



The Big Picture: Role of Industry in Atma Nirbhar Bharat

Why in News

- The Prime Minister of India while addressing [Confederation of Indian Industries' \(CII's\)](#) annual summit pointed out the important role the industry has to play in the [Atma Nirbhar Bharat](#) campaign.
 - He also described what the Government of India has done in the past few years to provide the industrial sector the required push in terms of policies and interventions regarding tax issues and [Ease Of Doing Business](#).

Highlights of the Summit

- **Investor Friendly Climate:** The PM called the **climate of business in India as investor friendly and business friendly** and that there is a lot more scope to do as far as the industries are concerned.
- **Grabbing New Opportunities:** The new India led by the industries is going to ride on new opportunities.
 - There are new policy initiatives and new emerging situations that India has to turn to its own benefits.
- **Redefining Make in India:** The PM redefined the idea of [Make in India](#) and diverted the **stress on Making in India rather than Made by India**.
 - Any foreign company which comes to India and produces something in India is also a part of made in India.
 - The idea is very significant as it **welcomes FDI and FPI**.
- **EoDB and Taxation:** The stress is significantly on [Ease of Doing Business](#) and has cited the introduction of the [Retrospective Tax Amendment Bill](#) as amending a mistake of the past.
- **Startup Ecosystem in India:** The summit highlighted the startup ecosystem in the country and significant **increase in the number of Unicorn startups** (startups that have a market valuation of at least \$1 billion) in India.
 - About 21 of these 60 unicorns were created and came to light during the pandemic years.
- **Linking Agriculture with Global Markets:** [Agricultural reforms](#) which have remained suspended so far will see the light of day once again.
 - The summit also addressed the linking of agriculture with global markets with the help of [farm laws](#).

Government's Initiatives for Industries

- **Imposing Custom Duty:** In the solar sector, there was a long pending issue of importing solar panels from China and the Indian industry was demanding for the right impetus so that manufacturing solar panels could begin in India.
 - In this regard, the GoI has decided to **impose 40% Basic Customs Duty (BCD) on solar modules and 25% on solar cells** from 1 April, 2022.
 - This move would make imports costlier and encourage local manufacturing.
 - Moreover, there is sufficient demand being created within India with almost **10-15 gigawatt of solar bits coming up every year**.
- **Push to the Startups:** The startups across all sectors have been the hallmark of the growth amid

the pandemic specifically.

- It was the startups that came up with innovative ideas and scaled up their operations and some of them ended up becoming unicorns.
- The [Startup India Campaign](#) was launched in 2016 with the objective of supporting entrepreneurs, and transforming India into a country of job creators instead of job seekers.
- **Tariff Based Privilege to Domestic Industries:** Contrary to the earlier policies of making India a competitive place through tariff reduction, the government has talked about **encouraging domestic industries through an increased-tariff based approach.**
 - If a foreign company has to compete in India, it shall produce the goods and provide services within the country itself as competing with Indian products by exporting in India will now make them face increased tariffs.
 - The approach is **not aimed at enhancing the competitive spirit** of the Indian industries but **encouraging them by providing tariff protection.**

Issues Associated

- **Limiting the Consumers' Choices:** The proposed policies give an edge to domestic industries in the competitive market. It is encouraging the industries to invest more in the hope of a market that will be insulated against competition through imports.
 - It may work up to some extent but at some point there will be rising consumer demands for having better choices and open competition.
- **Tariff Barriers Burdens Consumers:** The tariff barriers built to promote domestic manufacturing cannot last for very long.
 - The 40% duty that has been levied on modules is leading to almost 20-30 paise higher tariff which eventually the consumers will have to pay.
 - The **customers shall not be made to bear the burden of high tariffs.**
- **Tariff Protection, a Short-Term Privilege:** Indian manufacturers, besides catering to the domestic needs, have to look at exports and hence **should be globally competitive.**
 - This impetus given to them is more of a **short term privilege to protect them from Chinese suppliers.** Over a long time, these manufacturers will have to **up the ante and be competitive globally.**
 - Also, this step is beneficial only to a limited number of fields. In the sectors where the international competition is quite high, some modifications will be required.
- **Frequent Regulatory Changes:** The industry needs a lot more than just tariff barriers, they **need regulatory certainty** which is missing in most of the sectors.
 - Regulatory changes which occur almost every quarter **bothers a lot of international investors.**
 - A more clear time horizon is needed so that all policy changes in different sectors are planned over the years and do not come to them as surprises.
- **Lack of Consensus between Centre and States:** There are a lot of **differences between the central and state governments' directions;** hardly any consensus is there.
 - The industries face a lot of problems with reference to **varied policies of the centre and states.**

Way Forward

- **Keeping Pace with the Global Standards:** What the Government of India has done for the industries should also be seen in the background of the global environment.
 - Currently, the **London Inter-bank Offered Rate (LIBOR)** is as low as 0.15-0.16% and also the government **G-Sec** rate is around 5%-5.5%.
 - There is more of an opportunity to raise capital. A lot of new investments are coming up in India in the form of Global Pension Funds, private equity players and **FCB lenders.**
 - These are all funds with very attractive returns which are quite favourable to all the people looking for funds.
 - The need is to **club together what the GoI has done and where the international market is currently standing.**
- **Cooperation between Industry and Agriculture:** What Indian agriculture needs more urgently is more and **more investment and inclusion of the latest technology.**
 - The Indian industry can get involved with Indian agriculture in terms of:

- Investing more resources in it.
- Deploying latest technologies in farming and irrigation procedures.
- Providing storage facilities.
- Providing freedom to market produce with measures that protect the farmers from exploitation.
- It will lead to increased opportunities for the Indian industries, agricultural sector and Indian economy.
- **Providing Long Term Solution to Domestic Manufacturers:** The tariff-based protection for the domestic manufacturers is not a long term solution to their problems.
 - It needs to be made sure that this step is only a short-term aberration and the system goes back to setting the basic house in order by **improving the infrastructure and ensuring that the capital is made available** to the industries at a reasonable and competitive rate.
 - Ensure that the **factor market reforms** take place in terms of land and labour so that the Indian industry can realise its true potential.

Conclusion

- The government and industry shall go ahead and work together to realise the dream of Atma Nirbhar Bharat or a self-reliant India.
- A lot of policy changes have been done on the government's part and industries have worked really hard too but some challenges remain which should be taken care of by both the stakeholders working hand in hand.

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