

Policymakers promote manufacturing through clusters and industrial parks

Central government and various state governments are taking steps to promote manufacturing and economic growth by supporting MSME clusters and industrial parks. In its Budget 2021-22 presented on March 1, 2021, Government of Chhattisgarh announced its plan to set up Rural Industrial Parks focused on commercializing traditional arts and marketing traditional economic activities in the state.

Recently, Government of West Bengal simplified norms for allotment of land and issuance of trade license to facilitate companies set up industrial parks on the 4,000 acre land available with the West Bengal Industrial Development Corporation and two of its associate companies.

In its budget 2021-22, Government of Gujarat announced a plan to set up two mega textile parks, one bulk drug industrial park in Bharuch and a medical device park in Rajkot district.

Government of Punjab has selected 15 clusters, including sewing machine cluster, printing & stationery cluster, garment cluster, hitech metal cluster, cutting tool cluster in Ludhiana, Mohali and other parts of the state for setting up common facility centres (CFCs). The state government would financially support these clusters set up CFCs by applying for grants under the Micro and Small Enterprises Cluster Development Programme (MSE-CDP) scheme of Government of India. The central government extends grants upto 90% of the project cost of maximum Rs. 15 crore under this scheme.

Punjab Small Industries & Export Corporation Limited (PSIEC) has been developing Industrial Focal Points (IFP) across various towns and cities of Punjab. Under this initiative, the Corporation develops self-sustained industrial plots with facilities such as power substations & distribution, telecom infrastructure, residential units for workers, common effluent treatment plants and sewage treatment plants.

Government of Karnataka and the union government have joined hands to develop India's first integrated machine tool park on 530 acre land at around 90-km from Bengaluru. The project, Tumakuru Machine Tool Park, will have 158 ready-to-build industrial plots and it is being developed at a cost of Rs. 508 crore, which is equally borne by the central and state government. The project will boost the machine tool sector in the state, which already contributes 52% to production and 62% to export of machine tools from India.

Uttar Pradesh, which has the largest number of MSMEs in India, is planning several industrial parks to support economic development. The state government has planned Electronics Park, Apparel park, Handicraft park and Toy park along the Yamuna Expressway in Gautam Buddha Nagar. This area will also host a 1,000 acre film city, 350-acre Medical Device Park a Fintech City. Also on the anvil are two Mega Textile Parks in Kanpur and Gorakhpur, a 100 acre Mega Food Park in Bareilly and a Mega Leather Park in Unnao.

Private Investment

According to investment management firm Colliers, institutional investors are showing strong interest in investing in industrial and logistics parks in India because of the strong growth prospect in e-commerce and expected growth in manufacturing sector.

Private investors and real estate developers are also showing interest in developing logistics and industrial parks in the country. In 2020, logistics real estate firm ESR India, which is backed by the global Private Equity firm Warburg Pincus, entered into an agreement with Government of Maharashtra to set up 11 industrial and logistics parks around Mumbai and Pune at a cost of Rs. 4310 crore.

Government of India notified Industrial Park Scheme to attract investment in manufacturing sector in 2002. Later, in the year 2008, the government notified another Industrial Park Scheme to promote integrated development of industrial areas with necessary infrastructure and common facility centres. Data from the Industrial Information System (IIS), developed by Government of India, shows that there are 3382 industrial clusters across 31 states of India as of today. Of these, 13% are in Maharashtra, 11% each in Karnataka and Rajasthan, 10% each in Andhra Pradesh, Uttar Pradesh and Gujarat, 5% in Tamil Nadu. The remaining are scattered across different states. The IIS is in the process of collecting information about more such clusters, parks and industrial estates across the country to serve as a single source of information on this subject.

Skill Development

These industrial clusters will play a major role in enhancing supply of skilled labour in the country by training fresh graduates on industrial activities. Recently, Union Ministry of Skill Development and Entrepreneurship identified 19 industrial clusters from across the country to provide funding under the Skills Strengthening for Industrial Value Enforcement (STRIVE). STRIVE is a World Bank funded project to impart industrial training to students of Industrial Training Institutes (ITIs) in the country. Under this project, the selected industrial clusters will be granted Rs 1 crore each over a period of three years to provide training to students of ITIs. The central government is learnt to have selected clusters from Karnataka, Odisha, Maharashtra, Gujarat, Telangana and other states for this project.

Supporting industrial growth through cluster projects is an effective approach to regional development and employment creation. However, the government and industry associations should ensure minimal impact of these clusters on environment. According to a report released by the Centre for Science and Environment (CSE) this year, out of 88 industrial clusters in the country, 35 have shown overall environment degradation. The industrial activities in these clusters had adverse impact on air, land and water resources in the adjoining areas, the report shows.

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