Report on Industrial Policy

Why in news?

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The Standing Committee on Commerce submitted a report on 'Industrial Policy in the Changing Global Scenario' last month.

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What are the recommendations?

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- **Industrial reforms -** Reforms must be taken up to ensure transparency in the allocation of natural resources, an open, competitive mechanism must be undertaken, along with greater disclosure of the approval process for industries.
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- Other reforms include industry-friendly land acquisition frameworks by state governments, anti-corruption reforms, better inter-ministerial coordination, and judicial, financial and efficient public procurement reforms.
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- The National Manufacturing Policy must be reoriented to promote smart manufacturing, which includes zero emission, zero-incident, and zero-defect manufacturing.
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- **R&D -**. India's manufacturing value addition of $226 billion is low, compared to China's $1,923 billion and USA's $1,856 billion. In addition, India spends 0.8% of its GDP on research and development, compared to 1.2% by China and 2.6% by USA.
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- Therefore the government needs to provide an enabling environment for private enterprises to invest in technology creation in order to achieve high value addition.
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- Special focus must be placed on machine tools, heavy electrical equipment, transport and mining equipment.
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- **FDI in small enterprises -** The recent measures taken to promote foreign direct investment (FDI) mainly benefit large industries. The government may take measures to promote FDI in the small and medium enterprises sector.
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- In addition, for FDI in any industry, the ownership may be allowed to be transferred to the Indian partner after a specified period (15-20 years), including the transfer of technology.
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- Foreign investors may be encouraged to source their inputs other than technology, from within India.
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- **Simplification of laws -** Presently, 35 laws govern the industrial sector. This impedes the setting up of new industries and also affects their survival.
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- A single window system should be established to give all statutory clearances.
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- The labour laws and social security laws should also be reviewed.
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- **Inclusion of MSME sector -** The Micro, Small and Medium Enterprises (MSME) sector accounts for about 45% of the manufacturing output of the country, and about 40% of the total exports.
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- However, the sector faces issues such as lack of access to credit, technology, infrastructure, and skill development, among others. The access to finance for the MSME sector should be supplemented by alternative sources such as private equity, venture capital and angel funds.
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- The definition of MSMEs should be revised, and a dynamic definition may be developed which is indexed to inflation and international best practices.
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- **Skill Development -** By 2020, the median age in India is projected to be 28.1 years, as compared to China (38.1 years), Japan (48.2 years) and USA (37.3 years). The planned skill development would help India make productive use of its young population, majority of which is currently in unorganised sector.
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Source: PRS

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