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# The Emerging Trends and Changing Pattern of Indian Manufacturing Industries

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### ABSTRACT

The modus operandi of this review article is to throw light on current status of Indian manufacturing industries. For this purpose, a basic analysis on National Manufacturing policy of India is made. Particularly, the NIMZ scheme is taken into account. The main purpose in the policy of national manufacturing (NMP) is to increase existing GDP growth through manufacturing industry. Unfortunately, economic survey 2016-17 exposed that Gross Domestic Product (GDP) growth in 2016-17 to dip to 6.5 percent from 7.6 percent in the last financial year. Therefore it is high time to scrutinize NIMZ policy. The present study has made an attempt to express the trend of manufacturing industry in the last three decades. Chapter 1 provides the need for the NIMZ under National Manufacturing Policy. Chapter 2 listed out the literature review. Chapter 3 depicts the difference between SEZ and NIMZ. Chapter 4 envisages the road map of NIMZ Chapter 5 narrates the SWOT analysis of NIMZ and chapter 6 Administration of NIMZ and chapter 7 conclusion.

**Keywords:** Special Purpose Vehicle, NIMZ, SEZ, National Manufacturing Policy.

## 1. INTRODUCTION

The Government of India has introduced various types of international trade zoning in order to support export oriented production like special export processing zones, special economic zones and Free Trade Zones etc. The newest is National Investment and Manufacturing Zone. In the past three decades; the economic environment of India has perceived a sustainable improvement and has developed as one of the firmest growing country in the globe. During 1990s, the liberalization policy was implemented and in 2000s the Special Economic Zones are with the swing. Presently, in the current decade, the new scheme

of manufacturing - NIMZ under the current manufacturing scheme of India was incorporated. After successful implementation SEZ through foreign policy in the last decade, now the government tries to improve the manufacturing industries. However the main drawback of Special Economic Zone is the size of the unit.

After hearing the successful story of SEZ in China, India also incorporated SEZ under the SEZ Act 2005 and has converted all the economic processing zones into SEZs. But only 10 acres of land is the minimum requirement of land for certain selected industries and maximum of 1000 acres for major industries which comparatively less with Chinese SEZ. The national manufacturing policy (NMP) has been introduced to boost up the Indian Manufacturing industries. On 19 January 2017 the Indian government has approved the updated and modified scheme of manufacturing policy of DIPP, to put in place a NMP i.e., national manufacturing policy. Earlier, at the ministerial level permission for the scheme on September 15<sup>th</sup> 2011, considered the new policy of manufacturing at national level, to be implemented and allowed for discussion and on 14<sup>th</sup> October 2011 approved the recommendations of Group of Ministers (GoM). The success of any national policy depends on the level of cooperation from the state government.

The main aims of the new policy of manufacturing at national level are:

1. To enhance the secondary sector contribution for GDP not less than 24% in the next 10 years;
2. To intensify employment creation process in order to create minimum of 1000 lakhs more employment with the next 10 years
3. To encourage the international standard of competitiveness, added value for domestic output, technical know how and improvement in environmental status.
4. To enrich the coming generation of rural in their skill by providing and imparting the education and training for more employability.

## **2. LITERATURE REVIEW**

The Hindu, June 26 2015, *Feasibility study ordered for NIMZ in Kalaburagi*, The prospects of Kalaburagi district getting the multi-million crores, National Investment and Manufacturing Zone (NIMZ) appear to be bright with the State government sanctioning ₹10 crores for undertaking the techno-feasibility study and prepare a detailed project report to the Infrastructure Leasing and Finance Services (ILFS).

The department of industrial policy and promotion (DIPP). Page 2: The structure depicts the total usage of floor area, i.e., existing industrial avenues, Special Economic Zones, industrial parks and other infrastructure which are facilitated socially. More than 29 percent of the non-fertile area of the NIMZ must be employed for manufacturing purpose only. The selected locations are rightly mentioned in the structure of manufacturing plan.

India Investment & Business Guide volume 1 Strategic and information,, The NIMZ will be much larger – a minimum of 5000 hectares, compared to 500 hectares in SEZ Although the sector-specific NIMZs can be as small as 50 hectares; incentives for the NIMZs include assistance with water,

power, easing access to finance rationalization and simplification of rules and regulations of business – SPVs.

### 3. COMPARISON OF SEZ AND NIMZ

The NIMZs are perceived to be dissimilar from the Special Economic zones (SEZ) in different factors like size of the unit ; echelon of social infrastructure and ascendancy; business structure of new manufacturing units and their legal regulation; provision free exit schemes; other tax benefits, etc. Table 1 provides the basic difference between NIMZs and SEZs

**Table 1**

<i>Factors</i>	<i>NIMZ</i>	<i>SEZ</i>
Origin	Under National manufacturing policy	Under SEZ Act
Minimum area of land	5000 hectares	10 to 1000 hectares depending on sector.
Maximum area of land	Not specific	5000 hectares
EIA	State government	The project developer
Energy	Part of the electricity has to be procured from renewable source. State government will give subsidy.	No such requirement
Does government give special preference to these units in procurement?	Yes	Not specified
Innovation/quality	State government will pay fees for international patent application Tax exemption on money spent to get ISO etc. certificates	Not specified
Single window clearance to files	Yes	Yes
Import duty provision	No	Yes
At setting stage	At least 2500 hectares of land required	No such restriction of land is required
% reservation of land for manufacturing purpose	30% of the total region should be reserved for manufacturing	No such reservation for manufacturing
Sub contract	No sub contracting of labour is allowed	Sub contracting of labour is allowed
Viability gap funding	Allowed	Not allowed

### 4. ROAD MAP OF NIMZ

The new type of manufacturing zones are visualized mega green industrial township with the support from the state for infrastructure - level of terrestrial use of non-fertile land depending upon the zone; required level of modernized technology; obligatory societal substructure; facilities for the progress of skill and to create favorable climate into the secondary sector enterprises. In order to facilitate new type of manufacturing zones, behave as autonomous and independent frame, NIMZs are deemed to be industrial estates by the respective state government under the provision 243 and section Q, sub section I (C) of

Indian Constitution. All the new type of manufacturing zones NIMZs will be administered by a distinct body, called SPV – Special Purpose Vehicle, are responsible to frame the master plan of the manufacturing township; pre-requisite for building up the manufacturing units allowed under the territory of new township zones, facilitate the various activities as mentioned in the different provisions of the policy. The new procedures authorizes the facilitator of a NIMZ which are led by a high ranking government servant and he/she can include other expert from different departments in acquainted of work needed, concerning to pollution related issues/environment safeguards. The suggestions of NMP are basically region unbiased, site unbiased and know-how unbiased except incarnation of green skill knowledge. Moreover, the policy of NIMZ, essentially for manufacturing industry, the suggestions enclosed in the revised policy frame can apply to any industrial business covering entire nation. In fact, the unit which can able to arrange the respective cluster, in the form of espouse as self-created model with business regulation and treated as a unit as articulated in the program of manufacturing

### **Slant of NIMZs**

The policy identified that approximately, a newly starting business unit has to abide with nearly 70 types of legal legislation, rules and regulations. In addition to that it has to face multiple inspections and these units have to submit around 100 filing for the returns. The quantum of legal formalities and procedures put back new businessmen to start a manufacturing unit and they express the disinterest to take up business part. Due to this, large number of young entrepreneurs who have the capacity to do business and contribute to new employment generation and economic operations, finally they are accepting some job offers which are below to their potential or skill. The new NMP suggests, both Union and respective state government may allow exemptions conditional on completion of legal requirements as provided in the decree. NMP will construct SPV, the facilitator of NIMZ, for the completion of formalities. The manufacturing system is constructed under PPP mode with able guidance of statutory authorities. With related legislations, rules and guidelines pertaining to environment or atmosphere, the union and State-owned authorities may give the authority or power under appropriate sections and provisions of legislations to the authorized person of SPCB – the State Pollution Control Board, allotted to the NIMZ. Any issue related to ecological and environmental clearance for the newly built NIMZ under the announcement of EIA of the year 2006, will be given great priority, and the zones thereon are exempted from all public hearing, which are mentioned under EIA announcement, in circumstances where the zones may undergone the full public hearing. The extracted directions plus procedures may be issued both at the central and state level from regulation updating, targeting in the enhancement of NIMZ while protecting conservational legitimacy. The new types of manufacturing zones - NIMZ are green integrated Industrial Township with modernized infrastructure and proper use non-fertile land differs from type zoning. It is also insisted that clean as well as energy efficient technology is of priority and providing necessary social infrastructure. NIMZs concentrate on provision for the skill development, in order to provide a health and active environment to the young entrepreneurs who are switching over from primary sector to the manufacturing sector or service sector. The mentioned NIMZ will have to be facilitated by prescribed body called SPV, which prepare the master plan for the respective NIMZ. It also makes sure that the environmental, ecological and other pre-clearance for constructing a industrial township with the NIMZ and it undertake all other activities pertaining to various sections of NMP.

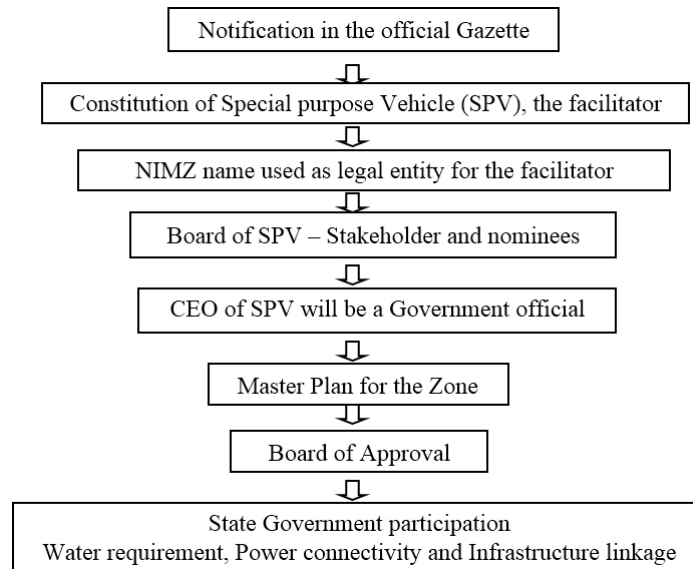
### 5. SWOT ANALYSIS OF NMIZ

<p style="text-align: center;"><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Sustainable Growth</li> <li>• Presence of skilled and cheap labour</li> <li>• Own source of Large raw materials base</li> <li>• Encouraging policy incorporated by the Government</li> <li>• Provision to hand handle large scale project at international level</li> <li>• Continuous support and insistence on product development and product design with technology</li> <li>• Strong and eco-sustainable tanning base</li> <li>• Strategic location of green industrial township.</li> </ul>	<p style="text-align: center;"><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• Economic size of manufacturing units</li> <li>• Lack of warehousing facility from the state government</li> <li>• Land selection and acquisition</li> <li>• Abundant supply of labour leads to higher labour problems</li> <li>• Lack of demand from global market</li> <li>• Competition with global players</li> <li>• Lack of international cooperation</li> <li>• Problems of economies of scale</li> <li>• Lower labour productivity</li> <li>• Pollution from Manufacturing industries</li> </ul>
<p><b>SWOT NIMZ</b></p>	
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Increasing demand of industrial goods globally</li> <li>• Use of latest technology, particularly technical know-how and constructive software leads to better life span of the product.</li> <li>• Provision for use of non-fertile land for industrial purpose.</li> <li>• Single window system</li> <li>• Special Purpose Vehicle (SPV)</li> <li>• Rationalization of business regulation</li> <li>• Encouragement for MSME units</li> <li>• Inter relation of primary, secondary and service sector</li> <li>• PPP mode</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Any industry in NIMZ must have 30 % for manufacturing purpose</li> <li>• Problem in mobilizing the PPP mode</li> <li>• Only Rs.3.35 crores sanctioned under financial year 2016-17 for Master Planning of NIMZ</li> <li>• Financial crunch due to demonization</li> <li>• Accumulation of Land Bank</li> <li>• Lack of communication facilities and skill</li> <li>• Minimum area of land is 5000 hectares</li> </ul>

### 6. ADMINISTRATION OF NIMZ

The hierarchy of NIMZ consists of three levels, namely, the Special Purpose Vehicle, a developer and the Government (both union and respective state government). At the first stage zone must be notified by the union government through official gazette. After notification the facilitator i.e SPV, will be constituted to complete the pre-requisite of framing the Zone. The respective SPV are considered as separate legal entity. Board members are selected for administrative structure with the consent of stakeholders. The Chairperson of SPV will be a government official from Union or State Government. The prime duty of the facilitator is to prepare the master plan for the respective NIMZ and for the preparation, the union government will provide financial assistance. It has to be forwarded to Board of Approval and once it is accepted further course of action will be taken by the facilitator. Being autonomous body, the facilitator can complete the work of zone development, private agencies and contractors are hired under partnership. It is the duty of the respective State Government to provide irrigation, electricity and other required linkages for the social infrastructure.

## Administrative Structure of NIMZ



## Current Status of NIMZ

A survey was made and commissioned to build a same type of NIMZ in the southern part of India. Based on the suggestion of the survey, NIMZ scheme are extended to southern part of India as combined industrial township or estate with a minimum of 5000 hectares. (appendix 1). In September 2015, Andhra Pradesh became the first state incorporating NIMZ in single location in Prakasham district,

## Features of NIMZ

- These zones comes under National Manufacturing Policy
- Here you will get ready made infrastructure
- State government is responsible for water requirement, power connectivity
- These NIMZ are Industrial Township with all necessary infrastructure for manufacturing industries
- These townships are created on 5000 hectares of uncultivated land (Management in the hands of SPV company owned by state + Union + private players)

## 7. CONCLUSION

The study has made an attempt to understand whether the NIMZ scheme is striving, striking and purposeful and meant to provide a massive industrial township, under PPP mode in order to facilitate aggregate MSME. Definitely the NIMZ scheme may enhance Make India movement to withstand the growth in international competition. The international economic environment is also in favourable condition as the manufacturing wages are rising in china, SPV facilitation, advantage of cheap and enormous availability of labour the National Manufacturing Policy will be of grand success through NIMZ.

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### *Appendix 1*

<i>S.No.</i>	<i>From</i>	<i>To</i>	<i>State</i>	<i>Planned area</i>
1	Ahmedabad	Dholera	Gujarat	900 sq km
2	Shendra	Bidkin	Maharashtra	84 sq km
3	Manesar	Bawal	Haryana	380 sq km
4	Khushhera-Bhiwadi	Neemrana	Rajasthan	150 sq km
5	Dighi	Port Area	Maharashtra	230 sq km
6	Dadri-Noida	Ghaziabad	Uttar Pradesh	250 sq km
7	Pithampur	Dhar-Mhow	Madhya Pradesh	370 sq km

