



# Unleashing the Potential of India's Manufacturing Sector

This editorial is based on [“For growth, bolster the manufacturing sector”](#) which was published in Hindustan Times on 30/12/2022. It talks about the Manufacturing Sector in India and related issues.

**For Prelims:** Gross Domestic Product (GDP), Make in India, Special Economic Zones (SEZs), Budget 2022-23, Faster Adoption and Manufacturing of Hybrid and Electric Vehicle in India (FAME - India), Industry 4.0, Production-Linked Incentive (PLI), PM Gati Shakti- National Master Plan, Bharatmala Project, Sagarmala Project.

**For Mains:** Growth Drivers of the Manufacturing Sector in India, Challenges Related to India's Manufacturing Sector, Recent Government Initiatives for Growth of the Industrial Sector in India.

[India's manufacturing sector](#) is a key contributor to the country's economic growth. It accounts for about 15% of [India's Gross Domestic Product \(GDP\)](#) and employs around 12% of the country's workforce. The sector is diverse and includes a range of industries such as **textiles, pharmaceuticals, automobiles, and consumer durables**.

In recent years, the Indian government has implemented a number of initiatives to boost the manufacturing sector, including the ["Make in India" campaign](#), which aims to increase the share of **manufacturing in the country's GDP** and promote the growth of domestic manufacturing. The government has also set up a number of [special economic zones \(SEZs\)](#) to attract foreign investment in the sector.

Despite these efforts, the **manufacturing sector in India has faced a number of challenges, including a lack of infrastructure, a shortage of skilled labor, and difficulties in obtaining credit**. In addition, the sector has been hit by a slowdown in global demand and increased competition from countries such as China.

However, this offers opportunities for growth in the sector, and through sustainable reforms it is expected to continue to play a key role in the **development of the Indian economy**.

## What are the Growth Drivers of the Manufacturing Sector in India?

- **Increased Investment:** In [Budget 2022-23](#), the government allocated **Rs. 2,403 crore** (US\$ 315 million) for **Promotion of Electronics and IT Hardware Manufacturing** and **Rs. 757 crore** (US\$ 104.25 million) for [Faster Adoption and Manufacturing of Hybrid and Electric Vehicle in India \(FAME - India\)](#) in Budget 2021-22.
- **Competitiveness:** India has all the necessary ingredients for its major industrial push - a **huge semi-skilled labour force**, multiple Government initiatives like **Make in India**,

high investments and a big domestic market.

- Government incentives like **free land to set up base and 24\*7 power supply is making India competitive** on a global scale.
- **Robust Demand:** By 2030, Indian **middle class is expected to have the second largest share in global consumption at 17%**. The appliances and consumer electronics (ACE) market in India is expected to grow to **USD 21 billion by 2025 from USD 11 billion in 2019**.
- **Potential to Become a Global Hub:** India's manufacturing industry is already moving in the direction of [industry 4.0](#) where everything will be connected, and every data point will be analyzed.
  - Indian companies are at the **forefront of R&D** and have already become global leaders in areas such as pharmaceuticals and textiles.
  - **Areas such as automation and robotics** are also receiving the required attention from the industry.

## What are the Challenges Related to India's Manufacturing Sector?

- **Inadequate Tech Based Infrastructure:** [Technology-based infrastructure](#), especially for communication, transportation, and skilled manpower are important for enhancing manufacturing competitiveness.
  - Telecom communication facilities are mainly confined to big cities. Most of the State Electricity Boards are running in loss and are in deplorable condition.
- **Access to Credit for MSME:** The [Micro, Small and Medium-sized enterprises \(MSME\)](#) sector appears to have less favorable access to credit and higher costs for working capital compared to medium and large-scale industrial and service sectors.
- **Skilled Labour Shortages:** There is a lack of trained and skilled labor in the manufacturing sector in India, which **limits the growth of the sector**.
- **Complex Regulations and Poor Supply Chain:** The manufacturing sector in India is subject to a number of **complex regulations like license, tender, audit**, which can be a burden for businesses and hinder their growth.
  - Also, the sector is often plagued by **poor supply chain management**, which can lead to inefficiencies and increased costs.
- **Competition from Other Countries and Imports:** India's manufacturing sector faces intense competition from other countries, which can make it difficult for domestic businesses to compete on the global market.
  - Also, India is still **dependent on foreign imports for transport equipment, machinery (electrical and non-electrical)**, iron and steel, paper, chemicals and fertilizers, plastic material etc.

## What are the Recent Government Initiatives for Growth of the Industrial Sector in India?

- [Production-Linked Incentive \(PLI\)](#) - To scale up domestic manufacturing capability.
- [PM Gati Shakti- National Master Plan](#) - Multimodal connectivity infrastructure project.
- [Bharatmala Project](#) - To Improve connectivity in North East India
- [Start-up India](#) - To catalyze Startup culture in India
- [Make in India 2.0](#) - To transform India into a global design and manufacturing hub.
- [Atmanirbhar Bharat Campaign](#) - To cut down import dependence.

## What Should be the Way Forward?

- **Investing in Infrastructure:** Improving the **quality and availability of infrastructure, such as roads, ports, and power supply**, could help attract more investment and businesses to the manufacturing sector.
  - This could involve building **new infrastructure or upgrading existing infrastructure**.
- **Promoting Export-Oriented Manufacturing:** Encouraging the development of export-oriented

manufacturing could help Indian businesses **tap into new markets and increase their competitiveness.**

- This could involve **providing support for businesses looking to enter new markets, or implementing policies** that incentivize [export-oriented manufacturing](#).
- **Fostering Innovation:** Supporting research and development in the manufacturing sector, and promoting the [adoption of new technologies and processes](#), could help drive innovation and boost productivity.
- This could involve **providing funding for R&D or implementing policies** that encourage the adoption of new technologies.
- **Improving Access to Finance:** Making it easier for **small and medium-sized enterprises (SMEs) in the manufacturing sector to access credit** and other forms of financing could help support their growth and development.
  - This could involve implementing policies that **encourage banks and other financial institutions to lend to SMEs in the manufacturing sector** or providing government-backed loan guarantees to support SME lending.
- **Streamlining Regulations:** Simplifying and streamlining regulations could help **reduce the burden on businesses** and encourage more investment in the manufacturing sector.
  - This could involve **streamlining the process for obtaining licenses** and permits or simplifying compliance requirements.
- **Encouraging Skill Development:** Providing more **opportunities for training and skill development** could help address the shortage of skilled labor in the manufacturing sector and increase its competitiveness.
  - This could involve investing in [vocational training programs](#), or implementing policies that encourage businesses to invest in employee training.

### **Drishhti Mains Question**

Examine the challenges and opportunities facing India's manufacturing sector and discuss the role of the 'Make in India' initiative in addressing these issues.

## **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

### **Prelims**

**Q. In the 'Index of Eight Core Industries', which one of the following is given the highest weight? (2015)**

- (a) Coal production
- (b) Electricity generation
- (c) Fertilizer production
- (d) Steel production

**Ans: (b)**

### **Mains**

**Q.1** "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period" Give reasons. How far are the recent changes in Industrial Policy capable of increasing the industrial growth rate? **(2017)**

**Q.2** Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis the industry in the country? Can India become a developed country without a strong industrial base? **(2014)**

