Manufacturing Policy Reforms

FROM AUTOMOBILES TO AGRO PRODUCTS
FROM HARDWARE TO SOFTWARE
FROM SATELLITES TO SUBMARINES
FROM TELEVISIONS TO TELECOM
FROM PHARMACEUTICALS TO BIOTECH
FROM PAPER TO POWER PLANTS
FROM ROADS TO BRIDGES
FROM HOUSES TO SMART CITIES
FROM FRIENDSHIP TO PARTNERSHIP
FROM PROFIT TO PROGRESS
WHATEVER YOU WANT TO MAKE: MAKE IN INDIA
India’s growth has the potential to catalyse global economic resurgence.

- Hon’ble Prime Minister
  Narendra Modi
Introduction

The development of Manufacturing sector is considered to be a crucial requirement for transitioning an agrarian economy to a modern economy. Manufacturing provides the main transitional linkage between agriculture and service sector for labour mobility and value addition. Governments seek to promote manufacturing for achieving inclusive development and well-paid decent employment.

During 1993-94 to 2019-20 India’s share of manufacturing to Gross Domestic Product (GDP) has been in the range of 14.8% to 18.1% even after the major economic reforms in 1991. As compared to middle income countries, India’s share of manufacturing in GDP is low. It has not been able to capitalize its labour cost and skill advantages to push large-scale labor-intensive manufacturing.

To facilitate investment, foster innovation, build best in class infrastructure and make India a hub for design, and innovation, the Government has been taking various initiatives to promote manufacturing in the country. In the last decade the objective has been to increase the share of manufacturing to 25% of GDP and to create 100 million additional jobs.

“Doubling India
Business in 7-10 years
no-brainer for Unilever.”

Paul Polman
CEO, Unilever
National Manufacturing Policy, 2011

The National Manufacturing Policy (NMP), announced on 4th November, 2011 was based on the principle of industrial growth in partnership with the States. National Investment Manufacturing Zones (NIMZs) were an important instrumentality in the policy. The main features of the NMP were the Central government creating an enabling policy framework, providing incentives for infrastructure development on a Public Private Partnership (PPP) basis, enabling the NIMZ to function as a self-governing and autonomous body to be managed by a Special Purpose Vehicle (SPV).

To establish NIMZs, their SPVs reported difficulties in mobilizing huge funds for acquiring the requisite land i.e. 5000 ha. These zones were also overshadowed by the attractive Nodes of Industrial Corridors under which GOI support of upto Rs. 3000 crores is available. Though the National Manufacturing Policy envisaged the large investment requirements for development of internal infrastructure in such a huge area of NIMZ, the support of GOI envisaged was limited to incentives such as Viability Gap Funding (VGF) up to 20% of the total project cost and providing assistance for negotiating non-sovereign multilateral loans. The NMP did not envisage any budgetary support through dedicated provisions for the development of the internal infrastructure of the NIMZ.

Measures to boost Manufacturing post May 2014

MAKE IN INDIA

Make in India initiative was launched on 25th September, 2014 along with action plans for 25 sectors with the objective of facilitating investment, fostering innovation, building best in class manufacturing infrastructure, making it easy to do business and enhancing skill development. The emphasis now is on 24 Sub sectors under Make in India 2.0.

These are furniture, air-conditioners, leather and footwear, ready to eat, fisheries, agri-produce, auto components, aluminum, electronics, agrochemicals, steel, textiles, EV components and integrated circuits, ethanol, ceramics, set top boxes, robotics, televisions, close circuit cameras, toys, drones, medical devices, sporting goods and gym equipment.
PRODUCTION LINKED INCENTIVE (PLI) SCHEME

To provide a major boost to manufacturing, the Production-Linked Incentive (PLI) Scheme has been launched for 13 sectors- 3 sectors in March 2020 and 10 sectors in November 2020 with an outlay of Rs 1.97 lakh crore over the next five years. The PLI scheme for shortlisted sectors is expected to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; enhance exports and make India an integral part of the global supply chain.

EASE OF DOING BUSINESS

Till 2014 India had a poor ranking in the Doing Business Report (DBR). Since May 2014, with the objective to create a conducive environment by streamlining the existing regulations and processes and eliminating unnecessary requirements and procedures, India’s ranking on DBR has been moving upwards. Introduction of ‘information technology’ has been a key enabler to make governance of regulations more efficient. A detailed plan of regulatory reforms has been implemented by the Central Government Ministries and the States Governments. India’s rank has improved from 142nd in 2014, to 63rd position in 2020. It has earned a place among the world’s top 10 improvers for the third year in a row.

LAND AVAILABILITY

Industrial Information System (IIS)

Industrial Information System (URL: www.ncog.gov.in/IIS) has been developed to assimilate information of industrial infrastructure across the country. IIS provides a GIS enabled database of industrial areas including clusters, parks, nodes, zones etc. across the country. IIS has detailed information on 3500 industrial clusters, covering 4.8 lakh hectares from all States / UTs. It benefits various government stakeholders, industrial park developers, industries and investors by providing updated information regarding the land available in different industrial parks, their potential, occupancy, incentives available therein.

A GIS enabled Land Bank has been developed by integrating State industrial GIS systems with Industrial Information System (IIS). The Land Bank enables the investors to see plot level data and availability of updated land related information in real time.

Industrial Park Rating System (IPRS)

The Government is developing the Industrial Park Rating System 2.0 (IPRS) for assessing the parks on a variety of parameters including internal and external infrastructure and connectivity, business support services and facilities and environment and safety management.

The IPRS is expected to offer insights to potential investors for deciding on the location of their industrial units.
NATIONAL INDUSTRIAL CORRIDOR PROGRAMME

The National Industrial Corridor Programme (NICP) has been conceived to promote world class manufacturing facilities and develop futuristic industrial cities in India. The broad objective of NICP is to provide plug and play infrastructural facilities for setting up large scale manufacturing units.

The 11 Industrial Corridor projects are subdivided into 32 projects to be developed in 4 phases. Substantial progress has been achieved after 2016 in the development of four city projects under the Delhi Mumbai Industrial Corridor. These are Dholera Special Investment Region in Gujarat; Shendra-Bidkin Industrial Area in Maharashtra; Integrated Industrial Township Project at Greater Noida in Uttar Pradesh and Integrated Industrial Township Project ‘VikramUdyogpuri’ near Ujjain in Madhya Pradesh. The other main industrial corridors under progress are the Amritsar- Kolkata, Chennai-Bangalore, Vizag-Chennai, East Coast etc.

Industrial nodes and projects are being developed under the programme to facilitate manufacturing investments and increasing India’s participation in the global value chains. The facilities under the NICP are being showcased to potential global investors in shifting their large-scale manufacturing investments, post the Covid19 pandemic.

INVEST INDIA

Invest India is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India. Invest India provides multiple forms of support such as market entry strategies, deep dive industry analysis, partner search and location assessment policy advocacy with decision makers. It supports India Missions abroad and State Governments by organizing events, summits, road-shows and other promotional activities to attract investment in the country under the Make in India banner.

PHASED MANUFACTURING PROGRAMME

To promote domestic manufacturing of sectors facing high/cheap imports, certain definite intervention is being undertaken through increase in Basic Customs Duty on identified products. The action is guided to enable such sectors to grow in size and scale.

STARTUP INDIA

Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Some of the interventions by Startups assist top end manufacturing.
The Startup India Action Plan was launched on 16th January, 2016 with the objective of supporting entrepreneurs, building a robust startup ecosystem, and transforming India into a country of job creators instead of job seekers.

To foster competitiveness and to propel the States and Union Territories to work proactively towards promotion of their Startup Ecosystems the States’ Startup Ranking Framework was launched on 6th February 2018. A total of 27 States and 3 UTs participated in this exercise.

The Startup India web portal serves as a virtual incubator to Startups which provides access to information, knowledge, industry programmes, Government schemes, and networking opportunities within the Startup community. The portal hosts Startups, investors, funds, mentors, incubators, accelerators, corporates, academia, Government bodies and more.

To provide funding support for Start-ups, the Government has created a ‘Fund of Funds for Start-ups’ (FFS) at Small Industries Development Bank of India (SIDBI) with a corpus of INR 10,000 Crore.

India is now among the largest Start-up ecosystems of the world. Women entrepreneurs have started becoming more prominent in the innovation economy. A large proportion of the Start-ups belong to Tier-II and Tier-III non-metro cities. A number of ‘Startup Grand Challenges’ with Government bodies and corporates have been organized to channelize them to work with startups and incorporate the spirit of innovation and entrepreneurship.

NORTH EAST REGION

To promote industrialization in the North Eastern Region, the Government of India has notified North East Industrial Development Scheme (NEIDS)-2017 for the States of North East Region including Sikkim effective from 01.04.2017 to 31.03.2022.

JAMMU & KASHMIR

A Central Sector Scheme for Industrial Development of UT of Jammu & Kashmir with a total outlay of Rs. 28,400 crore up to the year 2037 has been approved in January 2021. Considering the historic development of reorganization of Jammu & Kashmir with effect from 31.10.2019 into UT of Jammu & Kashmir under the J&K Reorganization Act, 2019, the scheme is to be implemented with the vision that industry and service led development of J&K needs to be given a fresh thrust with emphasis on job creation, skill development and sustainable development by attracting new investment and nurturing the existing ones.
Share of manufacturing sector in Gross Value Added (GVA) hanging around 17.14 to 17.80 percent during 2008-09 to 2014-15, increased to 18.15 percent in 2015-16 and remained almost at the same level till the year 2018-19.

During 2019-20, manufacturing share dropped due to COVID-19 pandemic and the nation-wide lockdown initiated to restrict the same in March 2020.

Note: GVA are at Constant Price (Base Year 2011-12); Data for 2018-19 and 2019-20 are provisional.
Future Plan

Government of India has worked to strengthen the country’s position as a major manufacturing hub by strengthening its domestic manufacturing ecosystem as well as by attracting foreign direct investment. It will work on the development of the country as a major manufacturing hub by further improvements in the enablers viz. ease of doing business, reduction in logistics cost and facilitating availability of capital and land at competitive rates. It will also work on its foundational strengths in innovation, talent, focus on R&D, Startups and high-tech exports.

The Department for Promotion of Industry and Internal Trade (DPIIT) has been working to upgrade India’s industrial infrastructure through cluster upgradation schemes and proposes to introduce a New Industrial Cluster Upgradation Scheme. The framework of the scheme is being developed after extensive consultations with both Sectoral Ministries and select States. The objectives of the new scheme would be on enhancing competitiveness of industry by providing quality infrastructure matching with global standards; increasing self-dependency in key supply networks; enhancing export competitiveness; improving firm-level competitiveness within an industrial cluster and creating gainful employment opportunities. The proposed interventions in this scheme would cover infrastructure for Plug-n-Play facilities, business facilitation services & aftercare support; common facilities for utility networks and fulfilling environment compliances amongst others. The new scheme is planned to be entrepreneurial in spirit, offering opportunities for the private sector to co-design and co-create along with government implementing agencies.

Ahead of Budget, PM signals push to infrastructure, manufacturing, technology

V-shaped recovery in manufacturing sector led by iron & steel, cement, pharma and auto cos: Economic Survey 2020-2021