Why an industrial policy is crucial

No major country has managed to reduce poverty or sustain economic growth without a robust manufacturing sector

F rom the time Prime Minister Narendra Modi launched the National Manufacturing Mission in 2015, there has been a sustained effort to rejuvenate India’s manufacturing sector. The Mission’s emphasis on achieving selectivity and differentiation has resonated well with the country’s business community. The recent announcement of a new investment incentive scheme, ‘Make in India’ Mission, is a step in the right direction. However, this is not enough. A comprehensive and well-thought-out industrial policy is essential for long-term growth and job creation.

The contribution of manufacturing to GDP in 2017-18 was 27.9%, and the sector employs about 12% of India’s workforce. Despite the significant share of manufacturing in the economy, India’s manufacturing sector has been lagging behind other countries in terms of productivity and efficiency. The sector is characterized by a high degree of fragmentation, with small and medium-sized enterprises comprising a majority of the workforce. This is not only inefficient but also impedes innovation and competitiveness.

Economic liberalization, which began in the 1990s, had a significant impact on India’s manufacturing sector. The removal of many trade barriers led to increased competition, which forced firms to become more efficient and innovative. However, the benefits of liberalization were not evenly distributed, and many industries were left behind.

India’s manufacturing sector faces several challenges. One of the most significant is the lack of investment in research and development. This is critical for sustaining long-term growth and making the sector competitive. Another challenge is the lack of skilled labor, which hinders productivity and innovation.

The role of an industrial policy is to address these challenges and create an environment that fosters growth and job creation. A well-structured policy can provide incentives for investment, encourage technological innovation, and improve the skills of the workforce. It can also help in addressing the issue of infrastructure and supply chain bottlenecks, which are major drags on the manufacturing sector.

One of the key objectives of an industrial policy should be to target segments with high growth potential, such as high-end manufacturing, pharmaceuticals, and defense.

In conclusion, an industrial policy is crucial for India’s long-term economic growth and job creation. It is time for the government to take a comprehensive approach and制定 a robust industrial policy that can drive the manufacturing sector forward.