



# Rise of Indore as a Commercial Hub through the Lens of the Pithampur Industrial Region

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## ABSTRACT:

The paper titled "Rise of Indore as a Commercial Hub through the Lens of Pithampur Industrial Region" explores the transformation of Indore into a thriving economic center within the context of the Pithampur Industrial Region. Focusing on the city's economic growth, the study examines how the industrial region's establishment in 1983 acted as a catalyst for Indore's ascent as a commercial capital in the state of Madhya Pradesh, India. Through an analysis of Gross District Domestic Product, Per Capita Income, and other economic indicators, the research showcases the substantial contributions of Indore to the state's economy, spotlighting its pivotal role in shifting Madhya Pradesh's economic landscape. The paper underscores the symbiotic relationship between Indore's rise and the emergence of the Pithampur Industrial Region, shedding light on the city's evolution from a modest urban center to a robust commercial hub, driven by industries such as automobiles and pharmaceuticals. In conclusion, the study highlights the enduring economic importance of Indore and its alignment with the economic activities of the region.

**Keywords:** New Economic Geography, Industrial Geography, Pithampur Industrial Region, Economic Growth, Commercial Hub, Industrialization, Urbanization.

## 1. Introduction

Cities for any nation hold remarkable significance, as with time they transform into numerous spaces of functionalities and not only accentuate the overall status but play an important role in determining its economic viability at levels of local, national, and global. Despite, cities evolving into spaces of entertainment, heritage, cultural and social significance, their productivity and importance still lie in their economic activities.

Cities are always evaluated based on their economic systems, finances, and policies which defines how the concept of cities is generally evaluated, assessed, and interpreted (Van Dijk, 2006). According to Colenbrander (2016), cities are nothing but the engines of economic growth. However, assessments of cities based on their economic indicators comprising gross domestic product, gross national product, industrial production, etc., have always held a higher ground in determining their growth and rankings in terms of development.

The economic city undertaken in this study is Indore based on its population which accounts for more than 2 million (Census of India, 2011) with an area of 530 square kilometers is the most populous and the largest district in the state of Madhya Pradesh, India (“Indore City – An Introduction”, n.d.) and according to the Reserve Bank of India, ‘Classification of Centres’ based on the population, Indore falls in the Tier – 1 category. Moreover, the Indian States, Economy, and Business – Madhya Pradesh report explicitly mentions,

“Indore is a prominent business and industrial center in Madhya Pradesh. Considered the commercial capital of the state, it is well connected by rail, road, and airways.”

Indore has always been recognized as a commercial center or capital for the state of Madhya Pradesh owing to its pivotal role in trading and commercial activities (Panga & Shrivastava, 2019). The economic status of the city as well as the state witnessed a significant rise with the establishment of the Pithampur Industrial Region in the year 1983 (Tiwary, 1998). Since, its inception it's characterized as the bearer of golden times in the industrial sector of Madhya Pradesh, despite its geographical location pin-pointed to an economically less important district of the state known as Dhar, it's still considered a part of the commercial capital of the state, Indore which is almost 30 km far away from it. The region has approximately homes more than 650 small-scale industries spread over a wide array of categories comprising pharma, automobile, aluminum, PVC pipes, and so on (“Pithampur: Largest Industrial Hub of Center India”, 2018).

Thus, this paper traces and identifies the rise of Indore as a commercial hub, especially after the inception of the Pithampur industrial region, and tries to decode its economic development since then in the state. Furthermore, the paper also highlights the economic potentialities to understand the role of industrial regions in such scenarios which ultimately provide the city with an economic edge and work in making it further prosperous.

## 2. Literature Review

### 2.2.1 City as an Economic Region

Urban theorist and historian Lewis Mumford (1937) was one of the pioneers to raise the question about, ‘what is the city’ in one of his records where he defined it as “in its complete sense [it] is a geographical plexus, an economic organization, an institutional process, a theatre of social action, and an aesthetic symbol of creative unity”. According to Ford (1995), the city is a culmination of an overwhelming phenomenon that could only be felt and at the same time very difficult to express.

Pain (2008) in her study ‘City Regions and Economic Development’ mentions Chrystaller’s Central Place Theory which emphasized the core-periphery relations between cities and their surrounding hinterlands which was countered by Peter Taylor who emphasized on ‘global hinterworld’. Furthermore, Pain comprehends the city as a place for interaction, the flowing of information and knowledge, and most importantly a place for economic exchanges.

The inception of cities has always been associated with the support they provided for the growth of society whether it was in the cultural, social or economic sphere. However, the continuous rise of society in terms of its sheer number has forced cities to go through the phase of emergence where cities redefine themselves in such a way that it's able to meet the needs of their growing population by not only increasing their size but finding ways to economically sustain them by building industrial regions to facilitate sustainable infrastructures for fulfilling basic needs (Gaonkar & Bhojane, 2013).

A city is nothing but a phenomenon or culmination of processes with its size, form, structure, and composition and plays a pivotal role in local and regional development. The concept of the city has always remained dynamic but features which have been kept intact with time regarding cities include economic growth, development, prosperity, innovation, consumption, and investment by private and public players (United HSP - unhabitat.org, 2020).

However, this paper draws and establishes itself on the definition of city provided by Mumford (1937) regarding the organization and processes of economic and institutional significance and similarly comprehends the case of Indore city. It tries to accentuate the economic significance of the financial and commercial hub of Madhya Pradesh by drawing parallel research on the rise of the Pithampur industrial region which makes this study not unique but fills the gap by understanding the rise of the city alongside the rise of the industrial region in its hinterland area and how a city gains its unique or special status because of the same.

### **3. Objective**

A. To study the rise of Indore along with the rise of the Pithampur industrial region and the way it shaped its functionality.

### **4. Methodology**

The paper relies on secondary research for its completion. As secondary research also known as 'desk research' is a research method that relies on already existing data where several documents, reports, and online websites, were studied and analyzed to develop much-needed clarity regarding the concepts and information used in this paper.

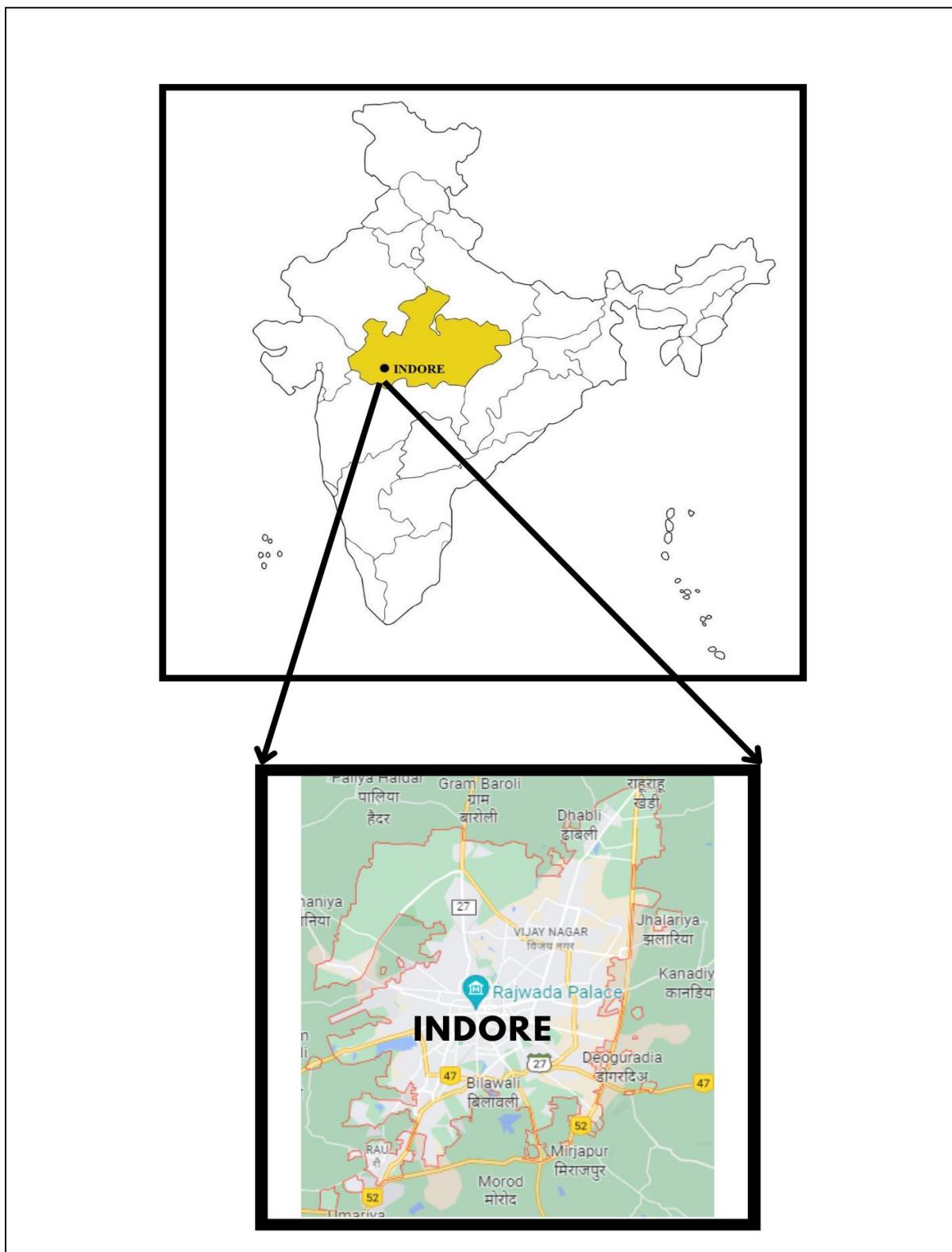
For this paper, secondary data have been gathered through Internet searches where various news websites, government records, and research articles were meticulously studied and the information drawn from them was applied and presented as well.

Furthermore, the study area map of Indore and Pithampur Industrial Region were also taken from secondary sources and both of them were retrieved from Google Maps.

And, images have also been retrieved from several secondary sources through the Internet.

## 5. Rise of Indore as the Commercial Hub

### 5.1 Background



**Figure: 5.1. Indore – Study Area**

Source: <https://www.google.com/maps>

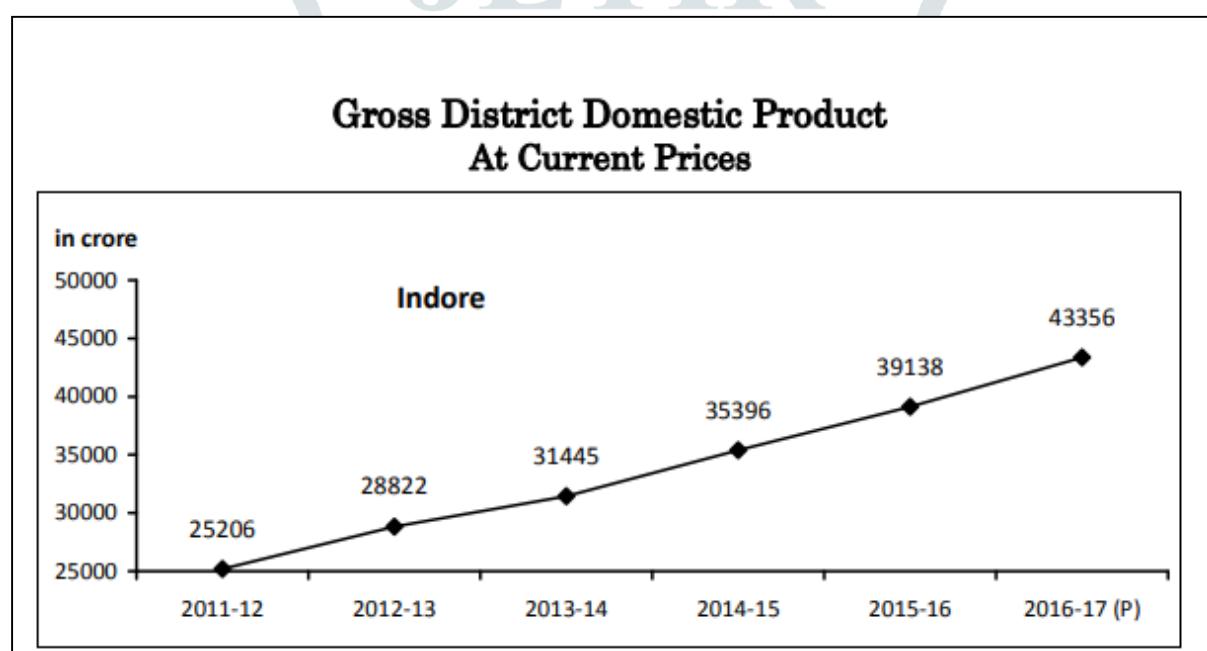
Ashish Bose a well-known Indian demographer in the mid-1980 coined the acronym of 'BiMaRU' (it's also a Hindi word meaning 'sick') which comprised of the initials of Indian states including Bihar (Bi), Madhya Pradesh (Ma), Rajasthan (R), and Uttar Pradesh (U) as these states were responsible for India's overall poor economic growth which also hampered the nation's economic development and spread economic backwardness. Especially, state of Madhya Pradesh (which was then combined with the present state of

Chhattisgarh) suffered from poor infrastructure, low growth, and high poverty ratio, however, since its bifurcation in 2000 and the advent of several progressive schemes and economic policies have largely affected the GDP and economic growth rate of the state and in the present scenario has changed its image from one of the laggard states to the state which represents development (Kawadia & Philips, 2014).

## 5.2 Indore – The Silver Lining in MP's Grey Clouds

In recent times, have rose the city of Holkars to a city of business, especially in the heart of central India, its booming economic engines have not only accentuated the economic status and per capita income of the 'Indians'<sup>1</sup> rather it has elevated the whole state on its strong economically stable shoulders. 'What Mumbai is to India, Indore is to Madhya Pradesh' This statement itself speaks leaps and bounds regarding the city's progress as from the total number of 52 districts in the state, Indore single-handedly contributes 35% of the state GDP (Tiwari, 2018).

According to the Madhya Pradesh Report of Estimates of District Domestic Product (2019) Indore's growth and performance at Gross District Domestic Product and Per Capita Income at Current Prices are as follows: -

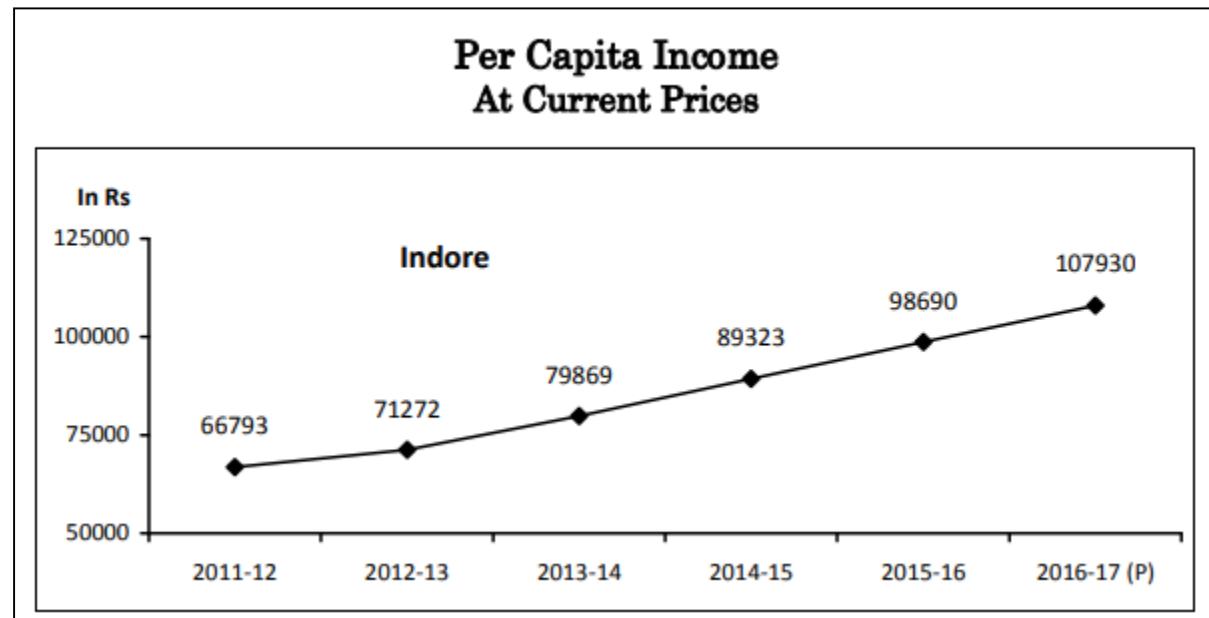


**Figure: 5.2. Gross District Domestic Product at Current Prices<sup>2</sup> – Indore (2011-2017)**

Source: Directorate of Statistics and Economics, Madhya Pradesh

<sup>1</sup>Indorians – It's a local term very popular in the city of Indore, Madhya Pradesh, India. The people hailing or belonging from this city are referred as this

<sup>2</sup> Gross District Domestic Product at Current Prices - It is defined as the total value of all goods and services produced within the geographical boundary of a district without duplication and the value of products evaluated at its selling price.



**Figure: 5.3. Per Capita Income at Current Prices<sup>3</sup> – Indore (2011-2017)**

Source: Directorate of Statistics and Economics, Madhya Pradesh

The Gross District Domestic Product and Per Capita Income of Indore at Current Prices is the highest compared to all the districts of Madhya Pradesh. And, the way it has progressed since 2011 shows a lot of the financial character of the city along with its economic viability and sustenance for its population.

Let's try to comprehend the city's rise with the advent of the renowned Pithampur industrial region.

### 5.3 Pithampur Industrial Region – Accessory to Indore's Economic Growth



**Figure: 5.4. Pithampur Industrial Region – Study Area**

Source: <https://www.google.com/maps>

<sup>3</sup> Per Capita Income at Current Prices - The average income of the people of the country/state/district in a particular year is called the Per-capita Income for that year. PCI is equal to [Income/Population] and the value evaluated is of the current year.

India's first Special Economic Zone<sup>4</sup> with its special economic system and policies was established in Pithampur in the year 2002 which accumulated more than 1000 ha of land and Rs.1000 crores of investment for building its infrastructure ("SEZ at Pithampur", 2002). The industrial region despite being established in 1983 got recognized much later, under the SEZ guidelines as it received various; tax benefits, faster approvals, single window zone administration, and superior infrastructure (Indian States Economy and Business – Madhya Pradesh, n.d.) alongside investment from various government schemes and private players. As they round it was a novel opportunity to multiply their money as they were aware of the potentialities the region had in it.

Similarly, Pithampur after becoming an SEZ initiated the process of industrialization where the establishment of factories and industries picked up a rapid pace, once the industrial region was set up, the requirement of labor became the utmost priority to keep the region running, and to meet the demand it required a massive influx of labors from the hinterland (Investopedia Team, 2021), which comprised of Indore, Mhow, Dhar, and Ujjain, and this demand of labors was met by these cities, and slowly these cities transformed into urban areas. These cities on their path of fulfilling the labor demand witnessed economic systems of manufacturers, retailers, and service providers lay their foundation in these cities, especially Indore, owing to its size and already making itself known as the commercial capital of the state suddenly witnessed a rise in its economic activity.

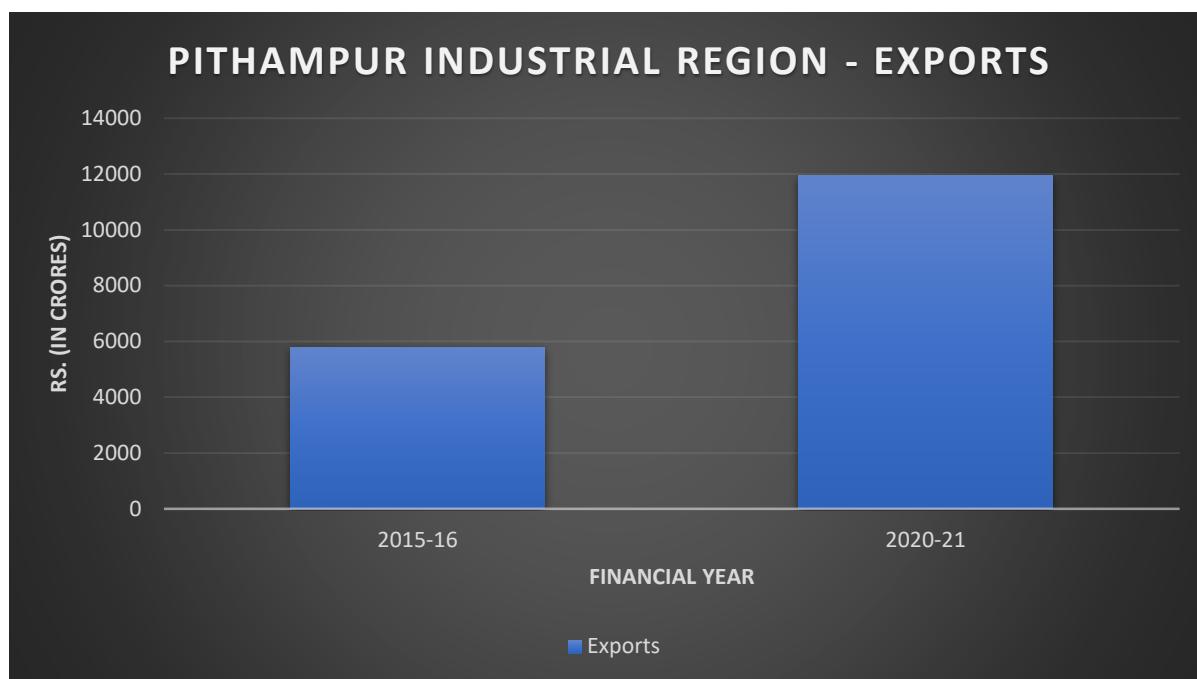
However, in the year 2002-04, Indore along with cities like Jabalpur, Bhopal, Ujjain, and Ratlam received an investment of US \$330 million from the Asian Development Bank to improve their urban infrastructure and civic amenities, as they were on their path to becoming the new emerging economic/commercial centers for the state As with the investment in emergent cities like Indore, the flow of urbanization ran at full flow which further accelerated the process of industrialization as it made Pithampur the 'Detroit of India' owing to the emergence of automobiles and auto components industries where companies like Bajaj Tempo collaboration with Maschinenfabrik Augsburg-Nurnberg (MAN) of Germany, Kinetic Motors, Hindustan Motors, Eicher Motors Ltd, etc. have made huge investments in the region, and also some of the renowned pharmaceuticals companies like Nicolas Piramal, Biofill Pharma, etc. have also invested in this region (Indian States Economy and Business – Madhya Pradesh, n.d.).

#### 5.4 Current Scenario

Since the Covid-19 pandemic in March 2020 where every industry and factory were brought to a sudden halt and all the industrial regions witnessed a sharp decline in their economic growth, however, for Pithampur industrial region the pandemic came as a blessing in disguise as owing to it pharmaceutical factories it observed a phenomenal export evaluation of more than Rs. 9,600 crores in the financial year of 2019/20. And, in the

<sup>4</sup> Special Economic Zone – According to Barrone (2022) an area in a country that is subject to different economic regulations than other regions within the same country. The SEZ economic regulations tend to be conducive to—and attract—foreign direct investment (FDI).

next financial year of 2020/21, there has been a massive rise of 24.4% in the same exports worth Rs. 11,944 crores, and the reason for the rise was the industrial region's ability to meet the global demands.



**Figure: 5.4. Pithampur Industrial Region – Exports (2015-16 – 2020-21)**

Source: Compiled by the Author

The rise of Indore city in recent times provides the majority of share to the rise of the Pithampur Industrial region, but the significant thing to notice with time is the rise of commercial activities in Indore, as it has become the hub of investment and in a short period has become prominent centers for education, entertainment, health, trade, IT parks, and so on.

All these developments have come to Indore in the second decade of the 21<sup>st</sup> century which shows the rapid growth in the city, even it has earned the unofficial status of 'mini-Bombay' (Tiwari, 2018) owing to its commercial activities and the conducive environment it provides for the traders, investors, businessman, and labors in terms of transport, land, market, and capital to consolidate their finances, establish themselves, and fuel their economic engines.

## 6. Conclusion

This particular rise in Indore and Pithampur's economic significance with time is a classic example of a continuous process of urbanization and industrialization, where it becomes difficult to analyze which process laid the foundation for another. However, one thing which explicitly comes out in this paper is the identity and economic relevance of the city with time has always remained intact. Even, in the present scenario the diversification in the economic activities in the spheres of agriculture, industry, entertainment, food, tourism, education, cement, and textile has not diverted the commercial relevance of Indore rather it has further accentuated its status as a commercial hub in the central India.

Since time immemorial, a city holds a certain dynamicity, fluidity, and uniqueness within its space, but the one thing which prevails with the concept of a city is its functionality of economics as it's deeply ingrained within

it and even overpowers a city's aesthetics, heritage, and cultural significance. However, the case of Indore might not fall for this explanation, as throughout the journey its economic value has remained the most precious thing which not only defines its functionality but explains why its heritage, history, and culture come from its economic significance.

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