



INDUSTRIAL DEVELOPMENT OF ANDHRA PRADESH

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Abstract

The article focuses on review of the status of industrialization in the newly formed State of Andhra Pradesh consisting of thirteen districts, and presents thrust areas for the Micro, Small and Medium Enterprises (MSMEs) sector. The review covers large and mega industries, MSME sector, and industry focused infrastructure development, with export orientation. Infrastructure developed includes special category of industrial parks, special economic zones, industrial corridors, and investment and manufacturing zones. Analysis is attempted district-wise, by categorizing the State into Coastal Andhra and Rayalaseema regions, covering nine and four districts, respectively. Coastal Andhra has been further divided into North Coastal and South Coastal sub-regions with four and five districts, respectively. The analysis thus covers four regions, including sub-regions. Reduction of inequalities, inclusive growth, balanced regional, sustained, and environment-friendly developments are the guiding principles and directions for the future being pursued through innovative approaches. The State Government announced industrial development policy for various product groups in the middle of 2015. As a Sunrise State, Andhra Pradesh plans to march ahead aiming at GSDP growth rate of 15 per cent per annum in the next few years compared to 10 to 12 per cent achieved in recent years, with special efforts at double digit inclusive growth, accelerating industrialization, and development of the service sector.

1. Introduction

Andhra Pradesh, the tenth largest State in India in terms of population, and seventh in terms of area, is endowed with rich natural resources & mineral wealth, and boasts of the second longest coastline in the country. With visionary political leadership, strong government mandate, and proactive administrators, the State is poised to capitalize on its business friendly policies, and robust physical, social and industrial infrastructure. Andhra Pradesh is poised to be among India's three best states by 2022, and a developed State by 2029.

The State has accorded top priority to industrial and infrastructure growth, and intends to position the State as the most preferred destination for investors by providing favorable business climate, excellent infrastructure, good law and order, and cordial industrial relations. The Government has introduced various investor-friendly policies for different sectors to facilitate availability of resources, provide conducive industrial environment, develop state-of-the art infrastructure, foster innovation and create employment opportunities. Andhra Pradesh has already made an impact through its investor-friendly initiative by being ranked as the 2nd best state in the country on Ease of Doing Business as per a report by the World Bank. The State has put in place a Single Desk portal to provide clearances/approvals within 21 working days to set up an industry in the state. Andhra Pradesh is strategically located on the South-eastern coast of India, and is a natural gate way to East and South East Asia. The state has a population of 4.96 crore (as per Population Census 2011), accounting for 4 per cent of the country's population residing in 4.9 per cent of the country's geographical area. The State is blessed with abundant natural resources, fertile land and river basins, water resources, extensive canal system, and conducive agro-climatic conditions. The State has the second longest coastline in the country (974 km), next only to Gujarat, and is also one of the largest producers of marine products. At current prices, the Gross State Domestic Product (GSDP) of the State was 4,75,859 crore in 2013-14, with a growth rate of 14.0%. Between 2004-05 and 2012-13, the average annual GSDP growth rate of the State was 7.25% while the average per capita income (PCI) at current prices increased from 46,345 in 2008-09 to 88,876 in 2013-14.

The state registered Gross Value Added (GVA) at constant 2011-12 prices for 2015-16 (AE – Advance estimates) at 4,55,484 crore as against 4,12,188 crore during 2014-15 (FRE – first revised estimate), and registered growth of 10.50% (India 6.8%). The corresponding sectoral growth rates are 8.4% for agriculture (India 1.12%), 11.13% for industry (India 7.35%), and 11.39% in services sector (India 9.19%). The GSDP for the state at constant 2011-12 prices for 2015-16 (AE), is estimated at 4,93,641 crore as against 4,44,752 crore of 2014-15 (FRE), and registered growth of 10.99% whereas all India corresponding growth rate was 7.6%. During 2015-16, out of eight major states which have released GSDP estimates, AP stood first with 10.99% GSDP growth rate at constant prices, followed by Bihar (10.27%), MP (10.16%), Telangana (9.24%), Maharashtra (8%), Karnataka (6.2%), Odisha (6.16%), and Punjab (5.96%). (Source: Government of Andhra Pradesh, Planning Department, *Socio-economic Survey of Andhra Pradesh 2015-16*) In respect of PCI at current prices, AP crossed one lakh mark for the first time and recorded 1,07,532 during 2015-16 (AE). Other states which have crossed one lakh mark as per available estimates are: Karnataka 1,45,799, Telangana 1,43,023, and Punjab 1,26,063. In



respect of PCI in 2014-15, AP stood at 9th position with PCI as 95,689. The first three states were Haryana 1,50,260, Kerala 1,38,390, and Tamil Nadu 1,35,806.

The State has announced the following eleven policies in 2015 for the period 2015-20 for attracting start-up entrepreneurs in various product lines. The existing eligible enterprises will also benefit from these incentives. These are : (a) Industrial Development Policy, (b) MSME policy, (c) Textiles and Apparel Policy, (d) Policy for the IT and Electronics Sector 2014-20, (e) Food Processing Policy, (f) Solar Power Policy (2012-17), (g) Automobile and Automobile Components Policy, (h) Aerospace and Defence Manufacturing Policy, (i) Bio-technology Policy, (j) Industrial Parks Policy, and (k) Retail Trade Policy. Exports from the state recorded 19,184 crore during April-September 2015. Major product groups for export are: drugs and pharmaceuticals, and allied chemicals and plastics, agriculture and agro-based products, handicrafts, minerals and mineral products, and software (IT & ITeS). The share of software in exports was 1,725 crore (9%).

The State has focused on setting an enabling platform through quality power, developing industrial land banks and skilled resource base across the state. Andhra Pradesh is the 1st state in South India to offer 24X7 power to industry, and is heading towards achieving a total installed capacity of about 29,000 MW by 2019 (the present installed capacity is around 10,222 MW). The State has also created one of the largest industrial land banks in the country. Currently, over 300,000 acres of industrial land bank is available, and the focus is on further adding 700,000 acres, resulting in a total planned land bank of 1 million acres. Andhra Pradesh plays host to two large industrial corridors - Visakhapatnam-Chennai Industrial Corridor, and Chennai-Bengaluru Industrial Corridor, which is expected to bring in US\$ 2 billion investments. A third Industrial Corridor from Bengaluru to Kurnool is planned, thereby ensuring that all the 13 districts in the State are covered.

The State is also developing a Greenfield capital city in Amravati covering 217 sq km of capital city area, and 7420 sq km of Capital region area. Amravati is planned to be developed as a “futuristic” world-class city with expected population of 13 million by 2050. Andhra Pradesh is India’s Sunrise State, and is on the path of immense growth. The Partnership Summit of CII (Confederation of Indian Industry) organized at Visakhapatnam, and the focus Andhra Pradesh presentations at the Davos World Economic Forum in Switzerland, both during January 2016, have conveyed the keenness of the State to march ahead in a planned way at a fast pace.

2. Overview of Industrial and IT Sector Scenario

Visakhapatnam has emerged as a major industrial centre and has major public and private sector establishments producing industrial goods ranging from steel, metals, petroleum, polymers, fertilizers, heavy engineering equipment, and also facilitates ship building, ports & fishing. Kakinada has multiple fertilizer refineries and produces natural gas from the offshore of Krishna-Godavari (KG) basin. Kakinada also exports seafood and related products, and produces agricultural products like rice and corn, edible oils, oil meals, processed food products, chemicals, biofuel, etc.

Vijayawada is famous for processing of agricultural products, automobile body building, hardware, textiles, consumer goods, and small scale industries. Andhra Pradesh has one major port at Visakhapatnam and several medium sized ports like Gangavaram, Kakinada & Krishnapatnam; which account for large export of cargo traffic. There are several large power plants and major ones are established at Visakhapatnam, Vijayawada, Kakinada, Krishnapatnam, and Kadapa. The state is also emerging in – information technology and biotechnology. Visakhapatnam has emerged as the main hub of industrialization and IT Sector. The IT/ITES revenues of the city alone is at 14.45 billion (US \$230 million) in 2012-13. The development of IT in Tier –II and Tier –III cities like Vijayawada, Kakinada and Tirupati is also improving. In the fiscal year 2012 -13, Vijayawada’s IT/ITES revenues were 1152.6 million (US \$19 million), while Tirupati with 693 million (US \$11 million), and Kakinada with 615.4 million (US \$ 10 million) are showing signs of progress. Other key sectors such as Pharma, Power, banking & financial, automobile, tourism, textiles, retail, leather and tourism also contribute significantly to the economy of the state.

3. Findings of World Bank Survey on Ease of Doing Business in India and Ranking of States

Survey on Ease of Doing Business in India 2015 carried out by the World Bank in association with Department of Industrial Policy and Promotion (DIPP), Government of India, Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce and Industry (FICCI) and KPMG covered the period January – June 2015 across all States of India. It is planned to make this an annual feature. The findings were released in mid-September 2015 (Source: *The Hindu* dated September 15, 2015, Vijayawada edition). The DIPP assessed the status of implementation of business reforms on the basis of a comprehensive questionnaire covering eight items sent to all States with a 98 – point reforms agenda. Ranking is based on easing of policy bottlenecks. The World Bank Report is titled, *Assessment of State Implementation of Business Reforms* (September 2015).



The more important questions listed in the questionnaire and States ranked as the first five for these questions are listed here. In the overall assessment with eight indicators, Gujarat was adjudged the first State with a score of 71.14% of reforms, followed by Andhra Pradesh second (70.12%), Jharkhand third (63.09%), Chhattisgarh fourth (62.45%), and Madhya Pradesh fifth (62%). The largest recipients of foreign direct investments, Maharashtra and Tamil Nadu are ranked eighth and twelfth, respectively, with less than 50% score. The ranks reflect the ease of doing business in these States by small and medium enterprises rather than foreign investors. Telangana is placed at 13th position with a score of 42.45%, and is listed among nine States in the 'acceleration required category with the score of 25-50 per cent'. The report places Andhra Pradesh in the league of 'Aspiring Leaders,' alongside six others – Chhattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Odisha, and Rajasthan with an overall implementation score of business reforms of 50-75 per cent. No State has been rated in the 'Leader' category for which minimum score is 76 per cent. A State can enter the leader category if the score is 76-98 per cent.

Indicator and the first five States for eight items

- a) Setting up of a Business: 1. Punjab, 2. Andhra Pradesh, 3. Chhattisgarh, 4. Odisha, 5. Rajasthan.
- b) Allotment of land and obtaining construction permits: 1. Madhya Pradesh, 2. Gujarat, 3. Maharashtra, 4. Rajasthan, 5. Andhra Pradesh.
- c) Obtaining Infrastructure related utilities: 1. Maharashtra, 2. Gujarat, 3. Madhya Pradesh, 4. Delhi, 5. Andhra Pradesh.
- d) Registering and Complying with tax procedures: 1. Karnataka, 2. Andhra Pradesh, 3. Rajasthan, 4. Odisha, 5. Madhya Pradesh.
- e) Complying with Environmental clearance procedures: 1. Gujarat, 2. Andhra Pradesh, 3. Rajasthan, 4. Punjab, 5. Madhya Pradesh.
- f) Complying with labour regulations: 1. Jharkhand, 2. Gujarat, 3. Chhattisgarh, 4. Andhra Pradesh, 5. Uttar Pradesh.
- g) Carrying out inspections: 1. Jharkhand, 2. Gujarat, 3. Andhra Pradesh, 4. Chhattisgarh, 5. Rajasthan.
- h) Enforcing Contracts: Andhra Pradesh does not figure in the list of top five States.

The Director of Industries, Andhra Pradesh highlighted the major contribution of the State to be ranked as second in this survey. Online single window / desk clearance system made a breakthrough for the State. 24 clearances related to 16 departments are given at one location through the single desk portal. The State is conscious that a lot more remains to be done in implementing the reforms agenda. The Government is taking up business process re-engineering without being content with the World Bank Ranking.

The Business Reforms Report of the World Bank commended Andhra Pradesh for the hassle-free nature of its Single Desk Portal, which provides a robust foundation for a conducive business environment in the State. The State was appreciated for providing clarity on application approval timelines, which helps entrepreneurs in better planning of investment. The Report gave prominence to the following healthy practices of the State. The Single Desk Policy 2015-20 of the State has been formulated to create a facilitative ecosystem to provide all clearances / approvals within 21 working days to set up an industry. It is planned to bring it down to 14 days. All relevant competent authorities are mandated to receive applications and process the same only *via* the Single Desk Mechanism. This mechanism provides for State clearances required for starting an industry across pre-establishment and pre-operation phases. A Chief Minister's dash board has been designed as a tool for effective monitoring of the applications received.

The Single Desk Policy aims to create a conducive ecosystem to provide all clearances required to set up the industry within the specified time. Various institutional mechanisms at state and district level have been put in place to simplify processes and procedures. A Single Desk Portal is also implemented for ensuring real time monitoring and course correction. To simplify the regulatory framework, the government introduced the Ease of doing Business wherein an MSME unit has to fill in a single one page self-declaration online form called Udyog Aadhaar. Online filing on this portal can be done in just three minutes to get registration without spending any money.

According to the World Bank Report, the key initiatives effectively implemented by Government of Andhra Pradesh are as follows:

1. Single Window Facilitation: An online single window portal for application filing, status tracking and timelines, online scrutiny, and approvals.
2. Registration: Issuance of spot approvals for registrations, with only scrutiny of basic documents.
3. Labour: Approval for factory registration with only self certification.
4. Inspections: Random allocation of inspectors, and computerized risk assessment-based inspections under applicable laws.



5. Registration and renewals: An online system for registration and renewals under applicable laws, with no physical touch points.
6. Land: An advanced query - and layer-based web system to identify industrial land, connectivity and infrastructure.
7. Taxes: An online system for registrations and returns filing under VAT (value added tax) and other State taxes.

4. Pattern of Dispersal and Growth of Industry

Table I presents the status of large and mega industries in Andhra Pradesh district-wise and region-wise at end-March 2015. Table 2 presents growth of MSMEs in the state – district-wise and region-wise for the periods ending March 2006 and 2015, along with compound annual growth for this period. Table A presents the dispersal pattern of large industries and MSMEs at the end of March 2015 district-wise and region-wise. The thirteen districts of the State are grouped into three regions for purposes of analysis. Coastal Andhra region is presented in North Coastal Andhra (4 districts), and South Coastal Andhra (5 districts) sub-regions. Rayalaseema with 4 districts is the other region.

At end-March 2015, the share and status of large industries scenario district-wise (Tables A & 1) reveal as follows: Total enterprises for the State number 1762, with fixed investment as 77,292 crore, and employment of 4.26 lakh. Among the regions, in terms of fixed investment and employment, North Coastal Andhra stands first, with Visakhapatnam and East Godavari as the leading districts. North Coastal Andhra accounts for 32.3% of enterprises, 43.9% of fixed investment, and 39.0% of employment. Coastal Andhra region accounts for 75.5% of enterprises, 70.1% of fixed investment, and 76.3% of employment. Rayalaseema region accounts for 24.5% of enterprises, 29.9% of fixed investment, and 23.7% of employment. Among the South Coastal districts, Guntur stands first with 8.0% of fixed investment and 10.4% of employment, Krishna stands next with 6.8% of fixed investment, and 7.6% of employment. Among the Rayalaseema districts, in respect of fixed investment, Kurnool stands first (8.6%), followed by YSR Kadapa (7.7%), Ananthapur (7.5%), and Chittoor (6.1%). In terms of employment, Chittoor stands first (8.4%), followed by Ananthapur (6.3%), Kurnool (5%), and YSR Kadapa (4.0%). At the end of September 2015, the position of large and mega industries is as follows: 1,784 enterprises, 81,261 crore fixed investment, employment of 4.36 lakhs. Out of 22 enterprises added during April- September 2015, the major addition in investment and employment was in the districts of Visakhapatnam, Chittoor, Krishna, SPSR Nellore, and Srikakulam.

At end-March 2015, the share, status, and growth of the MSME scenario district-wise reveal as follows (Tables A & 2). Total MSMEs for the State number 1,09,399, with fixed investment of 19,000 crore, and employment of 12.09 lakhs. Among the three regions, South Coastal region stands number one with greater dispersal – 44.7% of enterprises, 42.5% of fixed investment, and 44.3% of employment. Among the districts of this region, Prakasam tops the list in all the three indicators – 21.6% of enterprises, 22.4% of fixed investment, and 21.8% of employment. Other districts stand at a distance, with Guntur and Krishna as next in prominence in all the indicators. Dispersal is thus greater in South Coastal region, compared to North coastal region. Coastal region accounts for 82.1% of fixed investment, 74.8% of employment, and 70.7% of number of enterprises. Rayalaseema region accounts for 29.3% of enterprises, 17.9% of fixed investment, and 25.2% of employment. Here again, dispersal is illustrated with YSR Kadapa and Chittoor standing as first and second in share of fixed investment, employment, and number of enterprises. In respect of large enterprises, Chittoor stands first in employment, whereas Kurnool stands first in fixed investment. Ananthapur stands second in fixed investment and employment.

Growth trend in MSME sector district-wise for 2006-15 period reveals as follows: In respect of fixed investment, North Coastal Andhra stands first (29.3%), followed by Rayalaseema (24.0%), and South Coastal Andhra (23.9%), with the state position as 25.8%. In respect of employment, as against the state position of 6.2%, Rayalaseema stands first (8.1%), and the other regions record around 5.6%. In respect of number of units also Rayalaseema records 7.3%, compared to South Coastal of 4.1%, and North Coastal of 0.8%. Increase in number of enterprises in North Coastal is low, the state position being 3.9%. The districts where growth in fixed investment is higher than the state average (25.8%) are: Visakhapatnam (35.1%), and Prakasam (42.9%). Though dispersal and growth are reasonably good, in respect of MSMEs, the districts lagging behind are North Coastal districts of Srikakulam and Vizianagaram, and all the four Rayalaseema districts. These districts need special attention to enable them to catch up with the developed districts of the State. The same pattern is noticed in respect of the share of large industries in these six districts. In accelerating industrialization, including MSMEs, one of the programmes which contributed significantly is the growth centre approach of the Centre, implemented from 1990s in three districts – Hindupur in Ananthapur district, Ongole in Prakasam district, and Bobbili in Vizianagaram district.



Table A: Share of MSMEs and Large Industries in Andhra Pradesh – District-wise and Region-wise (end-March 2015) (in percent)

Region/District	MSMEs			Large Industries		
	Units	Fixed investment	Employment	Units	Fixed investment	Employment
1	2	3	4	5	6	7
North Coastal	26.0	39.6	30.5	32.3	43.9	39.0
South Coastal	44.7	42.5	44.3	43.2	26.2	37.3
Coastal	70.7	82.1	74.8	75.5	70.1	76.3
Rayalaseema	29.3	17.9	25.2	24.5	29.9	23.7
Andhra Pradesh	100	100	100	100	100	100
Srikakulam	4.5	2.4	4.2	5.6	1.7	3.4
Vizianagaram	3.7	2.9	3.5	3.5	4.1	7.9
Visakhapatnam	7.8	23.4	12.6	10.9	20.2	16.0
East-Godavari	10.0	10.9	10.2	12.3	17.9	11.7
West-Godavari	6.6	4.9	6.4	9.1	2.6	6.3
Krishna	5.3	5.9	5.1	9.6	6.8	7.6
Guntur	6.3	6.1	6.4	11.6	8.0	10.4
Prakasam	21.6	22.4	21.8	4.7	2.2	3.9
SPSR Nellore	4.9	3.2	4.5	8.2	6.6	9.1
YSR Kadapa	11.2	7.0	9.6	2.5	7.7	4.0
Kurnool	3.9	2.6	3.3	7.8	8.6	5.0
Ananthapur	6.5	2.9	4.9	5.2	7.5	6.3
Chittoor	7.7	5.4	7.4	9.0	6.1	8.4

Note: Basic data given in tables 1 and 2 are collected from Commissioner of Industries, Andhra Pradesh, Hyderabad. Analysis of share of MSMEs and Large Industries has been attempted as shown above.

Table 1: Status of Large and Mega Industries in Andhra Pradesh - District-wise and Region-wise (end-March 2015)

District / Region	Number of Enterprises	Fixed investment (Rs. crore)	Employment (Persons)
1	2	3	4
Andhra Pradesh	1762 (100)	77292.1 (100)	426355 (100)
Srikakulam	99 (5.6)	1341.2 (1.7)	14563 (3.4)
Vizianagaram	62 (3.5)	3141.7 (4.1)	33848 (7.9)
Visakhapatnam	192 (10.9)	15573.8 (20.2)	67967 (16.0)
East Godavari	217 (12.3)	13855.0 (17.9)	49893 (11.7)
North Coastal Andhra	570 (32.3)	33911.7 (43.9)	166271 (39.0)
West Godavari	160 (9.1)	1976.8 (2.6)	26807 (6.3)
Krishna	169 (9.6)	5285.1 (6.8)	32515 (7.6)
Guntur	204 (11.6)	6180.3 (8.0)	44303 (10.4)
Prakasam	84 (4.7)	1717.4 (2.2)	16436 (3.9)
SPSR Nellore	144 (8.2)	5084.9 (6.6)	39058 (9.1)
South Coastal Andhra	761 (43.2)	20244.5 (26.2)	159119 (37.3)
Coastal Andhra	1331 (75.5)	54156.2 (70.1)	325390 (76.3)
YSR Kadapa	43 (2.5)	5960.3 (7.7)	17189 (4.0)
Kurnool	138 (7.8)	6643.7 (8.6)	21279 (5.0)
Ananthapur	92 (5.2)	5782.1 (7.5)	26619 (6.3)
Chittoor	158 (9.0)	4749.8 (6.1)	35878 (8.4)
Rayalaseema	431 (24.5)	231353.9 (29.9)	100965 (23.7)



Notes: 1. The data covers medium industries registered up to 2005-06, and from 2006-07, this category is included in the MSME sector.

2. Figures given in parentheses indicate percentage to the State total.

Source: Commissioner of Industries, Andhra Pradesh, Hyderabad.

Table 2: Growth of MSMEs in Andhra Pradesh – District-wise and Region-wise (2006 and 2015) (Cumulative picture for the year ending March)

District / Region	No. of enterprises			Fixed investment (Rs. In crore)			Employment (persons)		
	2006	2015	CAGR (%)	2006	2015	CAGR (%)	2006	2015	CAGR (%)
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	77612	109399	3.9	2414.9	18999.6	25.8	702553	1208642	6.2
Srikakulam	4731	4879	0.3	104.7	464.5	18.0	40751	50773	2.5
Vizianagaram	3490	4019	1.6	80.9	552.3	23.8	30868	42834	3.7
Visakhapatnam	10231	8530	-2.0	295.6	4445.4	35.1	81163	152471	7.3
East Godavari	8151	11030	3.4	266.2	2070.7	25.6	73315	122760	5.9
North Coastal Andhra	26603	28458	0.8	747.4	7532.9	29.3	226097	368838	5.6
West Godavari	6897	7262	0.6	247.0	928.7	15.9	61471	77150	2.6
Krishna	8583	5752	-4.3	336.9	1114.9	14.2	80458	62038	-2.9
Guntur	7168	6914	-0.4	314.2	1160.2	15.6	71882	77734	0.9
Prakasam	5290	23658	18.1	171.2	4256.5	42.9	51652	263603	19.9
SPSR Nellore	6130	5323	-1.6	106.8	610.3	21.4	60042	54210	-1.1
South Coastal Andhra	34068	48909	4.1	1176.0	8070.6	23.9	325505	534735	5.7
Coastal Andhra	60671	77367	2.7	1923.4	15603.5	26.2	551602	903573	5.6
YSR Kadapa	3829	12237	13.8	77.7	1329.5	37.1	33629	115702	14.7
Kurnool	4337	4216	-0.3	133.4	502.3	15.9	38026	40480	0.7
Ananthapur	4696	7142	4.8	122.5	548.9	18.1	40281	59186	4.4
Chittoor	4079	8437	8.4	157.9	1015.4	23.0	39015	89701	9.7
Royalaseema	16941	32032	7.3	491.5	3396.1	24.0	150951	305069	8.1

Note: The data covers medium industries registered from 2006-07 and those of earlier years are covered in the large and mega industries category.

Source: Commissioner of Industries, Andhra Pradesh, Hyderabad.

5. Export Promotion Industrial Parks (EPIPs), Software Technology Parks (STPs), and Special Economic Zones (SEZs) in the State

Among the programmes of infrastructure development, initiated by the Union Government with focus on exports, Special Economic Zones (SEZs) is a recent programme, with its earlier programmes known as Export- processing Zones (EPZs), and Export Promotion Industrial Parks (EPIPs), and 100 percent Export Oriented Units (EOUs). All infrastructure Programmes implemented with export orientation are known as Export Promotion Industrial Parks. Programmes other than SEZ are recalled first stating the position at the end of December 2015. This is followed by presentation of SEZs with district –wise and product group-wise details of number and area covered in each district.

Software Technology Parks (STPs) under the Software Technology Parks of India (STPI) in the Union Department of Information Technology (DIT) have been promoted in Tier I, Tier II and Tier III cities. In Andhra Pradesh, these are in four locations – Visakhapatnam, Kakinada, Vijayawada and Tirupati. Agricultural Export Zones (AEZs) under the Agricultural and Processed Foods Export Development Authority (APEDA) have developed zones for horticulture and floriculture. In Andhra Pradesh, there are three AEZs, Nuzvid (Krishna District) for mangoes, Chittoor for fruits including mango, and Ananthapur for zherkins (processed cucumbers). Under Spices Board, spices parks are promoted. In Guntur district (Edlapadu mandal near Chilakaluripet), one spices park is in operation on an area of 125 acres of land. Under the Ministry of Food Processing, food parks and mega food parks are being promoted. At Kuppam and Chittoor in Chittoor district, food parks are in operation. A few more are under consideration. Integrated Textile Parks are promoted by the Ministry of Textiles. Apparel park is another name for it. Brandix India Apparel city has become operational in Visakhapatnam district.



A few others are at various stages of implementation. Under various Ministries of the Union Government, apart from the specialized parks, a few 100% export oriented units (EOUs) have also been promoted. In the new categories of Special Economic Zones and Software Technology Parks (STPs), a variety of incentives and facilities are provided by the Centre and State governments.

An Export Processing Zone (EPZ) has been functioning at Duvvada, near Visakhapatnam. It has been converted into a Special Economic Zone. The biggest advantage for VEPZ is the Visakhapatnam port which lies within 25 km from it. Visakhapatnam port trust is promoting a port EXIM park in 800 acres of land, for allotment to port based industries with an objective to promote industrialization of the hinterland, and to attract trade for the port. Marine bio-tech park is being developed on 218 acres of land in Visakhapatnam. The State Government proposes to develop 72 mini leather parks in various districts.

Government of Andhra Pradesh proposes to set up integrated food parks in all the districts. The categories of parks planned are: (a) integrated food park, (b) mega food park, (c) ultra mega food park. Facilities available from the concerned national level organization will be utilized, and private sector enterprises will be encouraged to develop enterprises, availing facilities needed for food processing enterprises on the public – private participation (PPP) mode. Commodity based cluster development is planned to enable a focused and planned approach to developing the food processing industry based on the food production strengths. This will be mainly for fruits, and vegetables and flowers.

Forty Special Economic Zones have been formally approved for Andhra Pradesh during the period 2006 to 2015 - 28 in Coastal Andhra, and 12 in Rayalaseema. All the 13 districts are covered by the programme. Table 3 presents the district-wise distribution, along with product lines and area covered for each district. Visakhapatnam accounts for 12 SEZs and Anantapur for 7, Nellore stands next with 5, and East Godavari 3. Multi – product SEZs are seven-one in Visakhapatnam, one in Kakinada (East Godavari district) - sea port-based, and three in Nellore, one in Chittoor, and one in Ananthapur. Ananthapur SEZ is of multi-services. Ananthapur also has one Free Trade Ware housing zone. IT sector is represented by nine zones, one each in Visakhapatnam, East Godavari, Chittoor, YSR Kadapa, and Kurnool. Krishna and Guntur have 2 SEZs each in the IT sector. Pharma zones are three in Visakhapatnam and one in Srikakulam. Bio-technology is found in 3 zones in Ananthapur. Textiles and Apparel parks are three - one each in Visakhapatnam, Nellore, and Ananthapur.

The other parks are engaged in the following product lines. Aluminium refining in Visakhapatnam, alumina in Vizianagaram, food processing in East Godavari, writing and printing paper in West Godavari, building materials in Prakasam, leather at Tada in Nellore, bordering Tamil Nadu and close to Chennai, and aviation in Ananthapur. Among the zones that have gone into production, the prominent ones are Sri city in Chittoor district (multi-product), and Tada for leather (Nellore district).

Total area covered by 40 SEZs works out to 10,775 acres. SEZs of multi-product, multi-services and FTWZ occupy larger space. Coastal districts account for 82.5% of area, and Rayalaseema 17.5%. Visakhapatnam with 12 zones accounts for 34% of area, followed by Nellore (31.7%), and East Godavari (10.7%). Chittoor (9.8%), and Ananthapur (7.1%), stand next. For other districts, the percentage is around two and below one.

Table 3: Formally approved SEZs in Andhra Pradesh, District-wise with sectoral particulars
(End–December 2015)

Region / Districts	No. of SEZs	Sector/ Type of SEZ and number	Area in hectares
1	2	3	4
Andhra Pradesh	40 (100)	All Districts are covered through SEZs	10775 (100)
Coastal Andhra	28 (70.0)		8891 (82.5)
Visakhapatnam	12	IT (1), Pharma (3), Multi – product (1), textiles and apparel (1), aluminum refining (1), others (5)	3664 (34.0)
Vizianagaram	1	Alumina sector (1)	240 (2.2)
Srikakulam	1	Pharma (1)	110 (1.0)
East Godavari	3	IT (1), Food processing (1), sea port-based Multi – product (1)	1147.6 (10.7)
West Godavari	1	Writing and printing paper (1)	109.8 (1.0)
Krishna	2	IT (2)	37 (0.3)
Guntur	2	IT (2)	61.8 (0.6)
Prakasam	1	Building materials ()	106.4 (1.0)



SPSR Nellore	5	Textiles and apparel (1), multi product (3), leather (1)	3414.8 (31.7)
Rayalaseema	12 (30.0)		1884 (17.5)
Ananthapur	7	Bio-technology (3), textile and apparel (1), FTWZ (1), multi-services (1), Aviation (1)	763.4 (7.1)
Chittoor	2	IT (1), multi-product (1)	1055.6 (9.8)
YSR Kadapa	2	IT (1), multi-product (1)	52.6 (0.5)
Kurnool	1	IT (1)	12.2 (0.1)

Notes: 1. Figures in parentheses in columns 2 and 4 indicate percentage to the respective totals for Andhra Pradesh in terms of number of SEZs formally approved for the State, and total area of these SEZs.

2. Figures in parentheses in column 3 indicate the number of formally approved SEZs in each category in the district.

Source: Website of SEZs of Union Department of Commerce, www.sezindia.nic.in .

The present position of SEZs for Andhra Pradesh and All India presented in the all India Website of SEZs as at the end of July 2016 is as follows: In Andhra Pradesh, 29 SEZs formally approved, 4 in-principle approvals, and 24 notified SEZs. Among the notified ones, 19 are stated as operational in seven districts, with Visakhapatnam as prominent. The number includes Visakhapatnam SEZ at Duvvada which was converted from an Export Processing Zone in 2003. The corresponding all India picture is as follows: Formal approvals 412, in-principle approvals 31, notified ones 331, and operational SEZs 204. District-wise position of operating SEZs in Andhra Pradesh is given in Table 4. Progress of operating SEZs in the districts of Visakhapatnam, SPSR Nellore, and East Godavari has been noteworthy. In relation to the state, contribution of Visakhapatnam district is as follows: 71.3% in exports, 78.7% in imports, 74.9% in investment, 73.2% in production, and 69.8% in employment. Nineteen SEZs account for 63,000 employment, 17,200 crore investment, production of 4,300 crore, exports of 3,400 crore, and imports of 2,600 crore. Production, exports and imports are for half year (April-September 2015). Categorisation of 19 operating SEZs product-group-wise is as follows: 4 IT/ITeS, 4 multi-product, 4 pharmaceuticals, 2 textile and apparel, 1 building products, 1 leather, 1 footwear, 1 alumina & aluminium refining, and 1 food processing.

Table 4: Functional SEZs in Andhra Pradesh, District-wise (value in crore) (end-September 2015)

S. No.	District	No. of SEZs	Employment	Value of Production (April – Sept. 2015)	Investment Incl. FDI	Physical Exports (April-Sept. 2015)	Physical Imports (April-Sept. 2015)
1	2	3	4	5	6	7	8
1	Andhra Pradesh	19	62,895	4,295.31	17,185.64	3,354.94	2,556.31
2	Visakhapatnam	8	43,891	3,145.35	12,867.76	2,393.38	2,011.98
3	Vizianagaram	-	-	-	-	-	-
4	Srikakulam	1	1,684	53.76	796.20	47.33	168.2
5	East Godavari	2	1,401	159.04	464.58	156.08	0.23
6	West Godavari	-	-	-	-	-	-
7	Krishna	1	397	12.64	79.81	12.64	0.16
8	Guntur	-	-	-	-	-	-
9	Prakasam	1	1,577	278.74	363.18	248.84	53.03
10	SPSR Nellore	5	11,554	340.20	891.44	269.99	219.09
11	YSR Kadapa	-	-	-	-	-	-
12	Kurnool	-	-	-	-	-	-
13	Ananthapuram	-	-	-	-	-	-
14	Chittoor	1	2,391	305.58	1,722.67	226.68	103.62

Note: One SEZ at Duvvada in Visakhapatnam district was converted into SEZ in 2003 from an Export Processing Zone. Hence it is much older than all other new SEZs. Office of Development Commissioner (SEZs) under the Union Ministry of Commerce and Industry, for Andhra Pradesh and Telangana is located in this SEZ.

Source: Government of AP, Planning Department (2016), *Socio-economic Survey of Andhra Pradesh 2015-16*, Hyderabad; Original source: Andhra Pradesh Industrial Infrastructure Corporation, Hyderabad.



6. Industrial Infrastructure

Integrated development of Coastal Economic Zones as manufacturing hubs has been planned in the state. The programme covers Investment and Manufacturing Zones, and Industrial Corridors. Major industrial corridors planned are: Visakhapatnam – Chennai Industrial Corridor (VCIC), Chennai-Bengaluru Industrial Corridor (CBIC), and Kurnool-Bengaluru Industrial Corridor (KBIC). The dedicated Rail Freight Corridors sanctioned in 2016-17 Railway Budget, from Vijayawada to Kharagpur, and Delhi to Chennai will significantly boost the prospects of these industrial corridors. In addition, it is proposed to develop the Peninsular Region Industrial Development Corridor (PRIDC) project in Donakonda spanning 5,779 acres with an investment potential of 23,000 crore, and employment potential of 1.33 lakhs. It is proposed to take up orvakallu Mega Industrial Hub spanning over 27,788 acres with an investment potential of 40,000 crore, and employment potential of 70,000.

These corridors will not only promote industries but also create substantial urban infrastructure, and contribute to the overall economic development of the state. Four industrial nodes – Visakhapatnam, Kakinada, Srikalahasti – Yerpedu, and Gannavaram – Kankipadu have been identified as potential nodes for VCIC. Similarly, three nodes – Krishnapatnam, Kalikiri, and Hindupur have been identified as nodes for CBIC and KBIC. To boost industrial progress, National Investment and Manufacturing Zones (NIMZs) are planned to cover Prakasam and Chittoor districts in the state. Prakasam zone spread over an area of 14,231 acres, will attract investment of 43,700 crore, and create 5 lakh jobs over ten years. The Chittoor zone spread over 5,000 acres will be an integrated township with state-of-the-art industrial and social infrastructure. It is estimated to bring in investment of 30,000 crore, and create around 3 lakh jobs over the next decade. (Source: Government of Andhra Pradesh, *Budget Speech 2016-17* of the Finance Minister, Yanamala Ramakrishnu)

7. Conclusion

Among the strategies to be pursued for accelerating growth of SMEs, a few prominent ones are presented in this section. Cluster development, export potential, and promoting complementarity between small, and medium and large units can be the directions for fostering speedy growth. Another dimension is focusing on emerging and high value added product lines to create wealth. A few emerging areas indicated for the State are: drugs, pharmaceuticals, information technology (IT and IT enabled services and business process outsourcing – BPO), bio-technology, nanotechnology, leather, textiles, garments, electronic hardware and telecommunication equipment, agro and food processing, and mineral-based product lines, gems and jewellery, apparel parks, etc. Cluster approach for modernization, and overall planning for a group of enterprises in product lines which have potential for development is being practiced in many locations in the State, on the pattern being followed in other parts of the country. This will also result in greater degree of dispersal of industries in smaller towns, apart from growth centres which are reasonably well developed in earlier years. A few product lines in this category for cluster approach in the State are: cashew processing, mango jelly, fruit canning, biscuits and confectionery, marine foods, brass metal works, cast brass hardware, aluminum utensils, steel furniture, automobile industry, agricultural implements, ceiling fans, distribution transformers, wooden toys, steel rolling mills, wooden furniture, etc.

The key challenge in future years for the SME sector is remaining competitive while continuing to ensure employment intensity of operations. While there is need to devise appropriate strategies for the sector as a whole, there is greater recognition of the need for sector-specific policies and interventions. Innovation, research and development, quality assurance, aggressive marketing strategies, and export-led growth in labour-intensive product lines, reflect the demands of future periods.