

FICCI- SPJIMR report suggests agenda to make Maharashtra a \$1 trillion economy by 2025

MUMBAI, 18 September 2017: Recent reports suggest that India - with a GDP of \$6.84 trillion- will emerge as the third largest economy in the world by 2030, surpassing - Japan, Germany, Britain and France. It is clear that India's trajectory towards the "world's top- 3 largest economies" will be shaped by the movement of output of India's top states. In particular, it is the transformation of these Indian states to provincial powerhouses, akin to those in the United States or China that will shape India's destiny going forward.

Maharashtra, with a GDP of 0.25 trillion is the richest state in India, followed by Tamil Nadu (\$0.17 trillion) and Uttar Pradesh (\$0.16 trillion). However, Maharashtra's GDP equals that of Connecticut (\$0.26 trillion)- a state ranked 23rd in the US by GDP. To further put things into perspective, Maharashtra's area is 21 times larger and it has a population 31 times as large as Connecticut. US's richest state- California, with a GDP of \$2.5 trillion in 2015 and with only 3 per cent of India's population was significantly ahead of India's GDP of \$2.09 trillion even in 2015. It becomes pertinent at this juncture to understand how India's richest state- Maharashtra, can contribute to the India growth story by leapfrogging to a trillion-dollar economy by 2025, at about the same time as India is poised to becoming the third largest economy in the world.

A report prepared by FICCI-SPJIMR has suggested a five-point agenda for leapfrogging Maharashtra to a trillion-dollar economy by 2025 by transforming the State into an investment-led economy.

The report titled, 'Maharashtra 2025: Leapfrogging to a \$1 trillion economy', was released here today by Mr. Devendra Fadnavis, Chief Minister of Maharashtra, at the 5th Progressive Maharashtra 2017 event.

The report recommends a balanced regional development of all districts and divisions through a cluster approach, improving institutional mechanisms, strengthening of connectivity and industrial infrastructure, development of the Micro, Small & Medium Enterprise segment and development of manufacturing as the base for growth and employment.

The following are the recommendations in detail:

- 1. Balanced regional development of all districts/ divisions through cluster approach:** Maharashtra has been the richest and most industrialised states in India. This growth, however, has been concentrated in specific divisions, particularly, in the Mumbai, Thane and Pune belt. Amravati and Nagpur divisions have shown strong growth in the Gross District Value Added in 2015-16. The government will need to focus on developing these regions further, as also ensure more equitable and balanced growth within these specific divisions as well. The government may work on a more decentralised development model, based on developing districts including Sangli, Miraj, Kolhapur, Amravati, Buldhana, Solapur, Chandrapur, Jalgaon among others. Such a development model should be based on

development of industrial clusters in these regions based on the high potential growth industries for each region.

2. Improving Institutional Mechanisms: The decision to invest in a state is primarily driven by ease of doing business, and the presence of a conducive environment to foster efficiency and transparency. In order to drive its competitive advantage, Maharashtra will need to focus on improving the institutional mechanisms associated with business, as also improve governance. The industry demands with regard to provision of a single-window clearance, easier and more transparent labour laws and faster dispute resolution will go a long way towards enhancing investments in the region. At the same time, the government will need to work on the industry complaints with regard to prevalence and persistence of lethargy, redtapism, bureaucracy and corruption. The government will need to reduce the uncertainties and cost of doing business in Maharashtra.

3. Further Strengthening of Connectivity & Industrial Infrastructure: Creation of infrastructure and connectivity is a key determinant of growth in the state. The Delhi-Mumbai Industrial Corridor (DMIC) and the Dedicated Freight Corridor (DFC) are likely to be a game changers and Maharashtra can significantly benefit from these infrastructural developments. However, such infrastructure and connectivity has to be more broad-based, enveloping the hinterlands of Maharashtra. The state needs to further draw benefits from developing integrated townships with comprehensive industrial and social infrastructure. From a long term planning perspective, airports need to be developed in every region. These should include the building of Low Cost Carrier airports, with low frills, which can facilitate the low cost airline industry. The development of industrial clusters will also require developing infrastructure to provide increased connectivity. While the state government's fiscal position is in shape, public funding of various infrastructure and public services poses its own constraints. As such, the government may explore greater Public Private Partnerships (PPPs) which draw on the strengths of both the public and private sectors for delivery of quality public services.

4. Development of the Micro, Small & Medium Enterprise (MSME) Segment: MSMEs play an integral role in employment creation, exports, as also the output of the manufacturing and services sector. The transformation of Maharashtra will equally rest on the transformation of this key segment. As a key strategy for enhancing the productivity and competitiveness of MSMEs, the government of India has announced a scheme for development of potential clusters to facilitate deployment of available resources for effective implementation and more sustainable results in medium to long term. Such industrial cluster projects for MSMEs should be further encouraged. Given the importance of this segment to employment creation, a specific emphasis on MSMEs should focus on addressing key challenges they face which includes access to technology, credit availability, provision of business/ technical advisory and support, access to new markets in a globalizing environment and development of appropriate marketing mechanisms.

5. Develop Manufacturing as the base for growth and employment: The importance of the manufacturing sector to a region's growth and employment generation is well-documented.

The service sector has been the important contributor to the state Gross State Domestic Product. The state will need to focus on growing its manufacturing sector as well. The new manufacturing policy has proposed the development of seven large integrated areas called National Investment and Manufacturing Zones (NIMZ) along the DMIC, with two of these being in Maharashtra.

FICCI-SPJIMR Report 'Maharashtra 2025: Leapfrogging to a \$1 trillion economy':
<http://ficci.in/publication-page.asp?spid=20956>

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