Chapter-8

The Competitive position of Maharashtra among the states of India

8.0.0 In Chapter 7 of this dissertation applying Porter’s five model to the states of India this researcher had postulated a north-east south-west divide in the states in India with regard to the competitiveness/competitive advantage of states within India. Thereafter this researcher had used data available on 26 criteria to determine the competitiveness of states and found that for 14 States/Union Territories there was meager/ scanty data to arrive at any conclusion with regard to their competitiveness. The north-east south-west divide in terms of competitiveness/ competitive advantage in the country (in that in the first ten states eighth are in the west and south) has also been confirmed.

8.0.1 This researcher is only going to use relevant extracts of the detailed analysis of all the states, with regard to competitive advantage done in Chapter 7 of this dissertation to arrive at the position of the State of Maharashtra among the states in India. While doing this additional statistical data given at the end of the article by Burange (1999) and the figures in the Economic Survey of Maharashtra for various years will also be used.

8.0.2 Burange (1999) and the Economic Surveys of Maharashtra have shown that Maharashtra has seen its share of number of registered factories, productive capital, Number of employees employed in industry, value of output and Net value added as a percentage of the all India figure decline from a high of 17.91 percent in 1969-70 to 14.44 percent in 1994-95, to 11.3 percent in 1998; from a high of 19.06 percent in 1985-86 to 16.62 percent in 1994-95; from a high of 19.1 percent in 1969-70 to 14.49 percent in 1994-95, to 12.2 percent in 1998; from a high of 32.36 percent in 1969-70 to 21.13
percent in 1994-95; and from a high of 26.68 percent in 1969-70 to 22.01 percent in 1994-95, to 21.62 percent in 1998-99 respectively. The change in the figures for these five items over the years is shown in tabular form in Exhibit 8.0.

Exhibit 8.1.
Maharashtra’s Share in Indian Industry (Per cent)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No of registered factories</td>
<td>17.91</td>
<td>17.25</td>
<td>15.57</td>
<td>14.82</td>
<td>14.15</td>
<td>13.86</td>
<td>14.44</td>
<td>11.3</td>
<td>11.7</td>
<td>12.1</td>
<td>12.3</td>
<td>12.7</td>
<td>13.1</td>
<td>13.5</td>
<td>12.9</td>
<td>12.3</td>
<td>11.9</td>
<td>11.6</td>
<td>11.1</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>Productive capital</td>
<td>17.43</td>
<td>16.64</td>
<td>16.48</td>
<td>19.06</td>
<td>17.13</td>
<td>17.63</td>
<td>16.62</td>
<td>18.0</td>
<td>18.3</td>
<td>18.6</td>
<td>18.9</td>
<td>19.1</td>
<td>19.2</td>
<td>19.3</td>
<td>19.5</td>
<td>19.7</td>
<td>19.9</td>
<td>20.1</td>
<td>20.2</td>
<td>20.3</td>
<td></td>
</tr>
<tr>
<td>No of employees</td>
<td>19.1</td>
<td>18.26</td>
<td>17.45</td>
<td>16.06</td>
<td>15.18</td>
<td>14.73</td>
<td>14.49</td>
<td>12.2</td>
<td>12.5</td>
<td>12.8</td>
<td>13.1</td>
<td>13.4</td>
<td>13.7</td>
<td>14.0</td>
<td>14.3</td>
<td>14.6</td>
<td>14.9</td>
<td>15.2</td>
<td>15.5</td>
<td>15.8</td>
<td></td>
</tr>
<tr>
<td>Value of output</td>
<td>32.36</td>
<td>24.05</td>
<td>23.7</td>
<td>22.54</td>
<td>22.7</td>
<td>21.18</td>
<td>21.13</td>
<td>19.0</td>
<td>20.0</td>
<td>21.0</td>
<td>22.0</td>
<td>23.0</td>
<td>24.0</td>
<td>25.0</td>
<td>26.0</td>
<td>27.0</td>
<td>28.0</td>
<td>29.0</td>
<td>30.0</td>
<td>31.0</td>
<td></td>
</tr>
<tr>
<td>Net value added</td>
<td>26.68</td>
<td>24.6</td>
<td>24.87</td>
<td>25.88</td>
<td>23.3</td>
<td>22.75</td>
<td>22.01</td>
<td>21.62</td>
<td>21.0</td>
<td>22.0</td>
<td>23.0</td>
<td>24.0</td>
<td>25.0</td>
<td>26.0</td>
<td>27.0</td>
<td>28.0</td>
<td>29.0</td>
<td>30.0</td>
<td>31.0</td>
<td>32.0</td>
<td></td>
</tr>
</tbody>
</table>

* Source for the 1998 figures is the Economic Survey of Maharashtra 2000-2001 Table of Maharashtra’s comparison with India.
# These figures are for the financial year 1998-99. Source Figure 9.1 and paragraph 9.5 of the Economic Survey of Maharashtra 2000-2001.

8.0.3. The sectoral change in State Domestic Product (SDP) of Maharashtra in percentage terms over the years is shown in Exhibit 8.1.

Exhibit 8.1.
Sectoral Composition of State Domestic Product (Per cent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>41.6</td>
<td>26.7</td>
<td>31.7</td>
</tr>
<tr>
<td>1965-66</td>
<td>32.8</td>
<td>31.5</td>
<td>35.7</td>
</tr>
<tr>
<td>1970-71</td>
<td>28.6</td>
<td>34.2</td>
<td>37.2</td>
</tr>
<tr>
<td>1975-76</td>
<td>31.7</td>
<td>32</td>
<td>36.3</td>
</tr>
<tr>
<td>1979-80</td>
<td>28.7</td>
<td>34.5</td>
<td>36.8</td>
</tr>
<tr>
<td>1980-81</td>
<td>28.1</td>
<td>35.1</td>
<td>36.8</td>
</tr>
<tr>
<td>1981-82</td>
<td>27.6</td>
<td>33.7</td>
<td>38.7</td>
</tr>
<tr>
<td>1982-83</td>
<td>27.2</td>
<td>33.4</td>
<td>39.4</td>
</tr>
<tr>
<td>1983-84</td>
<td>28.1</td>
<td>32.6</td>
<td>39.3</td>
</tr>
<tr>
<td>1984-85</td>
<td>25.8</td>
<td>33.5</td>
<td>40.7</td>
</tr>
<tr>
<td>1985-86</td>
<td>23.9</td>
<td>35.3</td>
<td>40.8</td>
</tr>
<tr>
<td>1986-87</td>
<td>21.4</td>
<td>37.1</td>
<td>41.5</td>
</tr>
<tr>
<td>1987-88</td>
<td>25.4</td>
<td>33.5</td>
<td>41.1</td>
</tr>
<tr>
<td>1988-89</td>
<td>24.7</td>
<td>33.5</td>
<td>41.8</td>
</tr>
<tr>
<td>1989-90</td>
<td>24.2</td>
<td>33.7</td>
<td>42.1</td>
</tr>
<tr>
<td>1990-91</td>
<td>22.9</td>
<td>33.8</td>
<td>43.3</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.1</td>
<td>33.5</td>
<td>46.4</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.0</td>
<td>32.5</td>
<td>45.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>21.9</td>
<td>32.7</td>
<td>45.4</td>
</tr>
<tr>
<td>1994-95</td>
<td>21.2</td>
<td>34.5</td>
<td>44.3</td>
</tr>
<tr>
<td>1999-2000*</td>
<td>17.2</td>
<td>30.2</td>
<td>52.6</td>
</tr>
</tbody>
</table>

ACGR (per cent)

| Year 1960-61 to 1994-95 | (-)1.65 | 0.41 | 0.92 |
| Year 1979-80 to 1994-95 | (-)2.11 | (-0.19) | 1.43 |

Note: ACGR = Annual Compound Growth Rate.
8.0.4 Burange (1999) has calculated the composition of industries in Maharashtra according to value added in the 40 years from 1960 to 1998-99 as in Exhibit 8.2:

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumer goods</th>
<th>Capital and intermediate goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>1980-81</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>1989-90</td>
<td>21</td>
<td>79</td>
</tr>
<tr>
<td>1991-92</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>1992-93</td>
<td>16</td>
<td>84</td>
</tr>
<tr>
<td>1993-94</td>
<td>18</td>
<td>82</td>
</tr>
<tr>
<td>1994-95</td>
<td>18</td>
<td>82</td>
</tr>
<tr>
<td>1995-96</td>
<td>17</td>
<td>83</td>
</tr>
<tr>
<td>1998-99</td>
<td>19.8</td>
<td>80.2</td>
</tr>
<tr>
<td>1999-2000*</td>
<td>21.2</td>
<td>78.8</td>
</tr>
</tbody>
</table>

* The figures for this year have been added by this researcher from Table No.33 of the Economic Survey of Maharashtra 2001-02.

8.0.5 The figures show that the composition of industries according to value added in Maharashtra decreased rapidly from being more than 50 percent in favour of consumer goods to a low of 16 percent in 1992-93 where after it has stabilized and stayed between 17 to 21 percent. Since the fluctuation in the demand for capital and intermediate goods is much more than in the case of consumer goods this has made the economy of the state more susceptible to the vagaries of the business cycle.

8.0.6 Burange (1999 (Table 4)) has also shown that in the period 1979-80 to 1994-95 that even though there has been a shift of fixed capital from agricultural related industries to non-agricultural related industries by 6.16 percent the proportionate change in share of value added has been 8.9 percent. This means that with the shift of capital to more non-agricultural related industries there is a more than proportionate rise in the value added.

8.0.7 The labour position in a state affects its competitiveness. Table 55 of the Economic Survey of Maharashtra 2000-01 shows that over the 40 year period from 1961 the number
of strikes and lockouts increased significantly from less than 300 to between 600 and 700
till the 1980s and then more than halved by 1986. Thereafter the decline continued and in
the year 2001 it stood at an all time low of 59. The workers affected also went up six
times till over 5,00,000 in 1966 and thereafter continued to decline till the all time low of
23700 in 2001. The number of mandays lost also went up 5.75 lakhs in 1961 over six
times in the sixties, then declined in the seventies and all of a sudden peaked in 1981 at
over 95 lakhs in 1981. Thereafter the figure declined significantly but has remained
steady around 50 lakhs per year and has not declined as the other two figures have. Thus
even though the state has witnessed in the number of strikes and lockouts and the workers
affected by these, still the mandays lost have not declined proportionately.

8.0.8 The competitiveness of a state is affected by various factors chief being the
availability of good infrastructure. The Centre for the Monitoring of the Indian
Economy (CMIE) (1997) (quoted in Burange (1999)) has given certain comparative figures
with regard to index of growth of infrastructure from 1980-81 to 1993-94. These figures
seem to show that even though Maharashtra and Tamil Nadu started at almost the same
level in 1980-81 thereafter by the 1990s Tamil Nadu had gone far ahead of Maharashtra.
In the case of West Bengal it started at a slightly higher level vis-à-vis Maharashtra and
Tamil Nadu still it stayed slightly ahead of Maharashtra but was behind Tamil Nadu. The
figures are shown in the Exhibit 8.3 adapted from Burange (1999).

<table>
<thead>
<tr>
<th>Year</th>
<th>Maharashtra</th>
<th>Gujarat</th>
<th>Tamil Nadu</th>
<th>West Bengal</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>100.6</td>
<td>102.9</td>
<td>100.2</td>
<td>101.9</td>
<td>103.1</td>
</tr>
<tr>
<td>1981-82</td>
<td>105.6</td>
<td>106.9</td>
<td>103.9</td>
<td>104.1</td>
<td>104.8</td>
</tr>
<tr>
<td>1982-83*</td>
<td>106.2</td>
<td>108.7</td>
<td>105</td>
<td>105.3</td>
<td>105.9</td>
</tr>
<tr>
<td>1983-84</td>
<td>106.8</td>
<td>110.5</td>
<td>106</td>
<td>106.4</td>
<td>107</td>
</tr>
</tbody>
</table>
8.1.0 Porter's model (Exhibit 1.1) has postulated that competitive advantage is determined by five forces. This has been further modified by Macmillan and Tempoe (2000 (Exhibit 1.8)) to include three other factors. In the view of this researcher in federal countries, state and local governments have an important role, there is an additional factor viz. the efforts made by the State Government. Examples are the personal efforts of the Chief Minister of Andhra Pradesh and the efforts of the government of Karnataka which have ensured that the two states have been able to achieve and keep their very strong competitive advantage in computer software.

8.1.1 These efforts determine the factor conditions vis-à-vis the state in question as specialized factors are created, not inherited. Among the specialised factors of production are capital and infrastructure. These involve heavy, sustained investment over a long period and are extremely difficult to duplicate. This is an area where Maharashtra has one of the biggest competitive advantages viz. its capital Mumbai. Which is the financial capital of India, where capital is concentrated and infrastructure is one of the best in India. This results in virtually no power cuts in Mumbai, one of the best urban transport systems in India and the concentration of the service and financial sectors in the city.
These are the areas where within the states located in the south and west of the country it is the state of Maharashtra which has enjoyed and continues to enjoy an overwhelming competitive advantage.

8.1.1. Maharashtra has its problems viz. high cost of labour because of the shortage of skilled people despite a large production of skilled manpower, the cost of land/houses in the city of Mumbai and even in the irrigated area of western Maharashtra.

8.2.0. Demand Conditions which create competitive advantage refer to sophisticated internal market conditions as firms are likely to produce/sell superior products to meet the market demands of high quality.

8.2.1. In the researcher's view it is the competition in the financial sector in the city of Mumbai which has lead to its continuing to remain the financial capital of India.

8.3.0 Firm Strategy, is to some extent determined by the state of the capital markets. India having a unified capital market one would not expect much variation in outlook between Industries with regard to long term and short term outlooks.

8.3.1. The types of industries where Maharashtra had a competitive advantage are industries where the outlook/investment is normally long term (like the textiles, consumer goods and pharmaceutical industries). These, however, are in a recessionary phase. The state has not been able to rapidly adjust to change because of inflexible Indian labour and urban land ceiling laws has lost some of the competitive advantage to its rivals in the south and west.

8.4.0. Structure refers to style of management of an industry/company. The best management style for an industry varies from time to time and industry to industry. Since
long the firms located in Maharashtra seem to be more professionally managed and less of family firms (even though the firms within e.g. the Tata or Mahindra Group (headquartered in Mumbai) and Bajaj (headquartered in Pune) seem to be family managed firms most of their top management with the exception of the Chairman, are professional managers) and this makes them more competitive than their rivals.

8.4.1. Rivalry means intense competition which spurs innovation. Both Proctor & Gamble and Hindustan Lever, India’s biggest competitors in soaps, shampoos, etc., are headquartered in Mumbai. A similar position prevails in the service industries.

8.5.0. Related and Supporting Industries is important to the development of competitiveness among firms and usually occurs at a regional level in the form of clusters.

8.5.1. Clustering has occurred in the financial sector in Mumbai where the availability of staff with expertise in the financial/banking sectors and stock broking has led to the headquartering of many major banks, investment institutions such as the Life Insurance Corporation of India, Development Financial Institutions such as the Industrial development Bank of India, both the leading stock exchanges in India, the Unit Trust of India and many other mutual funds and even the Reserve Bank of India in the city and to giving the state a great competitive advantage in the financial sector over its rivals.

8.6.0. Chance refers to occurrence of certain random natural things. The occurrence of a natural deep water harbour at Mumbai around which two major ports (the Mumbai port and the Jawaharlal Nehru port) accounting for almost 50 percent of India’s exports have
till recently given the state of Maharashtra an immense competitive advantage over its rivals.

8.6.1. Chance also refers to the existence of the Deccan plateau (in the vicinity of a large consuming market like Mumbai and from where exports can easily take place) which creates a climate extremely suitable for the production of fruits and sugar cane over a large area in the interior of the state and a ready market for the production.

8.6.2 Chance also refers to the emergence of a large number of colleges and institutions of higher and technical learning taking advantage of Pune’s and Maharashtra’s tradition of excellence in higher and technical education in the interior of Maharashtra, producing a highly qualified and skilled work force in significant numbers which are available for employment in industry and services. This has given the state of Maharashtra an immense competitive advantage over its rivals in that the technical manpower required for the information technology, telecom and other industries is available in abundant numbers.

8.7.0. The role of the Central Government is very important. More than the investment made by the said Government it is the extent of effective utilisation of such investment which gives a state a competitive advantage. e.g. the excellent harbour of Mumbai port led to the establishment of two oil refineries and the supporting and ancillary industries in the city. The development of atomic power and gas based power around the city also helped the city in not facing any power shortages unlike the rest of India where this is normal. All this combined with a cheap and excellent communication system viz. the fast and efficient Brihanmumbai Electricity and Transport Undertaking (BEST) bus and the local train service and they added to the competitive advantage enjoyed by the city.
8.7.1. In the case of Maharashtra to overcome the overcrowding and delays in Mumbai port resulting in disadvantages to firms, the Government of India has invested in the creation of a large new port on the mainland side of the Mumbai port viz. the Jawaharlal Nehru Port (earlier the Nhava-Sheva Port) handling containers on a large scale. The establishment of this port has increased the percentage of exports passing through Maharashtra to almost 50 percent of India’s exports giving the state a very big competitive advantage rather than the competitive disadvantage of having only a declining port (even though it still continued to be the biggest in India) like the Mumbai port as its major export port.

8.8.0. Lobby groups implies changing the ground rules and values due to pressure tactics by interested parties. e.g. the effect of the anti plastic green brigade in convincing the Brihanmumbai Municipal Corporation authorities that thin plastic bags not being easily biodegradable were causing choking up and other problems in sewage and waste disposal, which forced the Municipal Corporation to ban and strictly enforce the ban on the use of plastic bags of thickness less than 20 mms. Intensive activities by lobby groups may give rise to industrial location problems for states. e.g. the lobbying by the environmental lobby has persuaded the Supreme Court of India to order the Delhi Government to relocate all polluting industries outside the city. The attraction of Delhi for the location of industries has thus been considerably reduced resulting in a loss of competitive advantage. In the case of Maharashtra loss of competitive advantage is also occurring due to intensive activities by lobby groups. Earlier this was against the location of the Oil and Natural Gas Corporations supply base at Nhava island, later against the
location of the second landfall point for offshore gas in Maharashtra which led to it being
diverted to Hazira near Surat in Gujarat and recently against the construction of a
flyover/viaduct over Peddar Road in South Mumbai (this would smoothen the flow of
traffic) when famous Indian singers Lata Mangeshkar and her sister Asha Bhonsale were
roped in and they even threatened to move to Dubai in the United Arab Emirates if the
flyover/viaduct was constructed. All this has led to a significant loss of locational
competitive advantage to Mumbai in particular and Maharashtra in general.

8.9.0. The efforts made by the State Government - to keep the state competitive vis-à-vis
its competitors is extremely important in the context of state Governments in India.
Earlier states were providing the following incentives to gain competitive advantage:

  1) Subsidies to firms, either directly (money) or indirectly (through provision of
     excellent infrastructure for which economic charges are not levied).

  2) Liberal tax codes applicable to corporation, business or property ownership and
     (using sales tax rebates) returns in the initial years from the investment made.

  3) Educational policies that encourage the development of higher skill level by workers
     in the area.

8.10.0 Earlier Maharashtra and Gujarat had used these incentives to gain competitive
advantage over other states, but later on these two states were not able to cope up the
changing requirements of industries such as the decline of the cotton textile industry. By
the time they managed to do this other states such as Andhra Pradesh and Karnataka were
able to provide the requisite infrastructure, the atmosphere, etc., for persuading Indian
and foreign investors to invest in them as well as give them a competitive advantage over
the states in the west, which had a competitive advantage earlier in older industries and services.

8.11.0. All these efforts are paying off in the sense that the very strong competitive advantage which the state earlier had in various industries and services and which it had almost lost is now slowly being regained.

8.12.0. In this thesis a detailed calculation of the inter-se competitiveness of states was made and it was seen that taking 26 criteria into consideration after Delhi the position of Maharashtra was second in India (Goa was a very close third). However, a recent poll made by Business Today (BT) and Gallup (BT (2003)) shows that in terms of attractiveness because of various reasons such as the Supreme Court order prohibiting polluting industries from continuing in Delhi, deterioration in infrastructure, etc., Delhi’s position has gone down significantly and Maharashtra has emerged as the most competitive state.

8.12.1 Overall the position of Maharashtra vis-à-vis other states is that with regard to the motor vehicles per lakh of population (31-3-98) Maharashtra’s position is ninth. On surfaced roads per hundred square kilometers of area Maharashtra’s position is fifth. With regard to the road length in kilometers per hundred square kilometers (31-3-97) Maharashtra’s position is twelfth. With regard to the number of electricity consumers as a percentage of the population Maharashtra’s position is eighth. With regard to the percentage of villages connected by roads Maharashtra’s position is twelfth. With regard to the Cellular mobile telephone subscribers (percentage of all India excluding metro areas (31-9-01) Maharashtra’s position is first. If the number of cellular mobile telephone
subscribers in Mumbai city is also included then this position is only overshadowed by the National capital region. On urbanisation percentage Maharashtra’s position is fourth. On the other attributes of infrastructure viz. villages with a bus stop within 2 kilometres (kms), having piped water and with an anganwadi centre Maharashtra’s position is fifth, sixth and fourth respectively.

8.12.2 However, the above figures do not show its strengths, weaknesses, opportunities and threats (i.e. a SWOT analysis of the competitive position of the state).

8.13.0 The indicators where Maharashtra is has strengths) are:

(1) the per capita state gross domestic product (SGDP);
(2) the annual average growth of SGDP (percentage) in the 1990s;
(3) the credit deposit ratio of all commercial banks;
(4) the percentage of the services sector in the state’s economy;
(6) the foreign direct investment (FDI) and foreign technical collaborations approved during the post liberalisation period (i.e. from August 1991 till October 2001) in terms of amount, number of approvals and as a percentage of total FDI approved for India and the FDI in the last three years;
(7) the per capita deposits with scheduled commercial banks;
(8) the number of cellular mobile telephone subscribers (percentage of all India excluding metro areas(31-9-01));
(9) the percentage of electricity consumers;
(10) the number of villages connected with pucca (bituminised ) road;
(11) the number of villages with a bus stop within 2 kms.;
(12) the number of villages having piped water;
(13) the number of direct telephone lines per hundred persons.;
(14) the number of villages with an anganwadi centre;
(15) the percentage of population which is urbanised (if small states like Delhi, Goa and Mizoram are excluded from consideration then it’s position is second);
(16) the life expectancy at birth for males;
(17) the life expectancy at birth for females;
(18) the percentage of active population ratio (15 to 59 years);
(19) the percentage of literates to total population as per the 2001 census (if small states and Union Territories like Delhi, Mizoram, Andaman and Nicobar islands, Chandigarh, Daman and Diu, Lakshadweep and Pondicherry are excluded from consideration then it’s position is second);
(20) the factors constituting the Human Development Index prepared by the Planning Commission of the Government of India (2001), where it’s position is fourth;

8.13.1 However, as brought out in the BT (2003) report, in addition to the quantitative indicators mentioned above it is the feeling in the minds of Chief Executive Officers that the state has competitiveness in power availability/cost, the state government’s support, tax reliefs/subsidies, flexibility of the state government on policies, policy implementation., availability of raw materials, labour availability, quality of local administration, quality of power, proximity to market (buyers) where its position is either the first or it is in the top three that give it competitive advantage.
8.13.2 As further brought out in the BT (2003) report, in addition to the factors mentioned by the Chief Executive Officers there are other indicators mentioned by policy makers where the state has competitiveness, these include connectivity to international cities, education facilities, in the banking sector- advanced banking facilities and telecom facilities where its position is once again either the first or it is in the top three that give it competitive advantage.

8.13.3 All of the above give the state a strong competitive advantage over its competitors, i.e. much more than is seen from only an analysis of the indicators.

8.14.0 The indicators where Maharashtra is not having much competitiveness/competitive advantage (i.e. its weaknesses) are:

1. the per capita net small savings collection;
2. the average daily factory employment per lakh of population;
3. motor vehicles per lakh of population;
4. total road length in kms per hundred square kilometers;
5. percentage of villages having a post office within 2 kms.;
6. percentage of villages having a pharmacy;
7. the number of primary schools per lakh of population;
8. the number of middle schools per lakh of population;
9. the number of higher secondary schools/junior colleges per lakh of population;
10. the number of institutions of higher education per lakh of population;

8.14.1 What has also not been covered in the indicators is the fact that Maharashtra still has a large proportion of backward (almost all the area outside the Pune-Mumbai-Nasik
and the sugar and urban belts in Western Maharashtra mainly in Marathwada and Vidarbha) and the scheduled (tribal) (16 percent of its physical area) areas, where the average performance on many competitiveness indicators is average if not poor.

8.15.0 The opportunities in competitive advantage for the state of Maharashtra is to leverage on its strengths viz. try to continuously improve or at least maintain its position on as many indicators as possible where it is highly competitive, by focusing on them improve its position on as many indicators as possible where it is not have competitive advantage so that its overall position can improve/ be maintained, take advantage of the competitive advantage given to the state by its capital the city of Mumbai.

8.15.1 Waking up fairly late the state has now to some extent tried to use and create opportunities for improving its overall competitiveness by rationalising the textile industry, permitting the textile mills to move out of Mumbai and letting the land be used for high value added and non polluting industries and services, established the Mumbai-Pune IT knowledge corridor, built the Mumbai-Pune expressway in a record time to provide a convenient and quick connection between two of its major metropolises, established a large number of five star industrial estates where infrastructure of a very high quality is made readily available to industries so that they can start production quickly, establishment of a single window system in many departments so that there is no delay or harassment in granting various permissions, etc.

8.16.0 The threats to Maharashtra's competitive advantage/ competitiveness are that the actions taken by the state government in improving the infrastructure and the atmosphere for setting up new ventures may not be sufficient to either bring back the industry/
services which has left for other states or which has not been set up due to the various obstacles in their way.

8.17.0 Another area of concern for the state is the fact that while the state was resting on its laurels other states mainly the southern states have caught up and are ahead in many areas and respects and that industry and services find that despite infrastructure, good electric and skilled labour supply the attractiveness of the state is marred by bandhs, octroi and other problems.

8.18.1. As per the India Investment Centre data in terms of the amount of FDI approved Maharashtra (which in the earlier seven year period from 1991 to 1997 was leading with 12.49 percent of India's FDI, in the three year period 1997-1999 continued to lead (with 14.6 percent of the total FDI in India) followed by Delhi (11.96 percent perhaps because it has a very strong competitive advantage in that it is a city state)) led the pack. The next states were Karnataka (9.55 percent), Tamil Nadu (7.94 percent), Gujarat(6.77 percent) and Andhra Pradesh (5.71 percent). Even during the first five months of 2000 Maharashtra got 45.22 percent of the total FDI in the country (see S. Majumdar (2000 ). By July 2002 once again FDI into Maharashtra grew to 13.75 percent followed by Delhi with 12.09 percent of the all India FDI (Business Line) (Exhibit 7.4). In the last three years viz. 2000-02 however, Maharashtra’s premier position in FDI was overtaken by Delhi with 28.17 percent versus 28.86 percent respectively (Exhibit 7.5). This was particularly because in 2001 Delhi received 43.67 percent of FDI versus 18.88 for Maharashtra. In the other two years the position was reversed with Maharashtra getting
35.46 and 30.18 percent in 2000 and 2002 versus 24.35 and 18.57 percent respectively by Delhi.

8.18.2 As has been seen from Exhibits 7.4 and 7.5 (Chapter 7) some states like Gujarat which earlier were very high in the FDI have not received much FDI in the last three years (2000 to 2002) (an average of 0.92 percent of all India FDI), Delhi and Maharashtra have managed to get more than 28 percent each of India’s FDI and the southern states have not done so well. Thus despite the criticism that Maharashtra has become an unattractive place for FDI, the state still continues to be the one which attracts one of the highest percentage of FDI into India.

8.19.0 A group of criteria which reflects the availability of infrastructure is surfaced road length ((kms.) per hundred square kms. of area - density of the network) where only Delhi, Goa, Kerala and Punjab have percentages more than Maharashtra (Exhibit 7.9 (c)), the percentage of villages connected with pucca (black top) road where only Kerala, Punjab and Haryana are ahead of Maharashtra (Exhibit 7.9 (f)); number of electricity consumers as a percentage of the population (Exhibit 7.9 (c)) where a number of states viz. Goa, Himachal Pradesh, Tamil Nadu, Punjab, Karnataka, Kerala, Delhi and Gujarat are ahead of Maharashtra; percentage of villages connected by roads where Maharashtra’s position is behind many states viz. Delhi, Goa, Karnataka, Kerala, Haryana, Punjab, Gujarat, Nagaland, Andhra Pradesh, Mizoram and Assam (Exhibit 7.9 (c)), percentage of the service sector in the state’s economy where Maharashtra’s position is second just behind Tamil Nadu (Exhibit 7.9 (b)), (details worked out below from data
on the websites of the state governments, India Infoline and India Investment Centre and Business Line and Indian Express various issues).

8.19.1 Another group of criteria which is of relevance and which reflects the availability of capacity of the state to provide the capital for investment for infrastructure required by industry is the State Government debt as a percentage of total receipts where only relatively undeveloped states like Sikkim, Assam, Nagaland, Manipur Meghalaya and Goa have percentages lower than Maharashtra (Exhibit 7.9 (b)); the per capita depository accounts where Maharashtra has the highest figure (Exhibit 7.9 (a)) and the Cellular mobile telephone subscribers – (percentage of all India) (excluding metro areas) where Maharashtra has the highest figure (Exhibit 7.9 (d)).

8.19.2 As can be seen from the discussion in Chapter 7 and above the position of Maharashtra with regard to the percentage debt to total receipts at 16.6 percent is very satisfactory compared to West Bengal with 43 percent, Orissa with 29 percent, Andhra Pradesh with 28 percent, Rajasthan at 25 percent, Punjab at 24.5 percent and Gujarat at 20 percent (a big chunk is for the construction of the dam and canals of the Sardar Sarovar Project). However, this comparatively advantageous position of Maharashtra has changed significantly for the worse recently mainly due to over borrowing (the borrowing was for the Krishna Valley and later other irrigation projects in Vidarbha and Marathwada) and the state is having difficulties in making ends meet.

8.19.3 The figures regarding surfaced road length per hundred square kilometres have already been discussed earlier in paragraphs 8.19.0 and Maharashtra’s position is fifth.
8.19.4 The figures regarding percentage of villages connected by pucca road and ordinary roads have also been discussed earlier in paragraphs 8.19.0 and Maharashtra’s position is respectively fifth and twelfth. Hence does seem to have some competitive advantage in pucca roads though not in all roads.

8.19.5 As regards the percentage of electricity consumers to the population the figures for have been discussed earlier in paragraphs 8.19.0 and Maharashtra’s position is ninth. Hence on this criteria also Maharashtra does seem to have a competitive advantage over its competitors.

8.20.0. The Human Development Index (HDI) is a very important measure of the state of development of the human capital of a state. The HDI is calculated by taking the figures of life expectancy and as done in Exhibit 7.8 calculating an index of life expectancy; taking the figures for adult literacy and middle school enrollment ratio and calculating the index of literacy; taking the per capita State Domestic Product (SDP) and aggregating the three indices.

8.20.1. In Chapter 7 of this dissertation this researcher has discussed the figures of HDI for the states in India and the all India average. It will be seen that on this measure Kerala has the highest HDI because of its extremely high literacy rate and its very high life expectancy. Maharashtra’s position is lower with only Punjab and Haryana as close competitors. HDI only measures three aspects of competitiveness viz. life expectancy, adult literacy and per capita state domestic product it can only be an indicator of the competitiveness of the state in respect of these areas and cannot be the only determinant of competitive advantage. However, as can be seen, on HDI also the state does seem to
have a competitive advantage and its position is higher than its competitors in the south and west with the exception of Tamil Nadu.

8.21.0. Out of the 53 criteria identified in Chapter 7 after considering the information available on 26 of the criteria it is very clear that excepting for certain factors such as the availability of road infrastructure (not pucca roads), Maharashtra has enjoyed and continues to enjoy a significant competitive advantage over its competitors and because of this continues to receive over a fourth of India’s FDI.

8.21.1 This competitiveness of the state is confirmed by the latest Business Today / Gallup (September 28, 2003) survey. Where in power availability/cost, state government’s support, tax reliefs/subsidies, flexibility of state government on policies, policy implementation, availability of raw materials, labour availability, quality of local administration, quality of power, proximity to market (buyers) it has been consistently ranked either first or in the first three by Chief Executive Officers. In addition policymakers have ranked Maharashtra in connectivity to international cities, education facilities, in the banking sector- advanced banking facilities and telecom facilities either first or in the first three.

8.21.2 As BT has stated Maharashtra has been consistently first in overall ranking from their 1997 survey and even now both in perceptual rank and factual rank it is number one. But it has questioned this continued supremacy of the state by saying that Mumbai is the lynchpin around which most of the state’s- and indeed India’s- business revolves. i.e. All roads literally lead to Mumbai and that explains why Maharashtra tops the charts on the infrastructure front. It also explains why raw materials are available in plenty in the state.
According to it since the opening up of the Indian economy in 1991, Maharashtra has attracted the highest FDI, generated almost a fifth of all jobs and many major projects in the IT/IT enabled services (ITES), Automobile, biotech and agro-products (such as wine) sector. This growth is not confined only to Mumbai but has gone to and around Pune which has developed into a big market in its own right.

8.21.3 In addition to the heavy dependence on the Mumbai-Pune belt, security (the recent blasts in the city of Mumbai) and not doing enough for infrastructure, no agency other than the employment exchanges under the state’s Department of Employment and self-employment to focus on creating jobs for the large number of educated people being produced.

8.21.4 Its western rivals such as Gujarat have been affected by the earthquake and riots there and there has been a significant drop in FDI in the last three years in that state. However, the states in the south are now catching up and Maharashtra will have to continuously strive to maintain this advantage and not rest on its past laurels.

8.22.0. In their presentation to the Government of Maharashtra on M/s McKinsey & Company (October 9, 2001) identified eleven important decisions to be taken to continue to maintain the competitive advantage the state enjoys. Out of these Computerisation of property records on a significant scale, increased user charges for municipal services, introduction of the new Maharashtra Rent Control Act, introducing usage based irrigation charges, and recommending reform of labour laws to the Government of India have already been done on a significant scale by the state Government.
8.23.0 In a recent report M/s Mckinsey & Company have identified that the city of Mumbai can reach the level of Shanghai in China provided the state government improves the infrastructure significantly by increasing investment significantly and leveraging public private partnerships and improves transportation. The Government has set up a committee under the chairmanship of the Chief Secretary to determine the ways of achieving the objective.
References.


8. “India the Growth Imperative- Understanding the Barriers to Rapid Growth and Employment Creation” (October 9, 2001) M/s McKinsey & Company

9. Nair, Anil Kumar and Sunny (1994) have as part of the data bank for the Research Division of the National Productivity Council (NPC) have done a study on the competitiveness of large Indian states.

10. Ninth five year plan document, Planning Commission of the Government of India, Yojana Bhawan, New Delhi. Vol. 1, Chapter 4, Table 4.16


13. The Rajiv Gandhi Institute of Contemporary Studies, New Delhi for the Confederation of Indian Industry “How the States are doing” (September 2000).