oil-refineries, one can see that industrial investment in important sector like energy is increasing.

X. ISSUES NEED TO BE OVERCOME

At present, several issues pertaining to industrialization are creeping up in state as major concerns that need to be overcome for realistic and sustainable industrial growth and its management.

- Status of environment (increased pollution and environmental degradation).
- Quality of production (high volume-low profit production).
- Quality of investment (high investment-low employment potential)
- Quantum of investment (sector and location wise).
- Quality and quantum of job creation and employment generation (lack of skilled labour and surplus of unskilled labour).
- NVA (Net Value Addition) of products.
- Quality of technology-base and its upgradation (use of outdated technology).
- Quality of energy usage (use of traditional/conventional energy).
- Quantum of energy usage (high level of energy consumption).
- Status of market development (profit from innovation and new product development).
- Quality and quantum of exported goods (commodity and sector wise).

- Inter-state regional balance (increased disparities within the state).
- Inter and intra state migration (constantly increasing rate of in-migration).
- Quality of social infrastructure (lagging in human development aspect).
- Pace of human development (mismatch between pace of industrial development and human development).
- Quality of infrastructure (inefficient for catering envisaged industrial growth without constant-effective base-upgradation).
- Status of agriculture sector (constant decrease in agricultural Land and yield).
- Status of resource availability and consumption (high and unplanned use of CPR).
- Status of industrial awareness (lack of latest information among industrialists).
- Quality of entrepreneurship development (inferior quality input for development).

XI. CONCLUSION

However, industrial development is constantly increasing in both, study region and state, due to lack and negligence of vital parameters like efficient infrastructure, adequate availability of raw material, user-conducive government policies, latest cutting-edge technology and awareness among industrialists, etc envisaged and possible industrial development is hindered.

In further addition, management & upgradation of existing infrastructure & ecological balance along with revitalization of human development for holistic development is must be taken as ultimate challenge and utter objective.

In conclusion, it is Hightime to rethink upon policies, which merely facilitate industrial development only, and its ideal juncture for suitable strategy formulation, which takes care of optimum economic development through industrialization coupled with maximum human development.

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