



# DAILY EDITORIAL ANALYSIS

TOPIC

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**MANUFACTURING MISSION: NEED  
OF RIGHT POLICY INTERVENTION**

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## MANUFACTURING MISSION: NEED OF RIGHT POLICY INTERVENTION

### Context

- Recently, the Union government moved to establish an inter-ministerial panel for **drafting a National Manufacturing Mission**, aiming to strengthen India's manufacturing sector.

### Manufacturing Sector in India

- It encompasses industries engaged in the **production, processing, and assembly of goods**, contributing significantly to the country's economic growth and employment.
- It includes textiles, electronics, automobiles, pharmaceuticals, chemicals, and renewable energy components.
- It currently contributes about **17% to India's GDP**, and aims to **increase to 23%** over the next two decades by focusing on sunrise sectors such as semiconductors, renewable energy components, medical devices, and batteries.
  - India's GDP growth is projected at **6.7% in FY26**, surpassing global growth rates.

### Issues and Concerns

- Structural Issues in Manufacturing:** MSMEs in India struggle with formalization, limited access to credit, and regulatory hurdles, affecting their growth.
  - Despite these efforts like **National Manufacturing Policy (2011)** and **Make in India (2014)**, manufacturing's contribution to GDP has remained at 15-17%.
- Productivity and Competitiveness:** India's manufacturing exports lag behind Asian peers like Vietnam due to low productivity and inconsistent product standards.
  - Technology adoption remains slow, limiting India's ability to integrate into global supply chains.
- Policy and Infrastructure Bottlenecks:** High logistics costs and inadequate infrastructure hinder industrial expansion.
  - State-level industrial policies are not fully aligned with national priorities, leading to uneven growth across regions.
- Labour and Skill Development:** Skill gaps in the workforce affect productivity, with a need for better vocational training.
  - Labour-intensive industries like apparel, footwear, and furniture require targeted policy support to absorb surplus labour.
- Clean-Tech and Sustainability Challenges:** While India aims to scale up clean-tech manufacturing, challenges remain in solar PV cells, EV batteries, and wind-energy components.
  - Carbon emissions from manufacturing pose environmental concerns, requiring better sustainability measures.

### Related Initiatives & Steps

- Production Linked Incentive (PLI) Scheme:** It has been instrumental in transforming India's manufacturing landscape, **covering about 14 key sectors** such as electronics, automobiles, pharmaceuticals, and textiles.
  - It has led to 1.5 lakh crore in investments and 13 lakh crore in production value.
- Make in India 2.0:** It is focusing on 27 sectors to position India as a global manufacturing hub.
  - It has helped India become the second-largest mobile phone manufacturer globally.
- National Manufacturing Mission:** It was announced as part of the **Union Budget 2025-26** to strengthen India's manufacturing sector, covering **small, medium and large industries**, emphasizing:
  - Ease and cost of doing business
  - Future-ready workforce development
  - Revitalization of MSMEs

- ♦ Access to cutting-edge technology
- ♦ Production of globally competitive quality products.
- **Infrastructure and Logistics Development:** The government has invested in **industrial corridors, smart cities, and logistics improvements** to enhance manufacturing efficiency.
  - ♦ The **National Infrastructure Pipeline (NIP)** and **National Monetization Pipeline (NMP)** aim to modernize industrial infrastructure.
- **FDI and Trade Policy Reforms:** Over the last decade, total FDI inflows amounted to \$709.84 billion, accounting for **68.69% of the overall FDI** inflow in the past 24 years.
  - ♦ Policy measures such as GST implementation, corporate tax reductions, and streamlined regulatory processes have improved the business environment.
- **Focus on Clean-Tech Manufacturing:** India is scaling up clean-tech manufacturing, focusing on solar PV cells, EV batteries, wind-energy components, and hydrogen technology.
  - ♦ These efforts align with India's climate goals and aim to reduce import dependence.

### Learning from Others: Global Best Practices

- **China's Dual Circulation Strategy:** It emphasizes self-reliance in critical tech and a strong domestic supply chain base.
- **Germany's Mittelstand Policy:** It supports SMEs through innovation subsidies and export assistance.
- **Vietnam's SEZ Model:** It offers tax incentives, simplified compliance, and strategic port access.

### Way Forward

- **Strengthening MSMEs for Inclusive Growth:**
  - ♦ **Access to Credit:** Expanding the **Credit Guarantee Scheme** and introducing customized MSME credit cards with higher limits.
  - ♦ **Simplified Compliance:** Reducing regulatory burdens through single-window clearance and digitized approvals.
  - ♦ **Technology Adoption:** Subsidizing automation and digital tools to enhance MSME productivity.
- **Boosting High-Value Industries:**
  - ♦ **PLI Expansion:** Extending PLI benefits to sunrise sectors like semiconductors, aerospace, and clean-tech manufacturing.
  - ♦ **Global Supply Chain Integration:** Strengthening export incentives and trade agreements to enhance India's competitiveness.
  - ♦ **Advanced R&D Support:** Increasing funding for innovation hubs and industry-academia collaborations.
- **Workforce Development and Skilling:**
  - ♦ **Vocational Training Expansion:** Aligning skill development programs with industry needs.
  - ♦ **Apprenticeship Incentives:** Encouraging industry-led training for MSME workers.
  - ♦ **AI & Automation Upskilling:** Preparing the workforce for next-gen manufacturing technologies.
- **Sustainable and Clean-Tech Manufacturing:**
  - ♦ **Green Manufacturing Incentives:** Supporting solar PV, EV batteries, and hydrogen technology.
  - ♦ **Circular Economy Policies:** Encouraging recycling and waste reduction in production.
  - ♦ **Carbon Neutrality Targets:** Implementing low-emission industrial standards.

Source: BS

### Mains Practice Question

[Q] In what ways can policy interventions effectively address the structural challenges in India's manufacturing sector, and how should they be tailored to support both high-value industries and MSMEs?

