

While India is the second-largest mobile phone maker, its manufacturing might is limited to a few sectors. The fourth part of the series assesses what it will take to encourage domestic manufacturing, while also being an alternative to China

India's manufacturing reality: An incomplete story

INDIVIAL DHASMANA
New Delhi, 25 December

To boost domestic factory production and capitalise on the global "China Plus One" strategy, which encourages multinational companies to reduce reliance on China, India needs a conducive ecosystem for manufacturing. However, instead of becoming a hub of production and integrating with the global supply chain, the contribution of manufacturing to the Indian economy has been declining, despite initiatives like the National Manufacturing Policy (NMP) and Make in India.

A slow progress, though, is being made in select commodities, such as telecom handsets, in reducing imports and increasing exports.

Though the NMP was introduced in 2011 by the United Progressive Alliance (UPA), there were several earlier measures that aimed to boost manufacturing. For instance, the National Strategy for Manufacturing (2006) targeted raising the share of manufacturing in the gross domestic product (GDP), adopting best practices and production techniques, committing to skill development

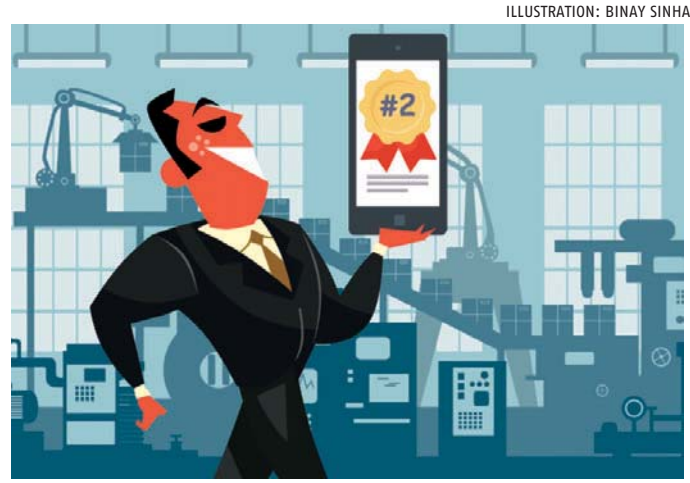


ILLUSTRATION: BINAY SINHA

and knowledge enhancement, and increasing investment in research and development (R&D). This policy led to the creation of the National Manufacturing Competitiveness Council.

Attempts were also made to increase merchandise exports through various export-import (Exim)



policies and special economic zones (SEZs), even though SEZs encompass both services and manufacturing. In fact, services exports have outperformed manufacturing in these zones. For instance, services exports through SEZs were over 50 per cent higher, at \$25.4 billion, compared to \$16.5 billion for manufacturing

during the first quarter of the current financial year.

The Make in India initiative, launched by Prime Minister Narendra Modi in September 2014, aimed to transform India into a global design and manufacturing hub. Its core objectives were to facilitate investment, encourage innovation, and develop world-class infrastructure.

The initiative, covering 14 manufacturing and 12 services sectors, is supported by major programmes like the Production-Linked Incentive (PLI) scheme, PM GatiShakti, the National Logistics Policy, and tax reforms such as the goods and services tax (GST).

The NMP had set a target to raise the share of manufacturing to 25 per cent by 2022. The initial deliberations on Make in India also spoke of this target, though the policy did not specify a percentage.

However, this share has been declining over the past 14 years. Similarly, the compound annual growth rate (CAGR) of manufacturing has been falling during this period, even though the GDP's CAGR has risen in



PAGE 13

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the past four years compared to earlier periods since the turn of the century.

Volume growth in manufacturing has also been below the index of industrial production (IIP) over the past nine years.

When asked about this trend, former chief statistician Pronab Sen points out that the non-

corporate or micro, small, and medium enterprises (MSME) segments of manufacturing are under stress.

"They were badly hit by lockdowns during Covid and are still to recover fully," he says.

Sen explains that, by and large, manufacturing has also been impacted by changes in income distribution.



PAGE 11

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"The income of the lower middle class has grown at a slow pace, which has affected manufacturing," he says. "The lower middle class consumes a higher proportion of manufactured goods than services, while it is the reverse for the upper classes. This reflects changes in income distribution over the past decade." Turn to Page 4 ▶

Shah, Naidu, other NDA leaders meet at Nadda's residence

PRESS TRUST OF INDIA

New Delhi, 25 December

Leaders of the National Democratic Alliance (NDA) met at BJP president J P Nadda's Delhi residence on Wednesday on the birth centenary of former prime minister Atal Bihari Vajpayee.

Union Home Minister Amit Shah, Telugu Desam Party (TDP) president and Andhra Pradesh Chief Minister Chandrababu Naidu, JD-U leader and Union minister Rajiv Ranjan Singh, Apna Dal (S) president and Union minister Anupriya Patel, as well as JD (S) leader and Union minister H D

Kumaraswamy, were present at the meeting.

Bihar's Hindustani Awam Morcha (S) leader Jitan Ram Manjhi, Rashtriya Lok Morcha (RLM) president Upendra Kushwaha, a Rajya Sabha MP, and Thushar Vellappally, president of Bharath Dharma Jana Sena, were also present at the meeting. Though there was no official word on the agenda of the meeting, sources said good governance and political issues were discussed.

UP's NISHAD Party chief Sanjay Nishad said it was an "informal" meeting of the NDA leaders on the occasion of the birth centenary of Vajpayee.