



A STUDY OF STRATEGIC MOVES OF GUJARAT: INDUSTRIAL PARKS, INDUSTRIAL ESTATES AND SEZS

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ABSTRACT:

“Stupid if you are not in Gujarat¹” these words of Ratan Tata to the investors indicates the importance Gujarat has achieved in Industrial progress. Strategies adopted to attract industries and new business by Gujarat is subject for research. one of its strategy related to industrial parks, Industrial Estate and Special Economic Zones(SEZs) is tried to explore in this paper.

In emerging competitive business world, strategy for locational advantages has entered into the new level of business and industrial planning which have brought many interesting perspective and frameworks at the region, industry and firm level. Seeing competitiveness from competence point of view, role of factors, internal as well external to the firms such as firm’s strategy, structures, competencies and capabilities, government assistance and other tangible resources lead to competitive success of a firm. This is acknowledged as Resource Based View towards competitiveness. Location decision of a firm is subject to researches and literature advocates that location can be a contributing factor to the competitiveness of a firm.

The impact of location on the firm performance has been the subject for research and Industrial Parks, Industrial Estates and special economic zones(SEZ), as a specialised location, have provided ease to use business location along with advance infrastructure and other facilities to enhance competitiveness at the regional level.

Industrial Parks, Estates and SEZs have emerged as a popular strategy adopted by various developing regions like as Gujarat to increase their trade competitiveness and to attract various Industries. The ever increasing competition has also put firms on a look out to find new methods and strategies to remain competitive and to survive in these turbulent periods of time.

INTRODUCTION

Economic development, is the enrichment of any region, can be realized through the creation, attraction, expansion, and retention of jobs and income. A community or region can pursue many possibilities when attempting to embolden economic development. Economic development usually means improving or expanding existing business or attracting new business and industry.

Gujarat, at present, is on the cusp of an industrial boom. New projects are being identified; slew of investments of over INR 150,000 across 12 sectors are made by the Gujarat Government over the next few years, aiming at an annual growth of 12-13 per cent by 2015.

There are several factors which attract new business or industry is a popular approach to economic development.

1. New business or industry can provide needed expansion and diversification to a community’s or region’s economic base.
2. Welcoming business and industry, as opposed to assisting existing business development, is an easy concept for community leaders and the general public to understand and support.
3. New business and industry can have a quick, highly visible impact with new jobs, income, families, and potential community leaders.

LITERATURE REVIEW:

Piore and Sabel (1984), Porter(1998), Schmitz (1995) conclude their studies that Govt. support and promotion comes in macro environment perspective and it creates atmosphere to make the firm competitive.

Galbraith and De Noble (1988); Hekman (1992), Schemenner (1979), Blair and Premus (1987), De Noble and Galbraith (1992), Stonebraker and Leong (1994), Blair and Premus (1987), Fulton (1971), De Noble and Galbraith (1992), Schemenner et al. (1987) explained that availability of infrastructure, incentives in the form of

¹ Tata Group chairman Ratan Tata said in his address at the Vibrant Gujarat 2007 Global Investors Summit held on 12th January 2007.

tax rates and attitude of local govt. can be grouped in govt. and institutional support being provided to the firm which wants to locate in the region.

Companies that decide about moving to another place will look for certain factors to compare the alternatives. These include the following: an area's business climate; education and training strengths; labour unionisation; attitudes of local and state governments; available incentives; community attitude; commuting distance; other competitive industries in the area; transportation costs; availability of transportation facilities; labour productivity and attitude toward productivity; cost of labour; availability of skilled and unskilled labour; availability and transfer of qualified technicians and managers; land availability and cost; cost of construction; proximity and access to markets; proximity to roads; availability and cost of utilities; cost of living; tax structures and rates; insurance considerations; financing opportunities; banking services; social and cultural climate; quality of life; local and physical infrastructure; proximity to suppliers/ resources; access to raw materials; CEO ownership preferences; pre-export activity; role of labour law. Some of the literature highlighting the importance of these factors includes Stonebraker and Leong (1994), De Noble and Galbraith (1992) and Hekman (1992).

OBJECTIVE AND HYPOTHESIS:

The main objective of this paper is to analyse the impact of Industrial Estate / Park / SEZ in attracting new industries in Gujarat by the way of providing various facilities to the industrial units.

To achieve this objective it is hypothesized that 'Infrastructure, Government assistance and Services have no significant influences with the type of organisations.'

RESEARCH METHODOLOGY:

Out of 522 small and medium industrial working units in GIDC (Gujarat Industrial Development Corporation) industrial estate/industrial park/SEZs a random sample of 80 industrial units (approximately 15%) is selected and information is collected about various facilities provided to that industrial units in the form of questionnaire. According to the ownership and control of owners over the industrial units it is divided into three categories i.e. Public Limited Companies, Private Limited Companies and Partnership and Proprietary Concerns.

On the other hand information about working women are classified in four categories according to post and nature of their work i.e. Managerial Position, Supervisory position, Skilled Labours and Semi-Skilled Labours.

Women entrepreneurs and owners are covered under Managerial position.

Statistical tools like mean, standard deviation, variance analysis, F-test and ANOVA is applied.

The purpose of Industrial Park is to provide facilities to enable entrepreneurs to purchase the plots. Such facilities include (1) Infrastructure (2) Government assistance and (3) Services.

INFRASTRUCTURE

Infrastructure facility includes (1) Availability of plots (2) Availability of cheap and efficient labour (3) Availability of raw materials (4) Nearness to market (5) Being the native State (6) Nearness to city / town and (7) Proximity friends, relatives and others.

How far infrastructure facilities have influenced the entrepreneurs to set up industrial units? The information collected from the survey is given below:

Table 1. Mean and Standard Deviation for Infrastructure				
S.No.	Variables	N	Mean	S.D.
1	Availability of plots	80	3.94	0.801
2	Availability of cheap and efficient labour	80	3.94	1.043
3	Availability of raw materials	80	3.01	1.196
4	Nearness to market	80	3.11	1.263
5	Being the native State	80	3.46	1.403
6	Nearness to city / town	80	3.57	1.016
7	Proximity to friends, relatives and others	80	3.19	1.11

From the Table 1, it has been observed that the highest mean value of 3.94 was obtained for the item "Availability of plots with all facilities". The lowest mean value of 3.01 was found in the item "Availability of raw materials". The obtained mean values indicate that all other items are mostly agreed factors for setting up of industrial units in Gujarat.

This clearly indicates that ready availability of plots with all facilities and labour have significantly influenced the entrepreneurs followed by "nearness to market and cities". Availability of raw materials exerts only lesser influence as they can be easily and cheaply transported from the place of availability.

GOVERNMENT ASSISTANCE

Government assistance includes attractive incentives, proactive policies favourable for starting industries and availability of power. Data related into exertion of these factors in influencing the entrepreneurs are tabulated in Table 2.

S. No.	Variables	N	Mean	S.D.
1	Attractive Incentives of the Government	80	3.35	1.045
2	Proactive policies of the Government	80	3.04	0.92
3	Availability of power	80	3.91	0.732
4	Indian Investment Centre / Agencies of the Government of India	80	2.74	1.111

It is significant note that the mean value of 3.91 is the highest for the item availability of power, closely followed by attractive Government incentives and proactive policies of the Government. This indicates the real fact that in the choice of plots by the entrepreneurs, availability of power and Government incentives and proactive policies of the Government exert greater influence. Agencies of Government of India have obtained only the lowest mean value.

SERVICES

Services include campaigns of GIDC, Press reports and advertisements, quick statutory and good industrial relations. Details of the influence of these factors are furnished in Table 3.

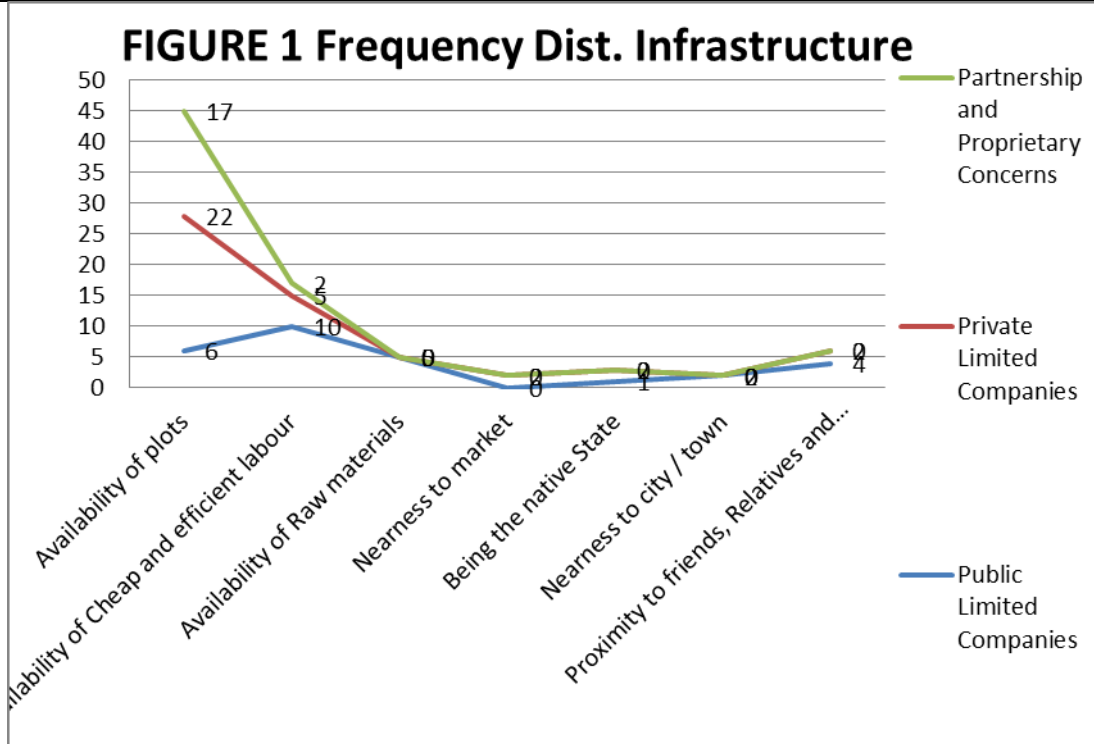
S. No.	Variables	N	Mean	S.D.
1	Good industrial relations	80	3.61	0.921
2	Quick statutory clearances	80	3.04	1.073
3	Promotional campaigns of GIDC and Government of Gujarat	80	3.79	0.896
4	Press reports and Advertisement	80	3.26	1.099

The above Table indicates that the campaign of GIDC has the highest mean value of 3.79. Atmosphere of good industrial relations comes second closely followed by press reports and advertisements. This signifies the importance of GIDC campaigns and good industrial relations in the choice of plots.

The type of organisation is a factor in the choice of plots. The degree of influence of the type of organisation on the choice of the facilities provided by the industrial plots may give further insight in the selection.

(Factor -1: Infrastructure)					
S. No.	Description	Types of Organisations			Total
		Public Limited Companies	Private Limited Companies	Partnership and Proprietary Concerns	
1	Availability of plots	6	22	17	45
2	Availability of Cheap and efficient labour	10	5	2	17
3	Availability of Raw materials	5	-	-	5
4	Nearness to market	-	2	-	2
5	Being the native State	1	2	-	3
6	Nearness to city / town	2	-	-	2
7	Proximity to friends, Relatives and others	4	2	-	6

Total	28	33	19	80
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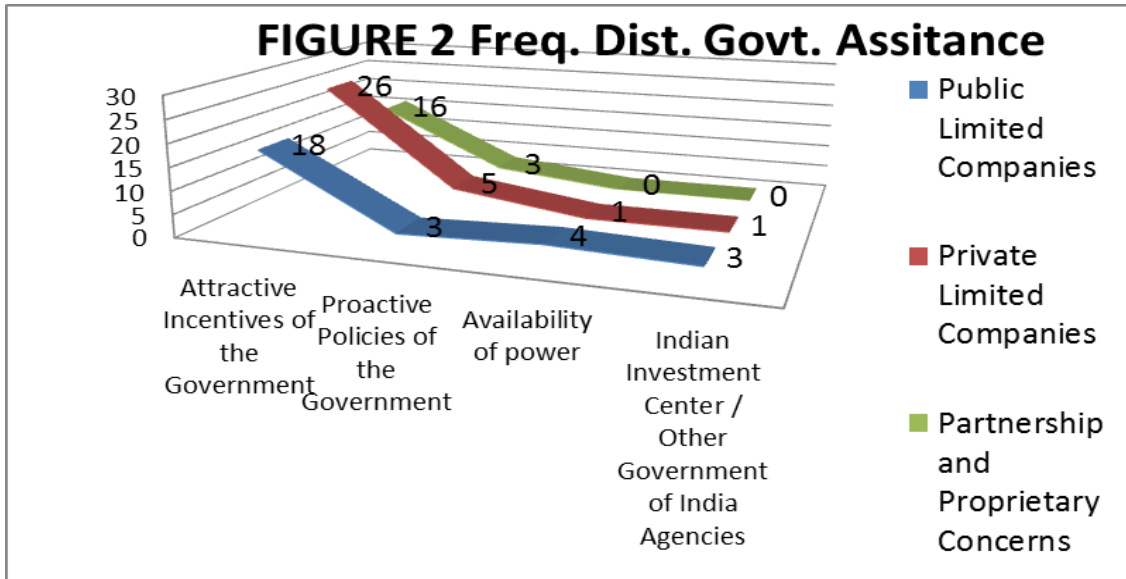


The Table 4 and figure 1 exhibits the frequency distribution for the three types of organisations. It is observed that out of 45 units, 22 private limited companies have given first priority of selection as "Availability of plots". Ten public limited companies have stated that "Availability of cheap and efficient labour" as one of the important selection criteria of the plots.

Five public limited companies have mentioned that the "Availability of raw materials" as also the motivators for locating their units in Industrial Parks.

It is observed that out of 6 respondents 4 units belonging to the public limited companies and two units belonging to the category of private limited companies have stated "Friends, relatives and others" are reasons for setting up of industrial units in Gujarat.

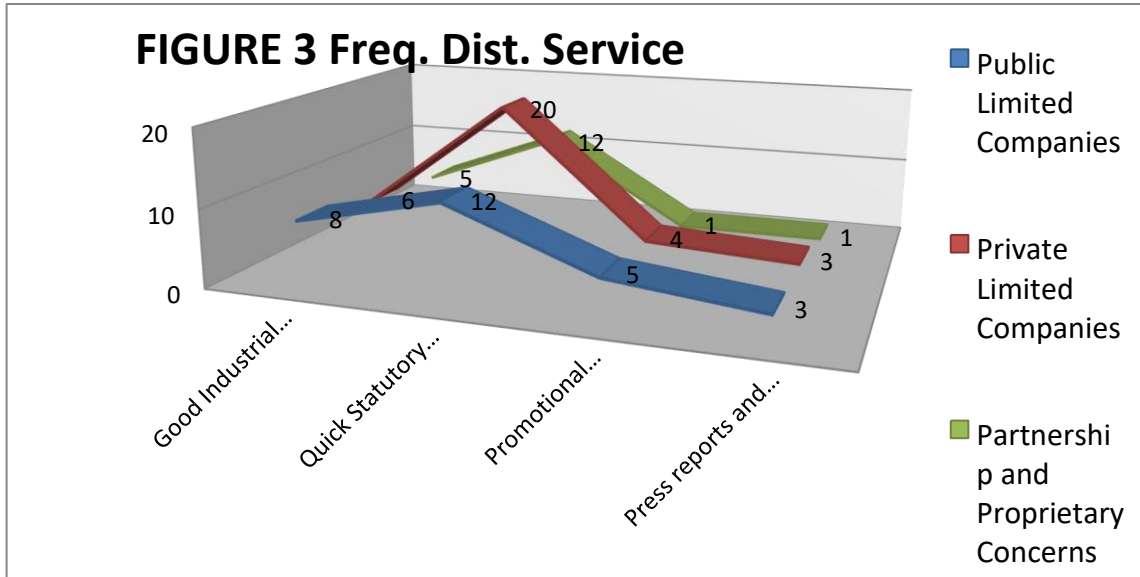
S. No.	Description	Types of Organisations			Total
		Public Limited Companies	Private Limited Companies	Partnership and Proprietary Concerns	
1	Attractive Incentives of the Government	18	26	16	60
2	Proactive Policies of the Government	3	5	3	11
3	Availability of power	4	1	0	5
4	Indian Investment Center / Other Government of India Agencies	3	1	-	4
Total		28	33	19	80



From Table 5 and figure 2, it is observed that out of 60 industrial units, 26 private limited companies, 18 public limited companies and 16 partnership and proprietary concerns have stated that they are motivated by the "Attractive Incentives of the Government". Out of 11 units, 5 of the private limited companies, 3 public limited companies and 3 partnership and proprietary concerns have resorted the Industrial Parks because of "Proactive policies of the Government". It is inferred that out of 5 industrial units, 4 public limited companies mentioned "Availability of power" as the selection factor. The degree of the influence of the types of organisations on Services in the selection of plots is attempted at Table 6.

Table 6. The frequency distribution of the three types of organisations (Factor-III: Services)

s. No.	Description	Types of Organisations			Total
		Public Limited Companies	Private Limited Companies	Partners hip and Proprieta ry Concerns	
1	Good Industrial relations	8	6	5	19
2	Quick clearances Statutory	12	20	12	44
3	Promotional campaigns of GIDC	5	4	1	10
4	Press reports and Advertisements	3	3	1	7
	Total	28	33	19	30



The Table 6 and figure 3 shows that out of 19 units, 8 public limited companies, 6 private limited companies and 5 partnership and proprietary concerns have located their units in Industrial Parks in Gujarat because of "Good industrial relations". Out of 44 units, 20 industrial units belong to the category of private limited companies 12 public limited companies and 12 partnership and proprietary concerns were attracted to set up industrial units in Industrial Parks due to "Quick statutory clearance". 5 public limited companies, 4 private limited companies and the balance of one unit of partnership and proprietary concerns have set up industrial units because of "Promotional campaigns of GIDC".

Details of degree of variation for each category is furnished below:

Table 7. The Analysis of Variance for the Types of Organisations and Factors

s.No.	Factors	Source of variation	Sum of Squares	df	Mean Square	F
1	Infrastructure	Between Groups	4.427	2	2.214	0.372 (N.S.)
		Within Groups	458.46	77	5.954	
		Total	462.888	79		
2	Government Assistance	Between Groups	22.085	2	11.042	2.045 (N.S.)
		Within Groups	415.715	77	5.399	
		Total	437.8	79		
3	Services	Between Groups	65.638	2	32.819	1.613 (N.S.)
		Within Groups	1566.716	77	20.347	
		Total	1632.354	79		

N.S. - Not Significant

The Table 7 shows that the F-value of 0.372 is insignificant for the factor "Infrastructure". It indicates that there is no significant difference among the three types of organisation namely public, private limited companies and partnership and proprietary concerns.



The Table shows the F-value of 2.045 is insignificant for the factor "Government Assistance". It indicates that there is no significant difference among the three types of organisations.

The F-value of 1.613 is insignificant for the factors "Services". It indicates that there is no significant difference among the three types of organisations.

CONCLUSION

Thus, the hypothesis that Infrastructure, Government assistance and Services have significant influence with the type of organisation is not accepted as the type of organisation does not exert major influence.

Gujarat Government has been spending millions of rupees for attracting and establishing industries at Gujarat and had already organized 5 Global Investment Summits at Gujarat with luxurious facilities at very high cost doesn't seem to be fruitful in the lights of the data available.

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