



## ECONOMICS

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### Gujarat Continues to Nurture Growth Nodes

 In article  08:44 AM, Dec 28, 2020

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For any economy to sustain good quality broad-based high growth strengthening existing growth nodes, and nurturing of new nodes is essential. This column discusses select examples of such initiatives in Gujarat state- GIFT (Gujarat international Financial Tech City)<sup>1</sup>, International Financial Services Centres Authority (IFSCA), located in GIFT City, situated between Ahmedabad and Gandhinagar is a unified authority to regulate all financial services in International Financial Services Centres (IFSCs) in the country. An IFSC caters to customers outside the jurisdiction of domestic economy, dealing with flows of finance, financial products and services across borders.

The presence of the Regulator for financial centres in Gujarat is expected to attract talent, and presence of domestic and international financial services and related firms.

GIFT City is an emerging global financial and IT services hub, under Special Economic Zone (SEZ) Act 2005. It is India's attempt to produce international financial and related professional services within India.

GIFT City is seeking to attract a major part of the offshore rupee trading business by 2022. It is an ambitious but achievable goal.

In this context, India's National Stock Exchange (NSE) and the Singapore Exchange (SGX) have entered into a formal agreement to cement the key terms for operationalising (by early 2021) the NSE IFSC-SGX Connect. This will bring together international and GIFT City participants to create a bigger liquidity pool for Nifty products in GIFT City<sup>2</sup>.

There has been substantive liberalization for resident Indians with net worth over USD 1 million to trade through GIFY city platforms. This make IFSC a free convertible currency zone.

The new regulations also include permission for setting up IFSC Banking Units and permitting persons resident outside India (having net-worth not less than \$1 million) to open foreign currency accounts in any freely convertible currency at banks in IFSC<sup>3</sup>.

The above liberalization is expected to generate more economic activity in the GIFT city as resident and non-resident Indians with high net worth can avail tax benefits of GIFT City.

It is reported that Bank of America (BofA) has leased nearly 0.4 million square feet of office space from the Savvy Group in GIFT City for 15 years. The office space includes 14 floors of a 24-storey building, and will host more than 3,000 staff working for the investment bank's subsidiaries, providing services globally<sup>4</sup>.

The above is only a recent sample of initiatives involving the GIFT city, suggesting that it is likely to enhance its value as a growth node for Gujarat State.

### (1) Lithium Refinery

India's first Lithium refinery which will process Lithium ore to produce battery-grade material is being set up in Gujarat. Manikaran Power Limited, one of the country's largest power trading and renewable energy company is to invest around INR 10 Billion to set up this refinery. Sanand and Dholera are being considered for setting up the refinery. Lithium is a rare element not usually found in India. The company will be importing Lithium ore from Australia and will be processing it here<sup>5</sup>.

The proposed project is expected to help Gujarat secure the raw material supply for domestic manufacturing of Lithium batteries as it looks to promote electric vehicles. With India poised to become one of the largest electric car markets of the world, the country is also looking to access raw materials like Lithium needed to produce batteries.

Several Lithium battery plants are at various stages of completion in Gujarat. The refinery would help improve their competitiveness.

The Lithium refinery and battery projects in the emerging technologies sector has the potential to improve Gujarat's competitiveness, and act as a growth node.

## (2) Initiatives in the Kutch District

Since the earthquake in 2001, due to the resilience, outward-orientation, ingenuity, and entrepreneurship of the Gujarat residents, supported by state and local leadership, and presence of constructive and competent civil society groups, the Kutch District, which accounts for about three-fourths of India's salt production, has made remarkable progress<sup>6</sup>.

As reported in The Financial Express, in December 2020, several far-reaching projects in the Kutch District were initiated by Prime Minister Modi which will enhance the contribution of the District as a growth node<sup>7</sup>.

First, the Prime Minister laid the foundation stone of hybrid renewable energy park in the district of Kutch. It is expected to attract an investment of INR 1500 Billion (USD 20 Billion), and is projected to create livelihood for 0.1 Million people. The first of its kind energy project is spread over 72,600 hectares of waste land.

It is expected to play a major role in fulfilling the nation's vision of generating power of 450 gigawatt by the year 2030. The upcoming hybrid renewable energy park will be bigger than the biggest metro cities in India.

The project would reduce pollution as it will help in stopping carbon dioxide of 50 million tonnes entering the atmosphere every year, which is equivalent to planting as many as nine crore trees. In terms of producing renewable energy, India now ranks fourth in the world and the installed solar generation capacity of the country has risen 16 times in six years.

The second project is a 100 MLD desalination plant. To convert sea water into fresh water, this plant is coming up near the coastal town of Mandvi. Once functional, the plant will provide water of 100 million litres to a population of 0.8 million living in Kutch's Lakhpat Abdasa, Mandvi, Mundra and Nakhatrana villages.

The third project is a milk processing as well as packaging plant at Anjar's Sarhad Dairy, which is fully automated and will have 0.2 million litres processing capacity per day.

The fourth project is a 30,000 MW capacity hybrid renewable energy park along the border of Indo-Pak at Khavda. The upcoming hybrid renewable energy park will be capable of producing electricity of 30,000 megawatt or 30 gigawatts, utilizing both wind farms and solar panels installed in one place.

(3) Gujarat has been encouraging Ro-Ro (Roll-on-Roll-Off) services to enhance connectivity and reduce transport time and costs. Recently announced routes include Somnath Temple, Hazira, Okha and Jamnagar. These will improve connectivity, and facilitate greater economic interactions, including tourist visits.

## (4) Zoo in Jamnagar Called Greens Zoological Rescue and Rehabilitation Kingdom

This is expected to be among the biggest zoos in the world in terms of number and species of animals at one place is to be constructed over 300 acres in Jamnagar in Gujarat by 2023. It will also have night safari attraction.

This is expected to enhance visitor flows, particularly from the domestic sector<sup>8</sup>.

## Concluding Remarks

The above projects to continue to nurture new growth nodes and strengthen existing nodes by the Gujarat state are not exhaustive. But they augur well for continuing to keep Gujarat critical and relevant for India's ambitions to become a rising but responsible power, and which give high priority to environmental sustainability.

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