

Role of Infrastructure in the Industrial Development of Karnataka: A District Level Analysis

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Industrial development of a region is guided by various factors of which infrastructure facilities play a key role, of a catalytic nature, in the industrial development and performance of a region. The high positive correlation observed in the case of Karnataka between the infrastructure and industrial development highlights the need for the availability of adequate infrastructure facilities in promoting industry. Concentration of industrial development in four districts - Bangalore, Dakshina Kannada, Belgaum and Mysore, in terms of the value added, despite the continued measures of government to disperse industrial development across all districts also speaks of the importance of infrastructure facilities. In our discussion with some entrepreneurs and industry associations, it was made clear that the so called tax holidays, incentives to disperse industry to backward areas etc., are not considered seriously while investment proposals are made. On the other hand, it is the infrastructure, especially the power supply which is given considerable importance and the reasons they cite for the deceleration of industrial growth in Karnataka is the power crisis. These aspects attain special importance in the context of 'New Industrial Policy', wherein the industry in the liberalised regime has to sustain global competition. Hence, the focus has to be more on enhancing the efficiency of the industry by giving adequate infrastructure support rather than spread industry to all nooks and corners of the state. Alternatively, the focus could be on gearing certain clusters with good industrial potential to prospective industrial growth centres by providing them with the necessary infrastructure.

I Introduction

Industrial development of a region is guided by various factors of which Infrastructure facilities play a key role, of a catalytic nature, in the industrial development and performance of a region. Important among these are the railway and road network, posts and telecommunication facilities and power. These services are in the nature of utilities and are characterised by huge initial investment with a long gestation period. Due to these characteristics, in most of the countries respective governments have taken primarily the initiative and shouldered the responsibility and burden of providing these services until the recent past. Indian experience is no different from this general picture. Also the concern to reduce regional imbalances has reflected in increased efforts by both the Central Government and the respective State Governments to extend infrastructure facilities to comparatively less developed regions. However, the recent reforms that have been initiated by various countries and India in particular have been making efforts to attract private sector investment into these areas, these are yet to take a concrete shape.

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