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Economic Geography and Industrial Location in India

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ABSTRACT

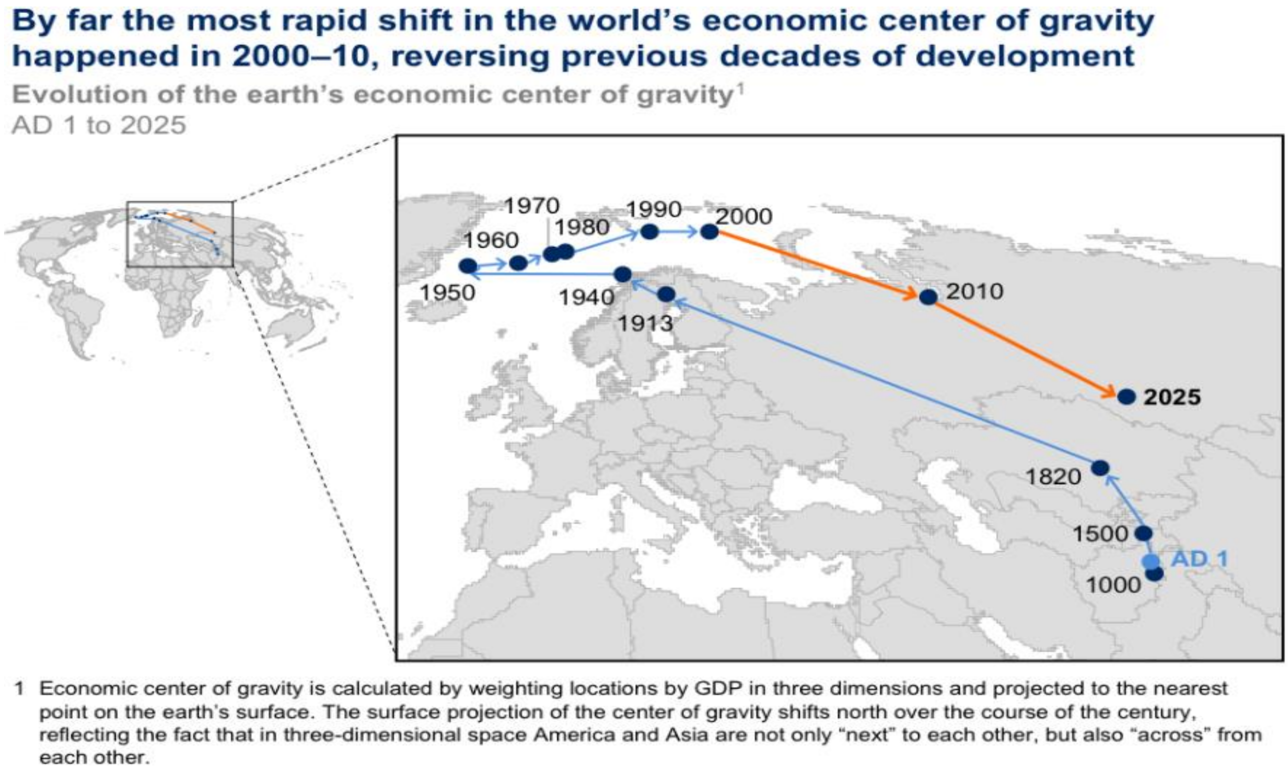
In an in-depth study of the location of resources and favourable social and geographical conditions, the precise nature of the development of specific industries can be observed and predicted. The geography of the area under consideration affects its trade in numerous ways. The weather conditions predict the population as to whether or not the area is habitable. The way resources are sustainably used and energy is harvested impacts this economic state heavily dependent on geography and the geopolitical agenda of the country. Human society's social and judicial practices aspect come into the light as trade laws determine the ease of international trade, transport, accessibility, and demand. The global interdependence of economic growth can be analysed by carefully dissecting the impact of the geography and location of the countries under consideration. The article divulges the study of the preceding with respect to India.

Keywords: Geographical Location, Resources—Human and Natural, Economic Infrastructure, Geopolitical Agendas, International Trade, India.

INTRODUCTION:

Economic geography is the subset of social science that involves the interaction of humans and the environment from the perspective of man's economic growth in various civilisations across the world that is now either developed or developing countries based on their GDP (Gross Domestic Product). Industrial and economic geography is a hard fact. It may be good or bad for a country to be dependent on some of the geographical areas for some of the business, manufacturing and professions. The geographical impact on business and industry depends upon how well positioned and how well blessed a geographical are naturally is. In the earlier times, Jamshedpur was one of the most important mining and manufacturing hubs in India. Ludhiana in Punjab is known for apparel and hosiery industry. The city was awarded the beset city with respect to its business environment by the World Bank in the year 2009 and 2013. There are many other undisputed business hubs in India such as Gurugram and Bangalore are known for IT and ITEs. These business hubs not only important for employment generation but also contribute significantly to the country's GDP. They increase the exports of the country and decrease the requirement of the imports.

The intersection between these essential aspects of human society as we know it today serves as a measuring stick for aeons to come and a method of documentation of the current situation. It provides ways to make a more effective economic model profit for all those involved with consideration being given to the conservation of critical non-renewable resources and the better management of prevalent human and ecological conditions.



Source: McKinsey Global Institute Analysis

A meticulous study of the laws and principles that govern an area enables economists to foretell economic trends to thereby make appropriate decisions to yield the best possible scenario as a reality for the problem or model under consideration. Mathematical models do not account for these man made contributions to the disruptions and tangents the trend can take off. The mathematical study of economics disregards the integral participant, humans, and is limited by rigid mathematical theorems, logics and laws (Lee, 2002).

With rapid globalisation, this study of the diverse genres of economies has interested both analysts and geographers alike. It gives way to different explanations for economic conundrums (Wills, 1997). Contemporary society is plagued by economic constraints and many researchers suggest that further study of economic geography may simplify the problems to give solutions. The mass production of goods to match the ever-growing global population has an exhausting effect on the resources and manpower of manufacturers. Spatial economics deals and depends on the physical geographic trade limitations of the concerned area. This can include territorial borders, ports, and political border, translocation of material and goods, and location of the area on the globe.

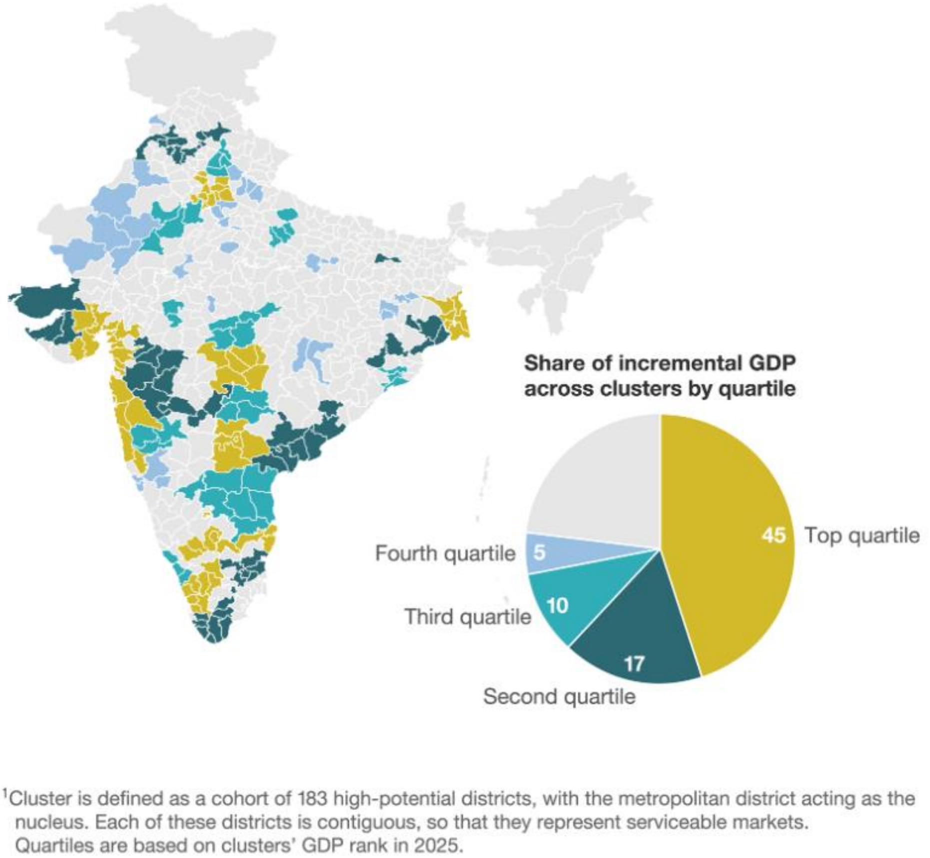
REVIEW OF LITERATURE:

During the 1960s, studies on place theory and spatial interaction gave rise to quantitative economic geography (the use of mathematics to conceptualise economic geography and advance propositions regarding the existence of the observable spatial economy). In addition to theory development, spatial statistical analysis techniques were designed to assess the scientific predictions and fit of certain theories (Hasan et al. 2003).

However, the study of regional dimensions of conventional economic analysis has been neglected due to analytic difficulties in modelling rising returns to scale (Krugman, 1991). The major problems India faces with respect to its economy are overpopulation, inequitable distribution of resources, exhaustive import and international trade laws, mismanagement of human resources and labour, illiteracy of policies, etc.

Small businesses benefit more from being situated in a diverse area so they can depend on location-based externalities to a greater degree than medium and large businesses. Better subcontracting options, access to a larger pool of qualified workers, and access to business resources like finance, ads, and legal services are all advantages. In addition to monetary externalities, there are possible technical externalities from cross-industry knowledge transfer. Larger companies are less likely to suffer from externalities because they are more internally oriented and have higher operating costs.

The cost structure of businesses is influenced to some extent by geographic economic geography. The causes of these impacts, as well as their magnitudes, differ significantly across industrial sectors. The location's economic diversity is the only significant source of advantages that is likely to affect location choice at the margin.



Source: McKinsey Analysis

Figure 1: Share of Incremental GDP across clusters by quartile

Major contributors to the country's GDP are populous metropolitan areas as shown in the figure above. The trade and economic growth has been observed to be 'contagious' as they have seen territorial expansion to facilitate the large dependent population on these market and industry clusters (Ahluwalia, 2002). Clusters are a geographically localized and interdependent network of businesses connected by buyer-supplier chains or common causes. The ability to create local linkages among companies, education and research institutions, and business associations is critical to the success of an industry cluster. The 'cluster' principle emphasises interfirm relationships that lower output costs by lowering inter firm transaction costs (Porter, 1990). There is a biased pattern of foreign investments in India towards these clusters, as investors see these states with liberal laws and proper interconnectivity suitable for yielding desired results (Stern, 2001).

According to the infographic given industries tend to formulate along the coasts of India—east and west and states like Bihar, parts of Uttar Pradesh and Madhya Pradesh lack this kind of industrial investments.

Source: www.gkchronicle.com

Figure 2: Various Industrial Belts in India

Despite the abandonment of the industrial licencing scheme, many labour, business, and tax laws, as well as environmental licences and permits, are required for access to land, water, and electricity. States with fewer uncertainties in these laws, as well as other benefits, would draw more industrial activity, resulting in increased concentration of industries. As a result, states must rethink their growth plans and make appropriate policy changes to restructure their institutions to draw more industrial investment into the economy. This would only attract more capital investors to the state's economy from the private sector (Bhargva, 1995). These direct government incentives are important, but they are unlikely to be adequate to attract industrial investment. The provision of transportation and communications, water and electricity, as well as utilities and social facilities, are likely to be more significant factors. As a result, developing countries should focus more on developing adequate physical infrastructure (power, water, transportation, and telecommunications), as well as legal and financial infrastructure (corporate law, accounting standards, and banks). To encourage new industrial investment, the government is focusing on capital markets and social infrastructure (Goldar, 1989).

CONCLUSION:

In a country like India, industrial development is critical for economic growth. However, one of the key causes of regional inequalities in India is regional difference in industrial production. Using economic geography to study the economic progress of India pre and post-liberalisation, with 1991 as the border of the two, it can be noted that the post-liberalisation period has seen an increase and divergence in the manufacturing industry. In terms of economic growth, there is inter-regional divergence in India during the period after liberalisation which has resulted in the southern area saw an increase in the rate of employability.

States with fewer complications in industrial laws, as well as other benefits, will draw more industrial activity, which will result in more jobs. There is a higher concentration of industries. As a result, states are expected to rethink their planning plans and make appropriate policy changes. In addition, they must restructure their institutions to draw more industrial investment into the economy.

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