Industry

Problems :-

Performance of this sector has been degraded in recent year because :-

1) contraction in mining activities.
2) decrease in manufacturing output
3) underutilisation of capacity in some of the core industries like steel & cement

1) The 2 key manufacturing sub-sectors i.e automobiles and gems and jewellery posted negative growth in 2013-14 and 2014-15 but with some recovery signs in 2015-16.

Data

1) Second-half of fiscal year 2015-16 showed (+)ve sign in ↑ in investment as GDP ↑ 7.4% in July-Sept as compared to 7% in April-June backed by strong manufacturing which grew by 9.3% against 7.2% in the previous ~~year~~ quarter [firms produced more, sales ↑)

2) Gross fixed capital formation [a measure of investment activity] ↑ 30.6% of GDP in July-Sept from 29 in last quarter (April-June] shows firms adding new capacities

3) Industrial sector performance depends on manufacturing sector as it accounts for 60% of the sector.

... has been decreased in this sector due to economic and rupee depreciation. Imports of machinery, electronic transport goods and electronic goods have been declined in last two previous financial years.

Initiatives taken by govt :- [Make in India, Digital India, creating a national Industrial corridors Authority, streamlining environment and forest clearance, Labour reforms].

→ Ease of Doing Business : Initiatives are taken in areas such

- starting a b'ness
- construction permits
- registration of property
- Power supply
- Paying taxes etc.

Impt Measures
- → deregulation of large no. of defence ~~Project~~ Products (Liberalisation)
- → extending validity of licenses [Provide enough time for completing formalities like procuring land, Power etc]
- → Processing ~~of~~ env. and forest clearances online.
- → Reducing No. of documents.

[In singapore it takes only 10 proceduers ~~to~~ in 26 days to set up a warehouse as compared to India where it takes 33 procedures and 191days]

→ Make in India
- → facilitate investment
- → foster innovation
- → enhance skill development
- → Protect intellectual property
- → best-in-class manufacturing infrastructure → Delhi-Mumbai Industrial corridor and other corridors.

Govt. initiative
↓
...on Web Portal on 25 sectors with details, ... FDI Policy, National Manufacturing Policy, intellectual Property rights.

..tor Facilitation cell has been created in "Invest India" to
.., assist and handhold investors

E- Biz Project : → a govt. to B'ness (G2B) portal is
being set up to serve as a one stop shop for delivery
of services to investors

: addressing the need of the business and industry.

, Process of applying for industrial licence (IL) and Industrial
Entrepreneur memorandum (IEM) has been made online 24x7,
E-biz website

⇒ skill development : → Ministry of skill development and
enterprenership to promote skill and entrepreneurial
activities been set up
→ 31 industry/employer led sector skill councils (SSC) are operational
→ National council for vocational training (NCVT), school
boards, UGC.

⇒ ~~abc~~ streamlining Environment and forest clearances :
→ Process for online submission of applications for env, coastal regulation zone (CRZ) and forest clearances has been started
→ decentralized

⇒ Labour sector reforms : → shram suvidha Portal has been
launched for registration of units, labour inspection,
redressal of grievances.
Apprentices Act 1961 – extended as an Apprentice Protsahan
Yojana to support MSME

⇒ Infrastructure ⇒ 100 FDI in rail, bullet trains etc
⇒ Dedicated freight corridors
⇒ National Highways and Infrastructure Development corporation Ltd.

Policy of disinvestment began first of all in 1992 with very small percentage of shares of PSUs offloaded to the public. This did not pay off as it did not serve the purpose of inducting private sector initiative in PSUs. Subsequently, from 1996 the government started, a policy of strategic disinvestment under which up to 26 per cent shares could be sold to a strategic partner who would have genuine interest in running the enterprise on a day-to-day basis with this strategic stake. Disinvestment policy has been undergoing changes from time to time and new forms of disinvestment like Exchange Traded Funds and Offer for Sale have been adopted. There has also been the cross-holding format under which shares of a PSU are bought by other PSUs.

The government set up a Board for Reconstruction of PSUs in 2004 to address issues like modernising, restructuring of PSUs as well as revival of sick PSUs. A National Investment Fund has also been set up into which proceeds of disinvestment are given. The government wants state-owned enterprises (SOEs) to pay dividends of at least 30% of their profits after tax or of equity, whichever is higher, provided they would not scupper planned productive investment in the process. Cash hoards of SOEs should be commandeered by the government, to step up the investment the economy badly needs.

However, the government should not see squeezing dividends out of SOEs as an alternative to disinvestment. Weak market conditions are touted by the government as the reason for deferring stake sales. The spectacular show by Narayana Hrudayalaya after its initial public offering shows that good companies can fare well even in today's choppy market. The government can pursue the goal of democratising share-ownership, along with fiscal targets, by selling state-owned shares to the public at low levels of pricing, so long as the shares are widely distributed among retail investors.

The Fourteenth Finance Commission had looked askance at the tendency on the part of the SOEs to avoid leverage and rely on own funds. It makes perfect sense for under-leveraged SOEs to meet investment needs by borrowing from the market while passing on their surplus funds to the government, which will help it narrow its revenue deficit.

Micro, Small, and Medium Enterprises Sector

The 3.61 crore (MSMEs), contributing 37.5 per cent of the country's GDP, have a critical role in boosting industrial growth and ensuring the success of the Make in India programme. A number of schemes are being implemented for the establishment of new MSMEs and growth and development of existing ones. These include: (a) the Prime Minister's Employment Generation Programme; (b) Micro and Small Enterprises-Cluster Development Programme; (c) Credit Guarantee Fund Scheme for Micro and Small Enterprises; (d) Performance and Credit Rating Scheme; (e) Assistance to Training Institutions, and (f) Scheme of Fund for Regeneration of Traditional Industries.

Imp

Manufacturing enterprises constitute 31.8 percent of the micro, small, and medium enterprises (MSME) sector and service enterprises account for the remaining 68.2 percent. About 55.3 percent of these enterprises are located in rural areas. The MSME sector showed consistent growth of more than 11 percent every year till 2010-11, whereas in 2011-12 the growth rate was 19 percent and in 2012-13 about 14 percent.

The Twelfth Plan covers various aspects of the MSME sector under six broad verticals: (i) finance and credit, (ii) technology, (iii) infrastructure, (iv) marketing and procurement, (v) skill development and training, and (vi) institutional structure. The Plan has a separate set of recommendations for the khadi and village industries and coir sectors.

In order to boost the MSME sector, several schemes are operational. Some of the major initiatives taken for the development of this sector are: (i) Technology Centre Systems Programme; (ii) India Inclusive Innovation Fund; (iii) Credit Linked Capital Subsidy; (iv) Credit Guarantee Scheme; (v) Prime Minister's Employment Generation Programme; (vi) MSE-Cluster Development Programme; and (vii) Scheme for Extension of non tax-benefits to MSMEs for three years. The government has also notified the Public Procurement Policy for Micro & Small Enterprises (MSEs) Order 2012. The policy mandates that every central ministry/department/public sector-undertaking shall set a minimum annual procurement goal of 20 percent of total product and service purchases from MSEs from financial year 2012-13 onwards, in a period of three years. Further, the policy has also earmarked a sub-target of 4 percent of this 20 percent for MSEs owned by Scheduled caste (SC)/Scheduled tribe (ST) entrepreneurs.

In view of the dwindling share of the informal sector in overall manufacturing it is critical to strengthen the MSME sector. Imp Rejuvenating small businesses both in the formal and informal sectors is crucial for generating employment opportunities for the teeming millions in the coming years. It is therefore imperative to focus on key drivers.

competition from imports, and an unfavourable business environment in general. The informal sector lacks easy access to credit and technology. The productivity gap between the informal and formal industry sectors remains large. The role of small businesses and the informal sector is of utmost importance in meeting employment-generation targets. Industrial policy needs to focus on labour-intensive and resource-based manufacturing in the informal sector. Growth of the informal sector and small businesses is constrained by a large number of laws, rules, and inspections. Operational compliances are required individually for almost all activities carried out by small businesses. Because of the regulatory and fiscal burden, small businesses tend to avoid becoming medium and formal.

The government is considering a proposal to include MSMEs into definition of start ups to help boost the Make in India campaign. The Start Up India initiative is scheduled to be announced in January 2016. To qualify as a start up, an entity would also have to meet certain financial standards besides having a level of innovation in its product or service.

State governments are formulating and implementing heterogeneous sets of regulations. Apart from inspections and compliances, insolvency provisions make it difficult to restructure and rehabilitate sick and dying businesses in the small and medium enterprises sector. Procedures to buy and acquire land are costly. Registration of land sale and purchase deeds, transfer of title, and acquiring of construction permits are complicated and time-consuming procedures. While some states have taken steps to promote ease of doing business in recent years, the majority of states are still far from having a friendly eco system for small businesses. There is need to build a consensus on best practices to be applicable to all states and to promote self-certification, e-filing, and e-returns.

The "Make in India" call and slogan by the government implies that the government is willing to open its doors to foreign investors who would utilise indigenous resources to enhance manufacturing in India. The government has raised FDI caps in defence production and insurance and also eased FDI in construction. It has also initiated a large number of labour reforms to relieve the small scale sector of Inspector Raj. A scheme was launched in April, 2015 called Pradhan Mantri Mudra Yojana – Micro

Units Development and Refinance Agency for funding the unfunded segments and facilitating small segment as per their requirements. Under the programme, mega credit campaigns are being organised all over the country to fund such enterprises and create a sound economic system subsequently by providing bank credit to aspiring entrepreneurs specially small and micro enterprises. The scheme has a target to cover up to 17.5 million small businesses by March, 2016. No bank guarantees are required under the scheme. Under the scheme, the government has approved the setting up of two credit guarantee funds to facilitate loans to micro and small enterprises through MUDRA and the Stand Up India scheme under which a refinance window would be provided through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs. 10,000 crores. The Stand Up India scheme is distinct as its objective is to help entrepreneurs from scheduled castes and tribes and women entrepreneurs. Each branch of all banks, including private banks, will fund at least two entrepreneurs in the SC/ST category and one in women category. The government aims to refinance loans of Rs. 2 – 5 lakh borrowers in 36 months under the Stand Up India scheme. The credit guarantee fee under both the funds will be paid by the banks and not passed on to the borrowers. Standup India NCGTC Ltd

Mudra, The National Credit Guarantee Trustee Company Ltd (NCGTC) would be the trustee for both the credit guarantee funds of MUDRA as well as Stand Up India. The Stand Up India scheme will handhold borrowers both at the pre-loan stage and during operations. This would include increasing their familiarity with factoring services, registration with online platforms and e-market places as well as sessions on best practices and problem solving. Under the scheme, the margin money would be up to 25 percent, while remaining would be funded by the bank.

The credit guarantee fund for MUDRA is expected to guarantee more than Rs. 1 lakh crore worth of loans to micro and small units in the first instance. It will help in reducing risk taken by banks and financial institutions in case of default under the scheme. The government will provide guarantee on portfolio basis to maximum extent of 50 percent of the amount in default in portfolio.

The Cabinet has also approved conversion of MUDRA Ltd, currently a non banking finance company, into a bank called MUDRA-SIDBI Bank, a wholly owned subsidiary of SIDBI.