International Journal of Enhanced Research in Management & Computer Applications
ISSN: 2319-7471, Volume 7 Issue 1, January-2018, Impact Factor: 3.578

Government Policies to Boost Indian Manufacturing Sector

Dr. Fulwinder Pal Singh

Associate Professor of Economics cum Principal SBJS Khalsa College, Satlani sahib, Hoshiarnagar, Attari Road, Amritsar-143107

ABSTRACT

The need to raise the global competitiveness of the Indian manufacturing sector is imperative for the country's long term-growth. The National Manufacturing Policy is by far the most comprehensive and significant policy initiative taken by the Government. The policy is the first of its kind for the manufacturing sector as it addresses areas of regulation, infrastructure, skill development, technology, availability of finance, exit mechanism and other pertinent factors related to the growth of the sector. The Government of India had notified a National Manufacturing Policy (NMP)vide Press Note dated November 4, 2011 with the objective of enhancing the share of manufacturing in GDP of 25 per cent and creating 100 million jobs over a decade. The Policy specially focuses on industries that are employment intensive, produce capital goods, have strategic significance and where India enjoys a competitive advantages besides small and medium enterprises and public-sector enterprises. The NMP provides for promotion of clusters and aggregation, especially through the creation of national investment and manufacturing zones(NIMZ). Till 2013-14,16 NIMZs had been announced. Of these, eight are along the Delhi-Mumbai Industrial Corridor (DMIC). Eight other NIMZs have been given in principle approval: (i) Nagpur in Maharashtra,(ii) Chittoor in Andhra Pradesh, (iii) Medak in Andhra Pradesh (now Telengana), (iv) Prakasam in Andhra Pradesh,(v) Tumkur in Karnataka, (vi) Kolar in Karnataka, (vii) Bidar in Karnataka, and (viii) Gulabarga in Karnataka. National Manufacturing Policy also seeks to empower rural youth by imparting necessary skill sets to make them employable. The objective of the National Manufacturing Policy is to boost the country's share of industrial production, employment; development of world-class infrastructure and investments in India's manufacturing space. The key policy instruments for achieving the objective:

- Establishment of National Investment and Manufacturing Zones (NIMZs) – green field integrated Industrial Townships with state–of-the-art infrastructure and land use on the basis of zoning; clean and energy efficient technology and requisite social infrastructure. NIMZ proposed with land area of at least 5000 hectares.
- Industrial Townships are proposed to be self-governing and Autonomous Bodies under Article 243(Q-c) of the Constitution.
- The trunk infrastructure will be financed appropriately by Central Government including through viability gap funding while SPV will develop the zone infrastructure in PPP mode.
- NIMZ will be managed by Special Purpose Vehicle, headed by. Govt. officials and experts, including those of environment.

The policy has also come up with proposals to improve access to finance for SMEs in the manufacturing sector. The following section of the paper explain National Manufacturing Policy ,how the policy would achieve objectives?, Skill Development, National Investment and Manufacturing Zones (NIMZs), Role of the Central Government and lastly conclusion.

National Manufacturing Policy

- Manufacturing's share in India's GDP has been stuck at 16% since the 1980s. The policy aims to increase the share of manufacturing in the country's GDP from the current 16% to 25% by 2022.
- The National Manufacturing Policy aims to create 100 million additional jobs in the next decade.
- The draft policy envisages establishment of **National Investment and Manufacturing Zones (NIMZ)** equipped with world-class infrastructure that would be autonomous and self-regulated developed in partnership with the private sector.
- Each **National Investment and Manufacturing Zones** to have 5,000 hectares.
- Land will be selected by State Governments. Preference would be given to uncultivable land.

- Both state and central Government would fund trunk infrastructure.
- The policy embodies an easy exit policy and single window clearance in zones
- The NIMZ would be managed by special entity
- The policy has envisaged fiscal sops to boost manufacturing.
- Small & medium enterprises to be reimbursed for technology purchase.
- Industrial training and skills development programmes
- Flexible labor laws and simplified & expeditious exit mechanism for sick units
- Relaxation in environmental regulations
- Financial and tax incentives to small and medium enterprises
- Incentives to states for infrastructure development
- Incentives for Green Manufacturing
- Rationalization of business regulations to reduce burden of procedural and regulatory compliance on businesses
- Increased focus on employment intensive industries, capital goods industry, industries with strategic significance and those in which India enjoys a competitive edge and the SME sector.
- Make industrial land (land acquisition) available through creation of land banks by states.

How the Policy would achieve the above objectives?

- Foreign investments and technologies will be welcomed while leveraging the country's expanding market for manufactured goods to induce the building of more manufacturing capabilities and technologies within the country.
- Competitiveness of enterprises in the country will be the guiding principle in the design and implementation of policies and programmes.
- Compliance burden on industry arising out of procedural and regulatory formalities will be reduced through rationalization of business regulations.
- Innovation will be encouraged for augmenting productivity, quality, and growth of enterprises; and Effective consultative mechanism with all stake holders will be instituted to ensure mid-course corrections.

Which Industry verticals will be give special attention?

- **Employment intensive industries** such as textiles and garments; leather and footwear; gems and jewellery ; and food processing industries.
- **Capital Goods** such as machine tools; heavy electrical equipments; heavy transport, earth moving and mining equipments.
- **Industries with strategic significance** such as aerospace; shipping; IT hardware and electronics; telecommunication equipment; defence equipment; and solar energy.
- **Industries where India enjoys a competitive advantage** such as automobiles; pharmaceuticals; and medical equipment.
- **Small and Medium Enterprises:** The Small and Medium Enterprises (SME) segment of manufacturing has in particular attracted due attention in the new policy as can be seen from the various financial and development incentives that have been envisaged therein. The need for special focus on the segment arises from the fact that currently, 8% of overall GDP, 45% of manufacturing output and 40% of the country's exports originate in more than 26 million SME units across the country. These SME units are engaged in the production of more than 6000 products, 22% of which are food products, 12% are chemicals and chemical products, 10% basic industry metals, 8% metal products, 6% each of electrical and machinery parts and rubber and plastic products (36% of miscellaneous products).
- **Public Sector Enterprises** specially in defense and Energy sectors.

How they want to rationalize the Business Regulations?

- The policy notes that on an average, a manufacturing unit needs to comply with nearly 70 laws and regulations. Apart from facing multiple inspections, these units have to file sometime as many as 100 returns in a year.
- This kind of compliance burden puts-off young entrepreneurs and they are not willing to take up an entrepreneurial role. As a result, a large number of people who could have been self employed and would contribute to further employment and enhance economic activity, end up accepting jobs much below their potential.
- The policy suggests that Central/ State Governments may provide exemptions subject to fulfilment of conditions as provided in the statute. SPV may act as a facilitator in this regard. Mechanisms may be developed for

cooperation of public or private institutions with government inspection services under the overall control of statutory authorities.

- In respect of laws and regulations pertaining to environment, Central/State Governments may delegate the power as allowed by the relevant statutes to an official of the State Pollution Control Board (SPCB) posted in the zone.
- The Environmental Clearances for NIMZ units under the EIA Notification, 2006 shall be considered on a high priority, and the units thereon will be exempted from public hearing provided under the EIA Notification, 2006 in cases where such estates have undergone public hearing as a whole. Further, facilitative instructions and guidelines may be issued at the Central and State level from time to time aiming at promotion of NIMZ investment while safeguarding environmental integrity.

Technology Acquisition and Development Fund

- The policy proposes establishment of a Technology Acquisition and Development Fund (TADF) for acquisition of appropriate technologies including environment friendly technologies; creation of a patent pool; and development of domestic manufacturing of equipments used for controlling pollution and reducing energy consumption.
- Operation, Monitoring and Review of the Fund will be done by the Green Manufacturing Committee. Green Manufacturing Committee will comprising representatives from the concerned Ministries/Departments of the Central Government and relevant sectoral experts from outside government. GMAC will give incentives for Green Manufacturing.
- Please note that **Technology Acquisition and Development Fund** will also function as an autonomous patent pool and licensing agency. It will purchase Intellectual Property (IP) rights to inventions from patent holders. Any company that wants to use the IP to produce or develop products can seek a license from the pool against the payment of royalties. This company may then produce the product for use in specified geographical areas subject to meeting agreed quality standards. The TADF would reserve the right to license more than one company for a particular patent.

Skill Development

- NIMZ, the SPV will undertake skill up gradation in co-ordination with the National Skill Development Corporation (NSDC). Further, the policy seeks to expand the network of ITIs.
- There are currently 8306 it is / ITCs (as on July 15, 2010) with a capacity of training 1.16 million persons per year. Though the 11th plan already envisages setting up of 500 new ITIs in industrial clusters/SEZs and 1000 new ITIs in other areas based on demand via the PPP route, the overall availability of training infrastructure will remain grossly inadequate.
- So, to encourage the private sector to set up their own institutions, the government will provide weighted standard deduction of 150% of the expenditure (other than land or building) incurred on Public Private Partnership (PPP) project for skill development in the ITIs in manufacturing sector in separate facilities in coordination with NSDC.
- The policy also speaks of establishment of institutes of specialized learning such as a specialized Polytechnic for the automobile sector, or a Polytechnic focused on high-tech manufacturing and semiconductors for the electronics sector, or one that fosters innovation and product development in the IT/ITES sector

National Investment and Manufacturing Zones

- National Investment and Manufacturing Zones (NIMZs) will be developed as integrated industrial townships with state-of-the art infrastructure and land use on the basis of zoning; clean and energy efficient technology; necessary social infrastructure; skill development facilities, etc., to provide a productive environment to persons transitioning from the primary sector to the secondary and tertiary sectors.
- These NIMZs **would be managed by SPVs** (Special Purpose Vehicles) which would ensure master planning of the Zone; pre-clearances for setting up the industrial units to be located within the zone and undertake such other functions as specified in the various sections of this policy.
- To enable the NIMZ to function as a self governing and autonomous body, it will be declared by the State Government as an **Industrial Township** under Article 243 Q(c) of the Constitution.
- In sum, the NIMZs would be large areas of developed land, with the requisite eco-system for promoting world class manufacturing activity. NIMZ would be different from SEZs in terms of size, level of infrastructure planning, and governance structures related to regulatory procedures and exit policies. An NIMZ would have an area of at least 5000 hectares in size.

Land Availability:

- The State Government will be responsible for selection of land suitable for development of the NIMZ including land acquisition if necessary.
- Government owned land or Private Lands falling within the proposed NIMZ, to be acquired by the State Government or Land under existing industrial areas/estates/sick and defunct units including PSUs.
- NIMZ would be preferably developed on waste lands; infertile and dry lands not suitable for cultivation.
- The use of the agricultural land will be kept to minimum. There should be reasonable access to basic resources like water.
- It should not be within any ecologically sensitive area or closer than the minimum distance specified for such an area.

Who will own NIMZ?

- It is left to the State Government to adopt a model that it considers most workable. The State Government may keep the ownership of NIMZ itself or transfer the ownership to a state government undertaking.
- The state Government may have joint ownership with a private partner and aopt any other appropriate model.

How NIMZ will be administered?

- The administrative structure of NIMZ will comprise of a Special Purpose Vehicle, a developer, State Government and the Central Government.
- A NIMZ will be notified by the Central Government , by notification in the Official Gazette. Once notified, an SPV will be constituted to exercise the powers conferred on, and discharge the functions assigned to it under this Policy to manage the affairs of the NIMZ.
- Every SPV shall be a legal entity by the name of the NIMZ. This SPV can be a company.
- The appropriate financial and administrative structure of the SPV will be agreed to among different stakeholders giving due representation to nominees of different stakeholders on the Board of SPV.
- The CEO of the SPV will be a senior Central/State government official. This SPV will prepare a Master Plan for the Zone. It will prepare a strategy for development of the Zone and an action plan for self regulation to serve the purpose of the policy.
- These shall be submitted to the Board of Approval. After the approval, the Zone will be developed by the SPV. Please note that Central Government will bear the cost of master planning for the NIMZ.
- The SPV can take up the work of development on its own through various agencies/contractors or take up the development in partnership with a developer who shall be selected through a transparent process. the State Government would help in Water Requirement, Power connectivity, Infrastructure Linkages.

Role of Central Government

- As mentioned above, a NIMZ will be notified by the Central Government, by notification in the Official Gazette. The Department of Industrial Policy and Promotion will act as the nodal agency for the central government in matters pertaining to the NIMZs.
- The application for setting-up of NIMZ will be forwarded by the state to the DIPP for approval. DIPP will constitute a Board of Approval, which will consider all applications for establishment of NIMZs and approve such proposals as are found feasible.
- Each NIMZ will be notified separately by DIPP. In case an amendment is required to the concept and design of the project, as encapsulated in the preliminary project report submitted by the State Government, the same will be considered by the Board of Approval.
- Central Government will also improve/provide external physical infrastructure linkages to the NIMZs including Rail, Road (National Highways), Ports, Airports, and Telecom, in a time bound manner.
- This infrastructure will be created/upgraded through Public Private Partnerships to the extent possible. Viability Gap Funding through existing schemes will be provided. Wherever necessary, requisite budgetary provisions for creation of these linkages will also be made.

How many NIMZ will be established?

- It has been reported that at least seven National Investment and Manufacturing Zones (NIMZ) are proposed to be set up in the North and West.

- A survey has been commissioned to set up similar zones in the South. As mentioned above, these zones would be greenfield integrated industrial townships and the area would be at least 5,000 hectares.The 7 towns are as follows:
- Ahmedabad-Dholera Gujarat)900 sq km
- Shendra-Bidkin (Maharashtra) 84 sq km
- Manesar-Bawal (Harayana) 380 sq km
- Khushkhera-Bhiwadi-Neemrana (Rajasthan) 150 sq km
- Dighi Port Area (Maharashtra) 230 sq km
- Dadri-Noida-Ghaziabad (Uttar Pradesh) 250 sq km
- Pithampur-Dhar-Mhow (Madhya Pradesh)- 370 sq km

In September 2015, Andhra Pradesh became the first state to house India's first national investment and manufacturing zone after the state assured the Centre of availability of 10 sq km of land in one place in Prakasham district.

CONCLUSION

We come to the conclusion that the plan is both ambitious and impressive, intending to give mega industrial townships autonomy, incentivise public private infrastructure development and facilitate access to green technologies. It'll boost the Made-in-India label's global competitiveness. It'll also hasten factory expansion, a must for absorbing India's young workforce growing by around 20 million annually. With manufacturing wages rising in China, we can leverage the advantage of cheaper, abundant labour to attract investors. The NIMZ are to be limited to government-acquired waste and infertile land, which seems to be logical and sensitive decision. The core idea of this seems to skirt land-related strife and conserve ecologically sensitive areas. But, we also note that the project viability rides on logistics, there would be a requirement of fast development of the integrated infrastructure. Further, these zones will not appear overnight. We have an experience of procedural over delays and missed timelines. There should be a rule based process for expeditious development of these mega Hubs.

The National Manufacturing policy envisages a holistic policy for the promotion of the manufacturing sector in the country. Today more than 75 of our exports are manufactured products. We are also one of the biggest market of consumer goods- both durables and consumables. However, the share of domestic production in the manufacturing sector in the GDP is very small given the size of domestic market and export potential. In white goods and electronic products we are at best assemblers or low end technology based producers. It is expected that if the National Manufacturing policy is implemented in India in right earnest, India would achieve all its gaols simultaneously- double digit economic growth, productive employment for its burgeoning working population and export potential.

BIBLIOGRAPHY

[1]. https://www.gktoday.in/gk/national-manufacturing-policy-india/
[2]. www.makeinindia.com/policy/national-manufacturing
[3]. www.thehindubusinessline.com/
[4]. *dipp.nic.in/policies-rules-and-acts/policies/national-manufacturing-policy*
[5]. *meity.gov.in/.../National%20Manufacturing%20Policy%20(2011)%20*
[6]. Pratiyogita Darpan-General Studies Economy at a Glance 2017-18.
[7]. www.ebooks.pdgroup.in
[8]. INDIA 2017, Ministry of Information and Broadcasting,Government of India.