Chapter V

IMPACT OF FDI ON
INCOME AND EMPLOYMENT GENERATION
IN KARNATAKA
5.1 Introduction

This chapter has been presented in three parts:

Part-A: Explain the sector-wise Investment and Employment scenario in Karnataka;

Part-B: assesses Investment and Employment generation in the state; and

Part-C: analyses the geographical distribution FDI Projects in the state.

The emergence of Liberalization Privatization and Globalization (LPG) regime in India in 1991 was due to severe internal financial crises in the country. The government of India opened its economy to global investors and liberalized its rigid licensing and investment procedures. The National level structural reforms had greater impact on Karnataka’s economy in terms of foreign investment promotion policies. The state government’s investment promotion policies have mainly aimed at generation of income and employment. Hence it’s proactive and investor friendly approach helps in the attraction of FDI in Green field investments in the state.

This chapter assesses the impact of FDI on income, investment and employment generation in the state of Karnataka at the micro level.

The unique nature of FDI and FDI spillovers create industrial and technological clustering that produces high growth rates in certain regions of the state. In order to maintain in the income levels between or among the region equilibrium, there must be an adequate level of migration between regions and from rural to urban areas. The governments can and should take policy measures in this regard.

The major factors which impacted conducive industrial growth in the state has been explained below.
i) **Policy Proactiveness**: The policy that a state government adopts towards a sector directly affects its attractiveness for further investment. For example, for the IT sectors, the state government has given many concessions to attract many IT major companies, both domestic companies Infuses and Wipro as well as multinationals like Oracle, Hewlett-Packard to set up software development operations in the state.

ii) **A resource rich and well connected State**

The climate, demography, physical resources, connectivity for transportation and well developed communication network have been attuned to the state's quest for the rapid economic development.

iii) **Capability:**

Availability of good quality man power is a must for all industries to flourish and the state has a resource base that is rich in scientific research and training. This has been a major factor enabling the success of Karnataka in sectors like engineering, IT/ITES and biotech. So these sectors absorbing major portion of FDI flows in the state. These are the main enabling factors for the generation of income and employment opportunities in the state.

Now it is established fact that the capital and investment are the essential pillars of economic development of every country. Savings, capital and investment along with human resources are the essential hub of development. But the short supplies of domestic capital limit the growth of developing countries like India. Low GDP keeps the savings and investment rates low, which in turn, limit growth. Since the mid 1990s, India has allowed "automatic" FDI approval in many sectors, gradually expanding the list over
time. Where applicable, foreign investors do not need government licenses or approvals and simply notify the RBI of their investments.

Karnataka ranks among the top five industrially developed states in India. The economy of Karnataka has developed significantly in the recent years with large volumes of Foreign Direct Investments flowing into the state. The state government is investor friendly for it provides the facility of single window clearance to ensure fast track approvals for foreign direct investments in the state. (Economic Times, PTI report\textsuperscript{1}, on Dated: Feb 24, 2011)

State Government with an objective of increasing GSD, strengthening the manufacturing sector, generation of additional employment in different sectors, to promote diversified Industrial base and to reduce regional imbalances and also to increase the share of exports from Karnataka in the national exports, has taken up number of initiatives like New Industrial Policy 2009-2014, which mainly aimed at optimal utilization of natural resources with the help of foreign investment to achieve the expected growth rate of income and employment generation.

Karnataka has focused on improving its investment climate. It has been proactive in inviting the private sector and was among the first to invite private investment in the education sector. With its encouraging policies and favourable environment, the state has attracted investors and has seen a steady increase in FDI inflows in the recent years.(KUM-2009)\textsuperscript{2}
5.2 PART - A

Sector wise GDP, Investment and Employment Scenario in Karnataka

The expansion of transport and communication facilities, availability of excellent infrastructure and vast human resources across Karnataka, the State has been quick in tapping the potential of areas beyond the confines of Bangalore and other urban centers. Mysore, Belgaum, Hassan, Hubli-Dharwad and Mangalore, constitute the new avenues for investment and growth. The State is committed to the holistic development of these areas has the potential high growth avenues for investment, industrial development and employment generation.

Consequent to concerted efforts at promoting all aspects of infrastructure, connectivity and administrative support, the new corridors of growth are poised for great success- a trend that is already evident with the entry of blue chip companies into these areas. This pro-active approach of the State has in effect opened up new corridors for growth and development - thus offering investors many more opportunities to invest in key sectors of the state and help in the generation of income and employment at a larger scale.

5.2.1 Sector Wise GDP in Karnataka

Karnataka recorded the highest growth rates in terms of Gross Domestic Product (GDP) and per capita GDP in the last decade compared to other states. In 2008-09, the tertiary sector contributed the most to the Gross State Domestic Product (GSDP) amounting to US$ 31.6 billion (55 percent), followed by the secondary sector, contributing US$ 17 billion (29 percent, and the primary sector's contribution amounting to US$ 9.5 billion (16 percent). With an overall GDP growth of 56.2 percent and a per
capita GDP growth of 43.9 percent in the last decade, Karnataka surpassed all other states in India, pushing Karnataka's per capita income in Indian Rupee terms to sixth place.

Karnataka received US$2,026.4 million worth of FDI for the fiscal year 2008-09 placing it at third spot among states in India. At the end of 2004, the unemployment rate of Karnataka was 4.57 percent compared to a national rate of 5.99 percent. For the fiscal year 2006-07 the inflation rate of Karnataka was 4.4 percent which was less than the national average.

Karnataka's GDP to grow by about 8 percent in 2010-11, The Economic Survey of Karnataka (2010) estimated its GSDP at constant prices to grow by about 8.2 per cent during 2010-11, driven by higher growth in primary and tertiary sectors. The survey reveals the primary sector grew from 3.3 percent and 3.7 per cent in 2009-10 to 5.7 percent and 9.7 per cent in 2010-11.

The secondary sector made a remarkable recovery to achieve a positive growth rate of 9.3 per cent in 2009-10 and was projected to maintain a seven per cent growth rate in 2010-11. The per capita Net Income (per capita NSDP at factor cost), at current prices, is estimated at Rs 60,000 for 2010-11 as against Rs 51,858 for 2009-10, the survey noted adding the growth in per capita net income was estimated at 15.7 per cent during 2010-11 as against 12 per cent during the previous year. The growth rate in per capita income is estimated at 15 per cent during the year 2010-11, against previous year's estimate of 12.3 per cent. The annual rate of inflation based on monthly WPI rose to 8.43 per cent for December 2010 Compared to 7 per cent in the corresponding month of 2009, reported in.(Economic Times, report, on Feb 24, 2011)
During the current financial year (2010-11) from April to December, the state's own tax revenue recorded a growth of 30 per cent compared to the corresponding period of last year. The production of food grains increased from less than 110 lakh tonnes in 2009-10 to above 125 lakh tonnes during the current year, the survey said.

Karnataka's GSDP Growth (2002-03 to 2008-09)

![Chart No. 5.1](chart.png)

The above chart reveals that from 2002-2006 there has a positive trend in GSDP but in 2006-07 there is a fall in growth rate, again from 2007-08 there is steep rise GSDP but in the year 2008-09 there is a slight fall in the GSDP rate. The above chart indicates that in spite of the variation in the growth rate compare to other southern states...
the GSDP rate in Karnataka has been positive and it helps in the generation of income and employment in the state.

5.2.2 The growth of Indian GDP is largely influenced by FDI correlation with GDP growth

There is positive correlation of FDI inflow with GDP growth in India. It shows that the FDI inflow is increasing the GDP growth. The correlation of FDI on GDP is computed with the help of Karl pear son's coefficient of correlation.

The GDP is the major indicator of economic growth, it has been developing at an increasing rate in India. The GDP is one of the primary indicators used to gauge the health of a country’s economy. It represents the total money value of all goods and services produced over a specific time period. According to the data released for the year 2006-2007, India’s GDP grew at an impressive 9.2 Percent. The share of different sectors of the India’s GDP are as follows:

Agriculture - 18.5 percent, Industry - 26.4 percent and services - 55 percent. The fact that the service sector now accounts for more than half the GDP is a milestone in India’s economic history and takes it closer to the fundamentals of a developed economy. At the time of independence agriculture occupied the major share of GDP while the contribution of services was relatively very less. Since LPG policy came to force in India the GDP growing at an increasing rate. Chart no.5.2 reveals that it was Rs.515032 crore during 1990-91 and has grown to Rs.43,03,654 crore during 2007-08.i.e it has increased at 8.4 times with in span of 15 years. The growth of Indian GDP is largely influenced by FDI. Diagram shows the growth trend of GDP since 1991.
Growth of GDP in India since 1991-2008

Chart. No 5.2

Source: Data derived from RBI bulletin 2009

The need to ensure adequate growth in employment opportunities for providing productive employment for the continually growing labour force is widely regarded as one of the most important problems facing the country. The expansion of productive employment is also crucial for sustained poverty reduction, as labour is the main asset for a majority of the poor. Karnataka is basically an agrarian economy employment has been largely unorganized, rural and non-industrial in nature. For an overall development of the state, the tenth five year plan of Karnataka stressed employment generation as the priority sector (planning, statistics and Science and Technology Department, 2002).7

Karnataka has targeting 9 per cent annual economic growth during the Eleventh Five-Year Plan period (2007-12). Much of this growth is expected to come from the secondary sector, which was anticipated to grow from its current rate of 6-7 per cent to
10 per cent. The NSDP of Karnataka was about US$ 51.6 billion in 2008-09. The average NSDP growth rate between 1999-2000 and 2008-09 was 11.5 per cent.

Inadequate infrastructure notwithstanding, Karnataka continues to be a favourite destination for FDI in the country. The State, which attracted US$2,026.4 million worth of FDI in 2008-09, emerged as third largest state with 7.42 per cent share in India’s total FDI of US$27,309 million. Incidentally, the country, as a whole, recorded 11 per cent growth during fiscal 2009 as against US$24,580 million in the fiscal year 2008. In fact, the State, which stood at fourth position last year, has gone notch up this fiscal, indicative of investor’s implicit faith in Karnataka and brand Bangalore. This thanks primarily to the FDI which kept flowing into the Indian IT sector registering a rise of 19 per cent Inflows in computer software and hardware sector during the fiscal year 2009 stood at US$1,667 million as against US$1,141 million in 2007-08.

The State, according to Assocham Eco Pulse Study, registered 28 per cent growth in FDI investments inflow in the fiscal year 2009 as compared to US$1615.6 million in the previous fiscal of 2008. Incidentally, among southern states, Karnataka has led from front as being most coveted destination than others. While Tamil Nadu with US$1,724.20 million accounting for 6.31 per cent share stood fifth overall, Andhra Pradesh with US$1,237.80 million accounting for 4.53 per cent stood sixth. Among states Maharashtra took top position at US$12,409.20 million with 45.44 per cent share and Gujarat second spot at $2,825.80 million with 10.35 per cent share. Rightfully, the flow of foreign investment shows inclination towards states with investor friendly business environment. As a result, it notes, that six top states (Maharashtra, Gujarat, Karnataka,
New Delhi, Tamil Nadu and Andhra Pradesh), all together attracted about 81 per cent of total FDI flows during fiscal year 2009.

**Year wise trend of FDI inflows into Karnataka from 2000-2010**

<table>
<thead>
<tr>
<th>Years</th>
<th>Amount (US $ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-05</td>
<td>1354</td>
</tr>
<tr>
<td>2005-06</td>
<td>279</td>
</tr>
<tr>
<td>2006-07</td>
<td>1059</td>
</tr>
<tr>
<td>2007-08</td>
<td>2855</td>
</tr>
<tr>
<td>2008-09</td>
<td>4514</td>
</tr>
<tr>
<td>2009-10</td>
<td>5681</td>
</tr>
</tbody>
</table>

*Source: Department of Industrial Promotion and Policy, Government of India, New Delhi.*

The trend of FDI in Karnataka from 2000-2010, as shown in table no 5.1 reveals that from 2000-2005 for five years period the total FDI inflows at the range of $1354 millions and in 2005-06 there has a fall in inflows, after 2006-07 there has been gradual improvement in FDI inflows, it has rose from $1059 millions to $5681 millions in 2009-10.

**5.3 Investment scenario in Karnataka**

Karnataka has been best known for its comprehensive economic reforms and competitiveness in attracting private investments, especially in information and communication technology (ICT) and Bio-technology sectors. The most recent Global Investors Meet, held on 3-4 June 2010 and organized by the Government of Karnataka, had aimed at attracting national and global investments by highlighting the investment opportunities in 12 different sectors including minerals, tourism, information and biotechnology, power, health, education, food processing and textiles. For the current year, up to December 2010, the State Level Single Window Clearance Committee (SLSWCC) has approved 378 projects with an investment of Rs.6087.37 crore, with an
employment potential of 1.03 lakhs. Further the State High Level Clearance Committee (SHLCC) has cleared 130 projects with an investment of Rs. 146566.89 crores, and employment potential of 4.63 lakhs persons.

➢ FDI inflows to Karnataka stood 3rd in India after Maharashtra and Gujarat. Karnataka continues to be a favourite destination for FDI in the country. State attracted Rs. 9143 crore, during 2008-09 and further attracted Rs.4852 crore during 2009-10.

➢ Incidentally, the country, as a whole, recorded 11 percent growth during fiscal 2009 as against US$24580 million in fiscal year 2008. In fact, the State, which stood at fourth Economic Survey of Karnataka 2010-11 position last year, has gone one notch up this fiscal, indicative of investors implicit faith in Karnataka and brand Bangalore.

➢ The achievements in Information Technology sector for the year 2010-11 (up to September 2010) by their location in STP and EHTP or SEZ IT/ITES is encouraging. Total approved investment include Rs.375 crore by Software Technology Park units, Rs.327 crore by foreign equity companies, Rs.1140 crore by hardware units and Rs.308 crore by BPO companies. In addition, approved investment in SEZ IT/ITES Units in2010-11 (till Sept.2010) amounted to Rs.6103 crore.

➢ Karnataka is home to 60 percent of the country’s biotech units. During 2009-10, 6 projects were cleared through State Level Single Window Clearance Committee (SLSWCC) with investment of Rs.5209.30 crore. The expected total investment from the Global Investor’s Meet in June 2010 is about Rs 473000 crore and with an employment potential of around 8,00,000 new jobs.
Of the 4 lakh crore proposed investment, only about 20 percent of investment is FDI, said commerce and Industries principal secretary V.P. Baligar, Government of Karnataka.

Karnataka, as a Partner State of Vibrant Gujarat 2011, participated in the 5th Global Summit on 12-13 January 2011. Karnataka received a special recognition with a special session on Opportunities for Investment in Karnataka. About 20 MOUs/EOIs have been signed with expected investments of Rs.24759 crore in 10 sectors and employment potentials of 24795 persons.

5.3.1 Impact of Global Investors Meet on Sector-wise investments in Karnataka

Table No 5.2

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Sector</th>
<th>No of Projects</th>
<th>Implementation in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aerospace</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Automobile</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Cement</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Distilleries/Breweries</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Drugs/Chemicals</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Electronics/Telecommunication</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Energy</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>8</td>
<td>Engineering</td>
<td>37</td>
<td>28</td>
</tr>
<tr>
<td>9</td>
<td>Food based</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>10</td>
<td>Health</td>
<td>11</td>
<td>06</td>
</tr>
<tr>
<td>11</td>
<td>Hotels/Tourism</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>12</td>
<td>Infrastructure</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>13</td>
<td>Iron and Steel</td>
<td>53</td>
<td>25</td>
</tr>
<tr>
<td>14</td>
<td>Others</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>15</td>
<td>Petrochemicals</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>16</td>
<td>Pharmaceutical</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>17</td>
<td>Plastic/Rubber</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>18</td>
<td>Software/Hardware</td>
<td>59</td>
<td>38</td>
</tr>
<tr>
<td>19</td>
<td>Sugar</td>
<td>10</td>
<td>06</td>
</tr>
<tr>
<td>20</td>
<td>Textile</td>
<td>06</td>
<td>05</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>389</td>
<td>227</td>
</tr>
</tbody>
</table>

Source: Department of Industries and commerce, Government of Karnataka, Bangalore

The table 5.2 reveals the sector-wise investment pattern of investment in Karnataka after concluded GIM in Bangalore on June 2010.
Table 5.3

Top 15 Districts attracting Highest Investments in Karnataka for the period of 2010-2011

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>District</th>
<th>No of Projects</th>
<th>Implementation in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangalore (Rural)</td>
<td>108</td>
<td>66</td>
</tr>
<tr>
<td>2</td>
<td>Bangalore (Urban)</td>
<td>37</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>Bellary</td>
<td>35</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>Ramanagar</td>
<td>32</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>Bagalkot</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Bidar</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Belgaum</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Mysore</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>9</td>
<td>Hassan</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>Gulbarga</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>Koppal</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>12</td>
<td>Shimoga</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>13</td>
<td>Tumkur</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>14</td>
<td>Havari</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>15</td>
<td>Raichur</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Other Districts</td>
<td>51</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>389</td>
<td>227</td>
</tr>
</tbody>
</table>

Source: Department of Industries and Commerce, Government of Karnataka, Bangalore.

In the above table 5.3 it has revealed the District-wise performance of attracting investments all over Karnataka after the successfully concluded GiM in June 2010. The top fifteen districts covered in the table indicates that one third of the total projects are located in Bangalore rural and Urban districts in Karnataka. The total number of projects are 389 and the projects under implementation stage are of 227, out of which 108 projects located in Bangalore Rural district.

The Bar diagram no 5.3 has based on the information of table no 5.3, which clearly shows the attraction various investment projects indifferent districts of the state of Karnataka.
Top 15 Districts Attracting Highest Investments in the State of Karnataka for the year 2010-11
5.4 Employment potential of the state

The need to ensure adequate growth in employment opportunities for providing productive employment for the growing labour force is widely regarded as one of the most important challenges of the state. The expansion of productive employment is also crucial for sustained poverty reduction, as labour is the main asset for a majority of the poor. Near about 63 percent of the Karnataka’s total population is in the working age group of 15-59 years, which is higher than the All-India average of 59 percent. According to the usual status about 63 percent of rural males and 46 percent of rural females belonged to the labour force. For urban areas the corresponding figures are 59 percent and 19 percent respectively (61st Round of NSSO Survey, 2004-05).12

Karnataka improved its position in labour force with third highest Labour Force Participation Rate (LFPR) 49 percent in the country compared to other States.

The Economic Survey of Karnataka 2010-1113 highlights the fact that The share of rural females at the all India level was 26.8 percent whereas Karnataka had significantly higher percentage of rural females in labour force 30 percent, Urban Females constituted only 5.5 percent of the total labour force in the country whereas it was as high as 6.5 percent in Karnataka. In the case of Scheduled Caste and Schedule Tribes (STs), Karnataka had the highest Labour force participation rate of 52 percent and 55 percent respectively compared to all India average of 43.75 percent (SC) and 50.5 percent (ST) respectively.

The distribution of workers across industry suggests that agriculture is the most important sector wherein 81 per cent of workers in the age-group of 15 years and above are engaged for their livelihoods in rural Karnataka. In urban Karnataka, 27 percent of
workers in Trade, Hotels and restaurant and 22 percent of workers in Manufacturing and 17 percent of workers in Public administration, etc are engaged according to NSS data 2004-05.

The Fifth Economic Census 2005\(^\text{14}\) data shows that the number of total establishments comprising of Agricultural and Non-Agricultural activities increased from 19.12 lakh in 1998 (Fourth Economic Census) to 25.39 lakh in 2005 or by 32.81 percent. Correspondingly, the total number of persons usually working in establishments registered an increase of 20.79 percent from 52.53 lakh persons in 1998 to 63.46 lakh persons in 2005. With regard to total female employment, there has been an increase by 31 percent between the period 1998 and 2005. In respect of female employment, in Agricultural Establishments the increase was 14 percent, whereas the increase in Non-Agricultural female employment is 36 percent. The share of female employment to the total employment increased from 25 percent to 27 percent between the period 1998 to 2005.

Organised sector employment in the state has increased by 0.25 percent from 22.85 lakh at the end of March 2010 to 23 lakh at the end of September 2010 adding 0.06 lakh additional jobs. Public sector employment accounts for 11 lakh (46 per cent) and private sector for 12.29 lakh (54 per cent) up to September, 2010. The size of un-organised sector is 92 percent in Rural and 71.5 percent in urban Karnataka.

As per the report of National Commission for Enterprises in the Un-organised Sector\(^\text{17}\) (NCEUS), about 87 per cent of the workers work in the unorganized sector in Karnataka (the size of un-organised sector workers in India is 92 percent). The organized sector with secured job and provision of social security employs only 13.5 per cent of the
total workforce. This picture is better than all India average of 8 percentage share of organised sector workers.

In view of growing un-organised sector workers, State government has setup the Social security board according to Social Security Act 2008\textsuperscript{15}, Construction welfare board to provide benefits to the unorganised workers. Apart from these, Rashtriya Swasthya Bima Yojana (RSBY), a health insurance scheme for the unorganized sector workers is implemented during 2009-10 in Bangalore Rural, Dakshina Kannada, Belgaum, Mysore and Shimoga Districts of Karnataka. Nearly about 1.61 lakhs smart cards have been issued and expenditure of Rs.85.26 lakhs have been incurred for the treatment. It is proposed to extend RSBY to the remaining 25 districts and to cover 19,19,014 BPL families of Rural and 10,92,870 BPL families of urban areas.

The number of job seekers as per the live register figures of employment exchanges was 5.11 lakh in December 2010 compared to 5.64 lakh at the end of March 2010, a decrease of 9.41 per cent. During the corresponding period in the previous year the number of job seekers had decreased by 10.64 per cent.

Karnataka's child workforce has been witnessing decline in the last two decades, both in terms of magnitude and workforce participation rates. According to National Sample Survey (NSS), the number of child labour in Karnataka was 12.71 lakhs in 1993-94, 8.31 lakhs in 1999-2000 and 5.10 lakhs in 2004-05. Both Census and NSS sources show that there has been a decline in the magnitude of child labour in Karnataka. However, it is important to note that the child marginal workers are increasing over a period of time according to Census. Keeping this in mind, the new initiatives have been taken by the Department of Labour and State Resource Centre on Child Labour has been
established which is functioning as "Nodal Agency" in implementing the Revised action plan for combating child labour.

Employment generation has been estimated based on three factors viz., income, investment and employment elasticity over a period of years and anticipated estimates of GSDP for the 2010-11. During 2010-11, it is 283.72 lakh person-days compared to 278.22 lakh person-days in the previous year. In Mahatma Gandhi National Rural Employment Guarantee Scheme, the fund available for 2010-11 is Rs.4781.34 crore; Rs.894.01 crore is spent up to December 2010 and 277.53 lakh man days were generated by providing employment to 49 lakh labourers. In order to generate employment, State has initiated various wage employment and self employment programmes.

The State Government of Karnataka has taken up the Skill Development as a major policy initiative since 2008-09. The State Government has also initiated many new initiatives in achieving the targeted goals and objectives of ensuring adequate availability of skilled man power with social and regional justice. During the year 2010-11 up to the end of December 2010, 17 skill and job fairs were organised in which 2254 employers and 2,94,770 job seekers participated, and 1,89,510 persons received successful placement and 2,81,868 persons were provided skill training.

5.5 FDI leads to Generation of Employment Opportunities:

The Effect of FDI on Employment generation is an indirect phenomenon. Owing to large amount of FDI inflow leads to high capital formation at cheaper rates. Which in turn leads to establishment of new business units or expansion of existing one. Technological transformations and human resource mobility leads to emergence of many business undertakings. This leads to employment opportunities. In India the Employment
generation is growing at positive trend. This can be seen through Chart No.1. Since 1991 to 2000 the growth of employment generation was at increasing trend but after 2001 till 2004 the employment generation was low because of implementation of high technology in all fields of industries. The introduction of computerization has reduced the need of man power. But after 2004 there has been again increased trend in employment generation.

Chart .No 5.4

5.6 Growth of Employment Generation

The Effect of FDI on Employment generation is an indirect phenomenon. Owing to Large scale foreign investments, in terms of green field investments in ITES sectors in Karnataka has impacted a lot in terms of spill over effects in productivity and efficiency of the other industrial segments in the state. Which further accelerate the pace of overall growth in the industrial sector of the state.

The total number of people employed in FDI plants is about 15,64,920. This amounts to a share of between 4 and 5 per cent of the total labour force in the formal sector. More than 50 per cent of the total employment in the FDI manufacturing sectors
originates in small cities. The top 25 National Informatics Center (NIC) 3-digit sectors account for 80 per cent of the total FDI employment in large cities and 86 per cent of the total FDI employment in small cities. The share of employment in small cities varies across NIC sectors; it is relatively high in sectors where employee cost is higher than the overall average of 45 per cent originating in small cities. Two sectors that provide relatively high shares of total employment in FDI plants include chemical products (242) and growing and processing crops, including tea and horticulture (011). While 3 digit NIC Sector 242 plants provides employment to about 16 per cent of the total employment in FDI firms, the corresponding value for NIC Sector is about 14 per cent. While 49 per cent of the employment generated by chemical products originated in small cities, the corresponding proportion is 93 per cent in processing crops, including tea and horticulture. (NCAER)\textsuperscript{16}

Employment originating in FDI manufacturing firms varies widely across states about 20 per cent of the total employment is in Maharashtra. The corresponding share is 12.5 per cent in Karnataka, 9 per cent in West Bengal, 7.4 per cent in Haryana, 7 per cent in Assam, 6 per cent in Tamil Nadu, 6 per cent in Gujarat and 6 per cent in Andhra Pradesh.

These eight states account for about three-fourth of the total manufacturing FDI sector employment. Other states account for lower employment shares. While Maharashtra has only about 19 per cent of the total employment in FDI plants in small cities, the proportion is nearly 100 per cent in the case of Assam. The corresponding proportion is 21 per cent in Karnataka; 82 per cent in Haryana; 39 per cent in Tamil Nadu; 57 per cent in Gujarat and 40 per cent in Andhra Pradesh. Thus, FDI plants in
Assam, Gujarat and Haryana have relatively high proportions of employment in small cities.

Investments in the state have come from almost every big home in the business world. Over 150 MNC's have registered their presence in Karnataka among them are Volvo, Toyota, Intel, General motors, Dell, Nestle, SAP Labs, Philips, Cisco systems, Sony, Texas instruments, Britannia, Ericsson and Hewlett Packard17.

The strong MNC presence resulted in the state attracting Rs 4,750 crore worth of approved FDI during 2006-07: This is the second highest FDI among all states and accounts for 17.57 percent of all FDI flow into the country, says Dr Raj kumar khatri18 Commissioner for Industrial Development and Director of the Department of Industries and Commerce “over all, between August 1991 and March 2007, Karnataka approved 2,726 FDI proposals totaling an FDI of $6,123.6 Million (Rs.24,869) crore. This amounts to 8.65 percent of the total FDI flows into India, and the third highest (after Maharastra and the national capital territory of Delhi) among all states.”

The state improved its positive in labour force with third highest Labour Force Participation Rate 49 percent in the country compared to other states. Organised sector employment in the state has increased by 0.25 percent from 22.85 lakh at the end of March 2010 to 22.91 lakh at the end of September 2010 adding 0.06 lakh additional jobs. Employment generation has been estimated based on three factors, income, investment and employment elasticity over a period of years and anticipated estimates of GSDP for the year 2010-11. During 2010-11, it is 283.72 lakh person-days compared to 278.22 lakh person-days in the previous year.
5.6.1 Industrial Development and Employment Generation in Karnataka

Karnataka Industrial Area Development Board (KIADB) and Karnataka State Industrial Investment Development Corporation (KSIIDC) are jointly responsible for the development of industrial infrastructure in the state.

Industrial Scenario in Karnataka

Karnataka evolved as the manufacturing centre for some of the largest public sector industries of India after independence. Hindustan Aeronautics Limited which is dedicated to research and development activities for indigenous fighter aircraft for the Indian Air Force which employs over 9,500 employees making it one of the largest public sector employers in Karnataka. Other heavy industries such as National Aerospace Laboratories (NAL), Bharat Heavy Electricals Limited (BHEL), Indian Telephone Industries, Bharat Earth Movers Limited (BEML), Bharat Electronics Limited, Hindustan Machine Tools and Indian subsidiaries of Volvo and Toyota are also headquartered in Bangalore. The Indian Space Research Organization (ISRO) is headquartered in Bangalore and employs approximately 20,000 people. TVS Motors has a motorcycle manufacturing plant at Mysore and Tata Motors at Dharwad. Karnataka state has many companies engaged in manufacturing of electrical equipment and machinery like Kirloskar, ABB, Kavika, Larsen and Toubro etc. This may be due to the location of the Central Power Research Institute (CPRI) at Bangalore.

There is petroleum refinery, Mangalore Refinery and Petrochemicals Limited (MRPL) at Katipalla in Dakshina Kannada district. There is also fertilizer factory MCF near New Mangalore port. The industrial sector has fast expansion and promotion not...
only in terms of industrial growth but also in terms of income and employment generation in the state of Karnataka.

The state has been considered a pioneer in the field of industrialization in India. The state has been in the forefront of industrial growth of our country since independence. In the era of economic liberalization since 1991, the state has been spearheading the growth of Indian industry, particularly in terms of high-technology industries such as Electrical and Electronics industries, Information and Communication Technology (ICT) industries, Biotechnology industries and more recently in terms of Nanotechnology industries. The following factors reveal the Industrial Growth performance in the state. Annual Survey of Industries\textsuperscript{20} (ASI) Report 2008-09

- The ASI figures indicate that Karnataka accounted for 5.53 percent of the total registered factories in the country, 8 percent of the fixed capital investment and 7.23 percent of the total Gross Value Added by the registered factories in the country.

- Karnataka compared favorably to All-India in terms of labour productivity, input per worker, output per worker and wages per worker during 2005-06 to 2007-08.

- Karnataka accounted for 5.64 percent of the total number of unorganized manufacturing enterprises and 5.42 percent of the total unorganized manufacturing employment in the country in 2005-06. In terms of gross value added per enterprise as well as per worker,

- Karnataka performed better than All-India and stood fourth among the states of India.
Under service sector, Karnataka accounted for 4.9 percent of the total enterprises and 4.8 percent of the total enterprise workers in the country.

In terms of both gross value added per enterprise and gross value added per worker, Karnataka stood first in the country.

Karnataka has registered more than 1200 MSMEs and generated employment for more than 75000 persons during April-December 2010.

Karnataka is making rapid strides in terms of its important industrial sectors such as food processing industries, textiles, sericulture, Information Technology and Bio-Technology industries.

Karnataka has been making impressive progress in e-Governance. Its e-procurement project won Future governance Award 2010 for Best Business Practices in Asia Public Sector for the year 2010.

Growing number of SEZs presents another dimension of Karnataka’s industrialization. This is however skewed towards IT/ITES sectors.

Karnataka is an industrially peaceful State and therefore has conducive industrial climate in the country. Naturally therefore, according to the Investment Assessment Report of ASSOCHAM state has been considered as the most favoured investment destination in the country.

SHLCC during 2009-10 has approved 110 mega projects with a total investment of Rs. 2,84,548.52 crore. These projects are likely to create employment to 2,84,934 lakh people. SLSWCC during 2009-10 has approved 363 projects with a total investment of Rs.7,836.74 crore. These projects are likely to create employment to 116839 lakh people.
Important sectors are engineering Software Park, Hotel/Tourism, Food processing, Drugs/Chemicals, (KUM-2009)\textsuperscript{22}

5.7 PART. B

Impact of SEZ’s on Income and Employment Generation in the state

Introduction

The Government of Karnataka is promoting the development of several SEZs across Karnataka such as pharmacy and biotech SEZ, food processing and agro-based industries and textiles SEZ at Hassan and IT and Coastal SEZs at Mangalore.

The State Government has a vision to achieve a GSDP of over 9 percent which in turn calls for industrial growth of 12 percent, focus on strengthening manufacturing industry in the State and to increase the share of GSDP from the present average of 16.7 percent to over 20 percent. It is also targeted to achieve an increased share of Karnataka’s exports in National Export from the present 15 percent to 20 percent.

Among the strategies, the Policy emphasizes development of industrial infrastructure. Special Economic Zones (SEZs) with world-class infrastructure are expected to accelerate economic development. It is proposed to promote SEZs in addition to specialized industrial infrastructure for specific sectors.

5.7.1 Employment and SEZ in India

Currently, 1277 units are functioning in SEZs that were set up prior to the enactment of the SEZ Act, 2005. These units provide direct employment to over 2 lakh people, of which 40 percent are women. Private investment in these SEZs is of Rs. 7,104 crore. In a span of a few years, there have been visible gains from SEZs by way of generating employment, creating world-class infrastructure within the zones, and
attracting investment, including FDI. Sri Perumbudur in Tamil Nadu is a leading global hardware hub with investments from companies like Nokia, Foxconn, Motorola, Ericsson, Samsung and Dell. Nokia SEZ already provides employment to 9,645 people, the majority of whom are women. Mahindra World City SEZ in Tamil Nadu is another SEZ cluster in which three SEZs for IT, auto and apparel have been set up in adjoining areas. Similarly, in Andhra Pradesh, in addition to a large of number of IT/ITES SEZs, several successful sector-specific SEZs for the manufacture of textiles, leather items and gem and jewellery are in full operation. Apache shoes in Nellore district employs about 4,500 workers, of which the majority are women from nearby villages, who receive training before being employed. Hyderabad Gems SEZ has employed over 2,000 people, with a projection of employing 30,000 people. These SEZs are new industrial clusters and are not relocated from elsewhere.

Employment creation and up-gradation are important means for countries to achieve an equitable distribution of income and minimum standards of welfare for the people, but this has not been seen in India. The country has been suffering from severe unemployment, acute poverty and allied social syndromes. Indian employment growth rate is lower than GDP, which generally referred as a ‘jobless growth’ (Arunachalam P23.; 2009:151). SEZ’s generate employment to host countries directly and indirectly. Robin Quordas24 (2008) believes that one of the reasons for promotion of SEZ. Government of India promotes this policy to taking care of portion of the unemployment which going to increase per year. Arunachalam P. (2009), found that decline in employment generation in agriculture from two decades. He notes, agriculture and allied areas provide employment nearly to 65 percent of total Indian population. In the process
of economic development, agriculture workers were shifted to the non-agriculture sectors. The results of Economic Survey (2006), show that unemployment rate is increased by 7 percent per annum. In public sector employment declining by 2 percent in 2002 over 2001 where as 2 percent unemployment seen in organized sector in 2002 (Arunachalam P^{23};2000:164).

Tenth five year plan notify the first unique feature of the SEZ in its explicit recognition that the economy is in a phase where the growth process alone reduce the backlog of unemployment. Even an average annual growth rate of 8 percent, the convoy is likely to generate 30 million work opportunities during the Tenth plan period as compared to the estimated 35 million people who will be added to the workforce. SEZs provide direct employment to over 6.5 lakh people and indirect employment nearly 5 times Sreenivasan N^{24},(2009:334).

FDI in the domestic market trigger building up sound infrastructure and productive capacity, which will leading to create new employment opportunities (Pillai G.K.;2007:167, Ghorude K.N^{25}. 2008:124). Ghorude K.N. (2008) in his research work investigated that Indian SEZ's generating considerable number of jobs, majority of which has gone to women and most of them are low skill and low wage activities. Up to June, 2010 employment generation in notified SEZs are up to 2,89,738. SEZ set by the States and Private agencies make available employment to 47,790 people. As far as employment figures are concerned, the central Government SEZs i.e. previous EPZs were converted into SEZs (Seven in number) are providing current direct employment to 2,00,327 people.
The SEZ Act 2005, enunciated by the Government of India and the consequent SEZ Rules 2006 govern establishment of SEZs in the Country. As per this Act, the State Government has required to frame its own Policies and bring necessary amendments to the relevant State level Acts / Regulations. Realising the potential of SEZs in facilitating industrial and economic growth, they will help in the generation of income and employment in the state. Owing to this the State is committed to support and setting up of SEZs in Karnataka.

Exports from SEZs grew by 46.7 per cent y-o-y Rs 2,23,132 crore (US$ 49 billion) during April-December 2010-11, informed Minister of State for Commerce and Industry, Jyotiraditya Scindhyav

Table 5.4
Investment proposed and made in SEZs notified as on 31.03.2008 (Rs.in Crore)

<table>
<thead>
<tr>
<th>State</th>
<th>Invest proposed(excluding FDI)</th>
<th>Investment made(excluding FDI)</th>
<th>FDI Proposed</th>
<th>FDI Made</th>
<th>Total Investment Made</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gujarat</td>
<td>120662</td>
<td>39547.13</td>
<td>6639.32</td>
<td>2542.09</td>
<td>42089.22</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>16488.61</td>
<td>6403.79</td>
<td>5557.51</td>
<td>2162.54</td>
<td>8566.33</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>18334.84</td>
<td>5540.06</td>
<td>1584.1</td>
<td>178.37</td>
<td>5718.43</td>
</tr>
<tr>
<td>Karnataka</td>
<td>29794.22</td>
<td>5098.11</td>
<td>501.16</td>
<td>34.98</td>
<td>5133.09</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>96948.64</td>
<td>3876.18</td>
<td>7696.36</td>
<td>765.64</td>
<td>4641.82</td>
</tr>
<tr>
<td>Haryana</td>
<td>33894.58</td>
<td>1915.28</td>
<td>9134.47</td>
<td>417.65</td>
<td>2332.93</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>4028.95</td>
<td>1287.43</td>
<td>380.7</td>
<td>0</td>
<td>1287.43</td>
</tr>
<tr>
<td>Kerala</td>
<td>10665.07</td>
<td>1076.629</td>
<td>0</td>
<td>16.67</td>
<td>1093.29</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>6340.33</td>
<td>761.97</td>
<td>93.8</td>
<td>0</td>
<td>761.97</td>
</tr>
<tr>
<td>Punjab</td>
<td>530</td>
<td>92.2</td>
<td>2000</td>
<td>272.84</td>
<td>365.04</td>
</tr>
<tr>
<td>Goa</td>
<td>2599.8</td>
<td>296.59</td>
<td>0</td>
<td>0</td>
<td>296.59</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>468.79</td>
<td>264.93</td>
<td>0</td>
<td>0</td>
<td>264.93</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>1164.14</td>
<td>216.51</td>
<td>0.65</td>
<td>0</td>
<td>216.51</td>
</tr>
<tr>
<td>West Bengal</td>
<td>225.13</td>
<td>111.1</td>
<td>0</td>
<td>0</td>
<td>111.1</td>
</tr>
<tr>
<td>Orissa</td>
<td>267.37</td>
<td>58.41</td>
<td>328</td>
<td>0.1</td>
<td>58.51</td>
</tr>
</tbody>
</table>

The table no 5.4 has reveals that there has been uneven distribution of SEZ's in the country. It must however be noted that while balanced regional development is a desirable national goal, the logic of industrial development says that national resource endowment, skill labour availability and motivation for entrepreneurs are the essentials for any emergence of industrial units. Further it reveals that there is a wide gap between FDI proposed and FDI invested in Karnataka(proposed Rs 501 crore and investment made of Rs 35 crore) compare to Gujarat, Tamil Nadu and Andhra Pradesh all other states are not performing well in terms of attraction of FDI investments into major SEZ’s in the country. However, SEZ’s are basically a Southern concentration phenomenon followed by Western India.

It has revealed that the well developed states are getting good inflow of FDI in Domestic Tariff Areas (DTA), i.e, outside SEZs. The remaining all other states are able to manage less than 4 percent of the total FDI in SEZs. Gujarat has again leading in the race to attract by attracting 39 percent of the total FDI in SEZ out of 15 states only 9 are getting FDI positively, and Karnataka’s performance in terms of attracting FDI in SEZs are not so better compare to other states.

The state government has attracting a large scale investment into the state through the SEZ’s with an objective of generation of income and employment opportunities by strengthening the infrastructure base in the state.

➢ There were 32 notified SEZs in Karnataka as of July 2010.

➢ The Karnataka Industrial Areas Development Board has developed 126 industrial areas across the 29 districts of Karnataka.
The Karnataka State Industrial Investment Development Corporation (KSIDC) has promoted over 35 start-up ventures in the state through equity participation and has provided debt to core industries such as steel, cement, mining and textiles, as well as new sectors such as IT, aerospace and telecom. Industry SEZ's in the state aimed to facilitate and expedite establishment of SEZs, at the same time safeguarding the environment and the interests of land owners.

- Land for SEZs can be one that was previously bought by SEZ developer, or bought under Karnataka Land Reform Act, or allotted by Karnataka State government, or acquired by the State government for the Officer of the Labour Department to be deputed to function under the administrative supervision and control of the Development Commissioner of the SEZs.
- Registration of Micro, Small and Medium Enterprises (MSMEs) and Biotechnology (BT) units: Development Commissioner or other designated authority will have the power to accept the Entrepreneurs' Memorandum for MSMEs and Letters of Approval and Registration of IT/BT units.
- Development Commissioner to coordinate all matters pertaining to SEZs in the state.
- Bangalore to operate as industrial townships, under Karnataka Municipalities
- Amendment Act, 2002, i.e., as self-governing and autonomous municipal bodies.
Table: 5.5

5.7.2 Details of Operational SEZs in Karnataka

<table>
<thead>
<tr>
<th>S.No</th>
<th>Sector</th>
<th>No of Projects</th>
<th>Total Investment (Rs in Crores)</th>
<th>Employment in Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BT</td>
<td>6</td>
<td>1111.03</td>
<td>2549</td>
</tr>
<tr>
<td>2</td>
<td>IT</td>
<td>6</td>
<td>397.57</td>
<td>16010</td>
</tr>
<tr>
<td>3</td>
<td>Textiles</td>
<td>2</td>
<td>550.52</td>
<td>2848</td>
</tr>
<tr>
<td>4</td>
<td>IT/ITES</td>
<td>59</td>
<td>11021.12</td>
<td>80433</td>
</tr>
<tr>
<td>5</td>
<td>High Tech Eng</td>
<td>2</td>
<td>600.54</td>
<td>1582</td>
</tr>
<tr>
<td>6</td>
<td>Food Processing</td>
<td>1</td>
<td>48.31</td>
<td>95</td>
</tr>
<tr>
<td>7</td>
<td>Precision Eng</td>
<td>2</td>
<td>76.79</td>
<td>242</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>78</td>
<td>13805.87</td>
<td>1,03,759</td>
</tr>
</tbody>
</table>

Source: Department of Industries and commerce, government of Karnataka, Bangalore

The Table: 5.5 reveal the scenario of investment and employment opportunities through the creation of SEZs in Karnataka. The major portion of SEZs investment and employment taking place in IT/ITES sectors; out of total projects in the field as many as 59 projects are operating in this core sector. The total number of projects are 78, at a total investment accounting for Rs 13,805.87 crore, generating total employment to 1,03,759 persons.

The main objective is to facilitate and expedite establishment of SEZs and at the same time safeguarding the environment and the interests of land owners.

- Single-point clearance to SEZ units; “World Class” Infrastructure facilities for SEZs.

- Land for SEZs can be one that was previously bought by SEZ developer, or bought under Karnataka Land Reform Act, or allotted by Government of Karnataka or acquired by the State government for the Officer of the Labour
Department to be deputed to function under the administrative supervision and control of the Development Commissioner of the SEZs.

➢ Registration of MSMEs, IT and Biotechnology (BT) units: Development Commissioner or other designated authority will have the power to accept the Entrepreneurs' Memorandum for MSMEs and Letters of Approval and Registration of IT/BT units.

➢ Development Commissioner to coordinate all matters pertaining to SEZs in the state.

➢ SEZs to operate as industrial townships, under Karnataka Municipalities Amendment Act, 2002, i.e., as self-governing and autonomous municipal bodies.

5.7.3 SEZs and industrial estates in Karnataka During the Year, 2010-2011,

Map No.5.1 The map no 5.1 clearly shows the distribution of industries in various districts of Karnataka
The two Institutions: KSSIDC and KIADB, played a key-role in equitable distribution and development of small, medium and large scale industrial units that catered to the employment needs of people in all parts of the state of Karnataka and the same has been displayed in the map of Karnataka.

5.8 Part. C Geographical Concentration of FDI in Karnataka

Geographical Distribution of FDI inflows

Balanced geographical distribution of FDI inflows could have been instrumental in achieving sustainable growth. However, there seems to wide concentration of FDI inflows around Mumbai Region 36 percent followed by New Delhi Region 19 percent Karnataka 6 percent, Gujarat 6 percent Tamil Nadu 5 percent and Andhra Pradesh 4 percent, (Diagram 3). It is alarming that these regions receive 77 percent of FDI equity inflow while rest of India accounts for only 23 percent. Lack of proper initiative from the various state governments has responsible for wide disparities of foreign investments.

These states are either known for their strong industrial base (like Gujarat) or as software hubs (like Karnataka and Delhi). This could also be attributed to their better resources, infrastructure like roads and power, investor-friendly policies like single-window clearances and investment promotion schemes like SEZ’s. However, the competition among the states to promote their own state in attracting FDI has led to an increasing trend in FDI in other states. These states are also backward in terms of skilled manpower and infrastructure.

The distribution of FDI within major states is portrayed in Table 1. We focus on large states at a considerably different stage of economic development, proxied by initial
The high concentration of FDI on a few economic centers within the states under consideration is corroborated when looking at the top-3 districts. With a few exceptions, the top-3 districts attracted more than two thirds of the states’ total number of FDI projects in 1993-2005. In Karnataka, the three districts (Bangalore urban and Bangalore rural plus Mysore) accounted for almost all FDI projects, however in recent years since 2005 FDI based Units spread over to major cities like Mangalore and Hubli-Dharwad. And again, Madhya Pradesh is not really an exception: Rather, the concentration on the top-3 districts was particularly pronounced in this state when taking into account that more than half of all FDI projects went to districts with a combined population of less than three percent of the state’s total population.

The distribution of FDI within major states is portrayed in Table 5.6. We focus on large states at a considerably different stage of economic development, proxied by initial per-capita income in 1993. The concentration on the single most important district as well as the top-3 districts is based on the number of FDI projects located in these districts. In four out of the eleven states listed in Table 5.4, the most important district
accounted for more than 60 percent of all FDI projects the respective state attracted in 1993-2005.

Table: 5.6

<table>
<thead>
<tr>
<th>States</th>
<th>Top district</th>
<th>Top-3 districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra (12200)</td>
<td>60.1 (3.4)</td>
<td>85.9 (19.3)</td>
</tr>
<tr>
<td>Gujarat (9800)</td>
<td>32.4 (11.5)</td>
<td>65.7 (21.4)</td>
</tr>
<tr>
<td>Tamil Nadu (9000)</td>
<td>63.8 (7.0)</td>
<td>86.7 (18.4)</td>
</tr>
<tr>
<td>Kerala (8000)</td>
<td>44.3 (1.9)</td>
<td>78.0 (5.4)</td>
</tr>
<tr>
<td>Karnataka (7800)</td>
<td>89.3 (12.4)</td>
<td>97.6 (20.9)</td>
</tr>
<tr>
<td>Andhra Pradesh (7400)</td>
<td>57.0 (4.9)</td>
<td>76.2 (13.0)</td>
</tr>
<tr>
<td>West Bengal (6800)</td>
<td>70.2 (5.7)</td>
<td>82.1 (26.3)</td>
</tr>
<tr>
<td>Madhya Pradesh (6600)</td>
<td>22.9 (1.0)</td>
<td>50.9 (2.8)</td>
</tr>
<tr>
<td>Rajasthan (6200)</td>
<td>31.6 (3.2)</td>
<td>68.4 (6.3)</td>
</tr>
<tr>
<td>Uttar Pradesh (5100)</td>
<td>30.7 (2.0)</td>
<td>68.5 (4.5)</td>
</tr>
<tr>
<td>Bihar (3000)</td>
<td>52.4 (2.4)</td>
<td>83.3 (10.9)</td>
</tr>
</tbody>
</table>

Notes: a Total number of projects in the particular state excludes projects for which the location at the district level is not disclosed. The share of undisclosed projects ranges from 2.8 percent (Karnataka) to 14.3 percent (Bihar). b States ranked according to per-capita income in 1993 (as given in parentheses). c In parenthesis is a percent of the state's population in 2001.

Sources: Unpublished database on approvals, Central Statistical Organisation (var. iss.).

Most notably, almost 90 percent of FDI projects in Karnataka went to Bangalore - followed by Kolkata in West Bengal, Chennai in Tamil Nadu, and Mumbai in Maharashtra.
Map 5.2

The concentration of FDI Plants in India/State wise

The concentration of FDI projects in a few states has been shown in the map. The states like Karnataka, Tamil Nadu, Maharastra and New Delhi attracting around 200 percent of all India averaged FDI investments into these states, while states like Gujarat, Andhra Pradesh and Himachal Pradesh are in second position by absorbing around 100 percent of total FDI projects in the country and remaining states are able to get only around 50 percent of total FDI projects into these states. It is clear that the FDI projects are unevenly distributed in these states which leads to rise in the disparities in terms of investment and employment generation activities in the country.

5.8.1 Concentration of FDI in the South and the North Karnataka

As per the record maintained by the Department of Industries, that 90 percent of the FDI Projects have been grounded in three districts: Bangalore urban, Bangalore rural and Mysore in Karnataka. However of late efforts have been initiated to decentralize FDI Projects, Through the creation of infrastructural facilities along with the package of incentives in places like, Mangalore, Hubli-Dharwada and Belgam in the state.
5.8.2 Map 5.3 Spatial Spread of FDI-enabled Manufacturing Plants in India During the period 2000-2009
The map of India shows the locational distribution of FDI Projects at the national level in general and FDI Projects in the South India, of which Karnataka is a part. One may observe that a majority of the FDI Projects have been grounded in and around Bangalore and Mysore.
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