Rapporteur’s Report

Session II: Towards the Manufacturing Sector

- Improving the competitiveness of the manufacturing sector is an important problem that needs to be addressed.
- The growth since the 1990s has not been balanced with manufacturing sector lagging behind and not providing ample employment opportunities.
- The present government with the help of NMCC is evolving a strategy to identify the problems and address them.
- Special attention needs to be given to skill development and reduction of transaction cost and time involved to undertake business in India.
- The share of manufacturing sector has been low and stagnant during the last 25 years. It has been significantly lower than South East Asian as well as Latin American economies.
- Currently the Indian industry has been enjoying one of the longest upswings in terms of growth rate since Independence. However, India is yet to achieve the kind of growth rates that were seen in 1980s.
- There is a growing divergence between the performance of public and privately owned industries. Largely Privately owned industries like Steel, Cement and Manufacturing have grown faster than coal, electricity and crude petroleum, which are under public domain.
- The share of Food, Beverages and Tobacco is the highest at around 16%. Coke, Petroleum and Nuclear Fuel have registered the highest increase over the years while share of textiles and apparel have decreased.
- Statewise, the biggest contributors manufacturing GDP are Maharashtra, Gujarat and Tamil Nadu. Since 1970s there has been a significant decline in the share of West Bengal and the BiMaRU states.
- There is a great deal of correlation between the performance of these states and the state of infrastructure.
- Comparing the organized and the unorganized sector it can be seen that while unorganized sector employs 87% of the labour force, its contribution in Gross Value Added is less than 25%. The Gross Value Added per capita in the organized sector is 18 times higher than the unorganized sector
- The organized sector has witnessed a significant decline in employment since mid 1990s. There has been a decrease in the labour intensity across most labour intensive commodities.
- India needs to focus on mass manufacturing and aim to produce high quality and low cost goods. For this there is a strong need to focus on R&D and innovation. Unfortunately, India has invested very little in R&D.
- Need to reassess the entry and exit barriers the companies are facing in India. There is also a need to weaken the distinction between the organized and the unorganized sectors. Labour conditions and real wages must be improved. Strong need for educational reforms. Need to provide adequate public infrastructure and amenities.
- There is a need to look at the working environment of Indian business apart from entry and exit barriers.

- The existing indirect tax system must be reviewed, which is hampering the growth of manufacturing.
- There are some cases of successful mass manufacturing in India like Nokia in Chennai, Orpat in Morbi etc.
- In India, in textiles, the time taken from ginning and pressing to transporting to the person who has given the order is very high and fashions change in that time.
- There is a large expected investment in many major industries but there is an acute shortage of manpower to run additional plants and machinery.
- Debate on manufacturing must focus on operational productivity, capabilities and quality and quantity of manpower.
- India needs to attract world-class producers of goods & machinery to setup manufacturing & R&D facilities in India
- India should be very bullish about skill intensive manufacturing. There is a large wave of such manufacturing coming and India has a natural advantage
- Some Indian companies like forging are doing quite well. They have excellent skilled labor and are able to undertake contracting in new ways. They are using cheap skilled labor to reengineer process and are able to produce goods very cheaply.