

Chapter 8 - Industry and Infrastructure

INTRODUCTION

- The once in century pandemic affected the industrial sector drastically. The various subcomponents of Index of Industrial Production (IIP) and eight-core index have experienced a V-shaped recovery after revival steps like stimulus package under the Atmanirbhar Bharat package.
- The rebuilding of the Indian economy is hinged on various reform measures aimed at addressing concerns of businesses and support to livelihoods. India implemented policies aimed at reducing transaction costs, supporting Micro Small and Medium Enterprises (MSMEs), enhancing competition, fostering employment creation, and securing sustenance through the Atmanirbhar Bharat Abhiyan.
- A strong industrial sector is a sine qua non for an Atmanirbhar Bharat.

Atmanirbhar Bharat Abhiyan
1. Relief and credit support to MSMEs to fight against COVID-19- 2. Packages for Power Sector-- ` 90,000 crores liquidity injection for DISCOM 3. Real Estate: The extension of registration and completion date of real estate projects under Real Estate (Regulation and Development) Act (RERA). 4. Public Sector Enterprise Policy for a New, Self-reliant India

Trends in the industrial sector

Index of Eight-Core Industries and Index of Industrial Production (IIP):

- The eight-core industries that support infrastructures such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity have a total weight of nearly 40 percent in the IIP.
- The eight-core index recorded its all-time low growth of (-) 37.9 due to covid-19 led nation-wide lockdown.
- To provide another perspective on the revival of growth, the IIP was further analyzed by the weight of items that have recorded growth.

Gross Capital Formation in the Industrial Sector

- The rate of growth of Gross Capital Formation (GCF) in the industry registered a sharp rise from 1.2 percent in FY18 to 17.5 percent in FY19, showing a substantive improvement in GCF in the sector.
- However, the share of GCF of the industrial sector had declined from 38.2 per cent in FY12 to 30.2 percent of GDP in FY18 before an uptick (31.9 percent) was recorded in FY19.

Credit to the Industrial Sector

- Gross bank credit to the industrial sector, on a YoY basis, recorded (-) 1.7 growth in October-2020 as compared to 3.4 percent growth in October-2019.
- Some of the industries recorded a nominal credit growth including the construction sectors.
- The laggards in the group are 'All Engineering', 'Cement & Cement Products', and 'Basic Metal & Metal Products' which recorded a YoY negative growth in October-2020.

Performance of Central Public Sector Enterprises (CPSEs)

- CPSEs are operating in 4 sectors –Agriculture, Mining & Exploration, Manufacturing, and Services.
- The public sector enterprise policy enunciated by the Government in November 2020, spells a complete change in paradigm as compared to its policy of import substitution and self-sufficiency which became the basis of the Mahalanobis Plan in 1956.
- Under the aegis of the Atmanirbhar Bharat Mission, the government has proposed to rationalise the participation of the CPSEs in commercial activities.

Ease of Doing Business

- As per the Doing Business Report (DBR), 2020, the rank of India in the Ease of Doing Business (EoDB) Index for 2019 has moved upwards to the 63rd position amongst 190 countries from a rank of 77 in 2018.
- As per the DBR 2020 report:
High performed components of EoDB were ‘getting electricity’, ‘trading across borders, and others.
Low performer components were ‘enforcing contracts’, ‘registering property’, ‘revoking insolvency’, and ‘pay taxes’.

Start-up ecosystem in India

- To facilitate the growth of startups, Government of India had announced the “Startup India, Stand-up India” initiative
- The action plan is based on three pillars
 - i. **Simplification and Handholding,**
 - ii. **Funding Support and Incentives,**
 - iii. **Industry-Academia Partnership and Incubation.**
- Government of India has recognized a total of 41061 startups and 4,70,000 jobs have been reported by more than 39,000 startups.
- The Government has taken following initiatives to promote the startups:
 1. **Startups Intellectual Property Protection (SIPP) scheme** enable filing process of patent or trademark application transparently.
 2. **The Fund of Funds for Startups (FFS)** with a total corpus of Rs. 10,000 crores were established with contribution spread over the 14th and 15th Finance Commission cycle based on the progress of implementation.
 3. **Startup Yatra:** An initiative that includes traveling to Tier 2 and Tier 3 cities of India to search for entrepreneurial talent by conducting day-long boot camps.

Foreign Direct Investment (FDI)

- FDI is an important source to boost the economy for driving the investment in the enhancement of productivity, skills, and technology development in the country.
- During FY20, total FDI equity inflows were US\$49.98 billion as compared to US\$44.37 billion during FY19.
- The bulk of FDI equity flow is in the non-manufacturing sector leading to a reduction in the share of manufacturing in the FDI flows.

SECTOR WISE ISSUES AND INITIATIVES**Steel:**

- Steel is one of the critical inputs to industries, urban development and infrastructure development.
- India is the second-largest producer of crude steel only after China. India is also the second largest consumer of steel.
- **Government initiative under Atmanirbhar Abhiyan**
 1. 'Specialty Steel' incorporating under the Production Linked Incentive (PLI) scheme
 2. parity price under the Duty Draw Back scheme of DGFT
 3. preference to domestically produced iron and steel in government procurement
- The NSP-17 aims at achieving a crude steel capacity of 300 million tonnes (MT) and a finished steel capacity of 230 MT with a per capita consumption of 158 kg by 2030-31

Coal:

- It accounts for 55 percent of the country's energy needs.
- Government Initiative to balance between energy demand and the environment:
 1. **Development of clean coal through creating carbon sinks.**
 2. **Two Coal Bed Methane (CBM) Projects** with considerable potential for carbon footprint reduction are in the pipeline.
 3. Several amendments were brought into like Coal Mines (Special Provisions) Act, 2015, Mineral Laws (Amendment) Act, 2020.

Micro, Small & Medium Enterprises (MSME)

- With more than 6 crores MSMEs, the sector has been the backbone of the economy. It employs more than 11 crore people, contributes 30 percent of GDP, and contributes half of the country's exports helping in building a stronger and self-reliant India.
- **Government Initiative**
 1. Revision of the investment criteria in the MSME definition
 2. Champions Portal
 3. Udyam registration portal

Textile and Apparels

- 2 percent of GDP and employment of 10.5 crore people. The sector is the second-largest employment generator in the country, next only to agriculture.
- India is the sixth-largest exporter of textile and apparel products after China, Germany, Bangladesh, Vietnam, and Italy.

Govt. initiatives

- Amended Technology Up-gradation Fund Scheme.
- Scheme for Integrated textiles park for infrastructure.
- Samarth: focuses on capacity building in the textile sector.

Infrastructure

- National Infrastructure Pipeline (NIP) for the FY 2020-2025 to facilitated world class infrastructure projects to be implemented.

- Public Private Partnership Appraisal Committee (PPPAC) responsible for the appraisal of PPP projects in the Central sector.
- Infrastructure Viability Gap Funding revamped scheme till 2024-25.

Road sector

- The share of the transport sector in the GVA for FY19 was about 4.6 percent of which the share of road transport contributed roughly 67 percent.

Civil Aviation

- India's domestic traffic has more than doubled from around 61 million in FY14 to around 137 million in FY20, a growth of over 14 percent per annum.
- From the third largest domestic aviation market, it is expected to become the third largest overall (including domestic and international traffic) by the year FY25.

Port and Shipping

- In India, around 95 percent (68 percent) of total volume (value) of international trade is transported by sea.
- Sagarmala Programme: to promote port-led development in the country and reduce logistics costs for trade.

Railways

- Indian Railways (IR) with over 67,580 route km, is the third-largest network in the world under a single management.
- The Government of India has allowed the private players to operate in the Railways sector through the PPP mode under the "New India New Railway" initiative.
- Kisan Rail to provide better market opportunity by transporting perishables and Agri-product.
- The Ministry of Railways has developed a National Rail Plan (NRP). It aims at developing adequate rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050.

Telecom Sector

- The telecom sector plays an important role in implementation of JAM-trinity (Jan dhan Aadhar Mobile) based social sector schemes and other pro-development initiative of the Government of India.
- The overall tele density in India stands at 86.6 percent at the end of November-2020, whereas tele density in rural and urban areas is 59.1 percent and 139.0 percent, respectively.
- BharatNet for achieving the goal of Digital India programme.

Petroleum and Natural Gas

- India is the third-largest energy consumer in the world after USA and China.

Power

- The total installed capacity has increased from 3,56,100 MW in March-2019 to 3,70,106 MW in March 2020.
- The capacity addition in the power sector was mainly driven by the Government in the year FY20
- 100 percent village electrification under Deen Dayal Upadhyaya Gram Jyoti Yojana

- Universal household electrification under 'Pradhan Mantri Sahaj Bijli Har Ghar Yojana' (Saubhaagya)

Mining Sector

- It accounts for about 2.1 percent of the overall GVA during FY20.

Housing and Urban Infrastructure

- The Government of India has been implementing the Deendayal Antyodaya Yojana - National Urban Livelihoods Mission in all the statutory towns to address the social & occupational vulnerabilities of the urban poor.
- PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi) was launched as part of the Atmanirbhar Bharat Abhiyan for providing micro-credit facility to the street vendors to restart their businesses post COVID-19 lockdowns.
- Pradhan Mantri Awas Yojan-Urban (PMAY-U) has been rapidly moving towards achieving the vision for providing a pucca house to every household by 2022.
- Light House Projects (LHPs): To provide impetus to innovative technology for housing construction, Prime Minister laid foundation stones of Light House Projects (LHPs) on 1st January 2021.

Way forward

- The COVID-19 led economic crisis adversely affected the global and domestic economy.
- The crisis management strategy had to encompass all the stakeholders, especially the weaker and the vulnerable sections
- The year after the crisis (FY22) will require sustained and calibrated measures to facilitate the process of economic recovery and to enable the economy to get back to its long-term growth trajectory. The revival of the industrial and infrastructure sector will be key to overall economic growth and macroeconomic stability.