

# Karnataka strengthens investment climate

The state is aiming at an industrial growth rate of 12% per annum with an investment of over Rs 5 L crore, which would help create more than 1.5 m jobs

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**K**arnataka is hosting the Make in Karnataka Conference from February 13-14, as a part of the overall 'Make in India' initiative. The first state to pioneer special investor forums as far back as 2000, it has taken a lead role in attracting investments.

Karnataka enjoys multiple advantages in the manufacturing domain of the country. Benefiting from rich human resource talent and a higher education system of top-class universities and research institutions, as well as a literate and skilled workforce, Karnataka offers the entire ecosystem for facilitating traditional and advanced manufacturing investments. The hi-tech industry evolving under the rubric of Industry 4.0 is finding fertile soil in the state, and it is rapidly transforming into a vibrant hub for sectors such as robotics, chip fabrication, 3-D printing, nano technology, and so on.

At the same time, the state has emerged as a preferred location for global firms, with many of the Fortune 500 companies having set up centres for R&D, design, development and other knowledge intensive functions. The Karnataka IT industry is a global player, and accounts for a large proportion of India's iconic software exports. The state is also increasingly gaining renown as the startup capital of the country, converging early-stage investments with a tech-based entrepreneurship culture. Today, Bengaluru is well-known as the Silicon Valley of the East and has received the highest venture capital funding in the country.

The state has many achievements to its credit. It is a highly globalised economy, with an export to State GDP ratio of 47%, much higher than the national average. It is also one of the top five recipients of foreign direct investments (FDI) among Indian states, attracting over \$12 billion of cumulative FDI since 2009.

The Karnataka government has made commendable efforts over the years to strengthen the investment climate of the state and attract investors in new areas of opportunity. It has come out with clear and well-defined policies in many sectors that add comfort to investor decisions. The Karnataka Industrial Policy was brought out in 2014, to be effective for five years up to 2019, and aims at an industrial growth rate of 12% per annum, with an investment of over Rs 5 lakh crore, which would help create more than 1.5 million jobs, particularly in the manufacturing sector.

The policies for special economic zones, minerals, agriculture and agri-business, and other sectors are progressive and target an environment free of 'red-tape'. Interestingly, the state is one of the first to draft policies for aerospace manufacturing, biotechnology, animation, gaming and comics.

Among Indian states, it ranks top as an aerospace hub, biotech destination and software exporter. Taken in conjunction with the announced policies for startups, infrastructure development, and services sectors such as tourism, a strong founda-



tion is outlined for 'Make in India'.

Over the years, Indian industry has led the strong emergence of the state in sectors that push the knowledge envelope, such as aerospace, biotechnology, innovation and design, and so on. The proactive and strategic approach of the state government, which guides and assists prospective investors, provides a facilitative environment for doing business.

The 'Make in India' campaign of the central government offers a fresh impetus to the state's developmental endeavour.

## Boosting jobs

The outcomes of this innovative and comprehensive campaign are notable. FDI in manufacturing has surged by 82% in April-November 2016-17 to cross \$16 billion. The ease of doing business effort has led to as many as 12 states complying with over 90% of 340 parameters developed by Department of Industrial Policy and Promotion (DIPP). Electronics production has gained pace with 200 million mobile phones to be manufactured in 2017-18.

The policy for textiles, made-ups and apparel has brought relief to industry, while developing new strategies for boosting employment. About Rs 72,000 crore worth of defence deals have been signed with local vendors. Some 2.5 million youth have been trained, and 1.2 million have been placed.

Further, the government has continued to work on reform measures, and has implemented a range of policy changes to drive this growth.

The recent Budget abolished the Foreign Investment Promotion Board (FIPB), extended the textile policy to leather, reduced the corporate tax rate for smaller companies, and greatly expanded spending on infrastructure. Key plans have been

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drawn up for railways, aviation, port-led growth, renewable energy, low-cost housing, and other sectors that will impart further momentum to the manufacturing sector. Specific manufacturing sectors are being accorded special policy attention for global leadership.

Within this environment, Karnataka's success can be driven to new heights in the manufacturing sector. The state is focusing on building connectivity, particularly to ports and through industrial corridors. While road construction has been rapid, Karnataka can integrate the network with other states for quick evacuation of export products.

The MSME sector needs special attention, particularly to build competitiveness in cluster sectors.

The state's startup policy is encouraging new entrepreneurs to come forward, and this will be further taken forward in other parts of the state. A key factor for investors is finance facilitation and a Finance Facilitation Centre, particularly for MSME, would go a long way to encourage businesses to develop.

Karnataka's participation in the 'Make in India Week' in February 2016 at Mumbai drew strong interest from the large number of delegates and foreign investors present. Since then, the state government under the leadership of Chief Minister Siddharamaiah has tirelessly engaged on promotional activities and policies for the summit.

The Confederation of Indian Industry (CII) has partnered with the state government in the Invest Karnataka conference for the fifth time, and has been engaged in the investment endeavour in the state since the investor summit in 2000.

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