Importance of urban and social infrastructure in economic growth of Bengal
The state needs to catch up with other States of India on urban and social infrastructure.

West Bengal housing shortage of 2.68 million unit homes by 2030.

West Bengal urban population expected to reach 41.5 million by 2030.

The sector contributed INR 447.5 billion to State’s GSDP - 5th largest contributor.

The sector contributed INR 37.5 billion to State exchequer - 2nd largest contributor.

Source of FDI and PE investment.

The real-estate sector expected to play a paramount role in developing urban and social and urban infrastructure.

2nd largest employer in the State.

6th largest contributor to India’s exchequer.
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Executive summary
The strategically located State of West Bengal serves as a gateway for South-east Asian countries. In the wake of increased trade with countries such as China, Japan, Thailand, Singapore and Indonesia, East Indian ports have become active hubs in recent times. This is expected to generate business opportunities and growth for States in the region. West Bengal, which constitutes the core of this region, stands to benefit the most. However, to tap this opportunity, the State needs to develop its urban and social infrastructure, gain manufacturing excellence, leverage its position in agriculture and focus on rapid growth in the services sector.

Lately, the State has been witnessing a spurt in economic activity, led by economic reforms. Among the major beneficiaries of this upsurge is the infrastructure sector, which has emerged as a prime driver of positive social change in the State. Social infrastructure and urban infrastructure is a subset of the infrastructure sector and plays significant role in generating revenue for the economy. In the past few years, the sector has evolved to become one of the largest employers in the State. Further, it provides strong impetus to urbanization and contributes significantly to the overall development of the economy.

The growth of urban and social infrastructure is pivotal to unleashing West Bengal’s economic potential. Besides providing housing for the poor, social infrastructure contributes considerably to inclusive development. With urbanization on the rise, educational Institutes, healthcare centers, IT infrastructure and commercial centers (malls and IT offices) are crucial requirements of a State’s social infrastructure, and real-estate plays a pivotal role in fulfilling these requirements. This publication seeks to present the critical understanding of the role that the social and urban infrastructure sector plays and the challenges that hamper its growth.

Through extensive discussion with industry stakeholders, it has been established that despite the sector’s significant contribution to the development of West Bengal, it remains far from Government priority. The need of the hour is for the Government to perform a transformational role and works toward the planned evolution of the State (both in terms of urban and social infrastructure, which can sustain affordability and satisfy ever growing housing requirement; also continuous support in the form of liberal regulations and policies.

This report exemplifies recommendations such as the development of EWS/LIG housing, the introduction of slum-rehabilitation schemes, the formulation of favorable land policies, the strengthening of IT infrastructure and the formulation of township policies, which can play a pivotal role in inclusive growth.

KPMG in India have conducted a study in conjunction with CREDAI on the Importance of Urban and Social Infrastructure in Economic Growth of Bengal.

The report offers compelling insights into the State’s infrastructure sector and suggests viable and practical solutions toward progress.

We hope that all stakeholders find this report meaningful in its bid to initiate a reformation in West Bengal’s infrastructure (urban and social infrastructure) sector.

Neeraj Bansal
Director – Risk Consulting
KPMG in India
West Bengal - Gateway to South-east Asia
West Bengal acts as a natural corridor to North-east States, as it is a centre to various States and neighbouring countries. The State has a total area of 88,750 square kilometers stretching the Himalayas in the north to the Bay of Bengal in the south.

### West Bengal key facts

<table>
<thead>
<tr>
<th>West Bengal key facts</th>
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<tbody>
<tr>
<td>Total population</td>
</tr>
<tr>
<td>Total urban population</td>
</tr>
<tr>
<td>Population density (per sq km)</td>
</tr>
<tr>
<td>Decadal population growth rate(%) (Census 2011)</td>
</tr>
<tr>
<td>Sex ratio (Female per 000 Males) (Census 2011)</td>
</tr>
<tr>
<td>Literacy rate (as per Census 2011) (%)</td>
</tr>
<tr>
<td>Urbanization ratio (%)</td>
</tr>
<tr>
<td>GSDP at constant prices (2009-10) (INR billion)</td>
</tr>
<tr>
<td>Per capita GDP at constant price (2009-10) (INR)</td>
</tr>
<tr>
<td>FDI (April 2000 to July 2011) (INR billion)</td>
</tr>
</tbody>
</table>

**Major cities**

Kolkata, Siliguri, Burdwan, Durgapur, Kharagpur, Darjeeling, Asansol, etc

Source: KPMG in India analysis; Census 2011; National Income Statistics, CMIE, September 2011

West Bengal is one of the most densely populated States of India with a population of 913.48 lakh. Traditionally, the State was an agrarian economy with over two-third of the population living in rural areas. However, in recent years, the share of service sector has started dominating the State GDP at around INR 2, 159 billion. While the share of agriculture in State GDP has gone down from 18.4 percent in 2005-06 to 14.6 percent in 2010-112.

1 National Income Statistics, CMIE, September 2011
2 National Income Statistics, CMIE, September 2011
West Bengal economic growth comparison

<table>
<thead>
<tr>
<th>Name of the State</th>
<th>GSDP at Constant prices</th>
<th>Agriculture*</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005-06</td>
<td>2010-11</td>
<td>CAGR (%)</td>
<td>2005-06</td>
</tr>
<tr>
<td>West Bengal</td>
<td>2,218</td>
<td>3,178</td>
<td>7.5</td>
<td>408</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2,338</td>
<td>3,653</td>
<td>9.3</td>
<td>340</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>4,738</td>
<td>7,750</td>
<td>10.3</td>
<td>370</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>2,496</td>
<td>3,914</td>
<td>9.4</td>
<td>234</td>
</tr>
</tbody>
</table>

Note: CAGR – Cumulative Average Growth Rate; Agriculture excluding Forestry and Fishing; Figures might not total due to rounding off; Source: KPMG in India analysis; National Income Statistics, CMIE, September 2011

It is evident from the above statistics that the potential for growth in West Bengal remains untapped. The State needs to catch up with other States of India. Its growth rate of GSDP is least among major States such as Gujarat, Maharashtra and Tamil Nadu. Further, its share of services and industry to Gross State Domestic Product is less than that of Maharashtra and Tamil Nadu. The per capita income of West Bengal was lower than that of national average of INR 38,005 in FY12 and the State ranked 22nd. The contribution of State to India’s GDP has also declined from 6.8 percent in FY2006 to 6.5 percent FY2011. On the other hand, contribution of other States such as Tamil Nadu, Gujarat and Maharashtra has increased.

Contribution of various States to India’s GDP

Source: KPMG in India analysis, National Income Statistics, CMIE, September 2011

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3 KPMG in India analysis, National Income Statistics, CMIE, September 2011
4 National Income Statistics, CMIE, September 2011
In terms of industrial development, the State attracted Industrial Entrepreneurs Memorandum (IEM) worth INR 3025.2 billion with additional employment generation of 43,529 in 2011. The State ranked 9th in terms of IEM filed. However, 2011, West Bengal was among the top three States in terms of proposed investment through IEMs filed.

### State-wise Industrial Entrepreneurs Memorandum Filed (2011)

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Numbers Filed</th>
<th>Proposed Investment (INR Billion)</th>
<th>Proposed Employment (Nos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Orissa</td>
<td>117</td>
<td>3,210.3</td>
<td>38,074</td>
</tr>
<tr>
<td>2</td>
<td>West Bengal</td>
<td>135</td>
<td>3,025.2</td>
<td>43,529</td>
</tr>
<tr>
<td>3</td>
<td>Gujarat</td>
<td>541</td>
<td>1,411.2</td>
<td>150,623</td>
</tr>
<tr>
<td>4</td>
<td>Maharashtra</td>
<td>973</td>
<td>1,336.0</td>
<td>1,285,581</td>
</tr>
<tr>
<td>5</td>
<td>Madhya Pradesh</td>
<td>191</td>
<td>1,045.3</td>
<td>101,598</td>
</tr>
<tr>
<td>6</td>
<td>Andhra Pradesh</td>
<td>388</td>
<td>1,038.3</td>
<td>73,542</td>
</tr>
<tr>
<td>7</td>
<td>Chhattisgarh</td>
<td>114</td>
<td>1,022.7</td>
<td>33,335</td>
</tr>
<tr>
<td>8</td>
<td>Karnataka</td>
<td>214</td>
<td>940.8</td>
<td>108,614</td>
</tr>
<tr>
<td>9</td>
<td>Tamil Nadu</td>
<td>255</td>
<td>733.0</td>
<td>57,140</td>
</tr>
<tr>
<td>10</td>
<td>Bihar</td>
<td>31</td>
<td>440.3</td>
<td>8,401</td>
</tr>
</tbody>
</table>

Source: KPMG in India analysis; SIA Statistics, Department of Industrial Policy & Promotion
The State is currently witnessing urbanization, an increase in literacy rate, and a sound education system. The urbanization rate in the State is around 32 percent and has shown a constant decadal population growth of 13.93 percent in 2001-11, about 77 percent was rural population, while 29.9 percent was urban population.\(^6\) The literacy rate has risen to 77 percent in 2011 as against 68.6 percent in 2001.\(^7\) However, issues such as environmental sustainability, infrastructure deficit and skewed population skills continue to constrain the State’s growth.

Further, in terms of Foreign Direct Investment (FDI), West Bengal stands behind the States such as Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Gujarat and Haryana. Cumulative FDI inflows into West Bengal from April 2000 to June 2012 amounted to meager INR 82.3 billion, as against INR 2,546.2 billion for Maharashtra, the leading FDI State.\(^8\)

Compared to other developing States, the economy of West Bengal has been performing below par for a long time now. The State would be able to tap into the huge latent opportunity provided it starts taking small steps which could bring the State at par with others.

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7 Census 2011, Government of India, accessed March 2012
8 FDI Statistics, Department of Industrial Policy & Promotion

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Number of industrial entrepreneurs memorandum implemented in West Bengal

The investment intentions as proposed by the entrepreneurs both domestic and foreign along with the implemented projects during the last 5 years manifest a buoyant investment climate in the State. During 2010, the State witnessed an impressive rise of 84 percent in investments implemented through IEMs amounting to INR 11.6 billion as compared to INR 6.3 billion in 2009. Sectors such as chemical, petro-chemical and allied industries, engineering, agro-based and food processing, iron and steel, IT/ITES and other services received maximum investment.
Significance of social and urban infrastructure sector in West Bengal
Infrastructure has emerged as one of the prime driver of positive social change in West Bengal.

Infrastructure is amongst the most important contributors to the economy of the State. Social and urban infrastructure are the subset of the infrastructure sector and play a significant role in generating revenue for the economy. The growth and contraction in the sector has a direct correlation with the growth of the State. In the last few years, the sector has emerged as one of the largest employer, providing direct as well indirect employment through 250 ancillary industries that it supports. The real-estate sector as a case in point has a huge multiplier effect and contributes to the overall development of the economy.
5th largest contributor to the GSDP of the State

Construction and real-estate services, key beneficiaries of social infrastructure, are the prominent sectors contributing to the India’s GDP and have attained a strong position in the last decade. The real-estate sector in West Bengal is the 5th largest contributor to the State’s Gross State Domestic Product (GSDP at current prices), while the construction sector is the 7th largest contributor to the State’s GSDP. The real-estate sector has observed an upsurge in growth with the second highest CAGR (among other sectors) of 19.6 percent during 2006-2011, hence depicting the absolute contribution of the sector in the overall development of the State.

West Bengal economy breakup

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Gross State Domestic Product (GSDP) 2010-11 (INR billion)</th>
<th>Contribution to overall West Bengal GDP</th>
<th>CAGR (2006-11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>881.6</td>
<td>18.6%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Trade, hotels, and restaurant</td>
<td>750.7</td>
<td>15.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Other services</td>
<td>648.2</td>
<td>13.6%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>474.9</td>
<td>10.0%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Real-estate, ownership of dwell., and bus services</td>
<td>447.5</td>
<td>9.4%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Transport storage and communication</td>
<td>425.7</td>
<td>9.0%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>282.8</td>
<td>6.0%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Banking and insurance</td>
<td>267.3</td>
<td>5.6%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Public admin and defence</td>
<td>253.6</td>
<td>5.4%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Fishing</td>
<td>151.0</td>
<td>3.2%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>82.7</td>
<td>1.7%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Forestry and logging</td>
<td>45.4</td>
<td>1.0%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>29.4</td>
<td>0.6%</td>
<td>(0.2%)</td>
</tr>
</tbody>
</table>

Note: GSDP at Current Price
Source: National Income Statistics, CMIE, September 2011

2nd largest contributor to the State’s exchequer

Real-estate sector attracts taxes on transactions related to sale/purchase of land and built up property at predefined rates. Further, land and built up properties being capital in nature carry a significant value in absolute terms resulting in levy of significant taxes.

In 2010-11, the sector was ranked 2nd largest contributor to the State’s exchequer after taxes on commodities and services. In this period the sector contributed INR 37.5 billion to the State’s exchequer, of which INR 24.5 billion was paid towards stamp duty alone. As per the State budget estimates for 2011-12, this contribution is expected to be INR 50.6 billion, of which INR 33.1 billion is expected towards stamp duty. Further, the sector is expected to grow at a highest CAGR of 35.9 percent during 2010-12, compared to other sources of income.9

9 KPMG in India analysis
West Bengal’s real-estate is growing at a rapid pace compared to the sector in other States like Karnataka, Kerala and Madhya Pradesh. However, in comparison with Maharashtra, Uttar Pradesh, Gujarat, Tamil Nadu and Andhra Pradesh the State’s real-estate sector needs to ramp up pace.

### Real-estate sector is the second largest contributor to the State’s exchequer

<table>
<thead>
<tr>
<th>Item</th>
<th>2009-10 (INR Billion)</th>
<th>2010-11 (INR Billion)</th>
<th>2011-12* (INR Billion)</th>
<th>CAGR (2010-12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes on commodities and services</td>
<td>3.7</td>
<td>4.6</td>
<td>5.8</td>
<td>25.2%</td>
</tr>
<tr>
<td>Tax on property and capital</td>
<td>27.4</td>
<td>37.5</td>
<td>50.6</td>
<td>35.9%</td>
</tr>
<tr>
<td>transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land revenue</td>
<td>9.3</td>
<td>13.0</td>
<td>17.6</td>
<td>37.6%</td>
</tr>
<tr>
<td>Stamp duty and registration charges</td>
<td>18.1</td>
<td>24.5</td>
<td>33.1</td>
<td>35.2%</td>
</tr>
<tr>
<td>Taxes on commodities and services</td>
<td>263.1</td>
<td>349.9</td>
<td>458.3</td>
<td>32.0%</td>
</tr>
</tbody>
</table>

Note: 2011-12 figures are budget estimate, taxes on income includes agriculture income, taxes on commodities and services includes sales tax, excise duty, tax on vehicles, etc.
Source: National Income Statistics, CMIE, September 2011; KPMG in India analysis

### 6th largest contributor to India’s exchequer

Real-estate sector is the second largest contributor to the State’s exchequer. East Bengal’s real-estate is growing at a rapid pace compared to the sector in other States like Karnataka, Kerala and Madhya Pradesh. However, in comparison with Maharashtra, Uttar Pradesh, Gujarat, Tamil Nadu and Andhra Pradesh the State’s real-estate sector needs to ramp up pace.

### Real-estate contribution in State’s exchequer revenue – INR billion (2010-11)

**Tax revenue: Land revenue**

- Gujarat: 15.0
- West Bengal: 13.0
- Maharashtra: 12.0
- Madhya Pradesh: 4.0
- Orissa: 4.1
- Uttar Pradesh: 8.1
- Chhattisgarh: 1.7
- Rajasthan: 1.9
- Karnataka: 1.4
- Kerala: 1.6

**Tax revenue: Stamps and registration fees**

- Maharashtra: 141.4
- Uttar Pradesh: 60.8
- Tamil Nadu: 46.0
- Andhra Pradesh: 36.0
- Karnataka: 35.0
- Gujarat: 35.0
- Kerala: 26.2
- Punjab: 25.0
- West Bengal: 24.5

Source: KPMG in India analysis; Central Statistics Office, Ministry of Statistics and Programme Implementation
In 2010-11, the West Bengal real-estate sector was ranked 6th (amongst real-estate sector of other States) in terms of contribution to India’s exchequer (contribution from tax revenue on property and capital transactions). The sector contributed 6 percent to India’s tax revenue from property and capital transactions (amounting to INR 375 billion) and this contribution is expected to grow to 7 percent in 2011-12.

Further, by 2011-12, the sector is expected to rank 5th in terms of contribution to State’s exchequer as compared to other States, provided the Government continues to provide impetus for the overall development of the sector.

**2nd largest employer in the State**

Infrastructure sector (construction and real-estate) has been instrumental in curtailing the unemployment rate in the State. The sectors is highly labour intensive sector and helps in generating employment especially in the semi-skilled and low-skilled category. Further, activities involved are neither cyclic nor seasonal; therefore, the sectors provides employment on a permanent basis. In 2008, the sectors employed approximately 0.84 (thousands) people and this ratio is expected to grow to 1.40 (thousands) people by 2015.

| Employment generated by the infrastructure sector in West Bengal (000 persons) |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                 | 2008 | 2012 | 2015 (E) | 2018 (E) | 2022 (E) |
| India                          | 10,790 | 14,515 | 17,932 | 20,692 | 24,981 |
| West Bengal                    | 0.84 | 1.13 | 1.40 | 1.62 | 1.95 |

Source: NSDC Skills Gap Analysis report real-estate and construction sector; KPMG in India analysis
Provides strong impetus to the growth of urbanization in the State

As per the Census of 2011, the population of West Bengal has risen from 80.1 million in 2001 to 91.3 million in 2011. Further, urbanization in the State rose from 28 percent in 2001 to 32 percent in 2011. Real-estate sector along with the infrastructure sector has contributed significantly to cater to the growing population and urbanization. In absence of rapid development of affordable housing projects by the Real-estate sector, the shortfall in residential dwellings would have acted as a deterrent to urbanization and would have plagued the State with growth of slums and unauthorised construction.

Growth in rate of urbanization in West Bengal accommodated by increasing housing supply by the sector

The shift to cities and urban agglomerations has been accommodated by the growth in the real-estate sector in the State. The real-estate sector has helped enable growth of industrialization, emergence of new economic sectors and generation of more job opportunities, which have augmented the growth of urbanization in West Bengal.
Supports for development of various industries in the State

Post liberalization, social infrastructure has assumed growing importance in India and majorly in West Bengal. It refers to the community facilities, services and networks that help individuals, families, groups and communities to meet their social needs. It helps in maximizing the potential for development and also enhances community wellbeing.

Social infrastructure has also stimulated the demand in industries such as IT/ITES, hotel, healthcare, education institutes and others by creating the right infrastructure for their existence. With the availability of right infrastructure the State witnessed not only the entry of many new domestic players, but also the arrival of many foreign companies across various sectors.

Growth in social infrastructure also influences development of other sectors like tourism, healthcare, education, retail, entertainment (e.g., hotels, resorts, cinema theatres), and IT/ITES (e.g. call centres) etc.

Support provided by the real-estate sector to stimulate the growth in other sectors

Note: This is an illustrative and is not exhaustive in terms of industries covered
Source: KPMG in India analysis
Source of foreign direct investment and private equity investment for the State

Infrastructure sector is considered as a preferred source of investment in the form of foreign and private equity investment. The sector brings substantial foreign investments into India, which is likely to bolster the growth of construction industry, which has tremendous spin-off, especially in terms of employment generation.

In the last five years, private equity investment gained marginal momentum in West Bengal, both from the foreign and domestic sources. During 2006-11, the social and urban infrastructure sectors accounted for approximately 42 percent of investment in the State. Most of the investments have been primarily concentrated towards cities like Kolkata. The entry of private equity investment in the market has brought in a much disciplined approach towards construction and delivery of projects along with better transparency in to the market.

Private equity investment in West Bengal (2006-11)

Note: Others includes Agri-business, Diversified, Gems and Jewellery, Mining and Minerals; The contribution is from 2006-11
Source: Venture Intelligence; KPMG in India analysis

Sectors of social and urban infrastructure
Need for sustainable social and urban infrastructure for the future development of West Bengal
Growth in urban infrastructure is pivotal to unraveling the economic potential of West Bengal

With an estimated 41.5 million people moving to urban areas by 2030, West Bengal will need to build an equivalent of 2.68 million additional units of dwellings and approximately 3,100 hospitals, just to keep up with this rapid rate of urbanization.

Growing rate of urbanization

Source: KPMG in India analysis

Growing urbanization and housing demand in the State of West Bengal

Urbanization in India is on a growth trajectory, not only in form and features but also from within. While the metros are witnessing fast evolving skyline with tall skyscrapers and architecture, the smaller towns are observing transmutation of the surface through expansion of roads and flyovers. This change is not irrational but it is inevitable.

Urbanization is not an option it is an inevitable outcome of the faster rates of growth to which the economy has now transited. Indeed, urbanization itself is a process that will support growth.
West Bengal urban population expected to reach 41.5 million by 2030

The concept of urbanization has picked up pace in West Bengal as well. As per Census 2011, West Bengal is considered amongst the top 10 most urbanized States in India.

Urbanization ranking – top 10 major States of India 2011

This transition, which will see West Bengal’s urban population reach a figure close to 41.5 million by 2030, (approximately 40 percent of the total population), is not simply a shift of demographics. It places the State at the centre of development trajectory. Such magnitude of urbanization often leads cities to stretch beyond its existing limits, as resources to satisfy demand recedes considerably.

Total population and rate of urbanization in West Bengal (2001-2030)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population (million)</th>
<th>Rate of Urbanization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>22.4</td>
<td>28%</td>
</tr>
<tr>
<td>2008</td>
<td>25.8</td>
<td>29%</td>
</tr>
<tr>
<td>2011</td>
<td>29.1</td>
<td>32%</td>
</tr>
<tr>
<td>2030</td>
<td>41.5</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Census 2001 and 2011, Government of India; KPMG in India analysis
The increase in urban population is expected to generate unprecedented demand for quality affordable housing and infrastructure to house and employ this additional population. Proper infrastructure planning is required for the smooth transitioning of this demand.

Further, it has been estimated that about 1.1 million acres of fertile farmland has been converted into projects pertaining to housing and other urban infrastructure. If this trend continues, West Bengal might face food shortage. Hence, it becomes imperative to adopt a planned approach to keep a check on the unplanned urbanization in the State.

The need of the hour is planned evolution of the State, which can sustain affordability and satisfy ever growing housing requirement; also continuous support from the Government in the form of liberal regulations and policies is imperative.

To accommodate the growth in urbanization, there is an additional requirement of 2.68 million unit houses by 2030, of which 99 percent will be for the EWS and LIG segments of the society.

The housing shortage in West Bengal is expected to be enormous, with 2.68 million units of dwellings required by 2030. Rising urbanization, increasing nuclearisation and economic growth is expected to further accentuate the housing demand in the State. In order to meet the housing shortage of 2.68 million units, it is estimated that about 99 percent of this housing shortage will be for the households falling in the Economically Weaker Section (EWS) and Low Income Group (LIG) segments. The remaining will be for the luxury and mid segment.

| Requirement of additional dwellings in India and West Bengal by 2030 (million units) |
|---------------------------------|-------|-------|-------|
|                                 | 2001  | 2007  | 2030  |
| Additional dwellings required in India | 24.68 | 24.71 | 38.0  |
| Additional dwellings required in West Bengal | 1.73  | 2.04  | 2.68  |

Source: Planning Commission; KPMG in India analysis

Through a sustained supply of housing and other infrastructure facilities such as education centres, hospitals, etc., the construction and real-estate sector could be a potential drive for urban development in the State. However, existing bottlenecks such as the absence of proper land reform policies, Urban Land Ceiling Act and absence of single window clearance mechanism are restricting West Bengal’s social infrastructure growth. In addition to enabling the Government in overcoming these bottlenecks, the introduction of appropriate policies, would act as a catalyst towards creation of sustainable and affordable housing in the State.

10 Ministry of Housing and Urban Poverty Alleviation, Government of India
Accessibility to basic amenities – development of roads, flyovers and sewerage and sanitation /water supply

Data published by Ministry of Roadways, (as of 31st March, 2008) shows that Bengal’s length of roads was 92,023 km. The State’s road infrastructure has improved significantly with the length of roads growing at a CAGR of 2.7 percent during 2005-2008. Despite the growth, West Bengal’s road infrastructure should be improved further, as the road length per one lakh of population at 243.43 km is below the national average of 277.32 km. In addition to providing adequate road space for future use in urban areas, the State should also consider improving the condition of roads in semi-urban and rural areas.

Adequate transport system allows timely and affordable delivery of basic services such as health, education, water, connect communities to market and enhance mobility and scope for employment, etc. Thus, apart from developing weather roads, further development of the highways would be a crucial element to promote industrial and economic growth in the State.

With rapid increase in urbanization and continuing expansion of city limits, facilities such as water and sanitation are of utmost importance in cities of West Bengal. Hence, sanitation and hygiene infrastructure supporting urban development projects should be developed.

Simplifying transport system - development of BRTS, metros, airport and other rapid mass transport system

The development of an efficient public transport system would be critical for West Bengal as it would enable its rising urban populace to work productively under high-density conditions. West Bengal has been making efforts to rectify the inadequacy in public transport system by implementing rapid mass transport projects. A case in point is the 15.5 km-long Bus Rapid Transit System (BRTS) project along the Eastern Metropolitan Bypass in Kolkata. Further, the State is developing the metro railways and flyovers and once the Kolkata Metro expansion is completed, five million commuters would be able to avail the services on the 110km stretch on a daily basis by 2016. The Kolkata airport is being modernized at an estimated cost of USD 435 million. It will include a new terminal modern taxiways and extension of a runway. The construction of a new integrated terminal building involving an investment of nearly INR 2.3 billion is expected to be completed by October, 2012.

For a sustainable urban public transport system it is imperative to further invest to support the growing urban population. Creation of a sustainable urban transport system will not only play a major role in increasing access to services like education and healthcare for the poor as well as strengthening social networks but will also create ample opportunities for employment.

11 West Bengal Economic Review 2011-12; KPMG in India analysis
12 Rapid transit system sees slow progress, July 11, 2012, The Hindu Business Line
13 Kolkata Metro’s expansion plan to change life and times of commuters, August 12, 2012, The Times of India
14 Finally, something to feel good about - Trial for terminal, relief for fliers, July 16, 2012, The Telegraph
Solid waste management – eco-friendly/regenerate resources through renewable energy

Under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM), the West Bengal Government, along with the support of the Central Government and urban local bodies, has implemented three solid waste management projects worth INR 2.2 bn in Asansol and Kolkata. As a result of these projects, a paradigm shift has been observed in the way in which the two cities have started to manage their wastes.

However, cities in West Bengal are yet to introduce more efficient methods for solid waste collection, segregation, and disposal. Cities in other leading States have already started to implement newer waste handling techniques. For example, Mumbai, Delhi and Pune have started using Biomethanation. West Bengal is poised for an economic take-off and adoption of such practices is an imperative for the State.

<table>
<thead>
<tr>
<th>JnNURM solid waste management projects undertaken in West Bengal*</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Asansol</td>
</tr>
<tr>
<td>Kolkata</td>
</tr>
<tr>
<td>Kolkata</td>
</tr>
</tbody>
</table>

*Data as on 31st May, 2012
Source: JnNURM West Bengal;

<table>
<thead>
<tr>
<th>Status of waste handling techniques in Indian cities (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Kolkata</td>
</tr>
<tr>
<td>Mumbai</td>
</tr>
<tr>
<td>Delhi</td>
</tr>
<tr>
<td>Chennai</td>
</tr>
<tr>
<td>Hyderabad</td>
</tr>
<tr>
<td>Bengaluru</td>
</tr>
<tr>
<td>Pune</td>
</tr>
<tr>
<td>Ahmedabad</td>
</tr>
</tbody>
</table>

Source: Sustainable Solid Waste Management in India, Columbia University, January 2012

Urbanisation is a key indicator of economic development and should be seen as a positive factor for overall development of the State. Focusing on sustainable development through an integrated development strategy will lead to an improvement of the quality of life and higher living standards for people at different rungs of the society. Housing, development of civic infrastructure systems, water supply, sewerage and drainage, uncollected solid waste, parks and open spaces, transport, etc., should be the guiding principles in pursuing this strategy. Hence, the construction and real-estate sector could act as vital mechanism and facilitate the State in deploying this strategy.
Inclusive development – need for sustainable social infrastructure for the economic growth of West Bengal

The availability of and the accessibility to sound social infrastructure is basic to the existence of a quality standard of living in urban centers of a State.

Along with housing for the poor, social infrastructure is a major contributor to inclusive development. With growing urbanization, educational institutes, healthcare centres, IT infrastructure and commercial centres (malls and IT offices) are the most important social infrastructure requirements in a State and real-estate sector plays a pivotal role in fulfilling these requirements. Currently, there is an immediate need to ramp up the existing social infrastructure to support the growing urbanization.

Ramping up the education infrastructure

There is a need to enhance the education infrastructure in the State of West Bengal. According to the data provided by Planning Commission, West Bengal is ranked 32nd among the States of India with an Educational Development Index (EDI – Primary and Upper Primary) value of 0.494 in 2008-09. The State dropout rate is 7th highest in the country and is higher than the national dropout rate.

Currently, the State has deficit in the number of education institutes and vocational colleges thus limiting the availability of skilled labour. There is an immediate need to ramp up the current education infrastructure to ensure primary education facilities are available to most of the population in a district. All education institutes should be equipped with modern facilities and infrastructure to advance extra-curricular skills.

### Number of education institutes required in West Bengal

<table>
<thead>
<tr>
<th>Schools</th>
<th>2009</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary schools</td>
<td>67,107</td>
<td>80,000</td>
</tr>
<tr>
<td>Graduate level institutions</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Degree colleges and polytechnics</td>
<td>493</td>
<td>750</td>
</tr>
<tr>
<td>Medical colleges</td>
<td>9</td>
<td>30</td>
</tr>
<tr>
<td>Vocational training institutes</td>
<td>50</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: CII – West Bengal Vision 2020

### Estimated beds and hospitals required in West Bengal

<table>
<thead>
<tr>
<th>Parameters</th>
<th>2001</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>80.1</td>
<td>96.6</td>
<td>103.8</td>
</tr>
<tr>
<td>Number of beds required in West Bengal</td>
<td>92,000</td>
<td>2,90,000</td>
<td>3,10,000</td>
</tr>
<tr>
<td>Number of hospitals required in West Bengal</td>
<td>920</td>
<td>2,900</td>
<td>3,100</td>
</tr>
</tbody>
</table>

Source: KPMG in India analysis; World Health Organization

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15 Educational Development Index, Press Trust of India, October 2008
Capacity building is to be planned out to meet the growing demand of health infrastructure in the State. Further, PPP structure (participation from the Government and private sector) of healthcare provision should be initiated in the districts to bridge the gap in healthcare infrastructure.

A paradigm shift should be brought in healthcare infrastructure by increasing the density of medical colleges and hospitals as well as bringing about a clear shift in quality of healthcare.

**Proliferate IT activity across the State**

West Bengal has had a proven track record in attracting IT investment. It is perhaps one of the fastest growing sectors in the State and there is a huge possibility for the sector to grow further. IT exports from West Bengal touched INR 7,939 crore in FY2012 registering a growth of 5.9 percent. Around 500 IT/ITES companies operating in West Bengal employ 1, 20,000 professionals directly.16

The current IT policy is propagating the growth of the sector in the State. However, further impetus to the development of a sound IT infrastructure would be the key to unearthing the full potential of the IT/ITES sector in the State. Earmarking land for creation of IT hubs could facilitate set-up of infrastructure facilities in tier-2 and tier-3 cities such as Siliguri and Durgapur. Further, increasing the supply of rental IT spaces would encourage investment from smaller players. Towards this, the Government can support the developers creating the IT spaces by offering them special incentives in terms of FSI, municipal taxes, etc.

**Develop industrial infrastructure – foods parks/bio technology parks and other labour intensive sectors**

Over the years, issues relating to land acquisition have hindered industrial activity in the State. However, the West Bengal Government is making efforts to develop a balanced and holistic land acquisition Act which does not pose a problem for the industry and also considers the humane aspects. Liberalisation of the land acquisition policies will fillip both infrastructure and industrial development in the State.

Industrial development has picked up in the last few years as the State Government has taken steps to make applications for setting up of new industry hassle free. The State can further facilitate industrial development by focusing on labour-intensive sectors such as textiles, apparel, leather, jute, tea, handicrafts, tourism, gems and jewellery and argo-based industries. These sectors have the potential to attract large private sector investments and can boost the revenue collection of the State.

**Focus on developing more commercial centres – malls, office, hotels and amusement parks**

Physical infrastructure such as malls, commercials spaces, hotels, amusement parks are important allied sectors which grow simultaneously with urbanization. Growing urbanization in the State will drive the need for more such commercial centres in the near future, which will also generate employment in this fast growing sunshine service sector. This indicates the need to provide sustainable supply in the State to accommodate the growing urbanization.

Heavy investments in physical and social infrastructure would facilitate prolific and sustainable urbanisation in West Bengal. Models such as Public-Private Partnership (PPP) can help the Government in building not only the urban infrastructure but the desired cultural infrastructure as well. The construction and real-estate sectors could be the catalysts towards meeting this objective and spur economic activity and ensure inclusive growth for the State.

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16 Presentation on IT and IT Enabled Services, West Bengal Industrial Development Corporation, June, 2012
Enablers for transformation
To exploit the potential posed by social and urban infrastructure, it is of utmost importance that West Bengal should work towards bolstering the growth of the sector. As this role of infrastructure building will be paramount in the economic development of the State.

Despite the significant contribution, which the social and urban infrastructure sector have made to the development of the State, it has not received priority/preference from the Government. Currently, it is witnessing adverse situation due to slow economic growth, limited avenues of finance, unfavourable Government policies, archaic laws and regulations, lack of transparency and efficiency in Government machinery. There is an immediate need for support from the Government to assist in the development of the sector, for the overall benefit of the State and its people.

**Regulatory challenges**

1. **Focus on development for EWS/LIG housing**

   Growing urbanization, increasing nuclearisation and economic growth is expected to further augment the need for housing demand in the State. In order to meet the housing shortage of 2.68 million units, it is paramount to focus on the economically weaker section (EWS) and low income group (LIG) segments of the society.

   Considering the urgent need to build housing stock in the State of West Bengal, few measures which can be taken are:

   1. For housing projects being developed on land area above 3 acres, the developers should build 25 percent of number of units comprising in the development for EWS/LIG housing. These units will be sold according to Government norms and will be priced in a transparent manner.
   2. The EWS/LIG segments should be constructed as per Government norms (specifications and area stipulations within the project area or in any other land within a 5 kilometers radius of the project).
   3. Provision of providing 10 percent of the guidelines value of land registration office to the Government exchequer of the converted land towards special fund for infrastructure development and socio-economic development of the area in and around the project.

   In regards to the above, it is essential that the Government should provide smooth ULC clearance and conversion of land for projects.

   a. **Formulation of favorable land policies to bolster the growth of social and urban infrastructure**

   Acquisition of land will drive both infrastructure and industrial development in the State. It is imperative that the Government should formulate liberal land policies, which can assist with land acquisition to drive social and urban infrastructure development in the State. There are a number of large land parcels which have not been accessed either by the State or developed privately thus leading to a deadlock. This is hampering development of these land parcels and therefore overall development of the State.

<table>
<thead>
<tr>
<th>Available land parcels</th>
<th>Area in hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated excess vacant land at the time of introduction of the act</td>
<td>2,20,675</td>
</tr>
<tr>
<td>Land vested in the State Government</td>
<td>50,046</td>
</tr>
<tr>
<td>Physical possession taken by State Government</td>
<td>19,020</td>
</tr>
</tbody>
</table>

Source: KPMG Analysis, World Health Organization
The Government should play an effective role in creating land bank for effective development. Kolkata has witnessed significant growth in population in the last decade; majority of this is attributable to urbanization in the city leading to migration of people from smaller cities to Kolkata. It is estimated that by 2030, West Bengal will have urban population of 41.5 million, as against 25.8 million in 2008\(^\text{17}\). To cater, to the requirements of this growing population there is need to develop large townships, which require large land parcels to bring economies of scale. Further, large land parcels can be put to use for the development of affordable housing projects for lower income group people. However, on account of the stringent requirements laid down by the Urban Land Ceiling Act, conglomeration of such land parcels becomes difficult.

**Suggestive changes**

**Relaxation in the Urban Land Ceiling Act and West Bengal Land Reforms Act**

In April 2012, the West Bengal Government amended under Section 14Y of the West Bengal Land Reforms Act, 1955 to accommodate new age industry to hold more than 24 acres. The relaxation is expected to remove the hurdle of land transfer which is necessary for setting up industrial hubs where land is leased out to entrepreneurs. The same provisions should be allowed for township development.

The State Government can bring in further positive amendments by taking a relook at the Urban Land Ceiling Act and free up some of the land parcels which are currently in a deadlock and also amending the Act for providing permission to large format housing development with EWS/LIG provision or socio economic development. In addition to development of affordable housing projects for lower income group people, such an initiative could also encourage investments in the state.

**b. Formulation of a Land Use Plan and Land Conversion Policy**

The Land Use Plan (LUP) identifies purpose to which different land parcels in the State can be put to. A defined LUP encourages investment and consequently, the economic growth in the State.

Further, the process for conversion of purpose of land is extremely lengthy – resulting in inordinate delays in infrastructure and housing projects. The time and cost overrun, hence incurred, results in escalation of the eventual costs of developers and subsequently, the end users.

In the absence of an approved Land Use (as per the requirements of the Project), developers do not get access to loans and cannot apply for a number of other Project Approvals/Project Clearances (e.g. Environment Clearance, Fire Approval, etc.) which are sequentially granted.

\(^{17}\) India’s urban awakening, Building inclusive cities, sustaining economic growth, McKinsey Quarterly, April 2010
Suggestive changes

Introduce systematic land use plan for the State

A systematic LUP should be defined by the Government, which will enable the purpose to which the land can be put to use. Some measures which can be considered are:

- Regular updation of the land use plan
- Increase in FSI - for motivating vertical development to reduce pressure on shortage of land
- Different areas should be allocated for different usages including industry and housing
- Once the land is allocated for a purpose, the land conversion should be automatic upon the payment of the prescribed fee for conversion and development. The following infrastructure fee may be charged:

Infrastructure fee for land conversion

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Proposed fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion of industrial land</td>
<td>INR 1 Lakh per acre</td>
</tr>
<tr>
<td>Housing projects with urban agglomeration</td>
<td>INR 10 lakh per acre</td>
</tr>
<tr>
<td>Projects outside the city limits</td>
<td>INR 5 lakh per acre</td>
</tr>
</tbody>
</table>

- Formulation of a facilitation committee to fix up the prices of land, in case of small land parcels, adjoining the project site, which are required to be converted for the project.
- Measures should be taken to hold Junior Officers accountable particularly in mutation, conversion and record correction process
- Unwilling seller should be adequately compensated by providing them alternate land
- Settlement of small portions of vested land if coming within the project area in favor of developer
- Process of relocation of water-body should be defined.

c. Formulation of affordable housing policy

There is no denying fact that affordable housing is the need of the hour and the Government should bring in policies to promote affordable housing projects. Few measures as suggested are:

- Government to formulate a policy for affordable housing in a manner that makes a business model, to encourage private participation. It needs to reduce the time required to obtain approvals for starting an affordable housing project in the State.
- Government should bring down the cost of affordable housing by exemption or reduction in stamp duty, VAT, service tax, development charges applicable on projects facing residential units upto 650 square feet of built-up-area.
- Significant chunk of land is blocked under the Thika Tenancy Act and is neither advantageous to the poor people for whom it was introduced nor to the State Government.
2. Strengthening of the IT Infrastructure across the State

West Bengal has a proven track record of attracting IT investment and is among the fastest growing IT/ITES States in the country. The State Government can unearth the full potential of the IT/ITES sector by introducing changes in the IT policies pertaining to IT infrastructure development.

For the development a sound IT infrastructure across the State, measures such as more rental IT space, special incentives, additional FSI, etc, should be undertaken by the West Bengal Government.

Suggestive changes

Increasing the area earmarked for IT/ITES industries
The current IT Policy has its own merits; however increasing the area earmarked for the IT/ITES sector will augment the growth of the sector and create new jobs for the youth. Earmarking land for creation of IT hubs could facilitate set-up of infrastructure facilities in tier-2 and tier-3 cities such as Siliguri and Durgapur.

Increase availability of rental IT space
Due to limited availability of large land parcels and high price of land, rental on IT spaces is very high. Almost 99 percent of the companies that operate in the IT sector look for plug-and-play facilities, which lower their cost of operations. Hence, it becomes imperative for the State to create more stock of rental office spaces for IT, which will attract more IT companies from outside the State and promote the smaller players.

Continuous support from the West Bengal Government
To bolster the growth of the sector, the IT infrastructure provider requires adequate support by streamlining the entire process of land transfers, transfer fees for land transfer, sub-letting rights, change of use, sanction of plans and expedition of statutory formalities to create a win-win situation for all involved bodies and the State.

Additional measures suggested are listed below:

- The definition of IIT and ITES sector should be widened by including financial, banking, insurance, stock broking, engineering, technical education and other service industries.
- Change of use of land in Sector V should be considered.
- Simplification and reduction in transfer fees for transfer of land and constructed area in Sector V should be considered.
- A reduction in Municipal/NDITA tax should considered for Sector V.
- Building plan and approval process should be simplified to boost growth.
- Urban development and Government land should be used for creating certain public and social infrastructure such as public parking, auto and taxi stands, food courts etc. in Sector V and also in New Town area to reduce encroachment on footpath.
- Building laws for Sector V should be amended to allow more flexibility to the planners.
3. Multiple project approvals required for executing a project

Numbers of approvals are required for the development of a large scale project in the State. In addition to environmental clearances, developers need to obtain approvals from multiple agencies/ bodies across different Government departments within the State. Further, the process of obtaining project approvals is sequential as opposed to being parallel. The working of the Government machinery is also less transparent and the reasons for delay in approvals/ clearances are not made public.

It takes approximately 2 to 4 years for obtaining more than 50 approvals required for developing a real-estate project (Residential, Commercial or Retail). This acts as a hurdle to the growth and urbanization of cities and is also amongst key cost components.

Suggestive changes

Introduce time-bound clearance processes and computerize land records

To avoid inefficiency in the process of land conversion, a time-bound clearance mechanism, which maintains transparency between the Government departments, Developers and Buyers should be introduced. Moreover, the system of computerisation of land records should be put into place and all land related data (ownership, size of land, litigations if any) and also other data should be made public via internet so that buyers’ interest is safeguarded.

This system is likely to result in approximately 25 percent reduction in cost, the benefit of which is likely to be reaped by the end customers.

Define timelines to be adhered to for granting project approvals and penalties for inordinate delays

Timelines for granting various Approvals/ NOCs should be defined for various agencies/ bodies involved. Further, adherence to these timelines should be monitored to and reasons for inordinate delays should be investigated.

Single window clearance

A single window system for clearance of large housing and infrastructure projects should be initiated to avoid delays in project implementation which will have a major financial impact on the project.
4. Formulation of a favorable township policy for inclusive growth

In view to promote planned and integrated development of various towns by providing basic infrastructure facilities and safeguard the interest of the public at large, the State Government should promote the formulation of favourable and organized Township Policy and LUDCP (Land Use Development and Control Plan) for inclusive growth.

Currently, it has been observed the State lacks favourable policy, which encourages development of organized townships. Further, the LUDCP introduced are not suitable in present context. Hence, considering this background, it becomes vital to encourage development of township policy for inclusive growth of all sectors of society primarily covering EWS and LIG segment.

- Considering the growing rate of urbanization in the State, the Government should introduce proper township policies to encourage land format development. This policy has already been implemented in other States such as Maharashtra and Gujarat, and is running successfully.

- Introduction of a township policy that simplifies the procedures to acquire land.

Suggestive changes

Development of township policy covering EWS/LIG segment

The following measures have been suggested to promote the growth of townships projects in the State:

- Township schemes could be launched on the major arterial road, which are close to the Urban center in West Bengal. This would encourage the Urban Development Department to declare zoning for a particular area covering 100-500 hectares of land
- Adequate re-parcelization of land should be planned with proper networking of road and other infrastructural needs such as getting feeder roads from the main road
- There should be collectively sharing of the cost and land requirement for creation of road, infrastructure, green spaces etc., by all the land-owners within such townships area.

5. Stringent requirements for constructing mini township projects

With growing urbanization, the State needs to encourage affordable housing and self sufficient township projects, especially in Tier II cities and suburbs. New satellite townships could be developed close to the existing cities and towns. Both vertical and horizontal development outside the city limits should be undertaken to cater to the growing needs to population and create additional employment opportunities.

Following are the key mandatory requirements for constructing Township Projects in the State as laid down by West Bengal Town and Country Planning Act:

- Minimum area requirement of 20 hectares
- 30 meters access road to the Township
- Allocation of 35 percent land to basic urban infrastructure
- Development of 200 dwellings per hectare (therefore encouraging vertical development).

To meet the above norms, real estate developers would need to make significant investments. This could lead to higher per square feet cost of developed apartments for the end buyers. At present, no relaxations are being offered for undertaking township development in Tier II and Tier III cities of the State.
6. Introduction of slum rehabilitation scheme

In the last few decades, slums have increased substantially in metropolitan cities with migration playing a major role in their growth. Inadequate housing stock and spiralling prices have forced the migrating population to live in shanties with high densities and inadequate facilities. Slums occupy almost one third of the large city spaces and around 35 percent of total population of the cities lives in slums.

To overcome this issue, scheme should be introduced for the slum rehabilitation projects, as in the case of Mumbai. The Government of Maharashtra has encouraged private participation in redevelopment of slums. The scheme allowed private developers to redevelop areas by permitting more dwelling units than what the building rules allowed.

The “Vision Mumbai” report suggests a practical model, which provides free land to slum dwellers. In return the slum dwellers are required to pay a minimal monthly lump-sum amount towards construction cost.

The Government of West Bengal should emulate the salient features of the Slum Rehabilitation scheme in Maharashtra to witness a surge in redevelopment activities.

Suggestive changes

Relaxation in current regulation for townships projects

Following measures are suggested to promote the growth of mini townships projects in the State:

- Reduction in the ceiling for townships to 9 hectares or about 24 hectares of land
- Proposal of 15 meter access road, as against 30 meter access road in case of residential townships in suburbs
- Land allocated to basic urban infrastructure amenities should be reduced to 20 percent, instead of 35 percent
- Proposal to reduce the 200 dwellings per hectare for suburban townships to 20 dwellings per hectare, as people prefer to stay in low rise constructions. Additional amenities in high rise buildings (fire fighting amenities) would increase the cost of construction and maintenance, thereby increasing the cost of property for buyers
- For the construction of mini townships projects in the State, proposal to reduce the minimum area requirement of 20 hectares to 8-10 hectares. This will enable developers to take up affordable township projects, hence leading to inclusive development and horizontal growth of urban areas.
7. Other Government initiatives to spur development

- Strengthen physical infrastructure in the State. In addition to benefiting affordable housing projects, it could aid in creation of the desired social and cultural infrastructure.
- Bring forward a slum redevelopment scheme for overall community development, notwithstanding its commercial viability.
- Control lending rates to keep housing within the affordable range.
- Control real-estate input costs, or provide special benefits for mid-end to affordable housing projects in order to boost the segment

In addition, to the suggestive changes for the Government of West Bengal to promote the real-estate sector, additional measures that need to be considered by the developer community of West Bengal to further promote the real-estate sector in the region:

- Provide social amenities like schools and hospitals within big projects and help overall community development, thereby boosting further real-estate development in the area.
- Adopt newer and advanced technologies in construction, thereby ensuring sustainability and best practices in the sector.
- Adopt better and improved labour laws so as to encourage increased participation from professionals and ensure their long-term involvement. Further partner with real-estate associations in upgrading their skill levels through vocational courses, etc.
- Focus on mid-end and affordable homes for the mid-income group of the society.
- Improve the stamp duty mechanism to address defects in market valuation.
- Process of consultation of all stakeholders before changing or introducing any policy/law related to real-estate/urban infrastructure/housing/municipal-by-laws.
- Government should form a high powered standing committee to suggest various policies for improvement and creation of urban infrastructure and affordable housing etc. which can be named as KUTF – Kolkata Urban Task Force. Similar model has been tried in Bangalore successfully.

The real-estate and construction sector plays a very vital role in ensuring sustainable growth of the economy. Concerted, coordinated and consistent efforts from all the involved stakeholders i.e. the Central and State Government, public sector, private sector, corporate sector, cooperative sector, community sector and individual sector could increase the pace of growth in the real-estate sector, housing delivery and supportive infrastructure. Ensuring the healthy growth of the real-estate sector through consolidation and convergence of the Government and Developer community, relearning the markets and injecting dynamism, professionalism and customer orientation in the practice of the trade is the need of the hour.
Fiscal challenges

In addition to the regulatory challenges, the State is also facing a number of fiscal challenges. In the following paragraphs, we have discussed few issues from indirect tax side and suggested requisite steps the Government should take to bolster the growth of the real-estate sector in the State.

Challenges from Indirect Tax perspective

While the purchase of land by a developer is chargeable to stamp duty that is chargeable on sales of immovable property, the construction activity when undertaken by third parties for the developer, would be liable to VAT as well as service tax, as it would be in the nature of a works contract (i.e. a contract involving supply of goods and services). It is a settled position of law that the goods involved in the execution of a works contract, whether transferred in the same form or in some other form are deemed to be sold to the customer and that VAT / CST, as the case may be, is payable on the same. Therefore, whether the developer is engaged in residential or commercial construction projects, the main issue of concern with regard to indirect taxes levied by the State in West Bengal would be liability to VAT on works contract.18

At present there are various schemes under which a construction contractor can discharge VAT liability, such as:

- Payment of VAT on the actual value of goods that are sold in the course of the works contract.
- Opting for the composition scheme under which tax liability has to be discharged on entire value of contract but at a lower rate of 2 percent.
- Payment of VAT on the contract value after factoring in the prescribed ad hoc deduction towards labour costs irrespective of actual amount incurred in this regard.

We have discussed a few issues that arise from the mechanisms prescribed in the West Bengal VAT Act, 2003 (“WB VAT Act”) and the Rules made there under in relation to taxation of transfer of property in goods in a works contract.
Uniform VAT rate irrespective of the nature of the goods

As per Section 18 of the WB VAT Act, tax would be payable on transfer of property in goods involved in the execution of works contract on the “taxable contractual transfer price”. In terms of the said Section, the “taxable contractual transfer price” is defined as the intra-State contractual transfer price after deducting the following, subject to conditions:

- Labour, service and other like charges
- Value of tax free goods
- Amounts paid to the sub-contractors for execution of the works contract
- Other deductions, as may be prescribed

If a works contractor opts for discharging the VAT liability in West Bengal on the said taxable contractual transfer price basis, the tax is payable on the goods transferred in the execution of the works contract, at the rate of 4 percent on sale of declared goods and printing materials and at the rate of 13.5 percent on all other goods. The uniform rate of 13.5 percent has been prescribed for all goods transferred in the course of execution of works contract without taking into account the variety of goods that are involved in the works contract that may otherwise be chargeable to a rate less than the said prescribed rate.

For instance, there are various goods that would be used in construction projects for sale of which the prescribed rate of VAT is 4 percent as per Schedule C to the WB VAT Act. This would include goods such as all kinds of pipes and fittings and all aluminium products like bars, rods, channels, angles, joists. Further, it is relevant to note that taxation of all the goods involved in the works contract at the residuary VAT rate is not a uniform practice in all the States.

Suggestive changes

Repeal of uniform tax rate

States like Andhra Pradesh and Maharashtra allow for discharge of VAT liability at the VAT rates as prescribed for various goods in the Schedules to the VAT Act. The prescription of such a uniform rate without taking into account the variety of goods used is anomalous and the same should be addressed so that the same goods are not subject to tax at different rates merely because of difference in the manner in which the goods are sold by the dealer.

Restrictive conditions under the composition scheme

In terms of Section 18(4) of the WB VAT Act read with Rule 39 of the WB VAT Rules, a works contractor can opt for the composition scheme and discharge the VAT liability on transfer of property in goods in execution of the works contract by paying 2 percent of the total amount received or receivable in respect of the works contract. However, a works contractor would be eligible to opt for the composition scheme only on fulfilment of the prescribed conditions. The conditions prescribed in Section 18(4) of the WB VAT Act read with Rule 39 of the WB VAT Rules mandate that in order to be eligible to opt for the composition scheme a works contractor:

- Should not have any goods in stock which were brought from outside the State on the day the option to pay tax by way of composition is exercised; (refer Rule 39(2)(a) of the VAT Rules)
- Should not make any transfer of property in any goods brought from outside the State in execution of works contract within West Bengal, after such date, excepting transfer of property in sand and stone chips, brought from outside the State, in the execution of works contract within West Bengal where the dealer’s contractual transfer price during the year does not exceed Rs 20 lacs; (refer Rule 39(2)(a) of the VAT Rules).
In terms of the statutory provisions, if a construction contractor opts for discharging the VAT liability on composition basis, then as per the West Bengal VAT laws such works contractor cannot hold in stock and cannot use any goods brought from outside the State in the execution of any works contract in the State. An exception has been made only for using sand and stone chips brought from outside the State, when and only when the dealer’s contractual transfer price during the year does not exceed Rs 20 lacs. It is not uncommon for construction companies to have projects running simultaneously in various States and to stock transfer materials inter-State, if need be, for use in the execution of a project. In view of the same, existence of such stringent pre-conditions translates into imposition of a significant restriction on the works contractor’s operations in West Bengal.

**Suggestive changes**

**Amendment of VAT laws in West Bengal**

It is also relevant to note that such restrictive pre-conditions do not constitute uniform practice in all the States. The VAT legislations in the States of Maharashtra and Andhra Pradesh, do not impose any restrictions on use of goods brought from outside the State as a pre-condition for being eligible for the composition scheme for works contract.

In view of the above discussion, the VAT laws in West Bengal should be amended to remove the restriction on inter-State sales/ purchases in the context of composition scheme for works contract.

Further, it may be noted that once a dealer exercises the option to discharge VAT liability under the composition scheme, VAT would have to be discharged on all the works contracts being executed by the dealer in the State, during the period for which the option has been exercised, on composition basis. Such a requirement is restrictive in nature and it would be more beneficial for the industry if the choice is left to the works contractor to opt for the composition scheme on a project basis.

With the growing urban population, West Bengal real-estate sector needs immediate attention. The sector is the biggest employment generator after agriculture and is also considered as the one of largest local multiplier of the State’s economy. Be it employment or adding to the State exchequer, the sector holds great promise.

Considering the overall potential of the sector to contribute towards the State’s economy, it is becomes imperative for the Government to take requisite steps for the development of the sector.
Conclusion
Over the years, West Bengal has lagged in terms of economic growth due to multiple reasons. While India has grown at an impressive rate of 8.5 percent during 2005-10, West Bengal has grown at a rate of 7.2 percent. With onset of new liberal Government, the economy of the State is all set to get boost and bring itself at par with other States. To reap the benefits of economic growth, the Government should take imperative steps with the support of various stakeholders to attract investments across various sectors. To begin with, the Government needs to implement a sustainable drive to attract private investments across various sectors, particularly in the infrastructure sector (both urban and social).

Development of infrastructure is pivotal in unravelling the economic potential of the State with urban infrastructure being used to attract private investment and social infrastructure supporting inclusive growth. The real-estate sector plays an important role in the development of both physical and social infrastructure. It has emerged as a key enabler of positive development in the State. It is considered as the 2nd largest contributor to the State exchequer and employer in the State. With urbanization set to grow substantially in next couple of decade, the Government of West Bengal needs to focus on developing substantial new dwellings and provide sustainable social infrastructure to meet the existing housing deficit and prepare for future growth.

The aim should be to create a facilitating environment for overall industrial development, similar as those of other States of India. For this, a responsive structure with the Government is essential – setting up policies conducive for the overall development of the State. We believe the Government should play a transformational role to address the myriad challenges of urban governance that is affecting the growth of the State today.

Below are some of the initiatives that the State can adopt to achieve inclusive growth:

- More thrust on infrastructure strengthening is required. Development of infrastructure can be considered a direct poverty alleviation strategy as well
  - Rejuvenate urban infrastructure in the State to improve industrial development
  - Initiate measures to develop social infrastructure in the State to build investor’s confidence
  - Focus on more PPPs in the healthcare sector to reduce the dependence and burden on public healthcare systems
  - Focus on developing real-estate sector in the State.
- Land acquisition procedure should be more regulated. Procedures like auction can be used to determine correct compensation price. Monetary as well as non-monetary compensation can attract more landowners to donate their land.
- Form pro growth land policies to develop infrastructure in the State
- Creation of more industrial clusters, which will ensure common facilities, which in turn will reduce operating costs, there will be an increase in competitiveness and development of skills of the concerned sector.

Overall, the situation is encouraging and there is enormous scope for further development in the State. Some sectors based in the State hold great growth potential and in the coming years, these sectors could capture a large chunk of the investment coming in India. The availability of talent and cheap labour further increases the development scope of the region. The State is currently undergoing a challenging phase, however with opportunities coming its way it will be considered as the one of the top tier States in India.

The only need of the hour is a planned evolution of the State, which can sustain affordability and meet the ever growing housing requirement in the State. To achieve this requirement, the growth of urban and social infrastructure is pivotal in strengthening the economic potential of West Bengal.