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SPJIMR Bharatiya Vidya Bhavan

MAHARASHTRA 2025:

LEAPFROGGING TO A $1 TRILLION ECONOMY



Progressive MAHARASHTRA
Buildings Sustainable Competitive Advantage

*A **FICCI-SPJIMR REPORT** SEPTEMBER 2017*

FOREWORD





A 2015 report by the International Monetary Fund termed the Indian economy"a bright spot in an economically depressed global landscape", as also the "world's fastest-growing economy". In December 2016, India became the sixth largest economy in the world in Gross Domestic Product (GDP) terms, overtaking its erstwhile colonial master, the United Kingdom. India's GDP, valued at an exchange rate of ₹66.6 for $1, stood at $2.30 trillion. India took sixth place behind the United States, China, Japan, Germany and France.

Yet, 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. California's GDP was just slightly above the GDP of France (of $2.42 trillion) during the same period. If they had been separate countries, three of America's states -California, Texas and New York, would have ranked in the world's top 11 largest economies in 2015.

China presents a similar story, with three of its provinces- Guangdong, Jiangsu and Shandong- accounting for GDPs of more than $1 trillion each. If considered as stand-alone entities, much like the three largest US states, these three provinces would also rank among the world's biggest emerging market economies, sandwiched between Mexico and Indonesia.

The stories of the United States and China have one common thread running through them. A large part of the economic growth is fuelled by provincial/ regional powerhouses. Further, when adjusted for the size of the workforce, such provincial powerhouses- especially those in the US- present a picture of high productivity, measured by the output per worker.

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.

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 four developed nations- 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. As such, 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.

This joint Report prepared by FICCI with SPJIMR, Mumbai aims to put into perspective the goal of achieving a $ 1 trillion economy status, as also the policy interventions required to make Maharashtra a $1 trillion economy by 2025. Using Porter's 'Microeconomics of Competitiveness' Framework, as also the World Economic Council's 'Ease of Doing Business' frameworks, the report uses the results of a survey carried out with industry in Maharashtra's six revenue divisions- Konkan, Amravati, Pune, Nashik, Nagpur and Aurangabad. It also draws on qualitative interviews conducted with top industry leaders to understand the prospects and challenges faced in this goal.

The Progressive Maharashtra Summit may be used as a platform to deliberate on the results of this survey, as also highlight industry concerns regarding the challenges faced in achieving such a goal. The forum could be used to chart out a roadmap for government- industry- academia collaboration to achieve this goal.

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CONTENTS

03

***F**oreword*

07

***M**aharashtra: A Regional Powerhouse*

10

***M**aharashtra: State of the Economy*

20

***M**aharashtra: District Profile*

29

***D**ivision–level Competitiveness in Maharashtra: Industrial Survey*

34

***E**xpert Talk*

40

***M**aharashtra: Leapfrogging to a 1 Trillion Dollar Economy*

MAHARASHTRA: A REGIONAL POWERHOUSE

Maharashtra is the richest state in India in GDP terms, accounting for 14.5 per cent of India's GDP. The second largest state in India in terms of population, it accounts for 9.3 per cent of the total population of India and is highly urbanised with 45.2 per cent people residing in urban areas. At the same time, the proportion of rural population is significantly lower (at 54.8 per cent), compared to the Indian average of 68.9 per cent. The state accounts for a geographical area of 3.08 lakh sq. km, which is 9.4 per cent of India's overall geographical area.

Maharashtra is one of the most industrialised states in the country. The industrial base comprises of pharmaceuticals, petrochemicals, heavy chemicals, electronics, automobiles, engineering, food processing and plastics. Based on national and international trends in demand, as also based on the state's own resources, the state has identified industrial sectors like Auto, Engineering, Electronics, Textile and Defence as focus sectors.

Mumbai- the capital of Maharashtra is the financial capital of India and houses the headquarters of most of the major corporate and financial institutions. India's main stock exchange and capital market – the Bombay Stock Exchange, and commodity exchanges are all located in Mumbai.

The factors which can aid in Maharashtra emerging as a regional powerhouse include:

- **Abundant natural resources** – The state has abundant deposits of minerals like coal, limestone, manganese ore, bauxite, iron ore, dolomite, laterite, kyanite, fluorite (graded), chromite, silica sand, quartz, etc. The total potential mineral area in the State is about 58,000 square km, accounting for about 19 per cent of the State's total geographical area.

- **Availability of power**- The availability of adequate electricity and power are the key elements of physical infrastructure acting as drivers of the Maharashtra economy. The supply-demand gap in electricity during FY 2015-16 was about 143 MW[1] against the gap of 1202 MW in 2011-12, and Maharashtra was ahead of all other states in terms of a low demand-supply gap in electricity during peak demand. MAHAGENCO accounted for 47.5 per cent followed by Adani Power Ltd. (15.9 per cent), Renewable energy (7.8 per cent), Tata Power (7.5 per cent), JSW Energy (7.4 per cent), Reliance Infrastructure, VIP Butibori, Emco Power -3.5 per cent each and Others-3.4 per cent of the total generation during 2014-15.

- **Interstate connectivity**- Maharashtra is well connected to all other states- both neighbouring and distant- by all modes of transport. Of the 3.01 lakh km of road length maintained by the Public Works Department (PWD) and the ZillaParishad (ZP), more than 80 per cent is surfaced road length. 99 per cent villages are connected by roads (all-weather and fair-weather roads). The state accounts for 9.2 per cent of the total railway route length of the country, measuring 6,103 km (including 378 km of the Konkan railway). Mumbai, Navi Mumbai, Nagpur and Pune also boast of metro rail projects under various stages of implementation.

- **Connectivity with the rest of the world**- Maharashtra's 720 km long coastline and presence of ports has facilitated international trade. The state boasts of India's largest container traffic port- the Jawaharlal Nehru Port Trust (JNPT). Mumbai Port Trust (MPT) is the other major port in operation in India. The Government has also sought to develop 48 minor ports in the state using a Public-Private-Partnership (PPP) model. Maharashtra enjoys prime position in India's foreign trade accounting for 27 per cent of India's exports.

[1]Refers to up to December 2015

- **Presence of Air Transport**- Maharashtra has three International Airports located at Mumbai (Chhatrapati Shivaji Maharaj International Airport), Nagpur and Pune. It also has 8 Domestic airports at Mumbai, Pune, Nagpur, Aurangabad, Kolhapur, Juhu, Solapur and Nanded.

- **Availability of Financial Services**- Maharashtra has 11284 scheduled banking offices of Scheduled Commercial Banks(SCBs), accounting for 9 per cent of the total banking offices of SCBs in India.[2] The state accounts for a higher population served per bank office (at 10,390), as compared to the national level(10,070). The share of the state in aggregate deposits and gross credit in India is about 24 per cent and 28.7 per cent respectively. The Credit-Deposit (CD) ratio of the state is 92.6 per cent, compared to the All-India figure of 77.4 per cent.

- **Key destination for industrial investment**- Maharashtra is the recipient of a large number of industrial proposals, having high employment potential. Of the total proposals received in the country, the state's share in the number of proposals and investment is about 18 per cent and 10 per cent respectively. Almost 50 per cent of the approved investment is in the IT and the fuel industry, while seven industries, viz. chemical and fertilizers, textiles, metallurgical, sugar, electrical and electronics, processed food and photographic raw film and papers- account for about 61 per cent of the total approved and commissioned proposals.

- The state has 69 Special Economic Zones (SEZs) notified as duty free enclaves. These SEZs have a relaxed and business friendly policy regime, aimed at promoting rapid industrial development and employment generation. The state also has 37 public IT parks, together with an approval for 472 private IT parks. Further, there exist two public Bio-Technology (BT) parks.

- **Key destination for foreign investment**- The state is the recipient of about half the total Foreign Direct Investment (FDI) into the country. The cumulative FDI equity inflows into Mumbai for the period April 2000 to March 2017 was $102283 million, accounting for the highest such inflows into India (31 per cent).[3] In the first six months of the financial year 2015-16, Maharashtra received Rs 68,409 crore in FDI. This was also partly because of the significant improvement in the Ease of Doing Business from 49.5% in 2015 to 84.5% in 2016.

- **Presence of Large Market** – Maharashtra's urban centres provide for large markets with diverse consumer demands providing the much required thrust for expansion of and innovation in production activity. At the same time, rural regions that are spread across the span of the state lend immense scope for development of industrial activity, particularly because they are untapped consumer markets with latent potential.

- **Presence of 'Smart Cities'** – Maharashtra accounts for ten of the 100 cities under the government's Smart Cities Mission. These include Greater Mumbai, Thane, Kalyan-Dombivli, Pimpri-Chinchwad, Nashik, Amravati, Solapur, Nagpur, Pune and Aurangabad.

- **Social and Human Development Indicators**- Maharashtra's literacy rate at 82.9 per cent is significantly higher than the national average of 73 per cent. Enrolment in higher education was 39.87 lakh in 2015-16, with a gross enrolment ratio in the 18-23 years age category of 29.9 per cent in 2015-16. This was against the national average of 24.5 per cent in 2017.[4] The gender parity index[5] for Higher Education in 2015-16 was 0.86. The Infant Mortality Rate (IMR) was 21 per 1000 live births[6], compared to the national average of 37. Maharashtra's IMR was lower than the country and all other states (except Kerala and Tamil Nadu). 99.7 percent of the schools in Maharashtra have drinking water facility and 99.4 per cent schools have functional girls' toilets. The Female Workers Participation Rate was 31.0 compared to the national average of 25.5.[7] The state has the third lowest unemployment rate, next to Gujarat and Karnataka. Maharashtra's Human Development Index (HDI) is 0.752.[8]

[2]As on 31st March, 2015,
[3]http://dipp.nic.in/sites/default/files/FDI_FactSheet_January_March2017.pdf
[4]http://www.ndtv.com/education/gross-enrolment-ratio-for-higher-education-increases-to-24-5-says-mhrd-1663416
[5]This refers to the Gross Enrolment Ratio of Girls/ Gross Enrolment Ratio of Boys
[6]In 2015-16.
[7]As As per Census 2011.
[8]In 2012

MAHARASHTRA: STATE OF THE ECONOMY

1 GROSS STATE DOMESTIC PRODUCT (GSDP) AND GROSS STATE VALUE ADDED (GSVA): SECTORAL SHARES

In 2015-16, Maharashtra's Gross State Domestic Product (at constant market prices) was ₹ 1659776 crores ($0.25 trillion).[9] Maharashtra has reported a strong growth rate of 8.5 per cent of the real Gross State Domestic Product and a rate of growth of 7.9 per cent in the real Gross State Value Added in 2015-16. These rates are estimated to be 9.4 per cent and 9.6 per cent respectively in 2016-17.

Chart 1 shows the significance of Maharashtra's growth to the national growth. The growth in state GSDP has been higher than the national GDP for most years, except in 2014-15.

Much of Maharashtra's growth has been on account of the industrial and service sectors. Chart 2 shows the sectoral shares in Maharashtra compared to India. The share of 'Agriculture & Allied activities' at 11.8 per cent is lower than the all India share of agriculture at 18 per cent. Similarly, the shares of "Industry' and 'Services' sectors at 33.8 and 54.4 per cent are greater than the corresponding India shares of 30.6 and 51.4 per cent respectively.

Agriculture and Allied activities have a share of 11.8 per cent in the state's total GSVA. Agricultural growth rate over the period 2012-13 to 2015-16 has been negative in most years (Chart 3). This reflects the state's continuous dependence on monsoons for irrigation. Thus, the low intensity and deficit monsoons for a second year in row were responsible for the decrease in production of major crops during 2015-16. On the other hand, industry, as also the services sectors have exhibited steadily increasing rates of growth (Charts 4 & 5).

Within industry, 'Manufacturing', with an average contribution of about 21 per cent in total GSVA has exhibited consistent growth, with a 9.3 per cent growth in 2015-16. Further, manufacturing is expected to grow at 8.4 per cent in 2016-17. 'Construction', with a share of 6 per cent in the GSVA grew at 4.3 per cent in 2015-16 after a negative growth rate the previous year. Manufacturing and construction grew at annual average rates of 8.4 per cent and 1.2 per cent over the period 2011/12 to 2016/17.

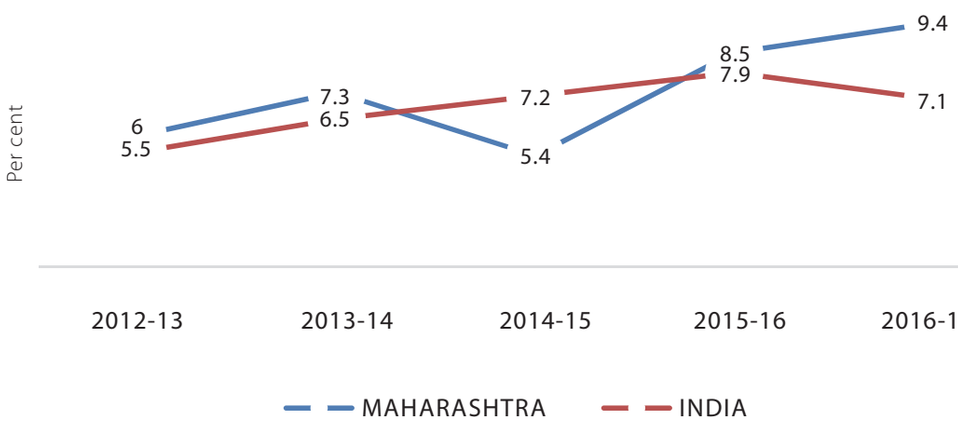
Within services, 'Real Estate, Ownership of dwellings and Professional Services' with an average share of 19.2 per cent in GSVA is a fast growing sector, growing at an average annual rate of 12.1 per cent over the period 2011/12-2016/17. 'Financial Services', with a share of 10.1 per cent is another fast-growing sector, with an annual average rate of growth of 8.6 per cent over the period. 'Public Administration, Defence and other services' grew at 11.8 per cent in 2015-16.

The Per Capita Net State Income (i.e. Per Capita NSDP) at current prices is estimated at ₹1,47,399 during 2015-16 whereas it was ₹1,32,341 during 2014-15. Only Karnataka, with a per capita income of ₹1,48, 485 had a higher per capita income among all Indian states, while the average per capita income for India is ₹94178.

[9]assuming an exchange rate of ₹ 67=$1.

CHART 1: COMPARISON OF GROWTH IN MAHARASHTRA'S GSDP TO INDIAN GDP

GROWTH IN GSDP AND GDP: MAHARASHTRA VS. INDIA



Source: Economic Survey of Maharashtra, 2016-17.

BOX I: REACHING $ 1 TRILLION: WHAT DOES IT MEAN?

Maharashtra, the richest state in India, reported a Gross State Domestic Product (at market prices at constant 2011-12 prices) of $0.29 trillion in 2015-16. Thus, Maharashtra needs to grow $0.71 trillion in the next nine years, i.e. over 2016-2025, for it to achieve a $ 1 trillion status. Applying the Compound Annual Growth Rate formula+, the state would have to grow at 14.4 per cent in real terms.

The growth rate of real GSDP over the previous year was 8.5 per cent. The growth rate of an economy is related to its savings and investment rate and its capital – output ratio through the Harrod-Domar growth equation:

$g = s/k$ ..... (1)
where g= growth in total output
s= savings rate
k= capital output ratio (also called ICOR or the Incremental Capital Output Ratio)

In equilibrium, theoretically, savings rate equals the economy's domestic investment rate (I). This is obtained from the basic assumption that whatever is saved will be automatically invested and converted into an increase in output on the basis of a given capital–output ratio.

Thus, $g = I/k$.....(2)

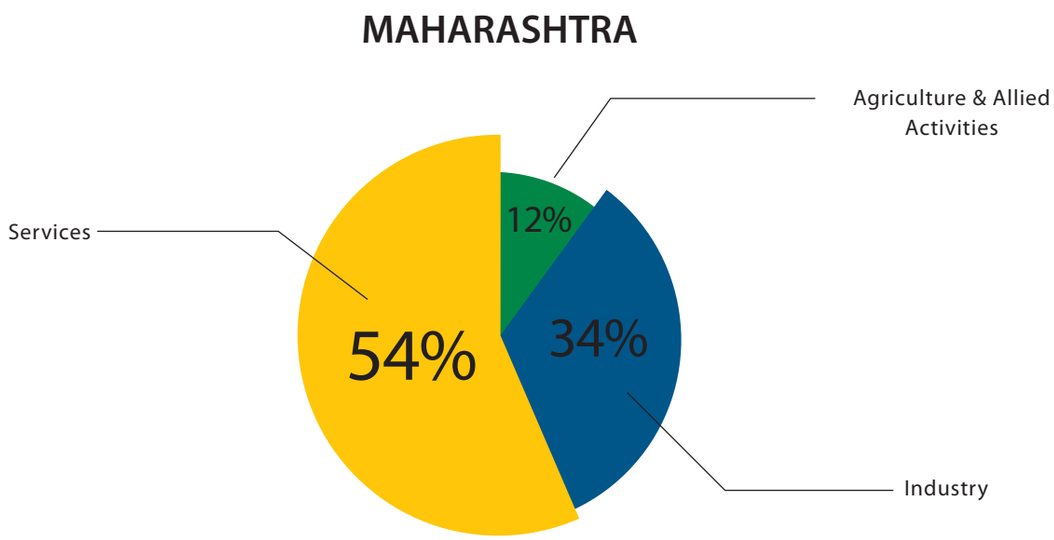
Maharashtra has a strong Incremental Capital output Ratio of 0.85 i.e. 0.85 units of capital are required to produce one unit of output++.

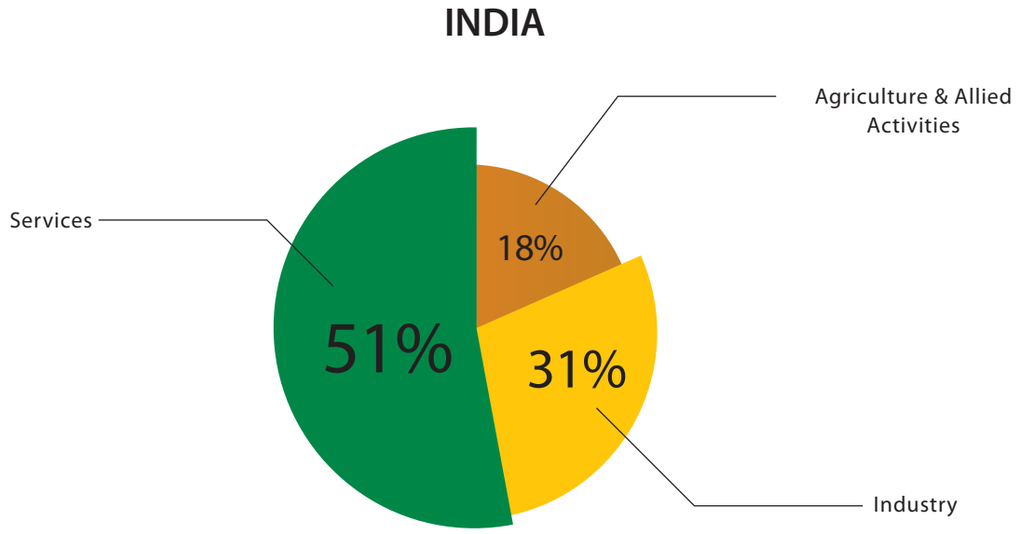
For Maharashtra to achieve a 14.4 per cent growth by 2025, given the average ICOR of 0.85 (over the period 2008/09-2014-15), investment in the state will need to grow to12.24 per cent per year from the current investment rate of 3.5 per cent per year. If the ICOR is taken at the highest value over the period 2008-09 to 2014-15, i.e. 1.91, the required investment to achieve the 14.4 per cent growth rate would increase to 27.5 per cent.

Source: Calculations based on Maharashtra Economic Survey, 2013-14, 2015-16 and 2016-17 and Reserve Bank of India, Handbook of Statistics on Indian States

Notes:
+ The Compound Annual Growth Rate is calculated using the formula: CAGR= [(Ending Value/Beginning Value)^ (1/ # of years)]-1.
++ ICOR is calculated as the state's Rate of Gross Capital Formation/ Growth rate of Real GSDP. Thus, e.g., ICOR in 2014-15 was 3.5%/5.4%=0.65. We have considered the average ICOR over the period 2008-09 to 2014-15, which works out to 0.85

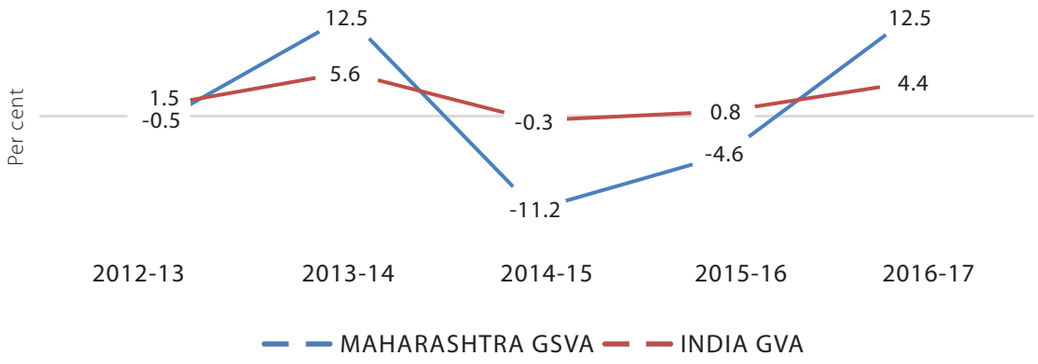
CHART 2: AVERAGE SHARE OF THE MAJOR SECTORS: MAHARASHTRA VS. INDIA





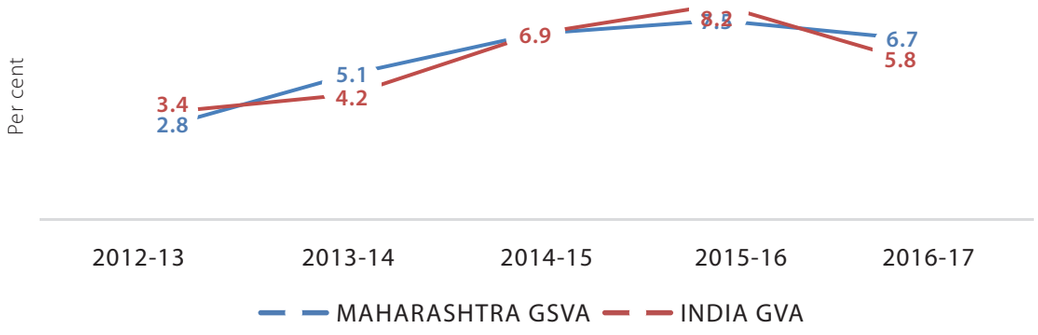
Source: Economic Survey of Maharashtra, 2016-17

CHART 3: GROWTH OF GSVA AND GVA IN AGRICULTURE & ALLIED ACTVITIES



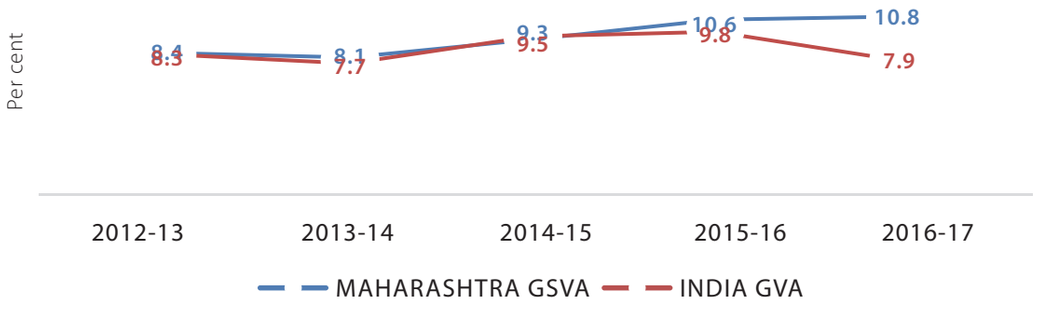
Source: Economic Survey of Maharashtra, 2016-17

CHART 4: GROWTH OF GSVA AND GVA OF INDUSTRY SECTOR



Source: Economic Survey of Maharashtra, 2016-17

CHART 5: GROWTH OF GSVA AND GVA OF SERVICES SECTOR



Source: Economic Survey of Maharashtra, 2016-17

2 CURRENT INDUSTRIAL STATISTICS

The Annual Survey of Industries (ASI) 2014-15 provisional results reveal that Maharashtra is at the top position in terms of Gross Value Added and wages to workers with shares of 20.5 per cent and 15.7 per cent at the all-India level. Gujarat, with a 16.88 per cent share in the GVA at the all-India level comes in second position. Maharashtra is also at second position in terms of the number of factories, number of workers and fixed capital with shares of 12.4 per cent, 12.1 per cent and 13.6 per cent respectively. Maharashtra's contribution in total value of output, working capital and in the Net Value Added (NVA) in the country is 16.3 per cent, 17.2 per cent and 21.4 per cent respectively.

The major industries in terms of total value of output are food products and beverages (14.0 per cent), coke and refined petroleum products (13.0 per cent), chemicals and chemical products (12.6 per cent), basic metals (10.2 per cent) and motor vehicles, trailers (8.9 per cent). These industry groups account for 58.7 per cent value of output of all industries and 50.3 per cent of fixed capital.[10]

[10]In 2014-15

CHART 6: SELECTED INDICATORS OF INDUSTRIES: MAHARASHTRA VS. ALL-INDIA (in ₹ Crore)

PARTICULARS	2012-13		2013-14		2014-15	
	MAHARASHTRA	ALL-INDIA	MAHARASHTRA	ALL-INDIA	MAHARASHTRA	ALL-INDIA
Industries (No.)	28949	222120	29123	224576	28601	230435
	13%		13%		12.40%	
Fixed capital	344930	2180260	326362	2373719	337144	2474455
	15.80%		13.70%		13.60%	
Working capital	101692	603411	120418	662686	109971	640840
	17%		18.20%		17.20%	
Total output	1022032	6025945	1065971	6555251	1119618	6886335
	17%		16.30%		16.30%	
Total input	819454	5018666	837396	5490140	880542	5722255
	16.30%		15.30%		15.40%	
Gross Value Added	202578	1007279	228575	1065112	239076	1164079
	20.10%		21.50%		20.50%	
Net Value Added	178729	851949	200516	895342	208831	974539
	21%		22.40%		21.40%	
Employment (lakh)	12.33	100.52	18.86	135.38	18.84	138.81
	12.30%		13.90%		13.60%	
Profit	101640	444262	119613	439566	117357	459660
	22.90%		27.20%		25.50%	
a) Per factory (In ₹Lakh)						
Investment in Fixed capital	1192	982	1121	1057	1179	1074
Value of goods & services produced	3530	2713	3660	2919	3915	2988
Net Value Added	617	384	689	399	730	423
Employment (nos.)	43	45	46	47	46	47
b) Per worker (in ₹Lakh)						
Net Value Added	14.5	8.5	15.1	8.6	16	9.1
Annual wages	1.4	1.1	1.5	1.2	1.7	1.3

Source: Economic Survey of Maharashtra, 2016-17

3 PUBLIC FINANCE

Maharashtra's tax revenues have been increasing at a CAGR of 10.3 per cent over the last 5 years. The taxes levied by the state constitute 79.6 per cent of total revenue receipts in 2016-17 (BE). A large part of the state's revenue receipts (65.3 per cent) comprise of 'Own Tax Revenues', with sales tax being the most important component of 'Own tax revenues'. The non-tax revenue is increasing at CAGR of 16.6 per cent during last five years, with an expected share in total revenue receipts in 2015-16 of 20.4 per cent. The state will also earn a share of the central taxes, as part of an increase in the devolution of the central pool of taxes to state governments according to the recommendations of the 14th Finance Commission.

A large part of the state's expenditure continues to be revenue expenditure. During 2016-17, the expected revenue expenditure is 87.3 per cent of total expenditure, while 17.1 per cent is expected to be capital expenditure. The revenue expenditure is mainly incurred on salary and wages, pension and interest payments.

Maharashtra's fiscal deficit in the years 2011/12 to 2016/17 are well within the limits laid down by the successive Finance Commissions (FCs), as also the the FRBM (Fiscal Responsibility and Budgetary Management) Act, 2005. Similarly, the state's debt position is also well within the limits laid down successively by the 13th and 14th FCs.

BOX II: PUBLIC DEBT SUSTAINABILITY AND MAHARASHTRA

The classic disposition by Evsey D. Domar identified two necessary conditions for public debt sustainability:
(1) the nominal GDP growth rate should be greater than the growth rate of public debt; and
(2) the real rate of interest (measured by secondary market interest rates on long-term government debt) should be lower than the real rate of growth.
The sufficient condition for such sustainability requires the generation of primary balance and primary revenue balance surpluses.

Based on available data, and calculations (See Chart 7), Maharashtra over the years 2011/2012 to 2016/17:
- Has had the nominal growth rate (GSDP) exceeding the growth rate of its public debt.
- The real rate of interest is also below the real rate of growth in all years from 2011/12 to 2015/16, due to high inflation rates as measured by the CPI-Combined.
- However, the state has been able to generate a primary surplus only in 2012-13 and continues to run a primary deficit.

As such, it appears that Maharashtra needs to generate sufficient primary balances for its debt to be sustainable.

Source: Reserve Bank of India, Handbook of Statistics on Indian States; Reserve Bank of India, Handbook of Statistics on the Indian Economy; Economic Survey of Maharashtra, several years.

CHART 7: FISCAL INDICATORS FOR MAHARASHTRA

Year	Fiscal deficit (as a % of GSDP)	Revenue deficit (as a % of GSDP)	Debt stock (in ₹ Crore)	Interest payments (in ₹ Crore)	Average cost of borrowings+	Nominal GDP growth rate	Growth rate of public debt	Real GDP growth rate	Real interest rates		Consolidated fiscal reform path*	
										Primary deficit (as a % of of GSDP)	Fiscal limits (% of GSDP)	Debt stock limits (as a % of GSDP)
2011-12	1.7	0.2	225976	17505	8.6			4.8	0.2	0.19	2.5	26.1
2012-13	1	-0.3	246692	19076	8.4	14	9.17	6	-1.6	-0.37	2.5	25.5
2013-14	1.6	0.3	269335	21207	8.6	13.16	9.18	7.3	-0.8	0.29	2.4	24.8
2014-15	1.8	0.7	294261	23965	8.9	7.76	9.25	5.4	3.1	0.44	2.4	24.3
2015-16 (RE)	1.9	0.5	320210	26217	8.9	12.82	8.82	8.5	4	0.59	2.8	21.9
2016-17 (BE)	1.5	0.2	356213 (15.7%)	28220	8.8	16.70**	11.24	9.4	5.81	0.29	2.8	22.1
2017-18											2.8	22.2
2018-19											2.7	22.3
2019-20											2.7	22.4

Notes: RE- Revised Estimates BE- Budget Estimates

+ Average cost of borrowings is the percentage of interest payment to the outstanding liabilities in preceding year.
*The Consolidated Fiscal Reform path set for the years 2011-12 to 2014-15 refer to those laid down by the 13th Finance Commission, Government of India. The same for 2015-16 onwards is that laid down by the 14th Finance Commission.
** Estimates

Source: Author's calculations based on data from Economic Survey of Maharashtra, various years

4 FOREIGN INVESTMENT

The state accounted for 31 per cent of the total FDI equity inflows from April 2000 to March 2017.

CHART 8: FDI EQUITY INFLOWS (APRIL 2000 TO MARCH 2017): MAHARASHTRA COMPARATIVE POSITION [Amount Rupees in Crores (US $ in million)]

S. No.	RBI's - Regional Office	State covered	2014-15 (April-March)	2015-16 (April -March)	2016-17 (April -March)	Cumulative Inflows (April, 00 -March, 17)	% age to total Inflows (in terms of US$)
1	MUMBAI	MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU	38,933 (6,361)	62,731 (9,511)	131,980 (19,654)	547,733 (102,283)	31
2	NEW DELHI	DELHI, PART OF UP AND HARYANA	42,252 (6,875)	83,288 (12,743)	39,482 (5,884)	371,794 (68,037)	20
3	CHENNAI	TAMIL NADU, PONDICHERRY	23,361 (3,818)	29,781 (4,528)	14,830 (2,218)	133,378 (23,760)	7
4	BANGALORE	KARNATAKA	21,255 (3,444)	26,791 (4,121)	14,300 (2,132)	123,212 (22,374)	7
5	AHMEDABAD	GUJARAT	9,416 (1,531)	14,667 (2,244)	22,610 (3,367)	91,074 (16,652)	5
6	HYDERABAD	ANDHRA PRADESH	8,326 (1,369)	10,315 (1,556)	14,767 (2,195)	74,322 (13,766)	4

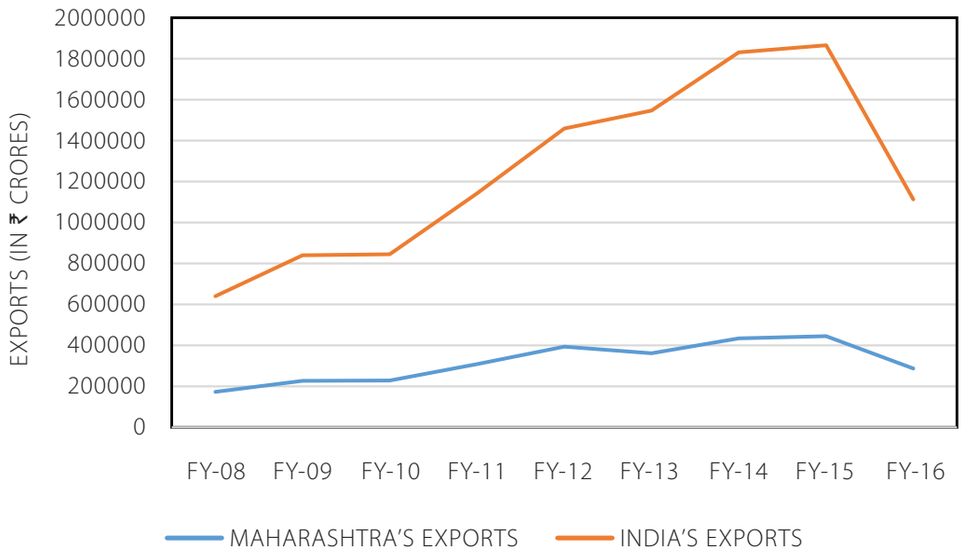
S. No.	RBI's - Regional Office	State covered	2014-15 (April-March)	2015-16 (April -March)	2016-17 (April -March)	Cumulative Inflows (April, 00 -March, 17)	% age to total Inflows (in terms of US$)
7	KOLKATA	WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS	1,464 (239)	6,220 (955)	332 (50)	21,179 (3,985)	1
8.	KOCHI	KERALA,	1,418 (230)	589 (90)	3,050 (454)	9,789 (1,755)	1
9	JAIPUR	RAJASTHAN	3,237 (541)	332 (50)	1,111 (165)	8,237 (1,480)	0.4
10.	BHOPAL	MADHYA	601 (100)	518 (80)	515 (76)	7,129 (1,372)	0.4
11	CHANDIGARH	CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH	234 (39)	177 (27)	39 (6)	6,576 (1,364)	0.4
12	PANAJI	GOA	211 (35)	117 (18)	555 (83)	4,539 (924)	0.3
13	KANPUR	UTTAR PRADESH, UTTRANCHAL	679 (110)	524 (80)	50 (8)	3,018 (570)	0.2
14	BHUBANESHWAR	ORISSA	56 (9)	36 (6)	83 (12)	2,080 (416)	0.1
15	PATNA	BIHAR, JHARKHAND	68 (11)	272 (43)	69 (10)	607 (103)	0.03
16	GUWAHATI	ASSAM, ARUNACHAL PRADESH, MANIPUR, MEGHALAY, MIZORAM, NAGALAND, TRIPURA	29 (5)	66 (10)	15 (2)	462 (96)	0.03
17	JAMMU	JAMMU & KASHMIR	25 (4)	11 (2)	2 (0.2)	39 (6)	0.00
18	REGION NOT INDICATED		37,544 (6,211)	25,886 (3,936)	47,909 (7,162)	381,854 (73,048)	22
SUB. TOTAL			189,107 (30,931)	262,322 (40,001)	291,696 (43,478)	1,787,022 (331,991)	
19	RBI'S-NRI SCHEMES (from 2000 to 2002)		0	0	0	533 (121)	-
GRAND TOTAL			189,107 (30,931)	262,322 (40,001)	291,696 (43,478)	1,787,555 (332,112)	-

Source: http://dipp.nic.in/sites/default/files/FDI_FactSheet_January_March2017.pdf

5 MAHARASHTRA: EXPORTS

The main products exported from the state are gems and jewellery, software, textiles, readymade garments, cotton yarn, metal & metal products, agro-based products, engineering items, drugs & pharmaceuticals and plastic & plastic items. To recognise the efforts put up by the exporters and to boost the exports, the State/Centre is taking initiatives like giving awards based on export performance and implementing space rent subsidy scheme for Micro and Small Enterprises for participation in international exhibitions. Since 2007-08, the state's share remained at 27 per cent in the total exports from India.

CHART 9: MAHARASHTRA AND INDIA'S EXPORTS



Source: Industrial State Profile of Maharashtra: 2016-17

6 EMPLOYMENT

60 per cent of the rural and 30 per cent of the urban population of Maharashtra is employed. The state scores extremely low on the Urban Labour Force Participation Rate, with only 4 states- Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan having lower Worker Participation Rates.

CHART 10: WORK PARTICIPATION RATES FOR SELECTED STATES: POPULATION CENSUS 2011

State	RURAL EMPLOYMENT			URBAN			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Andhra Pradesh	58.4	44.7	51.6	54.1	19.1	36.8	57	36.2	46.6
Tamil Nadu	60	41.2	50.7	58.5	21.8	40.2	59.3	3.8	45.6
Karnataka	59.8	38.8	49.4	57.8	20.8	39.7	59	31.9	45.6
Madhya Pradesh	54.3	39.3	47	51.7	15.1	34.2	53.6	32.6	43.5
Maharashtra	**56.7**	**42.5**	**49.8**	**55.2**	**16.8**	**37**	**56**	**31.1**	**44**
Rajasthan	51.7	42.7	47.4	50.8	12	32.3	51.5	35.1	43.6
Gujarat	57.2	32	44.9	57.2	11.4	35.7	57.2	23.4	41
West Bengal	57.2	19.4	38.7	56.8	15.4	36.7	57.1	18.1	38.1
Bihar	46.7	20.2	34	44.9	10.4	28.6	46.5	19.1	33.4
Uttar Pradesh	47.4	18.3	33.5	49.9	11.3	31.2	47.7	16.8	32.9
India	**53**	**30**	**41.8**	**53.8**	**15.4**	**35.3**	**53.3**	**25.5**	**39.8**

Source: Economic Survey of Maharashtra 2016-17.

MAHARASHTRA: DISTRICT PROFILE

An assessment of Maharashtra's potential to transform into a one-trillion dollar economy is done with reference to its key districts and their competitiveness potential. The state of Maharashtra has 35 districts, which are divided into six revenue divisions viz. Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur.

The six revenue divisions are:

KONKAN DIVISION:
The Konkan, also called the Konkan Coast or Karavali is the name given to a stretch of rugged western coastline of India from Raigad to Mangalore. Spread over 30746 square km, the division comprises of 6 districts- Mumbai City, Mumbai Suburban, Thane, Raigad, Ratnagiri, and Sindhudurg.

NASHIK DIVISION
The district has an area of 57426 square km. Nashik District is the headquarter of Nashik region and also the third most industrialized city in Maharashtra. It is one of the fastest growing cities of India. It is also referred to as the "Wine Capital of India", and India's Napa Valley. It comprises of 5 districts :Nashik, Dhule, Nandurbar, Jalgaon and Ahmednagar.

PUNE DIVISION-
Pune district is located between 17 degrees 54' and 10 degrees 24' North latitude and 73 degrees 19' and 75 degrees 10' East longitude. The district has a geographical area of 15.642 sq.km. It is the second largest district in the state and covers 5.10 per cent of the total geographical area of the state. It has 5 districts- Pune, Satara, Sangli, Solapur and Kolhapur.

AURANGABAD DIVISION-
Aurangabad division is a part of Marathwada- known as the 'Land of Saints' and is spread over 64811 square km. The world heritage sites of Ajanta and Ellora caves are located near Aurangabad. The division comprises of 8 districts- Aurangabad, Jalna, Parbhani, Hingoli, Beed, Naned, Osmanabad and Latur.

AMRAVATI DIVISION-
Amravati is in the eastern region of Maharashtra state. Situated in central India over 46090 square km, it is a part of Vidarbha which has its own rich cultural and historical background distinct from rest of Maharashtra. It comprises of 5 districts- Buldhana, Akola, Washim, Amravati and Yavatmal.

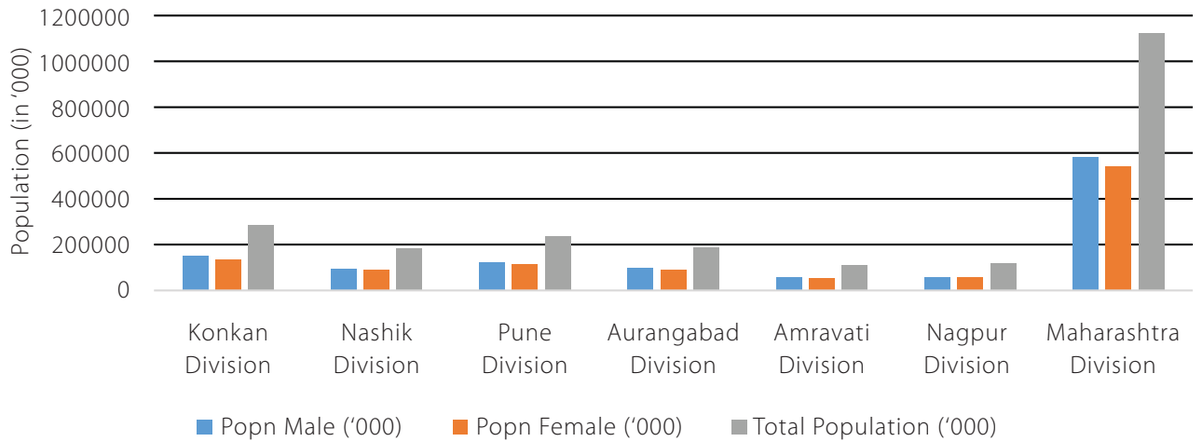
NAGPUR DIVISION-
Situated in central India, over 51377 square km, Nagpur division is a part of Vidarbha which has its own rich cultural and historical background distinct from rest of Maharashtra. It comprises of 6 districts- Wardha, Nagpur, Bhandara, Gondia, Chandrapur and Gadchiroli.

The district-wise profile along different parameters gives a disaggregated picture of the competitiveness potential of the various districts.

1 DIVISION- WISE POPULATION

The population of the Konkan district is more than one and a half times the population of other divisions (except Pune). Within Konkan division, Thane had the highest population of 11.06 million. The decennial growth rate of Thane between 2001-2011 was also the highest at 36 per cent, with Pune following closely with a 30.4 per cent rise in population.

CHART 11: MAHARASHTRA DISTRICT-WISE POPULATION [CENSUS 2011]



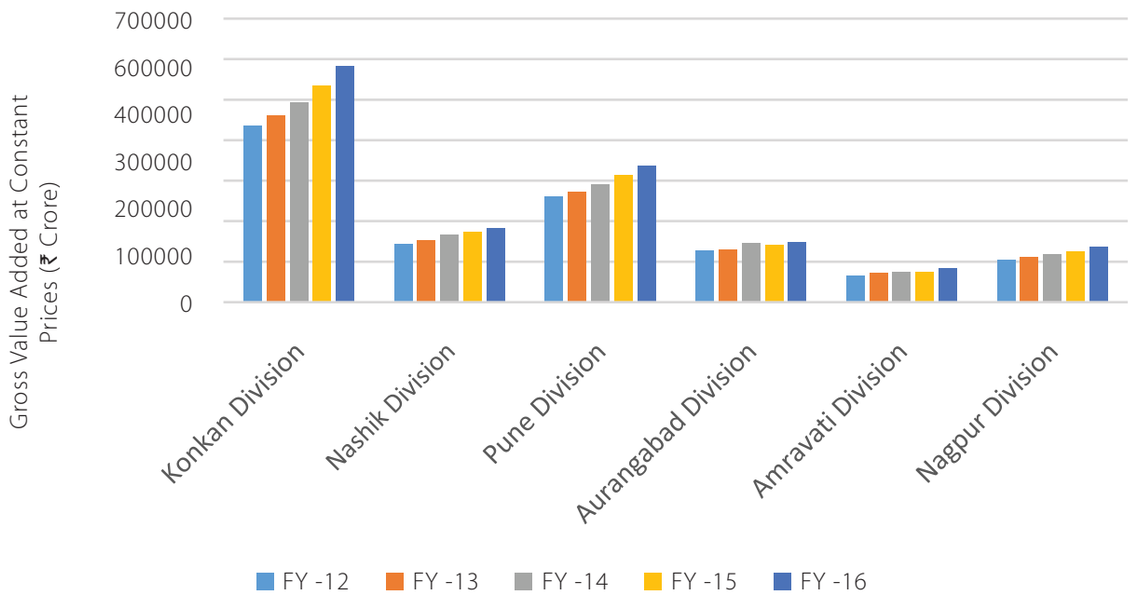
Source: Economic Survey of Maharashtra, 2016-17

2 DIVISION-WISE WISE GROSS VALUE ADDED

Konkan division with a gross value added of ₹ 581956 crores in 2015-16 accounts for nearly seven times the gross value added of the smallest division- Amravati division. However, its gross value added compared to even Pune division (the second largest division in GVA terms) is 1.7 times. Thus, Konkan division clearly contributes maximum to the state's gross value added.

Of the 35 districts, Mumbai (including Mumbai city and Mumbai suburban) accounts for the highest gross value added of ₹ 296208 crores, while Thane and Pune districts are in second and third positions respectively with a GVA of ₹ 217978 crores and ₹ 172251 crores.

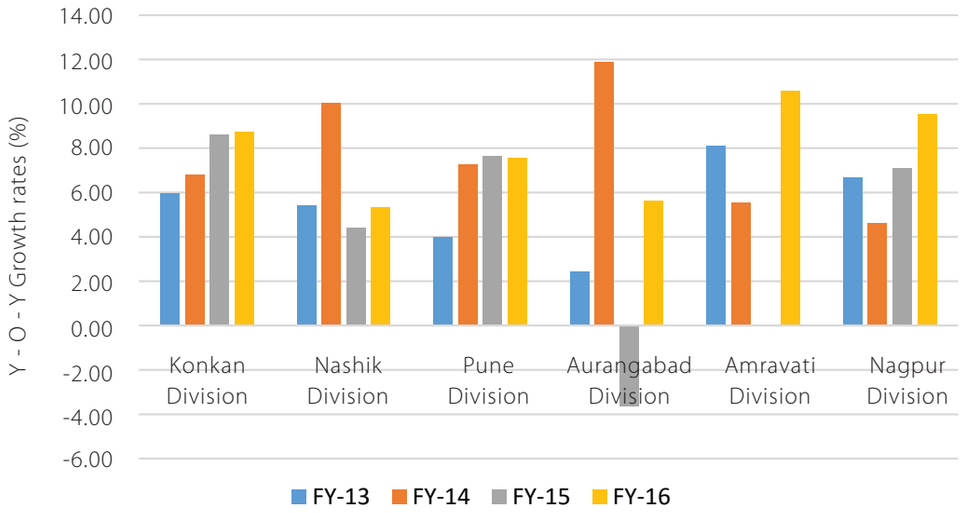
CHART 12: GROSS DISTRICT VALUE ADDED AT CONSTANT PRICES (2011-12 PRICES)



Source: Economic Survey of Maharashtra, 2016-17

In growth terms, Pune and Aurangabad divisions exhibit the highest growth rates over the period 2011-12 to 2015-16. Amravati, Nagpur and Konkan divisions exhibit high growth rates in 2015-16 of 10.6, 9.56 and 8.75 per cent respectively.

CHART 13: Y-O-Y GROWTH RATES OF GROSS DISTRICT VALUE ADDED AT CONSTANT PRICES



Source: Author calculations

3 DISTRICT-WISE DISTRIBUTION OF MINERALS

Maharashtra has abundant mineral resources. Amravati, Bhandara, Chandrapur, Gadchiroli, Nagpur and Yavatmal districts in Vidarbha region, Kolhapur and Satara districts in Western Maharashtra and Raigad, Ratnagiri, Sindhudurg and Thane districts in Konkan region have deposits of minerals like coal, limestone, manganese ore, bauxite, iron ore, dolomite, laterite, kyanite, fluorite (graded), chromite, silica sand, quartz, etc. The total potential mineral area in the state is about 58000 square km, which is about 19 per cent of the state's total geographical area.

The mining sector in the state comprises of 290 mines producing major minerals and providing employment to about 0.6 lakhs. Maharashtra's mining sector accounts for 6.2 per cent share of the employment in mining at the national level. The total value of minerals extracted during 2014-15 was ₹ 7,381 crore, of which 82.4 per cent comprised of coal. Maharashtra provides a good environment for the mining industry, particularly in the Nagpur division with its mineral rich areas of Chandrapur and Nagpur districts.

CHART 14: DISTRICT-WISE DISTRIBUTION OF MINERALS IN MAHARASHTRA

DISTRICT	MINERALS
1. Nagpur	Manganese, Coal, Dolomite, White Clay/Yellow ochre/Red ochre, Sand
2. Chandrapur	Coal, iron Ore, Limestone, Dolomite, White Clay/Yellow Ochre, Sand
3. Gadchiroli	Iron ore
4. Bhandara	Manganese, iron Ore, Chromites, kainite, sand
5. Gondia	Quartz and Vanadiferous Iron Ore.
6. Yavatmal	Coal Limestone, Dolomite, Sand(Stowing)
7. Amravati	Fire clay
8. Sindhudurg	Iron Ore, Bauxite, Silica sand, Dolomite, China Clay, Fire Clay, Graphite.
9. Ratnagiri	Bauxite, silica, sand
10. Kolhapur	Iron ore, Bauxite
11. Raigad	Bauxite
12. Satara	Bauxite
13. Thane	Bauxite
14. Sangli	Bauxite

Source: Industrial State Profile of Maharashtra 2016-17

[11]data as of March 31, 2015.

4 INDUSTRIAL DEVELOPMENT

The industrial infrastructure of the six divisions can be summarised in Chart 15

CHART 15: DIVISION- WISE INDUSTRIAL INFRASTRUCTURE

DIVISION	ROADS	CONNECTIVITY	POWER	LEADING SECTORS
Konkan	NH-17,NH-4 and NH-8, Mumbai Pune Express Highway, Extension of Expressways Vadodara-Mumbai	With Mumbai- Thane - 40 km Raigad - 120 km Ratnagiri - 330 km Sindhudurg - 481 km	Tarapur Atomic Power Station Uran Gas Turbine Power Plant	Banking, IT, Plastics, Rubber, Steel, Pharmaceuticals, Engineering, Fertilizer
Nashik	NH-50, NH-3 and NH-6	With Mumbai Nashik - 185 km Ahmednagar - 285 km Jalgaon - 420 km Dhule - 360 km Nandurbar - 380 km	Thermal Power Plant in Eklahare Thermal Power Station Coal/Gas based in Bhusawal	Engineering, Manufacturing, Plastic Pipe, Food Processing, Aircraft Manufacture and Alternative Energy
Pune	NH-4, NH-9, NH-13, NH-204, Mumbai-Pune expressway	With Mumbai Pune-154 km Satara-250 km Kolhapur-375 km Sangli-396 km Solapur-450 km	1 Thermal power station	Auto Manufacturing, Bio Technology, IT/ITES, Textiles, Sugar, Wine, Food Processing, Foundry
Aurangabad	NH-211, Nagpur-Aurangabad-Mumbai Express Highway	With Mumbai Aurangabad - 375 km Jalna - 450 km Beed - 450 km Osmanabad - 438 km Hingoli - 676 km Latur - 487 km Nanded - 617 km Parbhani - 560 km	Thermal Power Station Coal/Gas based in Parli	Automotive, Pharmaceuticals, Aluminium, Bio Technology
Amravati	NH-6 and NH-7, Amravati-Morshi State Highway	With Mumbai- Amravati - 673 km Akola - 585 km Buldhana - 500 km Yavatmal - 780 km Washim - 664 km	1 Thermal Power Station	Minerals, Forest, Food, Agriculture
Nagpur	NH-6, NH-7 and NH-69	With Mumbai- Nagpur - 830 km Wardha - 750 km Chandrapur - 877 km Bhandara - 895 km Gadchiroli - 1000 km Gondiya - 991.0 km	Koradi Thermal Power Station, Khaparkheda Thermal Power Station, Chandrapur Thermal Power Station	Minerals, Forest, Food, Agriculture

Source: http://maccia.org.in/NewsAttachment/1347961424attach.pdf; http://103.8.188.53/English/explore-maharashtra.html.

Maharashtra has a total of 2,43,721 MSME units, with an investment of ₹ 56,552 crore, generating employment of 29.19 lakh. [12]Pune division accounted for the highest percentage share of MSMEs, as also the employment generating potential of such MSMEs.

[12]Data pertains to up to September 2015. The manufacturing and services categories of enterprises have been classified into micro, small and medium enterprises (MSMEs) based on their investments in plant and machinery for manufacturing enterprises and on equipment in case of service enterprises.

CHART 16: DIVISION-WISE DISTRIBUTION OF MSMES AND EMPLOYMENT (upto Sept 2015)

DIVISION	Number of MSMEs	Per cent share of MSMEs	Employment (lakh)	Per cent share in employment
Mumbai	24786	10.2	4.05	13.9
Konkan Division (excl. Mumbai)	39269	16.1	6.32	21.7
Nashik Division	27458	11.3	3.15	10.8
Pune Division	92233	37.8	10.05	34.4
Aurangabad Division	18751	7.7	1.93	6.6
Amravati Division	14510	5.9	1.14	3.9
Nagpur Division	26714	11	2.55	8.7
Maharashtra	**243721**	**100**	**29.19**	**100**

Source: Economic Survey of Maharashtra, 2016-17

A significant number of these MSMEs have filed Entrepreneurs Memorandum (EM) as well.

Maharashtra also has 454 mega projects, with an investment of ₹ 354686.34 crores and providing employment to 3.88 lakhs. Of these, 137 projects with an investment of ₹ 53,018 crore and proposed employment of 0.84 lakh have been issued eligibility certificates.

CHART 17: DIVISION-WISE DISTRIBUTION OF MEGA PROJECTS, INVESTMENT AND EMPLOYMENT IN MEGA PROJECTS, IT PARKS, BT PARKS AND BT SEZs

DIVISION	MEGA PROJECTS (upto Oct 31, 2015)			No. of IT parks	No. of BT parks	No. of BT SEZs
	No. of Mega Projects	Investment (in ₹ Crores)	Employment (in nos.)			
Konkan	56	147333.27	54039	287	2	4
Nashik Division	57	18000.28	26528	4	0	0
Pune Division	141	89301.35	202027	171	4	3
Aurangabad Division	81	20735.99	39874	3	0	1
Amravati Division	23	13176.36	14058	0	0	0
Nagpur Division	96	66139.09	51419	6	0	0
Maharashtra State	**454**	**354686.34**	**387945**	**471**	**6**	**8**

Source: Directorate of Industries, Government of Maharashtra, https://di.maharashtra.gov.in/_layouts/15/DOIStaticSite/English/index.html

Maharashtra has received 243 Special Economic Zone (SEZ) proposals upto October 2016. As on 31st October 2016, a total of 25 SEZs were executed with total investment of ₹ 32,255 crore on an area of 3,059 ha which generated employment of about 3.60 lakh.

CHART 18: DISTRICT PROFILE OF SEZs

DIVISION	No. of SEZs			Area (ha)			Employment (lakh)			Investment (₹ Crore)		
	Approved	Notified	Executed	Approved	Notified	Executed	Approved	Notified	Executed	Approved	Notified	Executed
Konkan	32	23	6	8984	2524	261	14.96	8.33	1.65	50257	34568	7366
Nashik	2	1	0	1107	1007	0	1.75	1.25	0	1843	1380	0
Pune	21	18	14	777	746	724	7.44	6.91	1.78	34724	34019	12702
Aurangabad	7	5	3	705	553	375	1.08	0.28	0.16	2538	1538	4487
Amravati	0	0	0	0	0	0	0	0	0	0	0	0
Nagpur	6	4	2	2850	1740	1699	5.4	3.87	0.01	8519	3872	7700
Maharashtra	**68**	**51**	**25**	**14423**	**6570**	**3059**	**30.63**	**20.64**	**3.6**	**97881**	**75377**	**32255**

Source: Economic Survey of Maharashtra, 2016-17

BOX III: MAHARASHTRA AS A TOURIST DESTINATION

Maharashtra is the only state in India that boasts of four World Heritage sites- Ajanta caves, Ellora Caves, Elephanta Caves and the Chhatrapati Shivaji Terminus. The state offers a wide range of tourism products, such as the Deccan Odyssey, Indian Institute of Scuba Diving and Aquatic Sports, and different kinds of tourism resorts. The state also offers various tourism options including wildlife, beach tourism, medical, rural, as also heli-tourism.

Maharashtra Tourism Development Corporation (MTDC) has launched the 'Bed and Breakfast scheme' in order to provide clean and affordable accommodation and food facility for tourists. MTDC organises different events viz. Pune Festival, Ellora Festival, Elephanta Festival, etc.

The state was the second largest recipient of foreign tourist arrivals in 2015, next only to Tamil Nadu. The number of foreign tourist visits into Maharashtra witnessed an increase from 41.56 lakh in 2013 to 44.08 lakhs in 2015. In terms of domestic tourists, the state ranked sixth with 115.4 million Domestic Tourist Visits (DTVs) in 2016.

The Government of Maharashtra has formulated the Maharashtra Tourism Policy 2016 with a view to promote the State as the *numero uno* tourist destination in India, to develop tourism infrastructure across the state and to facilitate investments in the tourism sector. Maharashtra Tourism Development Corporation (MTDC) is the nodal agency for implementation of this policy in the state.

The objectives of the policy are:
- Accelerate projects through private sector investments/PPP mode in tourism sector
- Investment outreach to global investor community in tourism
- Development of tourism infrastructure in the state
- Develop innovative practices for marketing and promotions
- Develop tourist destinations and avenues
- Adapt a sustainable approach to tourism development

The targets of the policy are:
- Maharashtra - leading tourist destination in the world by 2025
- Attract investments to the tune of ₹ 30,000 crore
- Create one million additional jobs in tourism sector
- Double the number of tourism projects in 5 years, triple in 10 years
- Double the tourists in 5 years, triple in 10 years
- One million skilled and semi-skilled resources in the tourism sector

Source: Economic Survey of Maharashtra, 2016-17; http://pib.nic.in/newsite/PrintRelease.aspx?relid=158781;http://www.indiamarks.com/heritage-sites-maharashtra/;https://www.maharashtratourism.gov.in/docs/default-source/tourism-news-notification-docs/mtdc-jtmd-invt-ij.pdf?sfvrsn=2; http://www.travelmail.in/state-wise-number-of-foreign-tourists-visiting-india/

5 DIVISION-WISE EMPLOYMENT

Konkan and Pune provide the highest employment, while Amravati generates the least employment.

CHART 19. DIVISION-WISE EMPLOYMENT –SIXTH ECONOMIC CENSUS, 2012-13

Division	RURAL (IN LAKH)			URBAN (IN LAKH)			TOTAL (LAKH)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Konkan	3.6	0.9	4.5	34.7	7.5	42.2	38.2	8.5	46.7
Nashik	6.5	2.1	8.6	6.8	1.3	8.2	13.3	3.5	16.8
Pune	19.4	9.2	28.6	13.4	4.2	17.4	32.8	13.2	46
Aurangabad	7.2	1.6	8.8	5.2	0.9	6.1	12.3	2.5	14.8
Amravati	3.4	0.8	4.2	3.5	0.6	4	6.9	1.4	8.2
Nagpur	4.6	1.3	6	5.2	1.4	6.6	9.8	2.8	12.6
Maharashtra	**44.6**	**16**	**60.6**	**68.8**	**15.7**	**84.5**	**113.4**	**31.7**	**145.1**

Source: Economic Survey of Maharashtra, 2016-17

6 DISTRICT-WISE HDI

Mumbai (Mumbai City and Mumbai Suburban districts taken together) has the highest HDI (0.841), whereas Nandurbar district has the lowest HDI (0.604). Of the total number of districts in the State, HDIs of 27 districts were lower than that of the State HDI.

CHART 20. DISTRICT-WISE HUMAN DEVELOPMENT INDEX (HDI) 2011

HDI STATUS	DISTRICT	HDI 2011
LOW	Nandurbar	0.604
	Gadchiroli	0.608
	Washim	0.646
	Hingoli	0.648
	Osmanabad	0.649
	Nanded	0.657
	Jalna	0.663
	Latur	0.663
	Dhule	0.671
MEDIUM	Beed	0.678
	Parbhani	0.683
	Buldhana	0.684
	Yavatmal	0.700
	Gondia	0.701
	Amravati	0.701
	Bhandara	0.718
	Chandrapur	0.718
HIGH	Ahmednagar	0.720
	Akola	0.722
	Wardha	0.723
	Jalgaon	0.723
	Aurangabad	0.727
	Solapur	0.728

HDI STATUS	DISTRICT	HDI 2011
	Ratnagiri	0.732
	Satara	0.742
VERY HIGH	Sangli	0.742
	Nashik	0.746
	Sindhudurg	0.753
	Raigad	0.759
	Kolhapur	0.770
	Nagpur	0.786
	Thane	0.800
	Pune	0.814
	Mumbai	0.841
	Maharashtra State	**0.752**

Source: Maharashtra Human Development Report 2012

DIVISION–LEVEL COMPETITIVENESS IN MAHARASHTRA: INDUSTRIAL SURVEY

A framework to understand regional economies and clusters is that articulated in *The Competitive Advantage of Nations,* by Professor Michael E. Porter of Harvard University. This framework states that the central economic goal for any region should be to attain and sustain a high and rising standard of living for its citizens. The latter itself is determined by the productivity of its economy. A region's productivity, as also productivity growth is determined by the quality of the regional business environment in which firms operate.

The **business environment can** be analysed in terms of the presence of four broad areas that affect productivity of firms operating in the region, as also the rate of innovations in the region. An analysis of these four areas constitutes the 'Diamond analysis', with the four areas of the 'Diamond' being:

- **Factor conditions-** Productivity growth, as also innovation levels in a region depend on the on the availability of specialised and high quality human resources, basic research, applied technology, infrastructure, and availability of capital that can cater to the needs of particular industries.

- **Demand Conditions-**Sophisticated local demand from local customers influence firms in a region to improve and create and offer better products and services.

- **Context for firm strategy and rivalry-** Productivity growth is also affected by the nature and intensity of local rivalry that firms face. Presence of strong competitors fosters innovations and productivity growth.

- **Related and supporting industries-** The presence of local suppliers capable of fulfilling the demand of firms in the region can enhance productivity and innovation.

The four areas of the "Diamond" discussed above are self-reinforcing and act as a system. They lead to the formation of clusters, within which the set of industries become mutually reinforcing.

We conducted a survey among corporates in Maharashtra – both large and SMEs – to understand the business environment in Maharashtra, in keeping with Porter's Diamond Analysis (Chart 21). A set of 34 parameters were studied in order to understand Maharashtra's regional competitiveness along the four areas. In addition, we also sought opinions on two facilitating conditions, viz. 'Government' and 'Institutions for Collaboration' which are the overarching factors further enhancing or attenuating competitiveness. These 34 questions were followed by an open-ended question: **"In your opinion, what is necessary to make Maharashtra a one trillion dollar economy by 2025?**

We received approximately 80 responses from the large companies as well as MSMEs for the Annual survey of Maharashtra. Further, 66% of the responses were from the Konkan region, followedby Pune (16%), Nashik (10%), Vidarbha (5%), and Amravati (3%).

CHART 21 A: ANALYZING MAHARASHTRA'S REGIONAL COMPETITIVENESS: DIAMOND ANALYSIS

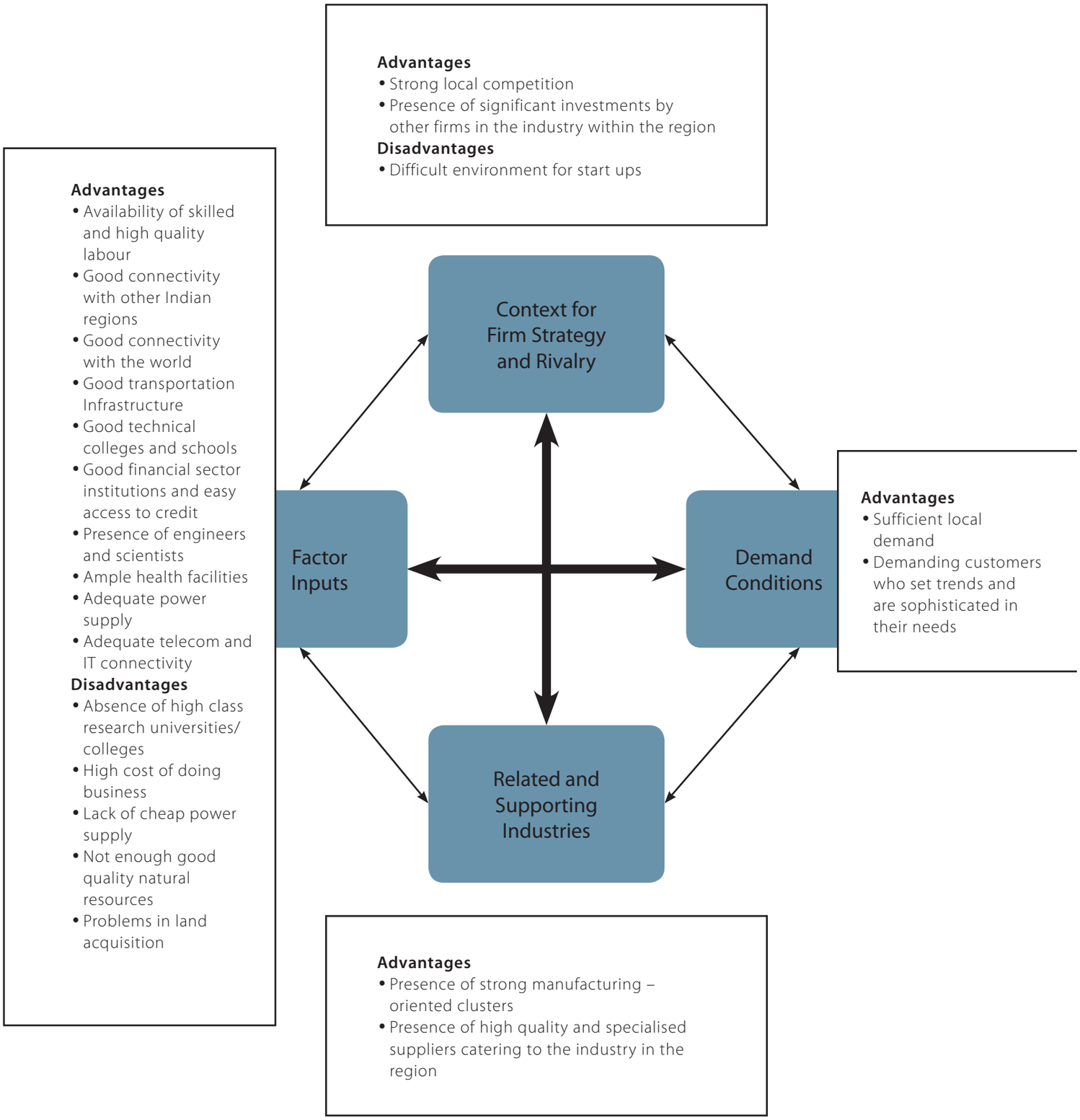
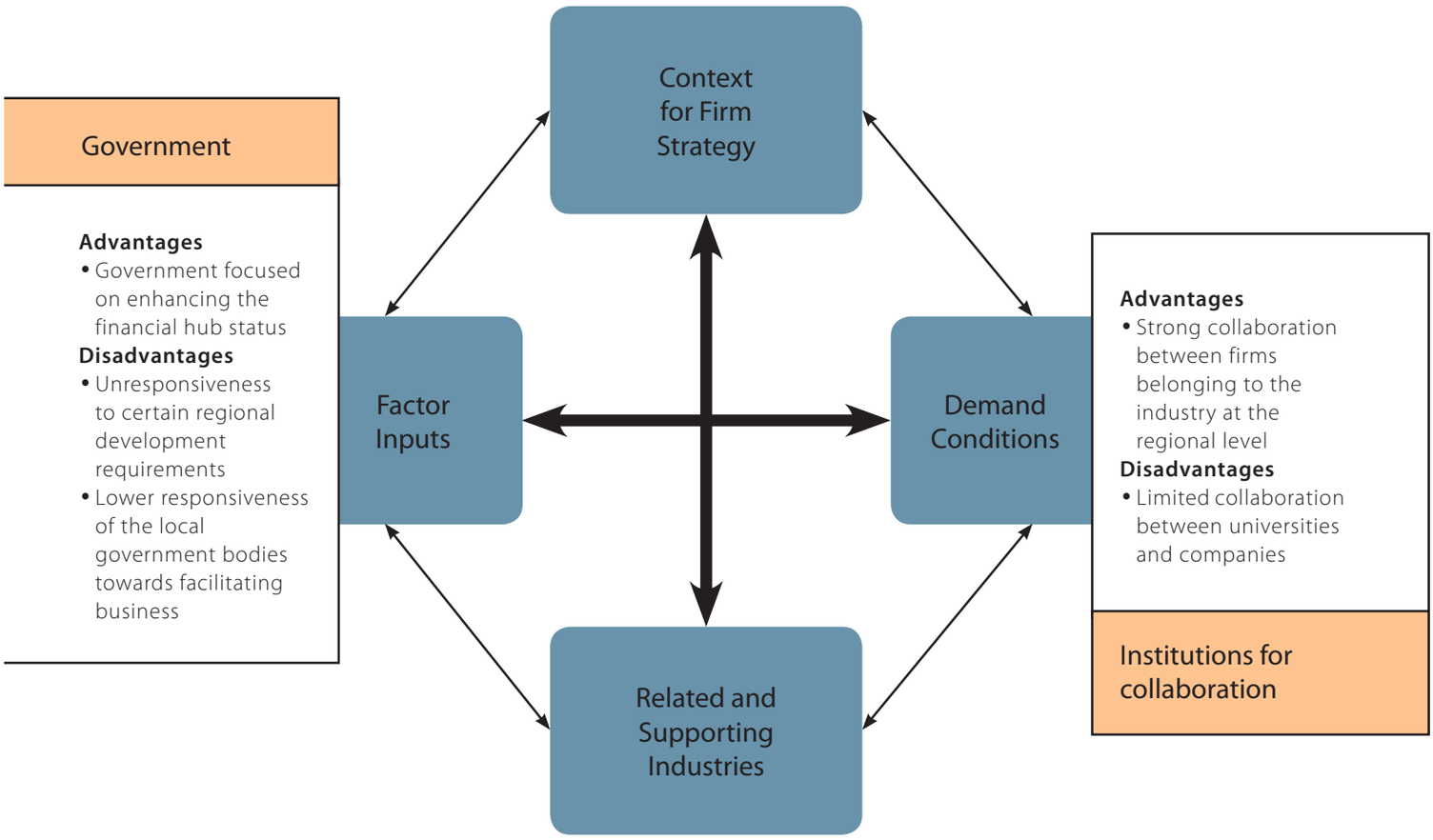


CHART21 B: MAHARASHTRA'S BUSINESS ENVIRONMENT



Factor Inputs

Maharashtra's business environment reflects its advantages in terms of presence of strong initial factor conditions which would support higher industrialization. Its presence of high quality and skilled labour, the presence of adequate transportation infrastructure, viz. airports, seaports and the highway system, which ensure connectivity with the rest of India and the world, good financial sector institutions and easy access to credit, ample health and education facilities provide an incentive to industry.

Technical colleges and research institutes such as the Indian Institute of Technology, Tata Institute of Fundamental Research etc. are restricted to a particular region in the state. A greater regional dispersal as also the presence of first-tier research universities would help in improving the availability of skilled personnel, engineers and scientists.

Other aspects of the business environment posing challenges include high costs of doing business, difficulties in land acquisition, lack of availability of cheap power and lack of good quality natural resources.

Demand Conditions

The survey points to the presence of sufficient local demand and sufficiently sophisticated customers who are demanding in that they set trends and have sophisticated needs. This may be borne out by the fact that industrial development has been centred around the Konkan and Pune divisions, with high per capita incomes, as also Human Development Indexes.

Context for Firm Strategy and Rivalry and Related and Supporting Industries

While there is significant local competition, as also investment by other firms in the region, the environment is not conducive for start-ups. At the same time, Maharashtra is characterized by the presence of strong manufacturing –oriented clusters and the presence of

high quality and specialised suppliers catering to the industry in the region.

Government

The government has an important role to play in creating a conducive business environment. Several qualitative responses pointed to the prevalence of lethargy and corruption amongst the government officials. It was also felt that the government is unresponsive to the needs of regional development requirements. Further, local government bodies (Zilla Parishads etc.) are less responsive towards facilitating business.

Institutions for Collaboration

While the presence of industry bodies at the regional level (such as Chambers of Commerce etc.) was lauded as means of representing industry interests, the respondents pointed to the lack of a collaboration between industry and academia /universities to enhance the knowledge base and undertake relevant research.

SURVEY RESPONDENTS' QUOTES / COMMENTS

The following were some of the responses to the question: "How can Maharashtra become a one trillion dollar economy by 2025?

- Maharashtra government has to support us and allow us to enter into joint ventures. Opening a Micro Stock Exchange on a trial basis will attract investors from the entire world
- At the ground level, the bureaucracy is extremely corrupt and lethargic
- Eliminating old laws and delays
- Elimination of Corruption
- Helping the existing companies and industries grow further; Job Creation through green field investment projects; Development of clusters and knowledge hubs
- Infrastructure like local airports at Kolhapur, Sangli; Better Roads and lesser bureaucracy
- Better infrastructure, more cooperative government laws, skilled labour, affordable real estate
- Ease of licences, reduction in paper work and government interference, stable laws and financial acts
- Labor & Tax reforms
- Capital intensive industries, such as the printing industry, should be identified and zero or maybe 1% annual finance cost should be kept
- With the principal of - IN MAHARASHTRA, BY INDIA, FOR THE WORLD.
- By developing coastal transport
- By promoting industrial development in areas/ regions like Nashik which have not flourished as far as manufacturing is concerned in the past two decades
- Empower Police, Traffic Police. Give more responsibility to Municipal Corporations. Update all the Government Portals / Web Sites. We need more open spaces, smooth commuting and develop the Eastern Express Highway of Mumbai into world class highway, it does not even have a single petrol pump. Make all stations neat and clean. Restore the BEST back to its glory with full automation, technology and new fleet
- High quality of infrastructure. Good transport system. Regular research . Easy financial services to SMEs
- State Government and bureaucracy must be more pro-active & supportive. Land acquisition should be made simpler. Power tariffs should be made competitive
- Skill development. Technical college courses should be at par with industry needs as the manpower we get doesn't know anything related to their field jobs due to which employment is low
- The government department and officials needs to be more helpful and open to market.
- Policy to support start-up ecosystem. Setup innovation centres to support R&D. Provide business loans to start-ups at low interest rates
- Sincere and radical reforms and business friendly approach by the state government to allow businesses to thrive and grow
- Spread the business towards new cities and add smart city plan on the top of agenda
- Power, Ports, opening Mumbai - Pune Corridor for development, developing coastal services, Single license window and less inspector raj; in one word, we need more infrastructure
- Less interference by political groups, simpler labour laws (as most industries are manufacturing units), faster resolution of legal disputes(especially labour and industrial courts)

EXPERT TALK



Rashesh Shah
Chairman and CEO
Edelweiss Group

Financial Services
7,341 Employees with an annual turnover of ₹ 6634 Cr

Maharashtra's Key Advantages

- Mumbai well-established as India's Financial Hub
- Presence of a wide variety of major industries and corporates with requirement for financial services
- Government focused on creating IFSC (International Financial Services Centre)
- Strong fin-tech ecosystem driven by presence of financial services companies
- Strong focus on MSMEs which will drive future growth in financial services

Maharashtra's Key Challenges

- Limited infrastructure
- Rising cost of living (particularly housing) for the workforce putting Mumbai at a disadvantage compared to peers
- Need for enabling policy environment for innovative fintech companies to be able to compete with leaders like Karnataka
- Access to risk capital for funding new-age companies

Key factors for transformation of the Financial Services industry

- Creation of world-class financial infrastructure similar to hubs like Singapore and London
- Improvement in physical infrastructure to facilitate improved productivity
- Development of secondary financial hubs to ease pressure on Mumbai
- Start-up friendly policy initiatives

Key factors for transformation of Maharashtra into a trillion dollar economy by 2025

- Drought-free Maharashtra through the use of technology, farmer education and government aid
- Developing Mumbai as a Global Financial Centre
- Sustainable Urban Systems in major cities
- Promote Entrepreneurship and MSME
- Facilitate private sector investment



Dr. Kamal K. Sharma
Vice Chairman
Lupin Ltd.

Pharmaceuticals
20000 (Globally) Employees with an annual turnover of USD2.55Bn

Maharashtra's Key Advantages

- Availability of talent pool of technical and managerial personnel
- Presence of venerable research and academic institutes such at IIT/B, UICT, NCL, TIFR, etc., for collaborative research.
- Reasonable infrastructure and connectivity.

Maharashtra's Key Challenges

- Incentivise innovation through Public-Private partnerships.
- Encourage investment in growing IT &ITes sector to support manufacturing and services sectors.
- Better structure of healthcare services to improve accessibility through creation of primary healthcare and create more hospitals with better infrastructure.

Key conditions/factors that can help transform the Pharmaceuticals industry into a high-growth industry

- Lesser controls; let market determine prices
- Faster regulatory clearances and approvals. Harmonization of state and centre intervention on quality, clinical scrutiny and approvals.
- Incentive for research and innovation
- Better infrastructure: availability of hospital beds for improving accessibility

Key factors for transformation of Maharashtra into a trillion dollar economy by 2025

- Improve contribution of agriculture and industry GDPcurrently at 11% and 24% by ensuring better water management and ease of doing business.
- Use 720 KM coastline to increase port facilities
- Enhance tourism
- Build incubation centres for innovation and entrepreneurship



Ashok K Shah
Chairman
V-Trans (India) Ltd

Transportation
2800 plus Employees with an annual turnover
of apprx ₹ 800 Cr

Maharashtra's Key Advantages

- Advantage of providing value by offering services such as delivering faster or scheduled, through creating customer value & being a single window solution providing transport & logistic solution under one roof.
- Two tier & three tier cities in emerging markets
- With an existing demand, the supply has been increased resulting into more demand for transport sector by creating more & more employment opportunities
- Transport sector plays an important role & growth in India's GDP
- Increase in competition

Maharashtra's Key Challenges

- 78% of vehicle ownership is with small owners (1 to 5 trucks only).
- Diesel cost reduced by 22% but the market truck hire is reduced by 6 to 8% only. (Reasons are as follows):-
- Other cost is not yet reduced like tyres, spares & also heavy increasing toll tax year by year & also increase in truck cost & labour cost. Due to these aspects operation cost per km has not been impacted more.

Huge gap between demand & supply for drivers

- Shortages of Drivers: - This an important factor which hinders the growth of transport sector.

Key conditions/factors that can help transform the Transportation industry into a high-growth industry

- Road Infrastructure Improvement
- Better Internet Connectivity on highways (for tracking)
- Better vigilance on highways for security of drivers, well-developed labour laws like those in developed countries
- Common GST rate for all categories of transportation
- Transport is the backbone of all industry across the country. Yet, it is still awaiting industry status.
- Skill Development Programs for Drivers / Labours
- Start-up friendly policy initiatives

Key factors that can transform Maharashtra into a trillion-dollar economy by 2025

- Fast Infrastructure development
- Pradhan Mantri Mudra Yojana for SME 104.55cr Loans at Low Interest
- Positive GST impact will bring into organized sector
- "Smart city" project initiative
- Make in India project
- Boost Start-ups
- Development of E-com Business



Mahendra Kabra
Joint Managing Director
Ram Ratna Global

Wires & Cables
3200 plus Employees with an annual turnover of apprx ₹ 4500 Cr

Advantages

- Maharashtra is growing at a rapid pace, and is an industrial hub which is beneficial to all the businesses
- Mumbai is the financial capital of the country which is also very advantageous
- Maharashtra is one of the top 3 contributing states of India in terms of GDP
- Due to abolition of VAT & Octroi , all states are at par with each other
- Rising affluence in the state is the biggest driver of increasing demand & consumption.

Challenges

- Infrastructure problems hinders smooth movement of goods & factors of production
- Competition from Unorganized players of cables sector affects our business
- Single window approval for projects is the need of the hour
- BIS Standards needs to be updated in timely manner with respect to the changing technology.

Key conditions/factors that can help transform the Wire & Cables industry into a high-growth industry

- Ease of getting government approvals is a major factor which will help to increase the speed of our projects and avoid delays.
- Also, faster infrastructural development will enable our industry to become more efficient.

Key factors that can transform Maharashtra into a trillion dollar economy by 2025

- The government has taken efforts to increase the ease of doing business. Thus, they should encourage more foreign investors to enter the country. This will transform our economy at a faster pace
- Rising levels of disposable income with the youth. It is estimated that by 2025 Maharashtra will have a purchasing power parity similar to that of today's Brazil
- It has a balanced & diversified economy which includes International Trade, Mass Media, Aerospace, Technology, Petroleum, Fashion Apparel, & Tourism
- The state's share market transacts 70% of the country's stocks
- It also ranks first nationwide in coal-based thermal electricity as well as nuclear electricity generation



Siddharth Bhimrajka
Director
Polmann India Ltd.

Chemicals
100 plus Employees with an annual turnover of
apprx ₹ 100 Cr

Maharashtra's Key Advantages

- Presence of supply-chain ecosystem and end-users, eg. Chakan automotive hub, plastic and rubber compounders etc.
- Availability of skilled manpower
- One of the largest states by population, creating a large demand pool
- Good infrastructure for import and transportation of manufactured goods
- Involvement and support from MIDC for industrial development

Maharashtra's Key Challenges

- Congestion at NhavaSheva port
- Inefficient procedures for setting up projects, getting approvals from multiple sources etc.
- Improving business environments in other states, threatening the migration of companies & Labour
- Intense competition for highly commoditized goods such as masterbatches

Key conditions/factors that can help transform the Chemicals industry into a high-growth industry

- Currently, we face strong competition from companies manufacturing in Thailand and other ASEAN countries that benefit from the Indo-ASEAN FTA. These companies engage in predatory pricing due to the advantage of zero customs duty, the presence of which makes domestic manufacturers less competitive. Cheap imports from China also hurt the rubber industry, and the proposed anti-dumping duty will accelerate the growth experienced by the rubber industry in the years to come.

- The progress made by the 'Make in India' and 'Skill India' initiatives will create ample opportunities for domestic players and attract investment in the chemicals industry, further solidifying the industry's potential.

Key factors that can transform Maharashtra into a trillion-dollar economy by 2025

- Maharashtra needs to leverage its unique position as a highly-diversified state in order to attain trillion-dollar-economy status by 2025. Large contributions to GSDP by sectors including agriculture, media & entertainment, financial services, manufacturing etc. will shield it from a downturn in a particular sector, as opposed to other states that may be heavily reliant on 1-2 sectors for growth.

- The high growth trajectory of the agricultural sector in the state will be a critical factor in achieving this aim. However, challenges facing farmers, especially with regards to subsidies and loan-waivers, will have to be addressed efficiently.

- Another important factor contributing to the growth of the state will be infrastructure development by the government, which in turn will attract more mega-projects as Maharashtra competes with other high-potential states such as Tamil Nadu and Karnataka.

MAHARASHTRA: LEAPFROGGING TO A 1 TRILLION DOLLAR ECONOMY

We find that the goal of leapfrogging to a trillion-dollar economy rests in transforming Maharashtra into an investment-led economy. While the current ICOR is extremely encouraging, Maharashtra will need to revive its investment, and improve the competitiveness of different regions.

Towards this end, we recommend a five-point charter:

A FIVE-POINT PROGRAMME FOR TRANSFORMING MAHARASHTRA

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 IndustrialCorridor (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.

In implementing the five-point programme, the government's aim should be try to bolster the four areas which enhance the regional competitiveness as also lead to the development of industrial clusters.

LIST OF CHARTS

CHART 1: COMPARISON OF GROWTH IN MAHARASHTRA'S GSDP TO INDIAN GDP

CHART 2: AVERAGE SHARE OF THE MAJOR SECTORS: MAHARASHTRA VS. INDIA

CHART 3: GROWTH OF GSVA AND GVA IN AGRICULTURE & ALLIED ACTVITIES

CHART 4: GROWTH OF GSVA AND GVA OF INDUSTRY SECTOR

CHART 5: GROWTH OF GSVA AND GVA OF SERVICES SECTOR

CHART 6: SELECTED INDICATORS OF INDUSTRIES: MAHARASHTRA VS. ALL-INDIA (in ₹ Cr)

CHART 7: FISCAL INDICATORS FOR MAHARASHTRA

CHART 8: FDI EQUITY INFLOWS (APRIL 2000 TO MARCH 2017): MAHARASHTRA COMPARATIVE POSITION

CHART 9: MAHARASHTRA AND INDIA'S EXPORTS

CHART 10: WORK PARTICIPATION RATES FOR SELECTED STATES: POPULATION CENSUS 2011

CHART 11: MAHARASHTRA DISTRICT-WISE POPULATION [CENSUS 2011]

CHART 12: GROSS DISTRICT VALUE ADDED AT CONSTANT PRICES (2011-12 PRICES)

CHART 13: Y-O-Y GROWTH RATES OF GROSS DISTRICT VALUE ADDED AT CONSTANT PRICES

CHART 14: DISTRICT-WISE DISTRIBUTION OF MINERALS IN MAHARASHTRA

CHART 15: DIVISION- WISE INDUSTRIAL INFRASTRUCTURE

CHART 16: DIVISION-WISE DISTRIBUTION OF MSMES AND EMPLOYMENT (upto Sept 2015)

CHART 17:DIVISION-WISE DISTRIBUTION OF MEGA PROJECTS, INVESTMENT AND EMPLOYMENT IN MEGA PROJECTS, IT PARKS, BT PARKS AND BT SEZs

CHART 18: DISTRICT PROFILE OF SEZs

CHART 19: DIVISION-WISE EMPLOYMENT –SIXTH ECONOMIC CENSUS, 2012-13

CHART 20: DISTRICT-WISE HUMAN DEVELOPMENT INDEX (HDI) 2011



MESSAGE FROM FICCI

Jaspal Bindra
Chairman
FICCI- Maharashtra State Council
Mumbai

We are extremely happy to collaborate with SPJIMR, one of the leading business schools from Maharashtra, for bringing out this publication. The report aims to identify key sectors and policy interventions required for the robust economic growth of Maharashtra.

We will continue to expand our reach for identifying areas of concerns for the industry and possible ways of addressing them under the Progressive Maharashtra initiative of FICCI. Progressive Maharashtra aims to help building a sustainable competitive advantage for the industry through its various programmes and initiatives such as this report. Promoting Industry academia partnership is one of the key pillars to this strategy.

We look forward to building similar partnerships in future.



MESSAGE FROM SPJIMR

Dear friends:

All of us at SPJIMR are delighted and proud to partner with FICCI in authoring this report on the economy of Maharashtra and the road ahead to faster growth.

As a progressive State with a rich ethos and history, Maharashtra has offered leadership to the nation on a range of social, cultural,political and economic matters. The State has been an economic leader from the very early days. An account from AD 640 records how the Chinese pilgrim Hiuan Tsang was impressed by the prosperity of the country, the efficiency of the administration and the character of the people.

Today, as India prepares to grow faster, Maharashtra has an important role to play in driving a new wave of growth. A report such as this and conferences and initiatives of the kind we are gathered here for, are important milestones in this journey.

As a leading school of management, SPJIMR stands ready to play its part and help contribute to creating the conditions for growth that is robust, inclusive and sustainable.

Dr.Ranjan Banerjee
Mumbai,
Sep. 2017

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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SPJIMR

SPJIMR (S.P. Jain Institute of Management and Research) is a constituent of the Bharatiya Vidya Bhavan and is recognised as a premier school of management in India. The Institute grew rapidly in eminence from one of the three B-schools in Mumbai in 1981 to one of the top ten in the country by 1994-1995. Since then, SPJIMR has consistently been cited as a top 10 B-School year after year, and is noted for pedagogic innovations and pioneering programmes, particularly in socially undermanaged sectors.

SPJIMR offers management programmes for young graduates as well as experienced professionals, and runs niche programmes for sectors like family managed businesses, start-ups and non-profits. The Institute fosters a growth mindset through classroom and non-classroom learning. SPJIMR's innovative pedagogy includes initiatives like the Science of Spirituality, Design Thinking and a host of other courses that enable participants learn by engaging with children from underprivileged backgrounds and non-profits in rural India.

The progammes have helped SPJIMR stand out for its unique, innovative and distinct path in management education

SPJIMR's mission is to
- Influence Practice
- Promote value-based growth

The initiatives and innovations at SPJIMR aim to influence industry practices and therefore enable us to play our part in shaping the India growth story.The Institute encourages development of a cooperative outlook that recognises the values of sharing, sustainable growth and responsible leadership.

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