CHAPTER 1

INTRODUCTION

1.1  RESEARCH BACKGROUND

India is at the threshold of a new era, an era of prosperity bolstered by rapid economic development. The Prime Minister of India in his foreword to the XI Five year Plan Report of Government of India observes, ‘the strength of the economy is evident from the remarkable transition to high growth path which has been achieved in years. India’s GDP growth rate from 2003-07 has averaged 8.9 % making India one of the fastest growing economies of the world’ (Planning Commission 2008). Recent years have seen India rapidly taking charge as a dominant power in the new knowledge based industry and today, India has found its niche in the I.T. world and is regarded as premier destination for the global sourcing of Information Technology (I.T.) and Information Technology Enabled Services (I.T.E.S.).

It has come to be acknowledged by people from all walks of life that I.T. along with the larger phenomenon of Globalisation is rapidly altering the way people conduct their business. I.T. and globalisation have had far-reaching effects in recent years, with their impact felt in nearly every aspect of our lives such as our economic and social development, culture, and the growth of our cities. They have affected people’s relation through the way they communicate among each other in addition to their linkage to
place. It is therefore important to understand these complex processes as they have a bearing on everyone’s life in general and more particularly the urban growth.

Globalisation is a process in which geographic distance becomes a factor of diminishing importance in the establishment and maintenance of cross border economic, political and socio-cultural relations (ILO, 1999). The globalisation process is associated not only with increasing cross border movement of goods, services, capital, technology, information and people but also with an organisation of economic activities which straddles national boundaries (Aggarwal 2008).

Saskia Sassen (1998) while discussing on ‘Urban economy and fading distance’ writes, ‘the globalisation is associated with massive trends towards the dispersal of economic activities at the Metropolitan, National and Global levels. The dispersal of economic activities facilitated by the globalisation process has made the national boundaries become increasingly irrelevant.’ The volume and variety of cross border transactions in goods and services, free international capital flows and more rapid diffusion of knowledge have enabled economic inter dependence of countries world wide. Goods and services produced in one part of the world are increasingly available in all parts of the world.

An important factor that has accelerated globalisation and the dispersal of economic activities is the advent of new technologies in the latter half of the 20th century. The technologies and developments such as transportation, telecommunication, TV, internet, WWW, GPS, e-commerce etc., have caused a paradigm shift. The speed of communication and relatively low cost of processing information have caused distances to be eliminated (Rao and Anjayya 2007).
Apart from the role of Technology, global bodies such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organisation (WTO) have been early driving forces behind globalisation. They have facilitated the growth of international trade and service agreements apart from supporting trade and commerce. This in turn has facilitated many Multi National Corporations (MNCs) to invest and operate in many countries with their activities spanning international boundaries. Further, this environment has enhanced the capability of these international firms to separate their manufacturing, financing, marketing and other operations, locating them in cities and towns across the world according to the most advantageous local environmental tax laws, labour conditions and costs while maintaining overall control (UNCHS 2001).

With the gradual de-emphasis on nationality brought about by the globalisation era and the economic interdependence and cooperation among countries, it is quite evident that cities are acquiring a new meaning as the global economy is organised through them. It can be seen that the cities have a new role to play in the era of globalisation as they contribute to the economic growth. Cities in the era of globalisation are post industrial production sites for the leading industries and finance and specialised services (Sassen 2000). They are trans-national market places where firms and governments from all over the world can buy financial instruments and specialised services.

The spatial dispersal of economic activity made possible by I.T. and Communication has contributed to an expansion of central functions to house the corporate headquarter functions. Advanced corporate services benefit from proximity among different specialists. It is this new networked sector of highly specialised firms that leads the growth in major cities and marks the specificity of global cities as they are preferred sites for production of the
advanced services (Sassen 2000). Global economy materialises in a world-
wide grid of strategic places and uppermost among which are international
business and financial centres. New York, London, Tokyo, Paris, Frankfurt,
Zurich, Amsterdam, Los Angeles, Sydney and Hong Kong house the most
powerful international business centres.

*The economic benefits derived have resulted in competition
amongst many cities and sometimes even amongst the cities of same nation.*
The competition among them is towards getting a share of capital investment
in order to carve out a place for them in the global economy. In this way,
places are becoming commodities to be packaged, advertised, marketed and
consumed just like any other goods (Valentine 2001). The emphasis on
marketing underpins the restructuring of cities so that they appeal to global
investors and favours the dominance of economic interests in urban planning.

Harrison (1995) observes that traditional planning instruments are
increasingly becoming in-appropriate as a response to contemporary urban
restructuring. Modern town planning, which has been so instrumental in
shaping the twentieth century city, seems ineffective in the face of the
powerful forces that are currently reshaping our cities.

According to UNCHS, the entrepreneurial approach in planning has
lead to improvements to urban infrastructure to accommodate the needs of
globalisation. This includes establishing and expanding of communications
and telecommunication networks, new transportation facilities, technology
oriented modern buildings, financial districts and innovative milieu and
quality lifestyle including good housing, cultural attributes and tourism
opportunities and new town development. Creation of a global image has
become part of the city planning exercise and the ability to develop mega
projects that are becoming component of the image of any city that wishes to
call it global would not be possible without cross border financing. However,
there appears to be certain uniformity in the way the city images are made. In pursuit of that image, many cities produce a uniform architecture characterised by plushness and pretentiousness rather than by its aesthetic quality (UNCHS 2001).

These new developments as witnessed in many cities of the world has lead to the inquiry whether cities in India are also impacted by the globalisation process. The economic reforms introduced in India since 1991 and the resultant trade liberalisation policies have increased the openness of Indian economy. Its annual growth rate accelerated from 5.7% in the 1980s to 6.5% in the VIII and IX plan period (Ahluwalia 2008). The X plan period (2002-07) saw the economy accelerating steadily to achieve an average growth rate of 7.7 per cent which is the highest ever achieved in any Plan period (XI Five Year Plan Report). It is currently (2008) at 7.1% and this rapid stride is an indication that India is one of the fastest growing economies. There is apparently a correlation between the rising Gross Domestic Product (GDP) on account of economic reforms of 1991 and the rise in growth of tertiary sector of which I.T. sector forms an integral part.

Among many sectors that have contributed to the economic growth, the contribution of the knowledge sector which includes I.T. and I.T.E.S, software products and hardware has been formidable in recent years and the growth is steady. The Government of India formulated the I.T. policy as early as 1998 to promote the I.T. industry. The X five year plan (2002-07) recognised the comparative advantage of brain power to absorb, assimilate and adopt spectacular developments in system integration and technology and harness them for national growth in today’s knowledge based world economy (Bajwa 2003).

The growth is evident from the fact that the Software exports from India have risen from a mere US $4 billion in Financial Year 2000 to
US $ 40.4 billion during Financial Year 2008. It is expected to touch US $ 60 billion in 2010. The employment generated by the industry has risen from 430,000 in 2000-01 to 2.01 million in 2007-08. The contribution of I.T. Software services industry to the GDP has risen from 2% during 2001-02 to 5.4% during 2006-07 (NASSCOM and Kearney 2008). India now accounts for 65 % of the global market in off shore I.T. 46 % of I.T.E.S. It has emerged as one of the fastest growing sectors. This growth has been largely possible due to the economic reforms of 1991 and sustained policy of Government of India to promote I.T. industry since 1998. Consequently, it can be conjectured that the impact of I.T. on the Indian scenario is reflection of the larger phenomenon of globalisation especially with respect to the effects produced.

Under these circumstances, it would be of interest to understand the physical manifestation of such rapid economic growth facilitated by one sector which is I.T. industry. I.T. industries forming part of knowledge sector requires skilled professionals to meet global standards. Thus human resource plays a vital role in the growth of I.T. sector. The states which have the human resources potential and the infrastructure have been front runners. The economic benefits accrued on account of I.T. industry and the employment opportunity the industry generates have encouraged many Indian States to compete with each other in promoting the growth of the industry and attracting investments in this sector.

Being a knowledge based industry which is city based, it has become paramount for these states to enhance the capabilities of their capital and prime cities in order to attract the I.T. companies. These states have been projecting their respective capital cities to attract I.T. industries in their states. Realising the role that the I.T. sector could play in their respective state’s economy and the need for creating suitable infrastructure, they have been framing suitable urban development policies for their respective capital cities
and prime cities. Consequently, these cities are witnessing massive infrastructure developments and unprecedented scale of real estate developments.

To sum up, one can clearly visualise the competition among states in attracting investments which has resulted in many capital cities compete among themselves for a share in the global market. The spirit of entrepreneurialism exhibited by many cities of the world in garnering the benefits of globalisation is being witnessed in Indian cities as well. They have become the focal point for economic generation for their respective states. Though this trend may not be witnessed in all sectors, it is evident in I.T. sector as more and more cities are vying with each other to provide the infrastructure and a conducive business environment in order to attract investments from leading giants in Indian I.T. industry and MNCs.

According to a study, the I.T. industry’s presence is felt in seven leading cities namely Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, National Capital Region (New Delhi) and Pune. The economic policies of the states promoting I.T. sector seem to be having a direct influence on the urbanisation policy pursued. Many cities are apparently playing a new role in this new economic order. The urban development policies are fine tuned to promote and encourage creation of infrastructure required for I.T. related activities. The city planning exercise is apparently undergoing a marked shift with a turn towards entrepreneurialism resulting in change in urban form, structure, land uses and directions of growth. The planning profession is confronted with this reality and as a result many cities are experiencing a new dynamics of urbanisation.

Apart from having a direct impact on creation of new work spaces necessitated by the new work order, the growth of I.T. industry is having a cascading effect on other built environment required to support the new
generation of knowledge workers. In the process the land uses are getting restructured to accommodate the demands of the I.T. industry. The rapidity and the scale at which these developments are taking place call for a detailed investigation of the changes witnessed in cities due to the growth of I.T. sector and more importantly examine the way it is manifesting in our built environment to have a comprehensive understanding.

1.2 RESEARCH QUESTIONS

It is against this backdrop, this research is carried out and the following research questions seem relevant.

i) How has the I.T. industry manifested in Indian cities and in what way they have influenced the form of cities and directions of growth?

ii) To what extent restructuring has taken place in cities to accommodate the growth of I.T. industry?

iii) What has been the effect of I.T. industry on built forms other than work spaces?

iv) In what manner the planning mechanism has responded to the demands of the market forces arising out of the growth of I.T. industry?

This research attempts to address the above questions with particular reference to Chennai Metropolitan Area which is taken as a case study.
1.3 OBJECTIVES

The principal objectives of the research are:

- To trace the development and growth of I.T. as an industry in India and the role of cities in meeting the demand on built environment.

- To trace the genesis and growth of I.T. industry in Tamil Nadu and analyse the factors contributing to the same and the role of Chennai Metropolis in catering to the requirements of I.T. industry.

- To investigate the manner in which the built space requirements of I.T. industry are met by various players with reference to Chennai Metropolis.

- To study the manifestation of I.T. industries which has the bearing on the form and direction of growth of Chennai Metropolitan Area and the restructuring that has taken place in Chennai Metropolis on account of I.T. sector.

- To assess the cascading effects of the I.T. industry on other built forms which has a bearing on transforming city’s urban landscape.

1.4 SCOPE AND LIMITATIONS

This research is an attempt to provide an overview with regard to establishing the link between the economic factors and urban development policies so that any specific developments could be fitted into the larger perspective.
In order to establish the same, this research addresses the impact of the I.T. industry (which is an offshoot of the globalisation process) facilitated by the economic reforms introduced in India 1991. Even though the presence of the I.T. industry is felt on many Indian cities, as a case study, Chennai Metropolitan Area is taken to comprehensively analyse the manner in which the I.T. industry is having its manifestation in Chennai Metropolis. Therefore the data collection, field studies and findings are limited to Chennai Metropolis. Further, the data on economic factors are up to the financial year 2008-09 and subsequent economic recession and global melt down and their possible impact on I.T. sector in India are beyond the scope of this research.

1.5 RESEARCH METHODOLOGY

As this is a topic of interest and implication on globalisation issues with particular references to the dominance of service sector of which I.T. industry forms a major component, the genesis of I.T. as a global industry in general and contribution of India in particular to the global market forms the back drop. Hence the first part of the research involved carrying out a literature survey which covers the larger issue of globalisation, its impact on cities and the emergence of I.T. as a global industry.

Since this is a focused research on manifestation of I.T. industry and the transformation taking place on Indian cities, it becomes necessary to understand the vision of the policy makers. Policy documents of the government, research and study reports form the basis for comprehensively understanding the phenomena taking place in cities. Therefore, the second part of the research has been carried out through analysis of secondary data available in this context.

The third part of the research is directed towards the spatial manifestation of I.T. industry in Chennai Metropolis. Therefore, the policy of the government of Tamil Nadu and its bearing on urban development policies
in Chennai Metropolis, vision of the planning authority as reflected in documents and reports form the basis. In addition, the opinions and views of the players involved in the urban development process such as planners, architects, property developers, I.T. corporates and employers have been ascertained through interviews and discussions. The physical manifestation of the I.T. industry and its influence on other built forms are understood through reports and data from various sources, analysis of the same and the field data which are part of the primary data.

1.6 THESIS CHAPTERISATION

This thesis is presented in eight chapters. The first chapter on ‘Introduction’ outlines the research background, research questions, objectives, scope and limitation, research methodology and chapterisation of thesis.

The second chapter on ‘Globalisation and its impact on cities – Literature Review’ presents an overview of the globalisation process and its impact on cities as scanned through various literature reviews, research articles and reports. This chapter also brings out the emergence of I.T. as a global industry.

The third chapter on ‘Growth of I.T. industry in India and its impact on urban India’ establish the link between the economic reforms of India and the emergence of I.T. industry in India. The policies and initiatives of government of India and the role of the state governments towards giving a boost to I.T. industry are presented.

The fourth chapter on ‘Growth of I.T. industry in Tamil Nadu and its implications to Chennai Metropolis’ traces the factors leading to the growth of I.T. industry in Tamil Nadu which includes the I.T. policy of the state,
incentives given for I.T. related developments and the sops given to the contributors to the growth of I.T. industry. The chapter also brings out the importance of Chennai in catering to the requirements of I.T. industry in the form of I.T. parks and I.T. SEZs.

The fifth chapter on ‘Expansion of Chennai due to I.T. industry’ focuses on the manifestation of I.T. industry which has an influencing effect on expansion of Chennai. The contribution by the three leading players namely, the government, corporate sector in I.T. field and the private developers towards creation of a new component of urban planning, namely the I.T. parks is examined, in order to establish the directions of growth and expansion of Chennai on account of I.T. industry.

The sixth chapter on ‘Restructuring of Chennai on account of I.T. industry’ presents the restructuring taking place both in the peripheral areas of Chennai and in the core city. The changes in land use due to I.T. parks and land development initiatives of the government and the restructuring of transportation network in the peripheral areas and the transformation taking place in Guindy Industrial Estate, changes in land use due to I.T. parks which are located in different parts of the city and the conversion of built space for accommodating I.T. units are presented.

The seventh chapter on ‘Cascading effects of I.T. industry on other built forms’ traces the influence of I.T. industry on emergence of built forms for residential, commercial and other social infrastructure. As a case study, the developments taking place in I.T. corridor and its adjoining areas mostly due to initiatives by private sector are presented.

The eighth chapter on ‘Conclusion’ presents the summary of research findings with specific reference to the research questions and objectives and outlines the possible areas for further research.