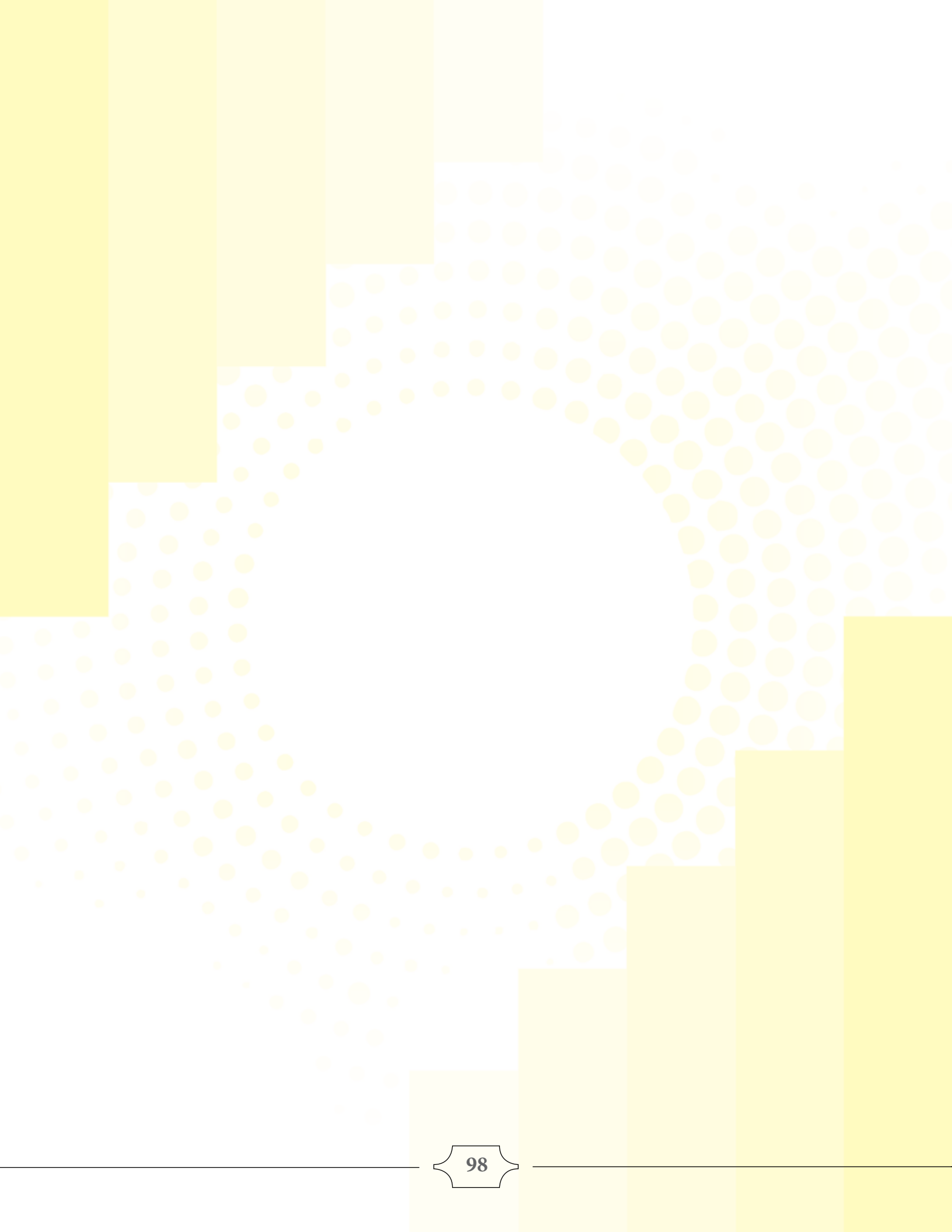


Chapter - 6

**Trade, Investment and
Connectivity**



Chapter 6

Trade, Investment and Connectivity

To encourage international trade and increase Foreign Direct Investment (FDI) in the State, government has implemented number of policy initiatives. With a focus on industries like food processing, textiles, pharmaceuticals, defence, and renewable energy. Further, to bridge gap of government policies and exporter interests, Madhya Pradesh Trade Promotion Council (MPTPC) was established.

In order to draw in foreign investment and boost trade share, the state has established a Special Economic Zone (SEZ) based on themes. The productivity of local industries is increasing as a result of these special economic zones. Over the past few years, the state has seen an increase in Foreign Direct Investment (FDI) in particular sectors.

Every two years, the State hosts the Global Investors Summit, which seeks to increase investment in Madhya Pradesh. The seventh edition of the event, held in January 2023, attracted Intent of investments of Rs 15.42 lakh crore.

In order to encourage trade and commerce, the State is also developing a favourable logistics ecosystem, which is reflected in the Madhya Pradesh Industry Promotion Policy. For a landlocked State like Madhya Pradesh, it is important to focus on logistics and connectivity. To increase connectivity with neighbouring States, investments are also being made in a number of road expansion projects, notably the Chambal Expressway. An extensive effort is being made to increase connection and logistics from the Gati Shakti projects in the State.

6.1 Trade Promotion

Madhya Pradesh Trade Promotion Council

Various agencies and authorities have been established for export promotion. It includes the Advisory Bodies like the Export-Import Advisory Council, the Board of Trade, the Regional Export Promotion Advisory Committees, the State export Promotion Committees or Boards in certain States and Advisory Committees/Panels. A number of private trade bodies, on the pattern of Chamber of Commerce, with the broad and exclusive objective to assist the Indian exporters for the promotion of exports of group of commodities have also been set up at the initiative of Government of India. These are called Export Promotion Councils which are run and managed by the exporters subject to broad guidelines issued by the Central Government from time to time.

In accordance with the above background, The Madhya Pradesh Trade Promotion Council (MPTPC) will work for the overall development of all manufacturing, service and business sectors right from entrepreneurship development, export infrastructure development and export ecosystem development for the export in Madhya Pradesh and outside. The MPTPC shall coordinate with all the stakeholders in the value chain and whole process of exports to establish and enhance contacts within and outside India for better business growth. To make this vision a reality eight industrial

sectors have been established which are (i) Agriculture & Processed Food (ii) Technical Textile (iii) Textiles (iv) Pharmaceutical (v) Garment Manufacturing (vi) Automobiles & ancillary (vii) Defence (viii) renewable energy related equipment manufacturing.

Main Purpose

1. To operate as the nodal point for export promotion and to provide specialised services to exporters, consultant firms, service providers, and export organisations; in particular, to give members access to global markets and to advance in e-commerce sector.
2. To sponsor delegations to travel to foreign nations to search new markets for products produced in Madhya Pradesh and to establish business contacts.
3. To sponsor and conduct commodities and market studies as well as collect and distribute commercial intelligence.
4. To conduct market research and provide the results to the industry, as well as to forge relationships between Indian exporters and international importers by producing directories and other literature related to the sector and trade.
5. To promote through exhibitions, showrooms, bulletins, and other publicity-related media.
6. To act as a liaison between the interests of exporters and the government and other public authorities and to make appropriate government representations on their behalf.
7. To honour individuals and organisations for their exceptional contributions towards the attainment of Council's objectives.
8. To take all other actions that the Council may deem necessary, incidental, or helpful to achieving the aforementioned goals, whether alone or in collaboration with other organisations or people.

Economic growth typically includes exports as one of its driving agents. Madhya Pradesh's export has increased considerably since year 2014-15 amounting to USD \$ 7,834 Million in year 2021-22. (Refer figure 6.1)

(Figures in million \$ dollars)

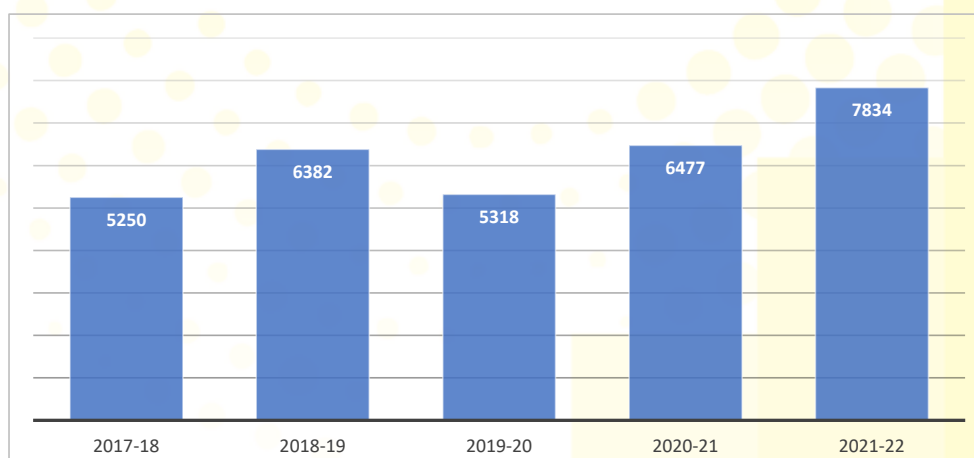


Figure 6.1 : Madhya Pradesh Export trends

Source: Directorate of Foreign Trade, Government of India

When compared to the prior fiscal year, Madhya Pradesh's exports increased by 21 percent in the year 2021–2022. From year 2017–18, India's exports have grown at an average annual rate of 6.9 percent compared to Madhya Pradesh's exports, which have grown at an average annual rate of 8.4 percent.

Export Preparation

India's score on the Export Preparedness Index (EPI) 2020 is based on four main pillars: (i) Policy, (ii) Business Ecosystem, (iii) Export Ecosystem and (iv) Export Performance. Overall,

India received a score of 82.5 overall, up over the previous five years, according to World Bank data. Various international indices tracing exports have marked India's performance growth trends, which is indicative of the scope and untapped potential lying ahead. Surely, there are areas where the country can make improvements such as infrastructure, enabling business and trade environment, etc. However, implementing policies at the national level alone will not be sufficient given India's size and geographic variety. A regional approach (state-based) is therefore required.

There is room for development in the state when it comes to exports. It can greatly increase exports by utilising its strong production network and resource capabilities. In 2020–21, Madhya Pradesh contributed 2.1 percent of all exports, placing 12th overall on the Export Readiness Index with a score of 49.47. Medicines, oil meals, cotton, aluminium, and their products, along with other pharmaceutical formulations and organic products, were among the top 10 exported goods in 2016–17, accounting for 65.4 percent of the state's total exports. This value of export is deeply supported by the industrial setup of Madhya Pradesh Industrial Development Corporation (MPIDC) in 76 developed industrial areas and 19 developing industrial areas. Further, 13 additional industrial areas are been proposed in the state.

As discussed in below (Table 6.1) the major items that constitute the top 10 export products from the state in the financial year 2021-22 exhibit diversity in the export basket.

Table 6.1 : Top 10 Exports of Madhya Pradesh

(Amount in Rs. Crores)

HS Code	Commodity Description	Value of exports
30	Pharmaceutical products	10,782
52	Cotton & Cotton Yarn	8,693
63	Readymade garments	4,495
76	Aluminium & articles	4,330
84	Machinery & Capital goods	3,877
29	Organic Chemicals	3,763
23	Residual & waste from food industries	3,024
10	Cereals	2,314
85	Electrical Machinery & equipment's and parts	2,040
39	Plastic & Article thereof	2,020

Source: Working Notes, Madhya Pradesh Trade Promotion Council Meeting, 30 September 2022

Madhya Pradesh has the capacity to considerably enhance its export performance with the appropriate incentive policies and enabling environment. According to the Export Preparedness Index, Madhya Pradesh has achieved a relatively high score on the policy pillar (66.10). Its scores on the other three pillars – business ecosystem, export ecosystem and export performance offers scope for tangible export growth in the state. This means that an encouraging policy environment is needed to enable sound growth.

For Madhya Pradesh, 42 items have been designated as "Champion Products," out of which 14 products has more than 30 percent share of the country's exports. It is also India's second-largest exporter of 12 products identified in this category. The state's competitiveness and development will benefit from developing a comprehensive export strategy, which will call for a thoroughly multifaceted approach. The contribution of Madhya Pradesh is crucial in moving the nation as an export driven country. In next seven years, the state can export commodities worth around US \$10.6 billion if it maintains its export proportion of 1.6 percent.

The relationship between port connectivity and overall exports is fairly well established around the world. A common reason for this is the associated logistics cost of exports. International trade is a highly competitive landscape and leaves limited scope to accept cost escalation for any reasons. This condition acts as a disadvantage for all the landlocked geographies for exports expansion. Therefore, the landlocked state forms a separate category for comparison and corresponding comparative analysis holds more credibility.

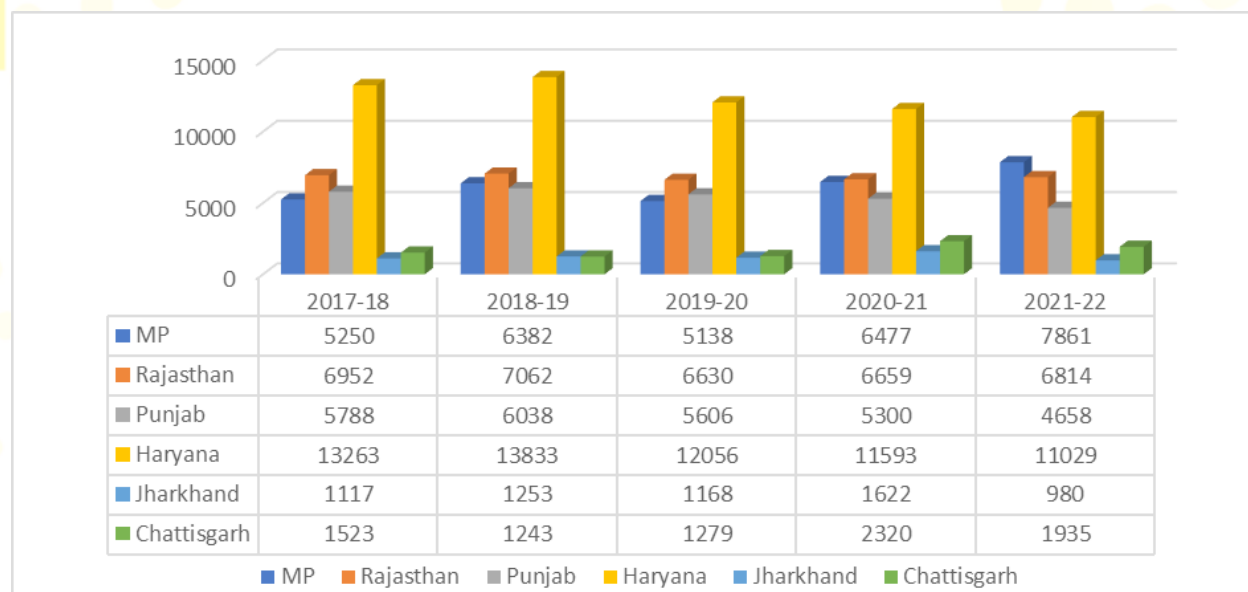


Figure 6.2 : Total Exports - Landlocked States

(Figures in million dollars)

Source: Export Readiness Index, NITI Aayog, 2021

A comparison of Madhya Pradesh with other landlocked states reveals an interesting trend which is shown in (Figure 6.2). In the period from year 2017-18 to 2021-22, Madhya Pradesh is now ranked 2nd.

Madhya Pradesh's share in the country's total exports has increased from 1.7 percent in the year 2016-17 to 1.9 percent in the year 2021-22. Other landlocked States have remained almost constant during the same period.

Theme Based Special Economic Zones (SEZs)

To stimulate sectoral growth, upcoming theme-based Special Economic Zones (SEZs) near Jabalpur, industry parks in Indore, and food parks in various locales are being developed. In addition to this, the State's industrial towns of Dewas, Indore, Pithampur, Mandideep, and Malanpur are home to around 280 pharmaceutical units. Madhya Pradesh is famous as the "Heart of India" due to its geographical location and its position, the state has many advantages of a well developed road and rail network.

6.2 Investment Promotion

Global Investors Summit

Global Investors Summit is organised to boost investment in Madhya Pradesh State, which is the flagship biennial investment promotion event of the Department of Industrial Policy and Investment Promotion, Government Madhya Pradesh. This event is a platform where global leaders, industrialists and experts come together to share their narratives on emerging markets/trends and ways to harness the investment potential of Madhya Pradesh in this age of disruptions. This year was the 7th edition of the Invest Madhya Pradesh – Global Investors Summit which was held on 11th and 12th January, 2023 at Brilliant Convention Centre, Indore. This event received intents for investment worth Rupees 15.42 lakh crore, with an estimated potential to create 28,93,320 lakhs employment. The two-day event aims to showcase the investment climate and industrial infrastructure in Madhya Pradesh and offers opportunities for prospective collaborations.

Industrial Investment Promotion

Over the years the State has attempted to industrialize the State economy with dedicated efforts. Providing land in industrial areas that are equipped with other basic requirements is one key initiatives by the State. As Table 6.2 shows, an important observation is on account of the investment per project parameter. The gradual increase of this value is important and exhibits a growing trend of mid-sized industries choosing to establish or expand their business in Madhya Pradesh.

Table 6.2 : Potential Investment and Employment Activity (FY 2016-17 to 2021-22)

Financial Year	Number of units	Total proposed investments *	Total Proposed Employment #
2016-17	435	4527	19,255
2017-18	324	4894	15,222
2018-19	303	2627	13,014
2019-20	258	6564	15,851

Financial Year	Number of units	Total proposed investments *	Total Proposed Employment #
2020-21	384	11000	22,000
2021-22	441	7260	30,465

Source: Data from department of industry promotion and investment promotion

Note -* The proposed investment is in Crore rupees.

Proposed employment is in number

The trend suggests an increasing interest in establishing industries in the industrial areas. The number of industries that are allotted the land have increased steadily for the period 2018-19 to 2021-22. Similarly, the expected employment from these units has seen a steady rise in recent years. This is an important direction considering the path that the State has decided on rebalancing the sectoral mix in the State Gross State Domestic Product (GSDP). The data from years do point a higher capital intensity in the investments attracted. The per workman investment in these units has increased over time.

Foreign Direct Investment (FDI) in Madhya Pradesh

It is clear from the above data that Madhya Pradesh receives very less FDI (0.34%) as compared to other states like Maharashtra and Gujarat. The State received an FDI of Rs. 1560 crore (US \$ 208 Million) during April 2021 to March 2022 and the state has been able to attract 0.38% of the total FDI. The State ranks 13th in terms of attracting FDI amongst all the States in India.

The FDI equity inflows received for Madhya Pradesh - Chhattisgarh region as per the details of Regional Offices of Reserve Bank of India are as follows.

Table 6.3 : Foreign Direct Investment

(Amount in USD \$ 'million)

Financial Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Foreign Direct Investment value	100	80	76	28	32	75.65	206.35	209

Source: Exim Bank India-Assets-Research-on-States, 2018

Some of the key sectors in which State is prominent in receiving FDI are agriculture and food processing, automobile and engineering, textile, pharmaceuticals and defense. To support these sectors State's industrial policy has recognized key sectors for growth. A drive to increase industries both domestic and international are been attracted through different roadshows and Global Investment Summit. These efforts are to increase the industrial competitiveness and it turn to be a preferred FDI destination in these sectors.

6.3 Connectivity

The state has made conscious efforts to expand its connectivity and speed of transport with neighbouring states through road and railways connectivity. The development of Chambal

Expressway is underway at an estimated cost of Rs 5000 crore. This expressway is being built parallel to Chambal river, whose length will be about 300 kilometers. Similarly, Indore-Jhabua (NH53) and bypass roads around Indore, Bhopal and other big cities are being developed to increase the speed of transport within and outside the state. Gwalior-Jhansi (NH75), Mangawan (Rewa)-UP Border (NH27), Seoni-Maharashtra border (NH7) etc. are being developed for better connectivity with neighbouring states for better market access.

For further strengthening of railway connectivity, some of the important projects of Western Central Railways are under implementation such as (a) electrification of Itarsi-Manikpur sector (510 km); (b) new lines on Lalitpur-Khajuraho-Panna-Satna section (283 km), Rewa-Sidhi-Singrauli section (165 km) and Ramganjmandi-Bhopal section (262 km); (c) Doubling of Katni-Singrauli section (261 km), Bina-Kota section (282 km) and Satna-Rewa section (50 km) and (e) third line project of Bina-Habibganj-Barkheda-Budni-Itarsi section (total 242 km). The foundation stone of diesel locomotive traction alternator workshop has been laid at Vidisha district of Bhopal division with the objective of indigenous manufacture of some of the important components used in diesel locomotives. These changes will accelerate the movement of goods and people in the state and the rest of the country.

Roadways

The state has a large number of habitations in a wide geographical area which requires road connectivity to boost economic activities.

Table 6.4 : Road Length Network by Road Classification in Madhya Pradesh

(Figures in kilometers)

Financial Year	National Highway	State Highway	District Roads	Other Districts/ Rural Road	Total
2016	7806	10934	21132	23395	63267
2017	7806	11389	22129	23755	65079
2018	8858	11389	22129	28623	70999
2019	8858	11389	22191	28623	71061
2020	8858	11389	22191	28623	71061
2021	8858	11389	23401	29313	72961

Source: Public Works Department, Government of Madhya Pradesh

The state has significantly developed its road network over the years. In the last five financial years (2016 to 2021), the length of roads has increased from 63,267 km to 72,961 km (refer Table 6.4). This increase has been mainly in developing connectivity in rural areas and regional connectivity to district headquarters. The state has an extensive road network in all formats. It accounts for 6.6 per cent of all national highway routes in the country. Similarly, according to a report by the Ministry of Road and Surface Transport, its share in state highways in the country is about 6.4 per cent. The

report depicts the presence of 2,32,344 km of rural roads as of March 2019 (Basic Road Statistics, 2018-19), with the 5th most extensive network for states.

Railway

The length of railway track in the state is 5150 km and it is the 5th largest network in the country. See (Table 6.5)

Table 6.5: State-wise Railway Route Length

(Figures in kilometers)

Ranks	States	2011	2015	2021
1	Uttar Pradesh	8763	8950	8799
2	Rajasthan	5784	5898	6019
3	Maharashtra	5602	5725	5823
4	Gujarat	5271	5259	5327
5	Madhya Pradesh	4955	4979	5140
6	West Bengal	3937	4070	4212
7	Tamil Nadu	4062	4027	4033
8	Andhra Pradesh	5264	3657	3965
9	Bihar	3612	3652	3803
10	Karnataka	3073	3281	3572
	India	64460	66030	68103

Source: RBI Handbook of Statistics for Indian States, 2021

The West Central Railway (WCR) area is strategically important for the country's connectivity plan. Railways and the state have taken significant steps to strengthen this part of the railway section.

Transport

Digitization of permits

Permit applications for the purpose of 'Ease of Doing Business' are being published on the portal of Madhya Pradesh Transport Department and arrangements are being made to file objections related to permit applications online. Digitization of permits of all process vehicles has also been done, so that inspection of permits is always available for easy observation on the portal of Madhya Pradesh Transport Department. 7,77,760 learning licenses have been issued under these online systems.

Rural Transport Policy-2022 (Pilot Project, Vidisha)

Convenient and affordable public transport services are critical for integrated and sustainable economic growth. After the state government's decision to shut down the Madhya Pradesh State Road Transport Corporation (Madhya Pradesh SRTC) in year 2005, public transport services have been basically privately operated in the past years. Buses are operated by private operators on

routes where there are more passengers and which are commercially beneficial for operators. That leaves the interior rural areas underserved due to relatively low-commercial benefits. The rural commuter is basically dependent on state public transport for daily commute. Improvement in small private and new rural transport is essential to improve the supply chain.

In the primary phase, a total of 76 rural roads have been identified in Vidisha district with a total length of 1513 km. As many as 546 villages are located around these rural roads, out of which about 4,70,523 rural population will benefit from the proposed initiative. Under this initiative, vehicles with 7+1 to 20+1 seating capacity will be allowed to operate commercially on rural roads and these vehicles will be completely exempted from the monthly motor vehicle tax payable under the Madhya Pradesh Motor Vehicle Taxation Act 1991.

35 permits have been issued in the primary phase by the District Office, Vidisha for operation of vehicles on identified rural roads in Vidisha district from May 2022.

Non-stop bus services have been started from major cities of the state such as Bhopal, Indore, Jabalpur, Sagar, Ujjain to facilitate passengers to travel to small cities, under which about 211 permits have been issued.

6.4 Logistics

The international business setup is recognized for a high level of competition and is decisive towards the final product prices. Transportation and logistics costs are an essential component of this cost structure. This is even more important for a landlocked state like Madhya Pradesh. The state is making considerable efforts in various sectors to help export businesses. This section points to some of these efforts in logistics area.

Gati Shakti

The idea of expediting the roll-out of multi-modal connectivity for different purposes is dependent on various departmental processes and coordinations. In the absence of an integrated process, logistics, connectivity and related infrastructure projects run at higher financial cost. The Government of India (GoI) developed an integrated digital platform called Gati Shakti, realizing this as a major hurdle.

The broader idea of this Geographical Information System based, automated workflow driven digital platform is to aid in the integration of information into a project based approach. 16 ministries of the Government of India came together on this platform for multi-modal logistics planning and execution. The programme is likely to assist domestic and export traders for movement of goods.

- Madhya Pradesh has moved ahead in adopting this platform with the establishment of an institutional structure with Empowered Group of Secretaries (E-GOS), Network Planning Group (NPG) and technical support team as part of this framework.
- The state has identified some pilot projects and related departments for the development of "State Master Plan". Support information is created in the form of different Geographical Information System layers.
- As part of the state roll-out, a total of 21 Geographical Information System level master plans out of 24 possible levels have already been prepared .

- Efforts have been made to accelerate the state's ambition to develop itself as a hub of national logistics using this platform to improve the project implementation speed.

Multi-Modal Logistics Clusters

Rapid reform in the logistics sector is of high importance to improve efficiency and promote economic growth with the expansion of exports through global supply chains and is important for generating jobs in developing countries. India's logistics sector is projected to grow at a CAGR of 10.5 percent between 2019-2025, but there are also problems that need to be addressed to increase efficiency in this sector.

The government's efforts to speed up the sector such as introduction of goods and services tax (GST) and other initiatives like reducing transit time, reducing documentation complexities and optimizing inventory costs have led to reduction in transportation costs and consequently the sector becoming more competitive.

Multi-Modal Logistics Parks (MMLP) and Logistics Efficiency Enhancement Programme (LEEP) are major policy initiatives to improve the country's logistics sector and transportation through freight aggregation and distribution, multi-modal freight transportation, integrated storage, information technology support and value added services.

In Madhya Pradesh, in the year 2021-22 about 126 million metric tonnes of cargo traversed from the state, as against 103.85 million metric tones in the year 2017-18. The state is likely to have a rail-based cargo demand of 42.34 million metric tonnes. 5 clusters have been demarcated based on cargo movement.

- Northern Cluster–This cluster includes various future projects like Delhi-Nagpur Industrial Corridor, North-South State Road Corridor, North-South Freight Corridor and Chambal Expressway.
- Central Cluster– This cluster includes dedicated freight corridor, Delhi-Nagpur industrial corridor, Indore-Visakhapatnam industrial corridor and some state investment corridors.
- Western Cluster – This cluster includes projects such as industrial hubs with port connectivity and the future Delhi-Mumbai Industrial Corridor and some state investment corridors.
- Eastern Cluster – This cluster includes cities like Jabalpur and Katni which have the potential to showcase industrial and future logistics of consumption .
- South Cluster - The North-South Dedicated Freight Corridor under this cluster will have a huge impact on the first phase (year 2031) of this cluster, which will be beneficial in the adjacent places of Itarsi .

Logistics Performance of Madhya Pradesh

The Logistics Ease Across Different States (LEADS) 2019 report was published by the Ministry of Commerce to measure the performance of states in various parameters (see Table 6.6). It has

shifted its focus and looks at both domestic and international trade. The parameters range from infrastructure, services to operational and regulatory environments.

Table 6.6 : LEADS Ranking Performance Details

States	Availability of logistics infrastructure	Quality of logistics infrastructure	Quality of logistics services provided by service providers	Ease of arranging logistics at competitive rates	Timeliness of cargo delivery	Ease of track and trace
Punjab	3.64	3.65	3.58	3.29	3.35	3.50
haryana	3.62	3.53	3.44	3.16	3.45	3.46
Telangana	3.34	3.29	3.27	3.00	3.43	3.13
Madhya Pradesh	3.30	3.13	3.45	3.23	3.23	3.30
Rajasthan	3.33	3.20	3.32	2.99	3.34	3.32
Uttar Pradesh	3.22	3.17	3.17	3.13	3.17	3.20

Source: Leads Performance Ranking Report, NITI Aayog, Government of India

The above table number shows the score of Madhya Pradesh in some indicators. It has scored the highest in the quality of logistics services at competitive rates. Madhya Pradesh has secured the 9th rank out of the total 22 states selected for this index with an overall score of 3.21.

Compared to other land-rich states, Madhya Pradesh has scored much better than Rajasthan and Uttar Pradesh. Indicators such as efficiency of regulatory processes, state facilitation and coordination and quality of logistics infrastructure need to be improved. The logistics ecosystem in Madhya Pradesh is still driven by traditional infrastructure and practice and there is a strong need to move forward with modernization and progress in logistics capabilities and transform into a logistics hub in the country .

Logistics Infrastructure

At present, there are 6 inland container depots in the state that are important for export. All these ICDs cater large parts of Madhya Pradesh and act as a self-contained customs station through their services such as customer centric, shipping bills, assessment and all other activities related to acceptance and thus promote exports to the state. There is a need to set up ICDs in the eastern part of the state where a large number of industrial areas are located.

The share of exports from ICD (Malanpur, Mandideep, Pithampur) has increased from 13 percent in the year 2014-15 to 18 percent of the total exports of Madhya Pradesh in the year 2020-21, with a total value of \$ 1163 million. Still a large number of exported products went through non-ICDs. Going through the non ICD channel can increase the cost of products and make them less

competitive in the global market. There is lot of potential for increasing the share of ICD in total exports.

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