



India's cities are encouraging manufacturing to promote growth

Urban areas contribute nearly two-thirds of India's gross domestic product, even though they account for only 31 percent of the country's population. They are India's growth engines.

More remarkable is that India leapfrogged the manufacturing revolution and transitioned from agriculture to a service-based economy, with services now contributing 60 percent of GDP.

In 2014, the "Make in India" policy was launched to boost manufacturing.

The issue for local and foreign companies will be to identify comparative advantages of India's cities, and which local and state governments attract investment and improve competitiveness by encouraging and protecting facilities for making and selling goods.

Government knows that urbanization is important, and policies encourage new towns to grow around information technology, for example, or education or health.

Cluster development models and special economic zones are being discussed to promote manufacturing and industrial townships, which will bring firms together to share specialized infrastructure, labor markets, and services.

Special economic zones are meant to spur exports, encourage investment from domestic and foreign sources, create jobs, and develop infrastructure by cutting through bureaucratic red tape.

The Jawaharlal Nehru National Urban Renewal Mission, a seven-year \$20 billion plan launched in 2005 to improve the quality of life and infrastructure in India's cities, required cities to come up with a city development plan, or a vision for themselves, drawing on their strengths.

This was supposed to help city governments pinpoint the advantages and weaknesses of their local economies, and where they were competitive, before offering incentives and making major investments.

Not much happened.

Analytical tools are available to help city planners, policy makers, and firms decide what to make and where to make it. But little has been done to assess cities' competitiveness, making it hard to develop effective strategies and policies, especially for cities already economically and politically important.

Policy makers must understand which sectors in local and regional economies need to be nurtured and promoted, and whether and where incentives are necessary.

This episode was based on [research](#) done for the Asian Development Bank Institute by Kala Seetharam Sridhar, a professor at the Centre for Research in Urban Affairs, Institute for Social and Economic Change, Bangalore, India.

Listen to podcast

- <https://soundcloud.com/adbinstitute/india-cities-are-encouraging-manufacturing-to-promote-growth/>

Read the working paper

- <https://www.adb.org/publications/how-identify-specialization-india-cities>

Know more about ADBI's research on:

- *India:* <http://bit.ly/2kcLlZH>
- *Manufacturing:* <http://bit.ly/2BnOCoQ>