

# NITI panel calls for reset of over 200 quality orders stifling factory output

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A high-level government committee has proposed the cancellation, suspension, and deferment of quality control orders (QCOs) for more than 200 products, citing concerns that these orders have increased compliance burdens and disrupted supply chains, thereby hurting India's manufacturing competitiveness.

The panel, headed by NITI Aayog member Rajiv Gauba, includes representatives from the Department for Promotion of In-

dustry and Internal Trade (DPIIT), the Ministry of Micro, Small and Medium Enterprises (MSMEs), the Aayog, and industry bodies such as the Federation of Indian Chambers of Commerce and Industry, the Confederation of Indian Industry, and the Associated Chambers of Commerce and Industry of India, among others.

It has recommended that the government scrap 27 QCOs covering key inputs such as plastics, polymers, base metals, footwear, and electronic components to ease pressure on industry, people aware of the matter

told *Business Standard*.

In an internal report submitted last month, the "high-level committee on non-financial regulatory reforms" also proposed suspending QCOs on 112 products and deferring some upcoming orders. Most of these items are raw materials, intermediates, and capital goods — all critical for downstream manufacturing.

These actions will have to be implemented by the respective line ministries, including textiles, the Department of Chemicals and Fertilizers, DPIIT, the Ministry of Steel, the Ministry of Mines,

and others. For products where deferment has been suggested, the committee has recommended referring them to an inter-ministerial group for review, the people said.

QCOs, notified by government departments in consultation with the Bureau of Indian Standards (BIS), are mandatory in nature — unlike the numerous voluntary standards prescribed by the BIS.

The government's intention behind QCOs has been to ensure product quality and protect human health and safety.

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However, with a surge in QCOs over the past five years, the domestic industry has repeatedly flagged the growing compliance burden, particularly on MSMEs, as the orders now extend beyond finished goods to cover key industrial inputs. For instance, the committee observed that restrictions on polyester fibre and yarn and high-grade steel have forced several plants to operate below capacity, raised input costs, and hurt exports.

In addition, India's major trading partners, including the US and the EU, have increasingly raised concerns about QCOs as non-tariff barriers in trade negotiations.

Over the past decade, the government has rapidly expanded QCO coverage to

curb substandard imports and promote domestic manufacturing. Until 2016, only 70 products were covered under QCOs; the number has now risen to 790, according to the latest count.

One of the people cited above said the rationale behind the recommendations is that QCOs should largely apply to finished goods that have a direct bearing on consumer safety, health, and product quality. For raw materials, intermediates, and capital goods, quality assurance can instead be maintained through voluntary standards and buyer-seller agreements rather than mandatory regulations.

The Aayog did not respond to *Business Standard's* queries.