Industry of India

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During the first term of the NDA regime, as per World Bank, the GDP growth in India was 6.6% in 2017. In the short term, the growth was adversely impacted by Modi government measures like demonetization and introduction of GST. On the other hand, World Bank has projected its growth forecast at 7.5% for FY2019-20 and retained the same forecast for the next two years as well. This shows a strong industrial outlook for India.

According to the Index of Industrial Production (IIP), our country's industrial output grew at 3.4% on YoY basis in April 2019. The estimated contribution of various sectors to the GDP is agriculture 16%, industry 30% and services 54% respectively. Promoting industrial growth through infrastructure development, easy access to credit, and through research and skill development measures remain the government's priority, as evidenced in 'Make in India' initiative.

As far as industries are concerned, 12 out of 23 groups in the manufacturing sector have performed very well during May 2019. Some industries have shown positive growth like wood and products of wood and cork. The best possible result has come from the manufacture of articles of straw and plating materials. Its growth rate is 24.8 percent; then comes the food products at 15.9 percent and computer, electronic and optical products at 9.4 percent.

In the present scenario, experts suggest that right now defense is one area that can significantly revive the stalled industrial scene of India, especially the manufacturing sector. If the 'Make in India' programme of Modi is to materialize, then this is the most obvious bet.

Accordingly, in the 2019-20 budget, Rs 3.19 lakh crore money has been allocated to the defense sector. This was mentioned by the Finance Minister Nirmala Sitharaman, while presenting her maiden budget in Modi 2.0 government. She further stated that, "This is a national priority." So, defence equipments which are not manufactured in the country would be exempted from the basic duty. Indian air force requires replacing its old Soviet-era aircrafts. Indian navy has also planned to have dozen submarines to cope with the presence of the Chinese navy in the Indian Ocean.

Can India Be Industrially Self-Sufficient?

Industrialists like Rattan Tata opine that in the last few years, India has been able to significantly increase its capacities to achieve self-sufficiency from an industrial point of view. He says with the introduction of the liberal economic policies from 1991 onwards, the Indian economy is in much better health than before. Problems such as License Raj are no more, and new domains of business are opening on a regular basis. This is especially true of infrastructure sector, as well as other areas that were previously the sole preserve of the government.

Indian industrial sector has been forced to restructure itself and thus has become significantly modern than before. There is more focus on reducing costs of production and achieving the levels of technological competence that can help one stay globally relevant and deal with cutthroat competition.

He feels that companies that were previously used to monopolizing certain areas of business because of protective legislations will find it hard to survive in the new environment. However, he feels that companies that are willing to change with the need of time will be able to sustain and do well in the days ahead.

Industrial Rules and Policies in India

If the industrial sector in India has to flourish, then there has to be sufficient foreign capital in the country. However, as many foreign firms would attest, it is not that easy to invest in India. The stock prices of some companies witness volatility because of their issues with the ongoing tax regime. However, the Modi government is attempting to make things better for international companies interested in investing in India. Foreign Direct Investment (FDI) rules have been amended significantly so as to allow interested Non-Resident Indians (NRIs) to invest in India.

A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. Special dispensation is available to companies and firms incorporated abroad and owned by NRIs.

FIIs and FPIs can invest in the capital of an Indian company under the Portfolio Investment Scheme (subject to sectoral or statutory caps). It also stated recently that in sectors where there is provision for automatic rules for FDI, foreign companies need not get permission from the Foreign Investment Promotion Board (FIPB) if they want to merge with a company in India or just acquire it. In certain sectors, FDI is permitted up to 100% on the Automatic route. These include mining and exploration, coal and lignite, oil and natural gas fields, DTH and cable networks, airports etc.

This information has been revealed by a circular emanating from the Department of Industrial Policy and Promotion (Chapter 5: Sector Specific Conditions on FDI, Consolidated FDI Policy 2017). The same circular has also stated that in cases where automatic rules are applicable, one does not need to take government's permission for issuing employee stock options. It is expected that such initiatives will increase the levels of credibility of the FDI policy and make India a far more attractive business destination for international investors.

Role of Major Industries in Indian Economic Development

Iron and Steel Industry

Iron and Steel industry is one of the most important industries considering total investments. These are typically public sector plants. Further, the industry offers direct employment to around 2.5 lakh workers. According to the World Steel Association, India is one of the world's top 10 producers of steel. However, despite the importance of this industry, we import large quantities of steel every year.

Textile Industry (Cotton and Synthetic)

This is a complex industry with two extremes – sophisticated mechanized mills on one end and hand-weaving and hand spinning on the other. Between the two ends lies the decentralized power loom sector. Taking all three sectors into consideration, the textile industry is the largest industry in India. It accounts for around 20 percent of the industrial output and also provides employment to over 20 million individuals. Further, it contributes around 33 percent of the total export earnings.

Jute Industry

The jute industry has the capacity to earn foreign exchange. India accounts for around 30 percent of the world's jute output. Further, the jute industry provides direct employment to nearly 2.5 lakh individuals. In addition, nearly 40 lakh families derive their living from jute cultivation. The industry has now started using high-speed machines and broadlooms to make carpet backing. Exports have also grown in recent years.

Sugar Industry

India is one of the world's largest sugar producing countries. Further, the sugar industry is India's second-largest agro-based industry. It employs nearly 3.25 lakh workers and creates indirect employment for around 45 million farmers of sugarcane, agencies of distributive trade, and subsidiary industries. In addition, there are around 400-500 sugar factories in India.

Cement Industry

In 2009-10, there were 148 large cement units and 365 mini cement units in India. Their total capacity was around 230 million tonnes and actual production of around 200.7 million tonnes per year. The cement industry employs over two lakh individuals. India is one of the largest cement manufacturing countries in the world too.

Paper Industry

During the period of planned development, India's paper industry grew at a rapid pace with the forests providing abundant raw materials for its working. In 2009-10, India produced around 49.6 lakh tonnes of paper. However, the industry lacks modernization today. Also, the prices that the Government has fixed for various types of paper is unrealistic and does not provide reasonable returns on capital.

Petrochemical Industry

In the late seventies, the Government set up Indian Petrochemicals Corporation Limited (IPCL) at Baroda which offered a good thrust to the petrochemical industry. Further, the discovery of crude oil and natural gas in the offshore region along the western coast of India added a new dimension to the possibility of expansion of petrochemicals.

Automobile Industry

As the economy liberalized, the automobile industry experienced tremendous growth. New manufacturers with state-of-the-art technology soon replaced the traditional manufacturers. The tremendous competition in this market along with regulations regarding emissions have led to an improvement in standards.

Information Technology (IT) Industry

One of the latest entrants to the list, the IT industry is spreading fast in India. Further, with many US and EU firms working with contract agencies in India and China for IT software and services, outsourcing has acquired an international dimension. This is a win-win situation since the US firms save around 58% of its costs by outsourcing work to India/China and the local economy benefits from global exposure.

Banking and Insurance Industry

Banking

In 1969, the Government of India issued an ordinance and nationalized 14 largest commercial banks which contained 85 percent of the deposits in the country. Further, over the years, as technology advanced, the banking industry absorbed the changes with open arms. From Electronic Funds Transfer to online banking, it was a new era for the industry. Currently, in India, there are different types of banks:

Savings Banks

Commercial Banks. These are of the following types:

Scheduled Banks

Public Sector Banks

Private Sector Banks

Foreign Banks

Non-Scheduled Commercial Banks

Industrial or Development Banks

Land Mortgage or Land Development Banks

Indigenous Banks

Central or Federal or National Bank (Reserve Bank of India)

Cooperative Banks

Foreign Exchange Banks

Consumer Banks

Insurance

According to the Seventh Schedule to the Constitution of India, the Center alone can legislate insurance. While there are many private companies who solicit insurance including foreign direct investment of up to 26 percent, the largest life insurance company in India is Government-owned. In 2009-10, the Insurance industry was worth $41 billion in India. However, very few people are covered under Med claim. In comparison, in the USA, more than 75 percent of the population is covered under some insurance scheme. With private companies entering the sector, this scenario might soon change.

Sources

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