

Abstract

Policy makers in both developed and developing countries want to make cities more competitive, attract entrepreneurs, boost economic growth, promote job creation, and reduce poverty. This seminar will examine the spatial location of new firms in India in the manufacturing and services sectors, as well as in the formal and informal sectors, in 630 districts spread across 35 states/union territories.

How is the entry of new firms in cities being impacted by the incumbent industrial structures of districts, agglomeration channels, and quality of physical and human infrastructure? The two most consistent factors that predict entry of new firms in a district are its education and the quality of local physical infrastructure. These patterns are true for manufacturing and services. These relationships are much stronger in India than those found for the United States. There is strong evidence of agglomeration economies. This influence is through both traditional Marshallian economies like a suitable labor force and proximity to customers and through the Chinitz effect that emphasizes small suppliers.

India's footprints in structural transformation and urbanization are still at an early stage. At such an early point and with industrial structures not yet entrenched, local policies and traits can have profound and lasting impacts by shaping where industries plant their roots.