



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

Ease of Doing Business in Ghaziabad

Issues and Challenges

November 2014

PHD Research Bureau

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area, August Kranti Marg New Delhi 110016

Phone: 91-11-49545454 Fax: 91-11-26855450, 26863135

Email: research@phdcci.in Website: www.phdcci.in

PHD Research Bureau

Ease of Doing Business in Ghaziabad: Issues and Challenges

Contents

S. No.	Sector	Page No.
1	Uttar Pradesh at a glance	13
1.1	Structure of the economy	14
2	Ghaziabad at a glance	16
3	Objectives of the study	19
4	Research Methodology	19
5	Ghaziabad Industrial Outlook	21
6	Infrastructure and Industrial Investment Policy	25
7	Infrastructure Development	29
8	Data Analysis	30
9	Conclusions	34
10	Suggestions	35

Ease of Doing Business in Ghaziabad: Issues and Challenges

Tables & Graphs

S. No.	Title	Page No
1	Growth of Real GSDP	14
2	Gross State Domestic Product and its Composition	14
3	Uttar Pradesh at a Glance	15
4	Ghaziabad at a glance	17
5	Pattern of land utilization in the district	18
6	Area under Agriculture	18
7	Livestock	18
8	Literacy Rate of Ghaziabad	19
9	Industrial Outlook in Ghaziabad	21
10	Major Exportable items	21
11	Status of Industrial Areas in Ghaziabad	22
12	Existing Large scale units in and around Ghaziabad	23
13	Medium Scale units in and around Ghaziabad	24
14	Existing Micro & Small Enterprises and artisan units in Ghaziabad	24
15	Potential for new MSMEs	25
16	Survey Response on Infrastructural Improvement	31
17	State-wise average power tariff for Industry	32
18	Major operational problems faced by Ghaziabad MSMEs	33
19	SWOT analysis of MSMEs in Ghaziabad	35

Ease of Doing Business in Ghaziabad: Issues and Challenges

Abbreviations

ASIDE	Assistance to States for Infrastructure Development and Exports
BPO	Business process outsourcing
BIS	Bureau of Indian Standards
CPI	Consumer Price Index
CNG	Compressed Natural Gas
DIC	Department of Industries and Commerce
DMIC	Delhi – Mumbai Industrial Corridor
EPF	Employee Provident Fund
ESI	Employees' State Insurance
FC	Factor Cost
FMCG	Fast-moving consumer goods
GDP	Gross Domestic Product
GFD	Gross Fiscal Deficit
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
ITES	Information Technology Enabled Service
MSMEs	Micro, Small and Medium Enterprises
MOSPI	Ministry of Statistics and Programme Implementation
MP	Market Price
NH-24	National Highway-24
NSDP	Net State Domestic Product
NCT	National Capital Territory
PICUP	The Pradeshiya Industrial and Investment Corporation of U.P. Ltd.
PPP	Public Private Partnership
PF	Provident Fund
R&D	Research & Development
SPVs	Special Purpose Vehicles
UPFC	Uttar Pradesh Financial Corporation
UPSIDC	Uttar Pradesh State Industrial Development Corporation Ltd.
VAT	Value Added Tax

Ease of Doing Business in Ghaziabad: Issues and Challenges



Gen V K Singh
Hon'ble Minister of
State for External
Affairs & Statistics and
Programme
Implementation
Government of India

Foreword

Ghaziabad has witnessed fast paced industrialization over the years. The close proximity to the national capital offers it advantage in terms of sizeable market, easy access to cheap workforce and raw materials and improved connectivity.

The government has accorded lot of emphasis to the development of MSMEs sector in order to achieve faster rate of industrial and economic growth.

Going forward, MSMEs sector has a vast potential to emerge as the best vehicle to sustainable industrial growth in the district. Ghaziabad has a large scope of development of manufacturing sector and can be instrumental in accelerating the Make in India Mission of the Hon'ble Prime Minister, Shri Narendra Modi in the coming times.

My best wishes for the grand success of 'Role of MSMEs in Make in India' which will be a useful platform for different stakeholders including corporate, government officials, administrators, researchers, policy planners, businessmen and business leaders.

Ease of Doing Business in Ghaziabad: Issues and Challenges



Mr. Sharad Jaipuria
President, PHDCCI

From President's Desk

Ghaziabad offers optimum conditions for industrial growth and development. The geographical and economic background of the district is conducive for industrial development.

The district is attributed with vast market potential on account of its close proximity to capital metropolis of Delhi. Besides, the size of the local urban market has also helped significantly in fostering the industrial development of Ghaziabad.

The industrial structure at Ghaziabad serves a good example of coherence and coordination between large, medium, small scale and micro units. With a large number of all types of units, the district provides immense employment opportunities to not just the residents of Ghaziabad but neighboring areas of Delhi-NCT and Uttar Pradesh. The industrial units in the district cater to the international markets and have witnessed an increase in their sales in the recent times.

Going forward, the district should focus on establishing sound infrastructural developments and facilitate MSMEs with the help of supportive industrial policy.

I am sure Seminar on 'Role of MSMEs in Make in India' will be a useful platform for industry stakeholders to tap the emerging investment avenues in the MSME sector of the district by discussing about the challenges faced by the industrial units in Ghaziabad and at the same time coming out with innovative solutions to foster industrial growth.

I wish all the best to distinguished participants at the Seminar.

Ease of Doing Business in Ghaziabad: Issues and Challenges



Dr. Lalit Khaitan
Chairman, UP
Committee, PHDCCI

From Chairman, UP Committee

Uttar Pradesh has been an agrarian economy but during the recent years industry and services have contributed significantly to the economic growth of the state. Though the state has been witnessing growing tertiary sector in the recent times, industry nevertheless contribute appreciably to the gross state domestic product of Uttar Pradesh.

Ghaziabad is an important industrial hub of the state. Large number of small and medium scale enterprises has been established in the major parts of the district. The district offers certain benefits to the industrial houses such as cheap labor, huge market, increased demand and lower property rates in comparison to Delhi.

The district is endowed with not only agriculture resources and rich livestock but also has a high rate of literacy which can be tapped for promoting industrial ventures in the district. The presence of large and medium scale enterprises also provide an opportunity to the MSMEs as purchaser of their products.

Though the state government has enlisted policies for industrial development, there are a few operational problems which need to be addressed by the government so as to ensure economic development of not just Ghaziabad but of the state as well.

Going ahead, we believe that, there exist much potential to re-embark on the path of accelerated industrial growth supported with effective and strong industrial reforms in Ghaziabad.

Ease of Doing Business in Ghaziabad: Issues and Challenges



Mr. Rajnish Goenka
Chairman, Delhi & NCR
Committee, PHDCCI

From Chairman, Delhi & NCR Committee

Ghaziabad is a growing industrial city which occupies an important place in the industrial development of Uttar Pradesh. Being close to the NCT of Delhi and its inclusion in the National Capital Region, the district provides proximity to a wide range of markets and consumers to the industries.

The process of industrialization has picked up pace in Ghaziabad during the recent years. The key industries contributing significantly to economic growth of the district are steel sector followed by electronics & electricals, engineering, auto components & automotive, drugs and pharmaceuticals, agro and food processing and FMCG.

The district has some distinct features which offer enormous growth potential for MSMEs sector. The Uttar Pradesh Government has initiated several incentives in the various policies formulated time to time for the development & promotion of industries by the State.

Going forward, the district should harness its resources in order to improve its economic growth. MSMEs should be facilitated as they can drive growth prospects of the district. The Uttar Pradesh government should focus on their different departments such as labor, ESI, PF, taxation and others to support the industries and provide a conducive environment to bolster the industrial units. There should be a provision for some interest subsidy in the industrial policy for existing units also along with tax benefits to flourish the MSME sector of the district.

Ease of Doing Business in Ghaziabad: Issues and Challenges



Mr. Vikram Mittal

Director and
Coordinator, MSME
Development Forum

From Director & Co-ordinator, MSME Development Forum

Ghaziabad has always been a major industrial hub right from 1940s. The district houses diverse units ranging from not just medium and small scale units but also medium and large units which compliment each other.

The district houses more than 1500 registered units which speak of not just rapid industrialization in the district but also immense opportunities it renders to the people living in and around Ghaziabad.

To highlight these aspects of the district as well as operational issues faced by the MSMEs in the district and the role MSMEs can play in Make in India Mission, FASII along with MSME Development Forum and PHD Chamber is organizing the Summit on Role of MSMEs in Make in India.

I am sanguine that this Summit would touch upon issues of topical importance to be highlighted to the government that will ensure smooth and speedy industrialization in not just Ghaziabad but in the whole country.

I wish all the very best to all stakeholders of this Summit.

Ease of Doing Business in Ghaziabad: Issues and Challenges



Mr. Saurabh Sanyal
Executive Director
PHDCCI

Acknowledgements

The study 'Ease of Doing Business in Ghaziabad' pertains to focus on the growth dynamics of the MSMEs sector in Ghaziabad with special reference to the operational issues faced by various stakeholders across manufacturing and services sectors in the district.

The study highlights the strengths and weaknesses of the MSME sector in Ghaziabad and examines the issues and challenges faced by MSMEs sector of the district. The study has been undertaken to identify the district specific operational issues faced by MSMEs sector with regards to infrastructure framework, availability of credit, access to capital, availability of land, identification of new markets, clearance mechanism and to assess the future growth prospects of the sector with special reference to exports growth. Further, the study has put forth recommendations to perk up the MSMEs sector of the district.

We are greatly obliged to the industrial houses at Ghaziabad for taking out time and responding to our questionnaire. We would like to place on record our sincere gratitude to Industrial associations and members of PHD Chamber prevalent in Ghaziabad for their valuable inputs.

I also commend and appreciate the tireless efforts of PHD Research Bureau team led by Dr. S P Sharma, Chief Economist, PHD Chamber and assisted by team members Ms. Megha Kaul, Senior Research Officer, Ms. Ekta Goel, Research Assistant and Ms. Vaishali Narang, Research Intern for producing this study of analytical value.

I hope this study will help in further policy formulation for MSMEs, so as to serve as a vehicle for its inclusive growth and development.

Ease of Doing Business in Ghaziabad: Issues and Challenges

Executive Summary

Micro, small and medium enterprises have a very special and vital role in the Indian economy. Ghaziabad provides immense opportunities for developments of MSMEs as the existing set up, availability of resources, market potentiality and demand pattern provide immense scope for the new small scale industries to develop. The district is endowed with not only agriculture resources and rich livestock but also has a high rate of literacy which can be tapped for promoting industrial ventures in the district. The presence of large and medium scale enterprises also provide an opportunity to the MSMEs as purchaser of their products.

The study pertains to analyze viewpoint of a large share of MSMEs of which 70% are from small enterprises, 20% from medium enterprises and 10% from micro enterprises. Sample survey analyses the viewpoint of 142 MSMEs respondents of which majority of MSMEs (20%) are operating in steel sector followed by electronics & electricals (16%), engineering (14%), auto components & automotive (13%), drugs and pharmaceuticals (12%), agro and food processing (10%), FMCG (8%), and cooling towers (7%).

MSMEs across various segments have posted robust gross annual sales growth of about 21% during the last three years (annual average). The major reasons responsible for boosting the gross sales growth of MSMEs in Ghaziabad has been attributed to the rising demand, technological advancements and increasing overall size of the economy.

Though Ghaziabad houses many big and small industrial units, the MSMEs and particularly the micro units face a wide range of operational problems. The MSMEs across all the sectors unanimously opined that they face critical operational issues in terms of unnecessary, burdensome, expensive and at times even counterproductive regulations, alarming gap between the demand and supply of energy, high energy costs, unskilled workers, limited awareness about government schemes, limited R&D activity and law and order situation.

Further, infrastructure is one of the grey areas of the region which impacts the activities of the MSMEs in the district. Electricity is a major issue as there are long power cuts and the rates are higher than other states which make it less viable to any business units to set up their enterprises in Ghaziabad.

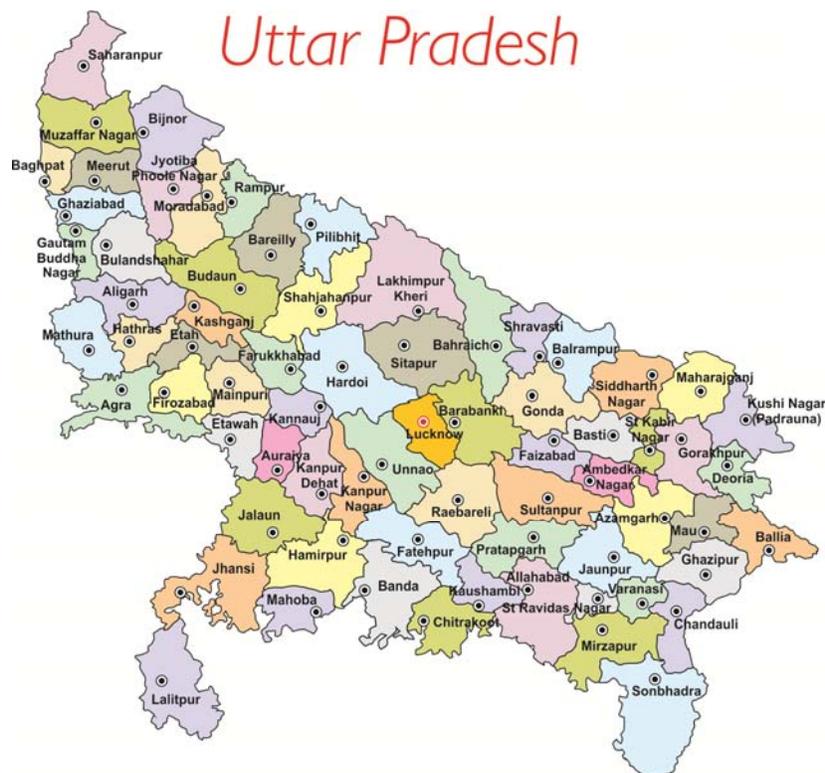
The government should work diligently in improving the law and order situation that will enable the industries in the district to employ skilled workforce. There should be time bound single window system of clearances with coordination at centre and state level. The delayed projects should be cleared on priority and state government must ensure transparency in major decisions in major sectors with the decisions being conveyed to be hosted on government's website.

Going ahead, the Uttar Pradesh government should promote and facilitate MSMEs with the help of supportive industrial policy. The state government should be proactive in spreading awareness about the government schemes to bring larger number of MSMEs under its ambit thereby leading to sustainable and inclusive growth of MSMEs in Ghaziabad.

Ease of Doing Business in Ghaziabad: Issues and Challenges

1. Uttar Pradesh at a glance

Uttar Pradesh, the most populous state of India is well known for its multi-hued culture, religion and variety of geographical land. It is endowed with natural wealth in abundance such as minerals, forests, flora and fauna. The state has to its credit the magnificent architectures and known for its rich arts and crafts. Uttar Pradesh is located in the Northern part of India and is surrounded by Bihar in the East, Madhya Pradesh in the South, Rajasthan, Delhi, Himachal Pradesh and Haryana in the West and Uttarakhand in the North and Nepal touches its Northern borders.



The state is witness to numerous golden chapters of Indian history and has contributed to rich Indian mythology and tradition. It is garlanded by two pious river of Indian mythologies -Ganga and Yamuna. Uttar Pradesh is exquisite land of monuments of historic significance, renowned forts, museums, enchanting scenes of natural beauty, wildlife sanctuaries and inspiring religious sites.

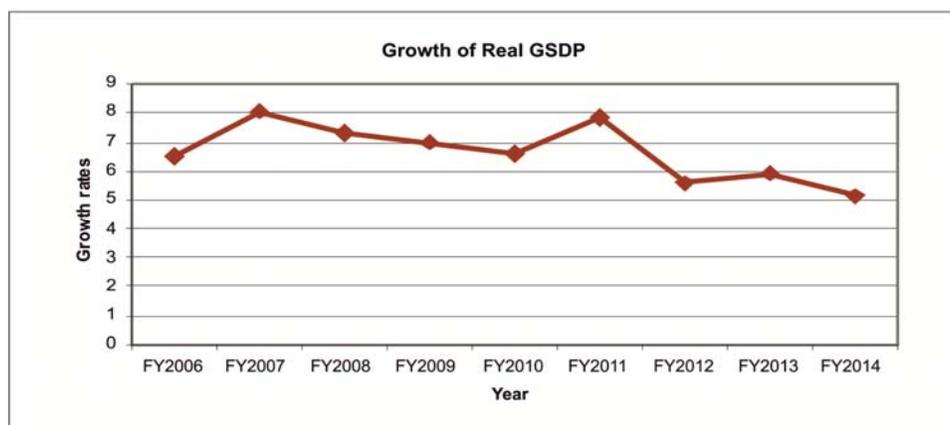
Uttar Pradesh is primarily an agrarian economy with more than 60% of the population depending on agriculture for their livelihood. The state is the largest producer of food grain in India and offers a diverse agro climatic condition which is conducive for agricultural production. Uttar Pradesh is known for its highest contribution to nation's sugarcane basket. However, the state offers excellent investment opportunities for industrial development.

Ease of Doing Business in Ghaziabad: Issues and Challenges

1.1 Structure of the Uttar Pradesh economy

Uttar Pradesh is one of the fastest developing states in India and has shown a healthy growth path during the last decade. The average real GSDP of the state has grown at around 6.6% during FY2005-2014 and has augmented little less than two fold from Rs. 2,77,818 crore in FY2005 to Rs. 4,65,969 crore in FY2014.

Growth of Real GSDP (in percentage)



Source: PHD Research Bureau, Compiled from MOSPI

Tertiary sector contributes a significant share of around 51.46% in the GSDP followed by primary and secondary sector at around 30.15% and 18.39% respectively during FY2014. It may be noted that the share of primary sector has declined marginally from around 30.78% during FY2005 to around 30.15% in FY2014, while share of secondary sector has declined from 22.21% during FY 2005 to 18.39% during FY2014. The share of tertiary sector has increased from 47.01% in FY2005 to 51.46% in FY 2014

Gross State Domestic Product and its Composition

Components	FY06	FY10	FY14
GSDP at Current prices(Rs Crore)	277817.88	523394.18	890265.14
NSDP at Current prices(Rs Crore)	244513.74	463583.46	789482.75
Economic Growth %(real GSDP)	6.5	6.6	5.1
Sectoral Contribution in GSDP at current prices (%)			
Primary*	30.78	29.02	30.15
Secondary*	22.21	22.47	18.39
Tertiary***	47.01	48.51	51.46

Source: PHD Research Bureau, compiled from Directorate of Economics & Statistics, Government of Uttar Pradesh

*Primary includes Agriculture and Animal Husbandry, Forestry and logging, Fishing, Mining and quarrying, ** Secondary includes Manufacturing (Registered & Unregistered), Construction, Electricity, Gas and Water Supply, ***Services includes Transport, Storage & Communication, Railway, Other means of transport and storage, Communication, Trade and Hotel & Restaurant, Banking and Insurance, Ownership of dwellings and business services, Finance and Real Estate, Public Administration, Community and personal services and others.

Ease of Doing Business in Ghaziabad: Issues and Challenges

Uttar Pradesh at a Glance

State Capital	Lucknow
Hon'ble Governor of Uttar Pradesh	Dr. Aziz Qureshi
Hon'ble Chief Minister of Uttar Pradesh	Shri Akhilesh Yadav
Area (Sq. km)	2,40,928
Principal Language	Hindi and Urdu
Population (Census 2011)	199,812, 341
Population Density (Total persons per sq. Km) Census 2011	829
No. of Districts	75
Important Rivers	Ganga, Yamuna, Gomti, Ram Ganga, Ghagra, Betwa, Ken
Major Tourist places	Piparhava, Kaushambi, Sarnath (varanasi), kushinagar, Chitrakoot, Lucknow, Agra
Foodgrain production (2012-13)	50838.4 Thousand tonnes
Wheat production (2012-13)	30301.9 Thousand tonnes
GSDP at Current Prices (2013-14)	Rs 886410.02 Crore
Real GSDP at (2013-14)	Rs 468270.88 Crore
Growth of real GSDP (2013-14)	5.2%
GFD/GSDP (2013-14) Budget Estimate	2.8%
Poverty (2011-12)*	29.4%
Per capita income of the state at Current Prices (2013-14)	Rs 37579
National Highway length	3820 Km
Total Road Length	146728 Km
State Highway length	8391 Km
Major Railway Stations	Lucknow, Agra, Kanpur, Allahabad, Mughalsarai, Jhansi
Domestic Airport	Lucknow, Kanpur, Varanasi, Allahabad, Agra, Jhansi, Bareilly, Hindon (Ghaziabad), Gorakhpur, Sarsawa (Saharanpur) and Fursatganj (Rae-Barelli)
Per Capita Health Expenditure (2004-05)	Rs 974
Literacy Rate (2011 Census)**	69.72%
Sex Ratio (Females per 1000 males) (2011 Census)	912
Key Prospective Industries	Cement, Vegetable oils, Textiles, Cotton Yarn, Sugar, Jute, Carpet, Brassware, Glassware & Bangles, IT&ITES

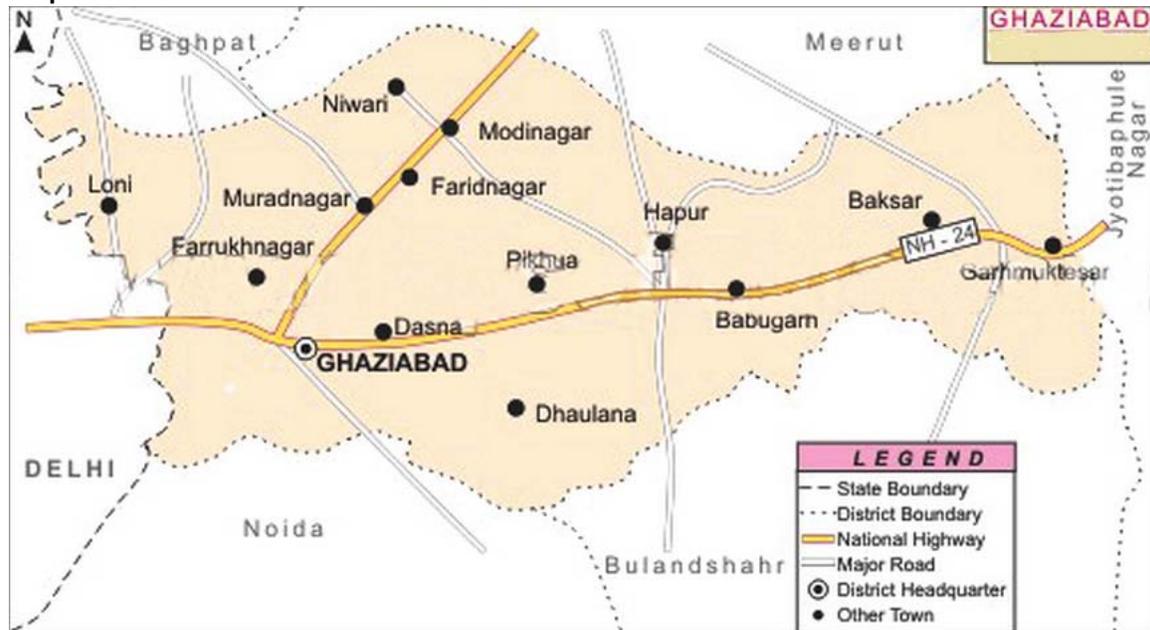
Source: PHD Research Bureau, compiled from various policy papers of the state government. * Planning commission, press note on poverty estimates 2011-12, **Literacy rate pertains to the population aged seven years and above.

Ease of Doing Business in Ghaziabad: Issues and Challenges

2. Ghaziabad at a glance

Ghaziabad is a large suburban district in state of UP in north India. It comes in the National Capital Region of Delhi and is the section of Meerut division. It consists of five districts headed by Divisional Commissioner with its Headquarters at Meerut. The Headquarter of the District is at Ghaziabad. For administrative purpose the district has been divided into 4 subdivisions, 4 Tehsils and 5 Panchayat Samities. There are 74 Gram Panchayats, 529 inhabited villages and 38 are uninhabited.

Map of Ghaziabad



Source: PHD Research Bureau, compiled from Ghaziabad Nagar Nigam

As it is connected to the National capital, its temperature and rainfall are similar to Delhi. Ganga, Yamuna and Hindon are the main rivers flowing through the district and they are filled with water throughout the year. Forest area in the district is very negligible. However, forestation is going on. Around 30 lakhs plantation is done with 100% achievement in the district.

Human resources play a significant role in the economic development of an area. According to the 2011 census of Ghaziabad district, it has a population of 46,61,452.

Ease of Doing Business in Ghaziabad: Issues and Challenges

Ghaziabad at a glance

Geographical Area	1,14,800 hectares
Population	46,61,452
Male Population	24,81,803
Female Population	21,79,649
Rural Population	15,16,878
Urban Population	31,44,574
Total Area	206934
Railways(Length of rail line)	152 km
National Highways	158 km
State Highways	68 km
Telephone connection	1,79,367
Post offices	248
Telephone Offices	5
Cable Operators	216
Number of Connections	84,072
Allopathic and Ayurvedic Hospital	100
Beds in Allopathic and Ayurvedic hospitals	1002
Banks (Commercial Bank, Rural Bank and Co-Operative bank)	369
Primary and Middle schools	3939
Secondary & Senior Secondary Schools	254
Colleges	14
Distance from Delhi	19 km
Distance from Lucknow	468 km
Nearest Airport	Indira Gandhi International Airport

Source: PHD Research Bureau, compiled from various sources

Ease of Doing Business in Ghaziabad: Issues and Challenges

Land utilization

The total area in the district is 2,06,934 hectares out of which 39,447 hectares is non agricultural land and 2,941 hectares is cultivable land left barren.

Pattern of land utilization in the district		(in hectares)
S.No	Land utilization	Area
1	Total Area	2,06,934
2	Forest cover	3,641
3	Non Agriculture Land	39,447
4	Cultivable Barren Land	2,941

Source: PHD Research Bureau, compiled from Economic & Statistical Department, Lucknow

Area under agriculture

Agriculture is the main occupation of the people in the district of Ghaziabad. Though, due to fast industrialization land size under cultivation is decreasing day by day.

Area under Agriculture		(in hectares)
S.No	Land	Area
1	Net Sown Area	53,000
2	Net Irrigated Area	53,000
3	Gross Irrigated Area	84,000

Source: PHD Research Bureau, compiled from District Statistical Handbook 2012

There are three main sources of the irrigation in the district i.e. wells, tube wells and canals. The total length of canals in the district is 444 km. The number of government tube wells are 88 while the number of private tube wells in Ghaziabad are around 25,719.

Livestock rearing is another occupation most common in the district after farming. It compliments not only agriculture but also provide employment opportunities and raw materials to industries. The category wise livestock population of the district is as under-

Livestock		(in 2007)
S.No	Livestock	Number
1	Cattle (cows and buffaloes)	5,85,209
2	Other livestock (Goats and Pigs)	59,981

Source: PHD Research Bureau, compiled from various sources

Ease of Doing Business in Ghaziabad: Issues and Challenges

Socio economic conditions

The average literacy rate of the district of Ghaziabad increased significantly from 70% in 2001 to 79% in 2011. The male literacy rate improved from 79.84% in 2001 to 85.42% in 2011 while the female literacy rate improved from 58.01% in 2001 to 69.79% in 2011.

Literacy Rate of Ghaziabad			
S. No.	Particulars	2001	2011
1.	Average literacy rate	69.74	78.07
i.	Male	79.84	85.42
ii.	Female	58.01	69.79
2.	Total literates	1,899,735	3,123,264
i.	Male	1,168,462	1,811,397
ii.	Female	731,273	1,311,867

Source: PHD Research Bureau, compiled from 2011 census of Ghaziabad district

3. Objectives of the present study

The present study on “Ease of Doing Business in Ghaziabad: Issues and Challenges” aims at knowing the strengths and weaknesses of the MSMEs sector in Ghaziabad and to understand the issues and challenges faced by MSMEs sector in the region.

The specific objectives of the study pertain to:

1. The industry scenario and structure of MSMEs in Ghaziabad
2. The growth dynamics of the MSMEs sector in Ghaziabad.
3. To know the operational issues with regards to industrial infrastructure, availability of credit, access to capital, availability of land and labour and procedural bottlenecks etc., among others
4. To analyse the opportunities and challenges faced by the MSMEs sector in Ghaziabad.

4. Research Methodology

The study attempts to understand the present status and future prospects of MSMEs sector in the district of Ghaziabad in terms of its several opportunities and challenges. In order to conduct the study several key activities have been initiated in August 2014 and done for a period of three months. These activities ranged from preparation of questionnaires, data retrieval, gathering inputs from the entrepreneurs, industry experts etc. have been undertaken.

Ease of Doing Business in Ghaziabad: Issues and Challenges

4.1 Data Collection

The report takes into consideration both primary and secondary data sources. For the primary data both qualitative and quantitative methods have been used. The primary data collection comprised of in-depth field survey of the MSMEs through structured questionnaires and discussions with the key representatives of the MSMEs sector in Ghaziabad and the collection of secondary data includes sources such as government reports, journals, newspapers and others.

During the survey, various stakeholders of the MSMEs sector were approached and valuable inputs were collected through face to face interactions, telephonic interviews, mailing the structured questionnaires.

4.2 Data collection technique

The survey has been conducted using systematic sampling technique in which the respondent firms have been chosen on the basis of data available with the chamber and list of MSMEs and association on the District's website. The structured questionnaire has been designed and disseminated to the respondents selected on the basis of a definite sampling methodology. However, efforts have been made to ensure that each and every segment existing in the region is touched upon, in terms of:

- a) Scale of the firm, micro/small/medium
- b) Area of location of the firm
- c) Sectoral concentration of the firm

4.3 Sample Selection

The sample selection for the study comprises of selection of Industrial areas, selection of industrial sectors and finally selection of representatives from MSMEs sector.

4.3.1 Selection of Industrial Sectors

The survey has broadly considered 8 major sectors and few other sectors of the district namely auto components & automotive, agro and food processing, cooling towers, drugs and pharmaceuticals, electronics & electricals, engineering, Fast Moving Consumer Goods(FMCG), and steel sector. The rationale of selecting these industrial sectors is that these sectors have a presence in the MSMEs sector in Ghaziabad.

4.3.2 Selection of MSMEs representatives

The field survey has been undertaken ensuring the representation of all categories of MSMEs manufacturing, trading and service units and representation from the employers at the top or middle level positions. The questionnaire was disseminated to around 200 target respondents,

Ease of Doing Business in Ghaziabad: Issues and Challenges

however, about 142 responses have been received to determine the final results pertaining to the stated objectives of the study.

5. Ghaziabad Industrial Outlook

Ghaziabad is a growing industrial city which occupies an important place in the industrial development of Uttar Pradesh. There are about 1796 registered industrial units in Ghaziabad while total industrial units scale up to 5957 units.

Industrial Outlook in Ghaziabad

S.No.	Nature of Units	Units
1	Registered industrial units	1796
2	Total industrial units	5957
3	Estimated average number of daily worker employed in small scale industries	17221
4	Employment in large and medium Industries	72749
5	Number of industrial areas	12

Source: PHD Research Bureau, compiled from Report on District Industrial Potential Survey of Ghaziabad 2013-14

The major sectors that are prevalent in Ghaziabad are Food, Soft drinks and tobacco, Cotton textiles, Woolen silk and synthetic textiles, Paper and paper products and printing, Rubber, Plastic and Petroleum, Chemical and chemical products, Non metallic minerals, Metal products, Machinery tools and parts, Electric machinery equipments and parts and Transport equipments and parts.

The major exportable items of the medium and large scale enterprises are listed below:

Major Exportable items

Large scale enterprises	Medium enterprises
<ul style="list-style-type: none"> • Automobile piston & rings and automotive fabrics, • Steel Ingot, • Bi-cycle, • Frozen Meat and Beer, • Pharmaceuticals and Ayurvedic Medicines, • Polyester buttons, • White Crystal Sugar • Electronics parts, • Fashion Accessories, • PU Foam 	<ul style="list-style-type: none"> • Stainless Steel Wires & Bars, steel ingots, blades and alloy steel • High & Low Carbon Steel Wires, • Plastic moulded furniture, • Craft paper

Source: PHD Research Bureau, compiled from Report on District Industrial Potential Survey of Ghaziabad 2013-14

Ease of Doing Business in Ghaziabad: Issues and Challenges

There are about 12 industrial areas in Ghaziabad with around 3933 industrial units in production. The total land area acquired by these units is about 1967 acres out of which 1517 acres have been developed. About 7334 plots have been allotted to the industrial units while only 33 plots are vacant in these areas. The average rate per sq metre is Rs. 11,058/- with the highest prevailing rate at Rs. 20,000 per sq metre in Loha Mandi and Site-4, Sahibabad. The lowest rate is in the Industrial Area at Masoori Gulawati Road at Rs. 3200/- per sq metre.

Status of Industrial Areas in Ghaziabad

Name of Industrial Area	Land acquired (in acres)	Land developed (in acres)	Number of allotted Plots	Number of Vacant Plots	Prevailing Rate Per Sqm (in Rs.)	Number of units in production
Kavi Nagar, Sector-17	88.22	60.28	219	-	10,000	169
Loha Mandi	21.04	13.3	412	-	20,000	331
LONI Estate	5.26	2.18	32	-	8,000	6
Masoori Gulawati Road	362.78	309.36	2097	14	3,200	790
Sector-22, Meerut Road	46.54	36.71	60	-	10,000	40
SITE-1, Bulandshahar Road	288.96	170.65	778	-	10,000	683
SITE-2, Loni Road	111.24	79.48	382	-	10,000	254
SITE-2, Loni Road Harsh	13	13	120	19	9,500	-
SITE-3, Meerut Road	142.05	116.26	294	-	10,000	154
SITE-4, Sahibabad	679.50	563.09	1806	-	20,000	1018
South side of G.T. Road	191.83	138.06	1011	-	12,000	418
Udyog Kunj	17.00	14.37	123	-	10,000	70
Total	1967.42	1516.74	7334	33		3933

Source: PHD Research Bureau, compiled from DIC Ghaziabad

Ease of Doing Business in Ghaziabad: Issues and Challenges

The large scale units have a cumulative investment of Rs. 2,116 crores and provide employment to about 11,345 persons.

Existing Large scale units in and around Ghaziabad

S.No	Products Manufactured	Investment (in crores)	Employment
1	Yarn, Fabrics, Home Furnishing, Automotive Fabrics, Fashion Accessories & Home Furnishing	45	50
2	Pharmaceuticals	50	225
3	Melting, refining & casting-Steel Ingot, C.R. Strips & steel ingots, Steel billets, G.I. Steel Tubes & Pipe	902	1695
4	Hot rolling & Bright Bars Division	13	205
5	Bi-cycle	14	110
6	Typhoid Vaccine	40	95
7	Electronic items, Electronics parts, Tape deck mechanism, DC Micro motors	47	1425
8	Ayurvedic Medicines, syrups & Hair oils	51	150
10	Polyster buttons	15	80
11	Mutton, Frozen Meat, Animal fats & Oil, meat processing, Fresh chilled frozen meat	77	200
13	Water, Mineral water, soft Drinks, Aerated water	92	200
14	Pipes	25	325
15	Butyl Acetate	14	87
16	Particle Boards, M.G. paper, writing paper & duplex boards	200	430
17	Laminates, Furniture, Restroom and locker systems, Solid Surfaces, Packed food, Non conventional energy	54	700
18	White Crystal Sugar, Sugar	245	1700
19	Milk & Milk Products	20	200
20	Flexible packaging, printing plastic pouch	25	100
21	PVC Film & sheet	10	225
22	Copper Zinc Alloy	16	50
23	Metal Die castings, Auto parts	17	150
24	Electron-gun and Cathode tube (Picture Tube)	14	320
25	Polyurethane foam	12	48
26	Automobile piston & rings	25	1325
27	Ethyl Alcohol	25	150
28	Electric meters, switch gear	14	400
29	Laminates, Furnitures, Restroom and locker systems, Solid Surfaces, Packed food, Nonconventional energy	54	700
Total		2116	11345

Source: PHD Research Bureau, compiled from DIC Ghaziabad

Ease of Doing Business in Ghaziabad: Issues and Challenges

The medium enterprises have a cumulative investment of Rs. 107 crores and provide employment to about 2,226 persons.

Medium Scale units in and around Ghaziabad

S.No.	Product Manufactured	Investment (in crores)	Employment
1	MS Structures & Parts, Steel tubes	7	128
2	Steel long products	36	215
3	Acetic Acid	7	33
4	Gases for Industrial & Medical use	7	165
5	Plastic moulded furniture	7	100
6	Plastic Molding	7	45
7	Girth gears, mill head, support rollers, tyres, pinions, bearing housing, rudder stock	7	50
8	Insulating Varnish Insulation Material	10	45
9	Spinning of cotton yarn/synthetic yarn & Threads	6	325
10	Craft paper	7	120
11	Butter phase, skimmed milk powder	6	1000
Total		107	2226

Source: PHD Research Bureau, compiled from DIC Ghaziabad

There are about 881 micro and small enterprises as well as artisan units in Ghaziabad with an investment of around Rs. 3900 lakh, giving employment to 8589 persons.

Existing Micro & Small Enterprises and artisan units in Ghaziabad

Type of Industry	Number of Units	Investment (in Rs. lakh)	Employment
Agro based	24	101	176
Cotton textile	13	407	96
Electrical machinery and transport equipment	123	637	1517
Engineering units	22	55	135
Metal based (Steel Fab.)	19	47	139
Mineral based	38	154	505
Paper & Paper products	26	141	171
Ready-made garments & embroidery	85	208	1262
Repairing & servicing	45	105	781
Rubber, Plastic & petroleum based	21	50	155
Soda water	2	500	100
Wood/wooden based furniture	23	59	218
Woolen & silk based textile	03	110	1462
Others	437	1340	1872
Total	881	3914	8589

Source: PHD Research Bureau, compiled from DIC Ghaziabad

Ease of Doing Business in Ghaziabad: Issues and Challenges

Ghaziabad provides significant opportunities for development of MSMEs. Following are the list of potential sectors for MSMEs.

Potential for new MSMEs	
<ul style="list-style-type: none"> • Plastic containers –HDPE,LDPE &PP • HDPE Bags • Bleaching Earth(RM unit) for de-colorization in the oil sector • Oxygen plant • GI pipe units • Forging Unit • Induction furnace based casting products • Paper Industry • Railways Coach and wagon parts • Pharma Unit • Electrical & Telecom cables • Ground & Processed Spices 	<ul style="list-style-type: none"> • General engineering & precision component manufacturing for defence, Aviation and other sectors • Dying & Printing Units • Aluminum Extrusions • Packaging materials –Plastic Straps, Corrugated Boxes etc • Heat Shrinking Polythene • Wooden crafts • Solvent Extraction • Dal Mill • Fly Ash Bricks

Source: PHD Research Bureau, compiled from various sources

6. Infrastructure and Industrial Investment Policy 2012

The Uttar Pradesh Government has initiated several incentives in the form of various policies formulated for the development and promotion of industries by the State. In view of major transformation of industrial environment globally and within the country, Government of Uttar Pradesh has approved and announced new Infrastructure and Industrial Investment Policy-2012 with an objective of attaining the target of 11.2% industrial growth in Uttar Pradesh.

Main features of new policy are infrastructural development, promotion of MSMEs, industrial environment and fiscal incentive conducive for the growth of industries in the area.

To encourage MSMEs, following incentives have been elaborated by the state government-

- Encouragement to industrial associations of MSMEs sector to set up industry specific clusters through Special Purpose Vehicles (SPVs) for the development of infrastructure to facilitate MSMEs.
- Better implementation of MSMEs development schemes of the Government of India.
- Special steps to be taken to develop export and artifact specific clusters in towns to promote development of exports of handicrafts.
- Development of infrastructure, marketing, branding, design and packaging under ASIDE
- Constitution of special cell in Directorate of Industry to undertake various studies for improving overall environment for MSMEs growth.

Ease of Doing Business in Ghaziabad: Issues and Challenges

- Based on the demand of micro and small industries, UPSIDC to identify land level to develop mini industrial areas for such units.
- Small enterprises cluster development to aid the MSMEs.
- Non-polluting units to be allowed to be set up in residential areas and multi storey apartments.
- Rehabilitation Policy for sick units which are economically viable.
- New Exit Policy for unviable closed units.

Infrastructure Development

- Encouragement to Public Private Partnership (PPP) for infrastructure development
- Setting up one National Manufacturing Investment Zone, each in Bundelkhand, Eastern and Central Uttar Pradesh.
- Expansion & improvement in water supply and drainage system.
- Setting up of IT Parks, Mega Food Parks, Logistic hubs, Plastic city, Biotech Industrial parks and Integrated Industrial Townships.
- Creation and expansion of land banks by U.P. State Industrial Development Authority through utilisation of barren, unused and un-irrigated public land.
- Permission to foreign direct investment in infrastructure development.
- Compilation and dissemination of land bank information to investors
- Simplification of land allotment procedures.
- Encouragement and facilitation to private sector for development of Industrial areas and estates
- Development of roads, expressways, eco-friendly metro or rapid transit systems, and development of new industrial areas along these roads and expressways.
- Full cooperation in implementation of Delhi Mumbai Industrial Corridor (DMIC) & Dedicated Freight Corridor (DFC).
- Development of industrial areas and zones in 250 kms on both sides of DMIC.
- Multi-modal logistics hubs, investment zones and early bird projects have been proposed on 1483 km DMIC and 1011 km of DFC connecting Uttar Pradesh to sea-port at Mumbai.
- Development of Airports on PPP model – near Agra in the vicinity of DMIC to provide facility of dry-cargo transport along with aircraft maintenance hub and at Kushinagar in eastern Uttar Pradesh to promote industrial development and tourism.
- Strengthening and augmenting energy infrastructure, viz. Generation, Distribution and Transmission Expansion of CNG/PNG network along the industrial hubs for clean energy supply to industries.
- Dedicated power feeders built by industrial units at their expense shall not be tapped and used for other purposes.
- Industrial units getting power supply from 220/132 kv substations will be exempted from rostering except to save national power grid.
- Encouragement to non-conventional energy resources. Solar power generation plants shall be granted status of 'Industry' and will be entitled to all incentives specified in this policy.

Ease of Doing Business in Ghaziabad: Issues and Challenges

- 33/11 KV feeders with more than 75% industrial load will be exempted from load shedding and separated from other consumers.

Industrial Environment

- Simplification of procedures and processes related to departments of Labour, Energy, Environment, Commercial Tax, Registration, etc.
- Web-based Single Window system in investment will be introduced to provide single-stop shop for all kinds of departmental services, clearances, etc.
- Creation of IT enabled interactive information mechanisms for making available important investment opportunities to MSMEs sector
- Strengthening and improvement in working of Udyog Bandhu (a State government agency for facilitating Industries) and U.P. Investment Centre.
- Speedy redressal of problems and complaints of entrepreneurs.
- Emphasis on Skill and Management development
- Bar-coding in classified industries, such as Food processing, Leather, Textile, Hosiery to be done.
- Nomination of Nodal officers of the rank of Principal Secretary to Special Secretary to hand-hold large industrial investment projects.
- Rewarding Entrepreneurs contributing significantly to industrial growth of the State.

Fiscal Incentives

- 100% exemption in stamp duty on purchase, lease or acquisition of land by industrial units proposed to be set up in Eastern U.P., Central U.P. and Bundelkhand region, 100% exemption in stamp duty to new IT, Bio-tech, BPO, Food processing, Food Park, Alternative energy resources, private sector infrastructure development excluding PPP projects, 75% exemption in stamp duty to other new units on government land and 50% on private land.
- Reimbursement of 25% of stamp duty, if a private developer completes development of industrial estate or area within 3 years after purchase of land and a minimum of 50% land is sold, reimbursement of stamp duty on land transfer to such subsidiary company which starts production within 3 years of the said land transfer from its parent company having 51% share in it.
- Exemption from land transfer fee, sub-divisional charges, and levy charges to such manufacturing units that make available their additional land for industrial purpose after 5 years to any other company or agency in which they have at least 51% equity.
- In case of attachment of assets of a closed unit by UPFC, PICUP or bank, stamp duty shall be payable on sale price fixed by competent authority instead of circle rate.
- Exemption from Entry tax to iron & steel to be used as raw material.
- Facility of input tax refund or set-off will be allowed to manufacturers who export outside India by sale to export houses in the course of export under sub sec. (3) of Sec. 5 of Central Sales Tax Act 1956.

Ease of Doing Business in Ghaziabad: Issues and Challenges

- Exemption From Mandi Fee and Development Cess for 5 years on purchase of raw material to all new Food processing units with investment of Rs. 2 crores or above in plant, machinery and spare parts.
- Eligibility criteria under Investment Promotion Scheme, has been brought down from Rs. 10 crore to Rs. 5 crore for new industrial units set up in Poorvanchal, Madhyanchal, Bundelkhand and all food processing units, livestock based units & IT units while, it has been reduced to Rs. 12.5 crore from Rs. 25 crore for the rest of State.
- Interest-free loan equivalent to VAT and Central Sales Tax paid by industrial units or 10% of the annual turnover whichever is less will be provided for a period of 10 years repayable after 7 years from the date of first disbursement.
- Under New Capital Subsidy Scheme, new industrial units to be set up in Poorvanchal, Madhyanchal and Bundelkhand shall get reimbursement at the rate of 5% on interest rate of loan taken for plant and machinery, maximum upto Rs. 50 lakhs per annum for a period of 5 years. Also new Textile units to be set up in Poorvanchal, Madhyanchal and Bundelkhand, shall get reimbursement at the rate of 5% on interest rate of loan taken for plant and machinery, maximum upto Rs. 100 lakhs per annum for a period of 5 years while this facility is available in the tune of maximum upto Rs. 50 lakhs per annum in the other region of the state.
- Under Infrastructure interest subsidy scheme, industrial units take loan for developing infrastructure facilities for self-use, such as – road, sewer, water drainage, power line etc., will get reimbursement at the rate of 5% on interest rate of loan taken for this purpose, maximum upto Rs. 1 crore for a period of 5 years.
- Under Industrial Quality Development Subsidy Scheme, reimbursement will be provided to the industrial association, group of industrial units at the rate of 5% on interest rate of loan taken for establishing testing labs, quality certification lab, tool-rooms, etc. maximum upto Rs 1 crore for a period of 5 years.
- Mega projects with the investment more than Rs 200 crores will be provided with special incentives on case-to-case basis and priority shall be given for development of infrastructure facility.
- To generate new employment opportunities, under EPF Reimbursement Scheme, provision has been made for the reimbursement of 50% of EPF contribution for their workers for a period of 3 years by new units after 3 years from the date of establishment of the units, if the new units give employment to 100 or more unskilled workers.

Others

- Public-Private partnership (PPP) will be encouraged on priority basis in the development of infrastructure.
- Apart from Viability Gap Funding, PPP projects through Annuity based model and other models will also be encouraged and State government will make available grant of 20% of project cost from central government and a maximum of 20% from its own resources to make the project viable.
- Exemption from Electricity Duty for 10 years to new industrial units and 15 years to Pioneer units and to captive power generation for self-consumption by unit.

Ease of Doing Business in Ghaziabad: Issues and Challenges

- New units will have to pay only for the actual power consumption for first 5 years instead of minimum monthly load and demand.
- Entrepreneur Memorandum Part-1 and 2 of Industries will be issued online on the basis of self declaration. Under the Micro, Small and Medium Enterprises Act, arrangements will be made for District Industries Centers to deliver receipts with auto generated number, for forms submitted online. In this manner, after the receipt of Memorandum-1, the industry related recommendations and approvals of related departments will be issued on a weekly basis within the stipulated time through a single table system and all Memoranda-1 will be monitored regularly. Likewise, resolution of problems, providing facilities under different schemes and regular monitoring will be ensured for units obtaining Memorandum -2.

7. Infrastructure Development

The Ghaziabad district of Uttar Pradesh has sufficient uncultivable and fallow land which can be used for industrial development in the district. The district is fed by a number of rivers and therefore, there is no scarcity of water for industrial use in the district. As there is heavy demand for electricity in the district, supply of power remains irregular and inadequate. Moreover, the erratic power supply and frequent load shedding of power is the major hurdle for industrial development in the district. Given this scarce power supply, the **3500 MW Power Plant located in Dadri** provides electricity to Ghaziabad. The plant uses modern technology and latest technical know-how, which has enabled the plant to create power without causing harm to the surrounding environment.

The development of road transport system is one of the vital factors for the industrialization. Major transportation in district is provided by both U.P. Transport Corporation and other Private/Public owned vehicles. Delhi Transport Corporation buses are also available in the district. Further, well reputed road transport organizations are also operating in the district and thereby connecting with all big cities and other places and carry goods to and from these places. In terms of road conditions, almost all industrial estates are linked with six lane highway National Highway 24. It is also proposed that the National Highway No. 24 would soon be made six lane highway.

To meet the special requirements of the entrepreneurs, specific clusters in the State through Special Purpose Vehicles (SPVs) with basic facilities of sewage treatment plant, common effluent treatment plant (waste treatment plant, pollution control plant) and testing labs are proposed to be developed swiftly. The State is major contributor to the total handicraft exports of the country. Therefore development of industrial handicrafts and services clusters is must for promotion of handicrafts Also infrastructure, marketing, design and packaging facilities, will be developed under various schemes, such as- ASIDE (Assistance to States for Infrastructure Development and Exports) scheme, MSE Cluster Development scheme, and Micro and Small Technology Upgradation Scheme.

Ease of Doing Business in Ghaziabad: Issues and Challenges

To make small enterprises viable in competitive scenario, it is proposed that the State government will provide assistance for setting up modern machines, purchasing advance technology, obtaining BIS (Bureau of Indian Standards) certification and quality certification, branding and obtaining trade mark and intellectual property rights. A scheme has also been proposed to provide support to connect the clusters set up by industrial associations and private developers, to other infrastructure facilities, such as- approach road, power supply and water supply.

8. Data Analysis

Ease of Doing Business in Ghaziabad: Issues and Challenges pertains to focus on the growth dynamics of MSMEs sector in Ghaziabad and operational issues faced by the manufacturing and services sector in the district. In order to conduct the survey, a structured questionnaire was prepared and circulated amongst the representatives of the various firms located across major industrial areas in Ghaziabad. The survey pertains to analyze 142 responses received from various representatives across the sectors and industrial segments.

Ghaziabad provides immense opportunities for developments of MSMEs as the existing set up, availability of resources, market potentiality and demand pattern provide immense scope for the new small scale industries to develop. The district is endowed with not only agriculture resources and rich livestock but also has a high rate of literacy which can be tapped for promoting industrial ventures in the district. The presence of large and medium scale enterprises also provide an opportunity to the MSMEs as purchaser of their products.

The study pertains to analyse viewpoint of a large share of MSMEs of which 70% are from small enterprises, 20% from medium enterprises and 10% from micro enterprises. Sample survey analyses the viewpoint of 142 MSMEs respondents of which majority of MSMEs (20%) are operating in steel sector followed by electronics & electricals (16%), engineering (14%), auto components & automotive (13%), drugs and pharmaceuticals (12%), agro and food processing (10%), FMCG (8%), and cooling towers (7%).

The survey observed that MSMEs across various segments have posted robust gross annual sales growth of about 21% during the last three years (annual average). Nearly 46% of respondents affirmed that gross annual sales growth has increased during the last three years while about 44% of them said that gross annual sales growth has remained same whereas it has decreased according to 10% of respondents. The major reasons responsible for boosting the gross sales growth of MSMEs in Ghaziabad has been attributed to the rising demand, technological advancements and increasing overall size of the economy.

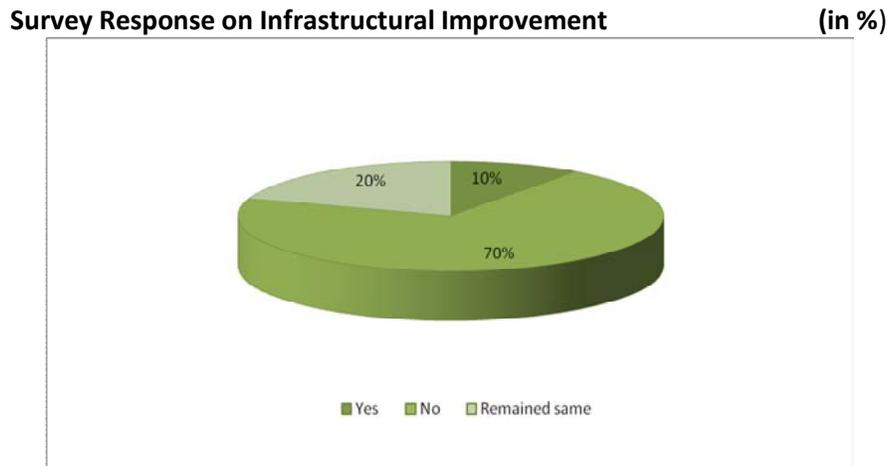
Most of the respondents opined that the MSMEs sector is also integrating with the world markets though slowly. However, only a small proportion of them (7%) acquire inputs from world markets. 26% of respondents surveyed which cater to the foreign markets reported an increase in their exports growth during the recent years.

Ease of Doing Business in Ghaziabad: Issues and Challenges

Majority of the respondents felt that overall tax burden has increased in last three years and most over burdening taxes have been found to be Central Sales Tax and VAT. However, almost all the MSMEs stakeholders felt that the implementation of GST is expected to reduce the burden of taxation on them in the coming times.

According to the survey, majority of the survey respondents (58%) rely on their own profits to meet up their financial requirements, though they do have accounts in nationalized, private and foreign banks. 10% of the respondents revealed that their accounts are in Delhi branches of the bank as they are better than the Ghaziabad branch in terms of faster clearances and speedy processes.

Further, though the district is near to Delhi and is well connected but the roads are not of good quality. The NH-24 which connects Ghaziabad to a number of cities of the country is chocked with traffic all throughout the day and the road conditions in the industrial areas as well as highway are not up to the mark. About 70% of the respondents said that there have been no improvements in the infrastructure in Ghaziabad while 20% of them responded that the infrastructure facilities have remained the same.



Source: Ease of Doing Business in Ghaziabad: Issues and Challenges survey conducted by PHD Research Bureau (August-November 2014)

Almost all the respondents felt that infrastructure is one of the grey areas of the region which impacts the activities of the MSMEs. Electricity is a major issue as there are long power cuts which render businesses running on generators for full day, thus increasing the electricity costs. The electricity rates are higher than other states which make it less viable to any business units to set up their enterprises in Ghaziabad.

The average power tariff for industry in Uttar Pradesh is second highest among 20 states at around 736 paise/kwh which is about 78% higher than power tariffs in Uttarakhand and 71% higher than tariffs in Himachal Pradesh making it less viable for businesses in Uttar Pradesh.

Ease of Doing Business in Ghaziabad: Issues and Challenges

State-wise average power tariff for Industry			
(in paise/ kwh)			
S.No	Name of the state	2012-13	2013-14
1	Maharashtra	716.36	771.81
2	Uttar Pradesh	653.65	736.35
3	Tamil Nadu	702.09	735.76
4	Bihar	583.58	671.12
5	West Bengal	641.54	650.45
6	Jharkhand	603.19	632.24
7	Karnataka	585.35	610.18
8	Gujarat	591.63	607.9
9	Punjab	580.62	586.68
10	Rajasthan	474.2	582.25
11	Madhya Pradesh	563.46	580.61
12	Haryana	574.08	573.01
13	Kerala	537.08	567.86
14	Assam	537	537
15	Andhra Pradesh	546.52	535.88
16	Chattisgarh	470.06	480.82
17	Himachal Pradesh	422.3	430.77
18	Meghalaya	436.77	429.38
19	Uttarakhand	414.16	413.46
20	Jammu & Kashmir	340.92	340.92

Source: PHD Research Bureau, compiled from Planning Commission

Note: Data for Delhi and Orissa are unavailable

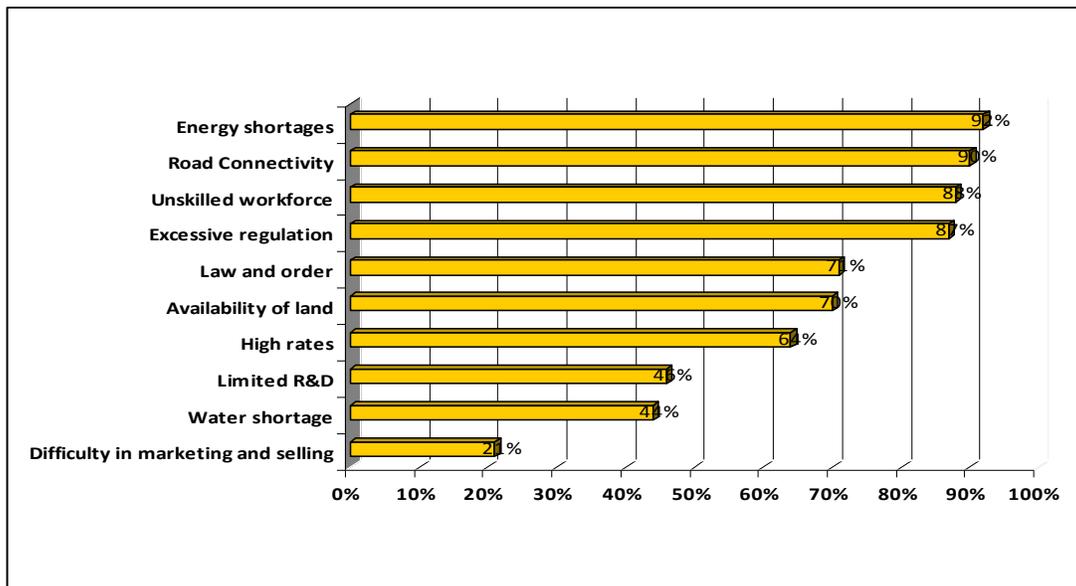
Most of the respondents opined that current schemes of Central and State governments are not being implemented in the district due to which the enterprises face a variety of problems. Majority of respondents (55%) affirmed that they do not face shortage of working capital. While 45% respondents said that they face shortage of working capital.

However, respondents felt that they face difficulties while selling their products in different markets. The major problems encountered while selling products within Ghaziabad and rest of the country are excessive government regulations, labour availability and rigidity, environment and various multiple taxation issues at central and state level, law and order which creates roadblocks in selling products in the diversified markets.

MSMEs sector in Ghaziabad face various operational challenges. According to the survey, a large share of the respondents (92%) opined that energy shortages is one the key operational challenges, followed by lack of Road connectivity (90%), unskilled workforce(88%), excessive regulations (87%) , problems with law and order(71%), Availability of land (70%), high energy cost (64%), limited R&D (46%), water shortages (44%) and difficulties in marketing and selling (21%).

Ease of Doing Business in Ghaziabad: Issues and Challenges

Major operational problems faced by Ghaziabad MSMEs (in %)



Source: Ease of Doing Business in Ghaziabad: Issues and Challenges survey conducted by PHD Research Bureau (August-November 2014) Note: Respondents have chosen more than one problem

Almost all the respondents opined that they face scarcity of manpower in terms of the right skill sets. The survey revealed that there is an extensive need to encourage skill development of the youth in the district to make them employable and thereby facilitate industrial development.

Though there are a few advantages of setting up industrial units in Ghaziabad such as cheap labor, huge market, increased demand and lower property rates in comparison to Delhi, procuring land is a major obstacle.

For instance, if an MSMEs unit has to set up its factory, it would have to approach UPSIDC. However, UPSIDC do not have adequate land which leaves the enterprise with the option of purchasing it on resale. If land has to be purchased on resale, then by the end of whole process of acquiring land, the entrepreneur would end up paying 40-50% extra cost on land which may make the business unviable.

The law and order situation has turned from bad to worse in Ghaziabad in the recent times. Hence, the workers are not willing to work for late hours. Further, the excessive government regulations increases administrative procedures which lead to high transactions cost thereby leading to high costs of doing business.

Most of the respondents reported that due to unfavorable industrial scenario, many large scale units have shut their plants in Ghaziabad and shifted to other parts of the country where the government provides certain incentives. It has also been reported that in the last year, around 8-10 steel furnaces have shut down out of around 25 steel furnaces.

Ease of Doing Business in Ghaziabad: Issues and Challenges

9. Conclusions

Micro, small and medium enterprises have a very special and vital role in the Indian economy. MSMEs nurtures first generation entrepreneurship and also create immense employment opportunities at a lesser investment. Though Ghaziabad houses many big and small industrial units, the MSMEs and particularly the micro units face a wide range of operational problems.

The MSMEs sector of the district faces some of the challenges such as high power tariffs and frequent long hours power cuts, low access to new technology, lack of skilled manpower, inadequate infrastructure facility, poor law and order situation and regulatory issues related to taxation, labour laws, etc.

- a) **Infrastructural deficits**-- Infrastructure plays an extremely important role in industrial development of any state/ region. On one hand, it increases the productivity of capital and on the other; it reduces the cost of production and marketing. Although the district is close to the national capital and comes under the National Capital Region, the NH-24 is chocked with traffic throughout the day and the road conditions in the industrial areas as well as highway are not up to the mark. Further, the power tariffs in the city are high and frequent power cuts leads to high consumption of diesel for generators which increases the cost of doing business.
- b) **Lack of skilled manpower**-- MSMEs in the district of Ghaziabad suffer from constraints due to inadequate human resource development. In addition, the law and order situation has turned from bad to worse due to which people are not willing to travel far off distances such as industrial areas for work.
- c) **Excessive Government regulations**—The MSMEs at Ghaziabad also face the problem of excessive regulation and difficulty in setting up a unit and the incentives structure provided by the state government is also not that much supportive which has led to many big industries to shift to other states.
- d) **Lack of modern technology**-- Another issue faced by MSMEs in the district pertains to access to modern technology. MSMEs find it difficult to acquire niche technology as majority of them are unable to meet the rigorous global quality standards and benchmarks due to outdated technological processes.
- e) **Lack of marketing and promotion**-- Marketing and promotion of products are challenging issues for MSMEs sector of the district as it involves travel, advertising, branding and other initiatives which are not a feasible option for MSMEs.

Ease of Doing Business in Ghaziabad: Issues and Challenges

SWOT analysis of MSMEs in Ghaziabad

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Close proximity to national capital ● Availability of cheap labour force ● Low cost of land 	<ul style="list-style-type: none"> ● Poor infrastructural facilities ● High costs of doing businesses ● Technological obsolescence
Opportunities	Threats
<ul style="list-style-type: none"> ● Emerging economy & expansion of consumer market ● Opportunities of overseas collaborations in terms of FDI 	<ul style="list-style-type: none"> ● Clusters in the nearby states with more and more lucrative incentives structure ● Stiff competition from global players operating in other areas of national capital region ● Lack of policy support policies of the government ● Lack of innovation and technology

Source: PHD Research Bureau, compiled on basis of various inputs received from respondents.

10. Suggestions

According to the survey, transportation and interstate connectivity have emerged as key challenges for the industrial development of the district which needs to be improved further.

Majority of the respondents suggested that the infrastructure of the region should be improved at the earliest with proper road connectivity and decongestion of traffic at NH-24 to facilitate smooth flow of raw materials and finished goods to and from the industrial area.

The survey revealed that the government must address the power cuts in the city which hampers day-to-day functioning of the MSMEs and the Uttar Pradesh government should provide power concessions to boost manufacturing in the district.

Survey also reveals that state government should create a conducive environment for MSMEs in Ghaziabad by providing better transportation facilities, road infrastructure and electricity supply which will have positive impact on their cash flows as their expenses will be reduced significantly.

According to the survey, there should be a joint testing laboratory for various industries which will promote research and development in different industries.

Ease of Doing Business in Ghaziabad: Issues and Challenges

According to the survey, MSMEs sector of the district should be promoted by providing extensive marketing support in terms of setting up of modern exhibition cum trade cum convention centre in the region. In addition, marketing assistance should be provided by giving subsidies on space rent and shipment for exhibitions in order to enable local firms to participate in national and international fairs.

The state government should work diligently in improving the law and order situation that will enable the industries in the district to employ skilled workforce. There should be time bound single window system of clearances with coordination at centre and state level through an Apex Steering Committee. The delayed projects should be cleared on priority and the state government must ensure transparency in major decisions in major sectors with the decisions being conveyed to be hosted on government's website.

There should be development of some mechanism where prospective suppliers can track the likely demand arising from various departments. There should be establishment of a nodal agency to receive all the purchase requisitions from various state departments and to encourage procurement from the registered MSMEs units so that more units can be covered under the ambit of the registered sector. The government should take initiatives to encourage private participation in order to streamline the supply of essential raw materials to MSMEs in the district.

The state government should focus on establishing a sound financial infrastructure (credit registries/ bureaus, collateral, and insolvency regimes) as a major priority in the financial development agenda, as it can lower the costs and risks to financial institutions of serving MSMEs.

Going ahead, the Uttar Pradesh government should promote and facilitate MSMEs with the help of supportive industrial policy. The state government should be proactive in spreading awareness about the government schemes to bring larger number of MSMEs under its ambit thereby leading to sustainable and inclusive growth of MSMEs in Ghaziabad.

Ease of Doing Business in Ghaziabad: Issues and Challenges

India: Statistical Snapshot

Indicators	FY09	FY10	FY11	FY12	FY13	FY14
GDP at FC - Constant prices Rs Bn	41,586	45,161	49,185	52,475	54,821	14385
GDP at FC - Constant prices growth YoY	6.7	8.6	8.9	6.7	4.5	5.7
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	26973
Agriculture growth	0.1	0.8	8.6	5.0	1.4	3.8
Industry growth	4.1	10.2	8.3	6.7	0.8	4.2
Services growth	9.6	8.0	7.5	4.9	7.0	6.8
Consumption	7.6	8.2	8.1	8.1	3.9	-
Private consumption	7.1	7.1	8.6	8.0	4.0	-
Gross domestic savings as % of GDP	32.0	33.7	34.0	30.8	30.2	-
Gross Fixed Capital Formation as % of GDP	32.3	31.7	30.9	31.8	30.4	-
Gross fiscal deficit of the Centre as a % GDP	5.9	6.5	4.8	5.7	5.2	4.1
Gross fiscal deficit of the states as a % GDP	2.4	2.9	2.1	2.3	2.1	2.3
Gross fiscal deficit of Centre & states as a % GDP	8.3	9.3	6.9	8.1	7.2	6.4
Merchandise exports (US\$Bn)	183.1	178.3	250.8	305.7	300.2	189.7 ^{^^^}
Growth in exports	12.3	-2.6	40.6	21.9	(-)1.8	4.72 ^{^^^}
Imports (US\$Bn)	299.3	287.6	369.4	489.1	490.3	273.5 ^{^^^}
Growth in imports (YoY)	19.8	-3.9	28.5	32.4	0.2	(-)1.9 ^{^^^}
Trade deficit (US\$Bn)	116.2	109.3	118.6	183.4	190.1	83.8 ^{^^^}
Net invisibles US\$Bn	91.6	80.0	79.3	111.6	107.5	-
Current account deficit US\$Bn	28.7	38.4	48.1	78.2	88.2	-
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	4.8	-
Net capital account US\$Bn	8.7	53.4	60	67.8	94.2	-
Overall balance of payments US\$Bn	20.1	-13.4	-13.1	12.8	3.8	-
Foreign exchange reserves US\$Bn	252	279.1	304.8	294.9	292.04	289.6 [~]
External debt - Short term US\$Bn	43.4	52.3	65	78.2	96.7	-
External debt - Long term US\$Bn	181.2	208.7	240.9	267.5	293.4	-
External debt - US\$Bn	224.5	260.9	305.9	345.8	392.1	-
Money supply growth	19.3	16.9	16.1	13.2	13.8	12.8!
Bank credit growth	17.5	17.1	21.2	16.8	13.5	8.7##
WPI inflation	8.1	3.8	9.6	8.9	7.4	1.7@
CPI inflation	7	12.4	10.4	6.0	10.2	5.5@
Exchange rate Rs/US\$ annual average	46	47.4	45.6	47.9	54.4	61.65@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimate of 2013-14 from MOSPI, `Planning Commission Data Book Dec 2013, ** Projection For 2013-14 from PMEAC Economic Outlook 2013-14, ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ^^^data pertains to April- October, 2014, ``India's external debt end Dec 2013 from RBI, ! Data compiled form RBI Bulletin November 2014, # Data pertains to Mar 2013, ~ Data as on 7th November, 2014 from RBI, @ Data pertains to October 2014, @@ Data as on 14 November, 2014 from RBI, ##Data pertains to September 2014

Ease of Doing Business in Ghaziabad: Issues and Challenges

Research Team

Dr. S P Sharma

Chief Economist and Director of Research

Ms. Megha Kaul

Senior Research Officer

Ms. Ekta Goel

Research Assistant

We are thankful to Ms. Vaishali Narang, Research Intern for her efforts in preparing this report. We are thankful to Mr. Hariom Kuthwaria for providing designing support to publish this document.

Disclaimer

‘Ease of Doing Business in Ghaziabad: Issues and Challenges’ is prepared by PHD Chamber of Commerce and Industry. This report may not be reproduced, wholly or partly in any material form, or modified, without prior approval from PHD Chamber of Commerce and Industry.

It may please be noted that this report is for guidance and information purposes only. Though due care has been taken to ensure accuracy of the information to the best of the PHD Chamber’s knowledge and belief, it is strongly recommended that readers should seek specific professional advice before making any decisions.

Please note that the PHD Chamber of Commerce and Industry does not take any responsibility for outcome of decisions taken as a result of relying on the content of this report. PHD Chamber of Commerce and Industry shall in no way, be liable for any direct or indirect damages that may arise due to any act or omission on the part of the reader or user due to any reliance placed or guidance taken from any portion of this publication.

Copyright 2014

PHD Chamber of Commerce and Industry

ISBN No. 978 93 84145 12 5

ALL RIGHTS RESERVED.

No part of this publication including the cover, shall be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of, and acknowledgement of the publisher (PHD Chamber of Commerce and Industry).

Ease of Doing Business in Ghaziabad: Issues and Challenges

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers.

Dr. S P Sharma

Chief Economist & Director of Research

Economic Affairs

Ms. Megha Kaul
Sr. Research Officer

Ms. Ekta Goel
Research Assistant

State Affairs

Ms. Nidhi Gautam
Research Associate

Ms. Sunita Gosain
Secretarial Assistant

Foreign Trade and Investments

Ms. Rashmi Taneja
Sr. Research Officer

Ms. Pallavi Mehta
Research Assistant

Financial Markets

Ms. Surbhi Sharma
Research Officer

Ms. Bhawana Sharma
Research Associate

Ease of Doing Business in Ghaziabad: Issues and Challenges

Studies undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of States (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Economy on the Eve of Union Budget 2014-15 (July 2014)
20. Budget 2014-15: Promise of Progress (July 2014)
21. Agronomics 2014: Impact on economic growth and inflation (August 2014)
22. 100 Days of new Government (September 2014)
23. Make in India: Bolstering Manufacturing Sector (October 2014)

B: State profiles

24. Rajasthan: The State Profile (April 2011)
25. Uttarakhand: The State Profile (June 2011)
26. Punjab : The State Profile (November 2011)
27. J&K: The State Profile (December 2011)
28. Uttar Pradesh: The State Profile (December 2011)
29. Bihar: The State Profile (June 2012)
30. Himachal Pradesh: The State Profile (June 2012)
31. Madhya Pradesh: The State Profile (August 2012)
32. Resurgent Bihar (April 2013)
33. Life ahead for Uttarakhand (August 2013)
34. Punjab : The State Profile (February 2014)