

Share Article



ECONOMICS

Gujarat is galloping ahead in development, but there a few areas that need a renewed focus

In article 05:11 AM, Sep 11, 2018

Mukul Asher (<https://myind.net/Home/authorArchives/2097>)



Gujarat's contribution to India's GDP (around 8 percent) significantly exceeds its share (around 5 percent) in India's population. This feature has persisted overtime, reflecting Gujarat's strong economic base.

In 2018, Gujarat ranked third in the country, with nominal GDP of INR 14.9 trillion (USD 230 billion). This is equivalent to the size of the economy of Egypt. Gujarat ranked third in nominal GDP in 2018 after Maharashtra (INR 28.0 Trillion, (USD 430 billion), and Tamil Nadu, INR 16.0 Trillion, (USD 247 billion). Gujarat needs to sustain its moderately higher rate of growth of nominal GDP as compared to Tamil Nadu in the coming years to improve its ranking. It should also aim to narrow the gap in nominal GDP with Maharashtra.

Opportunities

Gujarat's acknowledged entrepreneurial and business instincts are set to benefit from increasingly wider set of opportunities, with several growth nodes emerging, facilitating broad-based high growth in the coming years.

First, the government and business sector initiatives, aided by technological development, such as digital and bio-technology areas, are vastly expanding Gujarat's physical connectivity by rail, sea, roads, air, and coastal and inland waterways transport. The Sagarmala program involving new ports and port modernization; and Bharatmala Pariyojana which is expanding the network of highways and roads at an accelerated pace will vastly enhance sea and road connectivity, areas in which Gujarat is well positioned.

The Western dedicated freight corridor, first of its kind in the country, connecting Delhi with Nhava Shewa port in Mumbai, significant portion of which passes through Gujarat, started operation in August 2018. This will expand economic opportunities for Gujarat, especially when potential of the Dholera Special Investment Region (Dholera SIR) designed for global manufacturing, with requisite amenities, begins to be realized more fully in the coming years.

The benefits from this project will be enhanced when the Eastern dedicated freight corridor is completed by 2020, as there are complementarities between these two corridors.

There are also other physical connectivity projects, such as fast train project with Japan connecting Ahmedabad with Mumbai; UDAN program encouraging regional air connectivity; increasing use of coastal shipping involving ports in the South region such as Chennai, with ports in Gujarat.

The enhanced connectivity will enable Gujarat's businesses and people to better connect with the rest of India, and the world, much more easily, facilitating flow of ideas, a recognized factor in facilitating economic growth, and thereby help expand business and personal opportunities. Research strongly suggests that connectivity is positively associated with economic growth, business formation, generation of trade and investment, and livelihood opportunities. Gujarat's well diversified and competitive economic base covering industry, agriculture, and commercial services provides solid foundations to benefit from the opportunities from enhanced connectivity.

Second, Gujarat is developing as an education hub, attracting students from the rest of India and from abroad. Besides Indian Institute of Management -Ahmedabad, and Indian Institute of Technology, it has several other higher education and research institutions. Some specialized institutions such as Pandit Deen Dayal Petroleum University in Gandhinagar, and Central Salt and Marine Institute in Bhavnagar, Gujarat however needs to focus more on upgrading its existing higher education and research institutions, and attracting globally competitive higher education institutions.

Along with the presence of persons from outside the state who are already contributing to its development, this will provide a critical mass of talent and skill-sets needed to be competitive. Gujarat's demonstrated ability to absorb this talent in a smooth manner will accentuate its competitiveness provided it is nurtured.

Third the development of amenities needed for smart cities such as Surat, Ahmedabad, Vadodra, Rajkot, and GIFT, Gujarat International Financial Tech-City, would not only improve quality of living (which concerns essentially ease of living and carrying out daily routine functions) and quality of life, (which concerns helping to meet rising aspirations of people), but also help develop growth nodes in the state. Dispersal of growth nodes will help diversify the economy, and make it more resilient. According to 2011 census, nearly 43 percent of Gujarat's

population was classified as urban. The trends suggest that in a few years, majority of Gujarat's population will be urban. Gujarat has the potential to emerge as a leading state in urban management practices.

Share Article

The Sagarmala project focusing on port-led development, aims to reduce logistics and transport costs, thereby making this sector more competitive; and GIFT, with its emphasis on financial services technology, Fintech, and attracting talent to promote it, aims to increase export of financial services from India. This in turn could help in narrowing India's total trade deficit. This deficit is one of the weaker features of India's macro-economy.

Deficit in international transport services contributes significantly to India's overall trade deficit. Thus, according to the data from the World Trade Organization (WTO), in 2017, to India's overall trade deficit of USD 119 billion, deficit in transport services contributed USD 40 billion, or a third of the total. In 2017, a negligible 3.2 percent of India's exports of "Other Commercial Services" (amounting to USD 77 billion), were in financial services. Trade deficit in both these areas need to be reduced, and it will also have spillover effects on improving India's overall trade competitiveness.

Challenges

Gujarat however cannot take its future growth and competitiveness as given. There is no room for complacency, especially for the current BJP government, whose incumbency of more than two decades. Renewed focus on better governance, including on effective delivery of amenities and services designed to improve household welfare, public financial management, and more effective communication with the voters and other stakeholders is needed.

Cooperative Federalism involves constructive competition among the states and the cities to enhance their competitiveness. Other states are emerging as strong competitors overall, as well in several sectors. As an illustration, Gujarat ranked 5th in ease of doing business ranking among the states in 2017, as compared to 3rd in 2016. Globally, disruptive technologies, uncertainties in geo-economic and geo-political environment requires careful monitoring and policy measures.

Gujarat needs to enhance its management and technological capabilities. and renew its focus on more citizen-centric outcome -based governance and management to sustain its competitive edge. This will require more purposeful efforts from public, private, and from social enterprise and not -for- profit sectors. The Gujarat government has a vital role in harnessing synergies among these sectors in addressing public policy concerns, and this role needs to be undertaken with greater competence, focus, and accountability.

Concluding Remarks

Several favorable factors discussed above make it possible to realize the vision of attaining per capita income of Gujarat which in 2017 was about USD 2300, equivalent to an upper-middle income country (beginning level of income for this group is USD 3900 in 2017), in about a decade. But realizing this goal has also become more challenging, with several competitors emerging, and due to geo-economic and geo-political uncertainties. Gujarat needs to nurture its growth drivers, and develop new growth nodes to retain its competitive edge. This will be an exciting journey.

^

Disclaimer: The opinions expressed within this article are the personal opinions of the author. MyIndMakers is not responsible for the accuracy, completeness, suitability, or validity of any information on this article. All information is provided on an as-is basis. The information, facts or opinions appearing in the article do not reflect the views of MyIndMakers and it does not assume any responsibility or liability for the same.


Comments

0 Comments

MyIndMakers

 Mukul Asher ▾

 Recommend

 Share

Sort by Best ▾



Start the discussion...

Be the first to comment.

 Subscribe

 Add Disqus to your site

 Disqus' Privacy Policy




(<https://myind.net/Home/authorArchives/2097>)

Mukul Asher (<https://myind.net/Home/authorArchives/2097>)

Contributor Profile (<https://myind.net/Home/authorArchives/2097>)

Share Article

 Facebook

 Google +

 Twitter

 Pinterest

 Reddit

 Whatsapp

