

## West Bengal

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### Investment Destination

The word investment has a very broad concept which includes all the factors affecting business decision relating to profitability, where to locate the plants, how much to produce, what to produce, for whom to produce etc

A good investment destination provides opportunities and motivation for the potential investing firms to invest productively and creates job opportunities, which ensure a sustained growth, favorable economic condition poverty reduction & other relevant economic benefits both to the business & to the respective country's economy.

#### **FACTOR WHICH INFLUENCE DECISION MAKING:**

- Availability of the factors of production for instance, land, labour capital etc.
- Availability of adequate physical & social infrastructure such as power, tele-communication, urban infrastructure, water supply, medical facilities and education facilities etc.
- Proper governance & regulatory framework in terms of rules & regulation relating to entry of firms, operations & exit of firms, integrity of public services, law and order and investment facilitation.
- Government support & access to credit facilities.

West Bengal is located in the eastern part of India & is one of the most diverse States in terms of culture & civilization. It is one of the 13<sup>th</sup> largest state in terms of area & the 4<sup>th</sup> most popular State in the country. West Bengal is surrounded by Bhutan & Sikkim in the north, Bangladesh & Assam in the east, Bay of Bengal in the south, Orissa in the southwest & by Nepal & Bihar in the west. Kolkata is one of the largest city in India & is the capital.

Kolkata's GDP was USD 94 billion in 2005 & by 2009 it moved to USD 162 billion. The State is leading in the production of various goods. Its agriculture products rank third in the country. The State's economy is an agrarian one and so it offers great opportunities for improvement of agriculture business. The State is blessed with fertile soil, five agro-climatic zones along with land reform policies.

It is the largest producer of vegetables and fruits in the country. West Bengal is also the leading exporter of finished leather products. It is estimated that 70% of the country's leather products are exported from the State.

Jute textile manufacturing is another important industry & it is the second largest State in India after Maharashtra in paper production.

At present the industrial atmosphere in West Bengal is highly advantageous for new investments. The State's infrastructure are now being given its due shape in order to meet the requirement & expectation of the investors. There are certain locations i.e. the Growth Centres, which have been identified for setting up

industrial units wherein all infrastructures like water, power, human resource, telecommunication, transport, lands etc are made available for the development of relevant industry. Now this Growth Centre has been planned in such a manner that there is availability of skilled as well as unskilled human.

The government is also promoting infrastructure by setting up industrial parks, special economic zones (SEZ) and agri-economic zones (AEZ). The government has also formed various land reforms & has formulated a comprehensive rehabilitation package for those land which will be acquired for setting up of industries.

The Industrial Policy welcomes foreign technology and investment & private sector investment in power generation improvement & enhancement of industrial infrastructure.

The areas for special attention are petrochemicals, electronics, information technology, iron and steel industry, textile, leather and leather products, food processing, medical plants, edible oils, vegetable processing, aquaculture, rubber and tea.

The government is aware that improvement of both physical and social infrastructure are very much vital and critical in the process of industrial development of the State and in order to achieve the objective the government has put in place a Public Private Partnership (PPP) policy for the improvement of physical and social infrastructure.

The West Bengal Industrial Development Corporation (WBIDC) is the leading State government agency who is responsible for promotion of industrial and infrastructure investments. The same assists in the implementation of projects through its single window facility called 'State Investment Facilitation Centre' (SIFC). The State has adopted the "Look East Policy" to attract Foreign Direct Investment in some areas, which are conducive to industrial growth. Owing to strong industrial base, geographical location, skilled educated workforce, rapidly developing infrastructure, developed telecommunication facilities, increasing purchasing power of the people and availability of power at competitive rates the State is now moving towards faster development.

## **WEST BENGAL – ECONOMIC INDICATORS**

Capital	Kolkata
Land and Climate	
Area (sq km)	88,752
Climate	Summer Season
	Rainy Season
	Winter Season

Rainfall (in centimeters)	175
Number of Districts	19
Number of Towns (as per 2001 Census)	375
Number of inhabited villages (as per 2001 Census)	40782
<b>PEOPLE</b>	
Main Religion	Hinduism
State Language	Bengali
Share of Urban Population	28.03%
State's share in India's population	7.79%
Population (in million) (2001 Census)	80.22
Growth in Population between 1991 and 2001	17.84%
Population Density (per sq km)	904
Sex Ratio (females per 1000 males)	934
Literacy Rate	69.22
Birth Rate in 2003 (per thousand persons)	20.6
Death Rate in 2003 (per thousand persons)	7
Infant Mortality Rate (per thousand live births)	49
Human Development Index	Human Development Index All India Ranked Eighth.
(Source: UNDP Human Development Report 2004)	

## INDUSTRY

Industries which have business potential are as follows:

Petrochemicals, Iron and steel, Food Processing, Tea, Engineering, Automotive, Chemicals, Pharmaceuticals, Metals, Ceramics, Textiles, Paper, Glass, Leather, Information Technology and Tourism.

## ECONOMIC OVERVIEW OF THE STATE

West Bengal extends one of the largest consumer markets in the country. With a gross state domestic product of \$ 162 billion in 2009. It is the third largest state economy in India, after Maharashtra and Uttar Pradesh. It is the 13th largest state in terms of area and the fourth most populous. The State has around 83 million inhabitants with a vast majority depending on agriculture for their livelihood. The State's agricultural output ranks third in India. Being an agrarian state, it offers tremendous potential for agri-business, given its natural gift of fertile soil and five agro-climatic zones, together with aggressive land reform programmes. It is the largest producer of fruits and vegetables in the country.

The State has actively adopted various reforms and was the first in India to formulate an act on special economic zone (SEZ). Timely & adequate investments in the power sector in the past have ensured that it has surplus electricity generation capacity. The State is in a position to provide high quality power at competitive rates. Availability of mineral resources and port facilities, a large talent pool of human

resource and low cost of operations are some of the other advantages that the State has to offer to its potential investors.

West Bengal is a leading exporter of finished goods and around 70 per cent of the country's leather goods are exported from here.

## **WEST BENGAL 'S ECONOMIC PERFORMANCE**

The gross state domestic product (GSDP) of West Bengal stood at \$ 162 billion in 2009 with an impressive compound annual growth rate (CAGR). This growth has been driven mainly by the tertiary sector (which includes trade, hotels and restaurants, transport, storage and communication, financial services, real estate and related services, public administration and other services), followed by the secondary sector (which includes manufacturing, construction and electricity, gas and water supply). The contribution of the primary sector (which includes agriculture and livestock, forestry and logging, fishing, mining and quarrying) has been marginal.

The structural composition of the state's economy has observed a revolution over the years. The contribution of the primary sector has declined from 30.9 per cent in 2000-01 to 25.2 percent in 2004-05. Within the primary sector, agriculture continues to be a major contributor with 79 per cent share, followed by fishing with 14 per cent.

The secondary sector's share in GSDP has increased marginally from 19.6 per cent in 2000-01 to 20.5 percent in 2004-05. The CAGR of 11.55 per cent between 2000-01 and 2004-05 is, however, impressive and has been driven mostly by the manufacturing sector and construction activities, the latter having grown at a CAGR of 18.02 per cent in this period.

The growth in the tertiary sector has been the highest – a CAGR of nearly 13 per cent between 2000-01 and 2004-05. The sector accounted for 54.2 per cent share in GSDP in 2004-05, up from 49.5 per cent in 2000-01. Its growth has been driven by increased activity in sub-sectors like hotels and restaurants, financial services and real estate activities.

## **PEOPLE – ECONOMIC PROSPERITY**

The per capita income of people in West Bengal has shown improvement in the last few years. Having grown from \$318 in 1999-2000 to \$561 in 2005-06, it is slightly lower than the all-India per capita income of \$573.

The proportion of population below poverty line in West Bengal has come down from 27.02 per cent in 1999-2000 to 20.5 percent in 2004-05, though still higher as compared to the all-India percentage of 19.34 per cent.

The annual income of households is also an important indicator of the economic prosperity of the people.

A comparison of distribution of households by various income categories in West Bengal in comparison with the all-India figures shows that the share of households in West Bengal in the highest income

category of \$6,667 and above is more in urban areas, with 33.7 per cent of urban households, as compared to only 14.6 per cent for all-India.

However the situation is the reverse in rural areas, where 69 per cent of West Bengal's households figure in the lowest income category, as compared to only 46.2 of all-India rural households.

In the highest income category, only 1.8 per cent of West Bengal's rural households are present.

This is an indicator of the disparity in incomes in urban and rural areas.

Another factor that points towards the economic well being of the people is the ownership of physical assets like vehicles and consumer electronics. Assets like four-wheelers, two-wheelers and television are indicators of the consumer aspirations. A comparison of asset ownership by households indicates a lower ownership of these assets in West Bengal in comparison with all-India as the purchasing power of people is not as high as in other developed states. As income of people rises, there is significant growth potential in these product segments.

## **INDUSTRIAL PERFORMANCE IN WEST BENGAL**

West Bengal is amongst the leading industrialized states. India's Fifth Economic Census Report, published in May 2006, ranks West Bengal in the top five states in India in terms of number of industrial units.

There are over 10,000 registered factories in the state and the government has opened 'Shilpa Bandhu', (Industrial Friendly) a single window agency for providing investors with all kinds of assistance in setting up industrial units within the State.

By the end of calendar year 2005, a total of 1,218 large and medium industrial units with a realized investment of \$649 million were present in the State. A year later, i.e. 2006, the number grew to 1,391 units, with a total realized investment of \$718 million.

## **INDUSTRIAL CENTRE IN WEST BENGAL**

The main industrial Centres in West Bengal are Kolkata, Salt Lake, Haldia, Asansol-Durgapur and Kharagpur.

The districts of 24 Parganas (South and North combined) have attracted the highest number of units (6,277) in the state, generating employment of around 0.4 million, followed by Howrah with 2,774 units. A district-wise breakup of industrial units in the State is as follows:

### **District wise share of registered factories in West Bengal and number of workers employed therein (2005)**

<b>District</b>	<b>Units (%)</b>	<b>Average Daily Employment (%)</b>
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24-Parganas		
(South & North Combined)	46.62%	45.04%
Howrah	20.60%	17.47%
Kolkata	7.14%	2.15%
Bardhaman	6.65%	10.57%
Hooghly	4.50%	10.89%
Jalpaiguri	3.74%	3.15%
Midnapore	2.32%	3.89%
Darjeeling	2.15%	1.53%
Bankura	1.37%	0.78%
Nadia	1.36%	1.61%
Birbhum	1.20%	0.70%
Others	2.40%	2.20%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

District-wise number of registered factories in West Bengal and number of workers - 2005

Source: Economic Survey of West Bengal (2005-06)

Kolkata, the state capital, is a most important hub for manufacturing industries like jute, steel, leather and textiles as well as services like IT, real estate, financial consultancies and travel and tourism. Several renowned companies like Bata India, Berger Paints, Birla Corporation, Coal India, ITC and Orient Fans have their headquarters located in West Bengal.

It is well connected to other parts of the country & other international destinations by road, rail and has an international airport.

Haldia, a port city, has several large national and international concerns such as the Indian Oil Corporation, Haldia Petrochemicals Ltd, Mitsubishi Chemical Corporation, Hindustan Fertilizer Corporation Ltd, Tata Chemicals and Exide Industries.

Its existing industrial base, social infrastructure and favorable transport connectivity make it an investor's preference & choice for further investment & growth of industries.

A mega petrochemical industrial estate, spread over 10,000 acres, is coming up in Haldia, which will add a new dimension to oil industries.

Another mega project in Haldia is the Purified Terephthalic Acid (PTA) project being implemented by Mitsubishi Chemical Corporation of Japan at an estimated cost of \$400 million. The region, with its existing and proposed manufacturing base and oil refineries, is ideally suited for petrochemical products, fertilizers, oil refineries, heavy chemicals, ship building and breaking and light and heavy engineering industries.

The Asansol-Durgapur Planning Area is located in the western part of Bardhaman district. It spreads across an area of 1,616 sq km and abounds in mining resources. The region is fairly strong in the fields of

metalwork, mining, iron and steel, engineering, petrochemicals, agro-based and forest industries as well as services like IT, logistics, retail, education, tourism and telecommunications.

Large companies such as Stollberg India Ltd and Supreme Industries already have their units in this region. Under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the Asansol urban area has proposed infrastructure investments totaling \$331 million, including basic facilities such as provision of water supply, sewerage and drainage, which is expected to substantially upgrade and modernize the operating environment and facilitate further industrial development.

Kharagpur, a prime railway junction in West Bengal and situated about 120 km from Kolkata on National Highway - 6 is home to a large number of engineering industries such as Tata Metallic and Flender McNeil.

A Biotech Park on 300 acres of land is proposed in Kharagpur, with the assistance of the Indian Institute of Technology, Kharagpur.

Other projects such as the proposed Iron and Steel Parks at Kharagpur and Guptamani as well as the auto components and IT special economic zone (SEZ) will add significantly to the industrial prominence of this region.

## **INVESTMENT IN WEST BENGAL**

According to estimate figure by the Centre for Monitoring Indian Economy (CMIE), as of quarter-ended March 2007, the outstanding investments in the state was \$50 billion, which is increment by 133.66 per cent over the same quarter in 2006. The reason for such an increment is owing to an exceptional 608 per cent rise in investment in the construction sector, along with positive investment growth in manufacturing and electricity. The manufacturing sector has seen investments of \$20.37 billion coming to sectors like textiles, paper, paper products and pulp and chemicals.

Investments in Information Technology (IT) and Information Technology Enabled Services (ITES) have also been significant growth.

During the quarter ended January 2007, 122 new projects were announced in the state. Haldia Multi Product SEZ entailing an investment of \$1.56 billion was the major project in terms of cost. The other major projects were the \$2 billion Salanpur Greenfield Steel Project by Bhushan Steel and Haldia Petrochemicals' second plant project worth \$1 billion.

Ambuja Realty Development also announced plans to invest \$222 million to set up Neotia Elbit Health city Hospital Project at Chakgheria on the outskirts of Kolkata.

## **MAJOR INVESTMENT PROJECTS IN WEST BENGAL**

<b>Name</b>	<b>Capacity</b>	<b>Unit</b>	<b>Cost (USD Million)</b>	<b>Status</b>	<b>Location</b>
Sonar Bangla Cement Project	1.5	million	111	Announcement	Sagardighi

		tonnes			
Mejia Cement Project	3.5	lakh Tonnes	111	Announcement	Mejia
Cotton Yarn Project	500	tonnes/day	9	Announcement	North 24 Paraganas
Haldia Slag Cement Project	1	million tonnes	44	Announcement	Haldia
Slag Cement Project	3	thousand tonnes	3	Under Implementation	Dhasi
Kolaghat Cement Project	2.11	million tonnes	26	Proposed	Kolaghat
Farakka Cement Project	10	lakh Tonnes	26	Under Implementation	Farakka
Siliguri Tea Project	5	Lakh Kgs	1		Siliguri
Darjeeling Tea Project	7	Lakh Kgs		Announcement	Darjeeling
<b>Total Investment</b>			<b>331</b>		

Source: Monthly Review of States of India, Centre for Monitoring Indian Economy

## DISTRICT KEY INDUSTRIES

District	Key industries
Bardhaman	Iron & steel industries, Fertilizers Industries, Mining Industries, Equipment Manufacturing, Cement Industry, Rice and Oil seed Mills, cutlery etc
North 24 Parganas	Printing, Book Binding, Cement Manufacturing, Oil Seed Milling, General Electrical Works etc.
South 24 Parganas	Cement Industry, Agro-Industry, Chemical Industry, Equipment Manufacturing Industry, FMCG Industry etc.
Hooghly	Rice Mills, Rubber Factories, Chemical Factories etc
Howrah	Foundry, Re-Rolling Mills, Basic Metal & Metal Products, Electrical & Electronic, Transport Equipments & Spares, Rubber Moulded Goods, Manufacturing Industry etc.
Darjeeling	Tea industries and Tourism Industry
Bankura	Food and Food-Processing Industries, Textile Product, Ply-Wood Industry and Veneer Mills, Paper Industry, Particle Board etc.
Nadia	Food and Fruit Processing, Jute Diversified, Pipes & Tubes, Electronic and computer peripherals etc.
North Dinajpur	Agriculture and Allied Industries, Food Products, Hosiery and Garments,



	Chemical Industry, Engineering and Fabrication etc
Purulia	Spong Iron Industry and Non-Metallic Mineral Product Industry etc
Cooch Bihar	Fertilizer Industries, Jute Twine and Weaving Industry, Electrical Casing Industry, Mustard Oil Mill and Fruit processing etc.
South Dinajpur	Agro Food-Based Industry, Mineral and Forest-Based Industry, Chemical Based Industry, Handicrafts, Engineering, Automobiles Servicing etc.

Source: District Website

West Bengal is one of the leading foreign exchange earning State with exports of items like tea, rice, floriculture products, processed foods, jute products, silk yarn and fabrics, readymade garments, silk, carpet, leather and leather products, rubber manufactured products, paints, varnishes and enamels, drugs and pharmaceuticals, agro-chemicals, gems and Jewellery, iron and steel, machinery, transport equipment, computer software and sports goods.

## LABOUR FORCE

During the period 1991-2006, about 180,000 direct jobs were created in the organized industries, out of which 23,918 were in 2006. Roughly 2.1 million people are employed in small-scale Industrial (SSI) units. The sericulture or silk farming, i.e (the rearing of silkworms for the production of raw silk) sector employs around 300,000 people.

According to the National Sample Survey (NSS) 59th Round (2003), employment generation in the State between 1999 and 2003 exceed growth in the labour force, thus easing out the unemployment situation in both urban and rural West Bengal.

For example, the rural labour force grew at a compound annual growth rate (CAGR) of 2.28 per cent between 1999 and 2003, while employment during the same period grew at 2.52 per cent. Similarly, the urban labour force grew at 1.78 per cent, while urban employment opportunities during the same period grew at 2.52 per cent.

Manufacturing employment in the private organized sector declined over the period 1990 to 2005 as competitive pressures in the liberalized period which resulted to either shut down a large number of labour intensive units or forced the old existing manufacturing units to cut or reduce their cost of production by dropping their labour force.

On the other hand, new units coming up are capital intensive with low employment potential or opportunity. This has adversely affected industrial employment. Employment in the tertiary sector (in shops, commercial establishments, cinemas and theatres) is significant and has been rising.

The number of people registering themselves in the Employment Exchanges declined to 339,000 in 2004 from 386,000 in 2003.