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A Trend Analysis of Indian Manufacturing Sector Since Second Five-Year Plan

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Abstract

The Indian manufacturing sector has undergone a complete change since independence and has emerged as one of the highest growing sectors in India during recent times. The sector has evolved from the days of colonial rule that ravaged the Indian economy to initial industrialization and license raj, followed by liberalisation and globalisation, thus experiencing growth by leaps and bounds. The paper explores this transformation of the manufacturing sector since the second five-year plan in three phases:(i) pre-1980; (ii) post-1980 till 1990; (iii) and post-1991, the year of economic reforms. The paper attempts to characterise the performance of the manufacturing sector at the aggregate level by analysing the trends in manufacturing value-added and growth rate, labour productivity, employment, and Index of Industrial Production (IIP). The analysis reveals that while the sector has witnessed an increase in labour productivity and employment in absolute terms, their growth rates have observed significant fluctuations, with a noticeable slowdown in the last two decades. Finally, the paper discusses the various constraints on the expansion of the country's manufacturing sector and sheds light on the initiatives taken by the government to resolve them.

Keywords*: manufacturing sector, productivity, employment, growth, New Industrial Policy 1991*

1.0 Introduction

The manufacturing sector has emerged as one of the highest growth sectors in India in recent times and plays a pivotal role in the economy by creating forward and backward linkages with other sectors (Manufacturing Sector in India: Market Size, FDI, Govt Initiatives | IBEF, 2021).

The story of India's manufacturing sector has evolved from the days of initial industrialization and license raj to liberalisation and globalisation, thus experiencing growth by leaps and bounds. A significant change brought in the last couple of decades was by the economic reforms of 1991 which changed the face of the Indian economy and provided a much-needed boost for its manufacturing sector. Since then, rapid growth in the sector has been accompanied by improving the productivity and profitability of manufacturing

companies. The sector has fared better in terms of employment generation, with the workers' income levels witnessing a significant increase and the overall industrial growth being boosted by a great deal.

Manufacturing sector contributed nearly 17% of GDP in 2020 and employed 27.3 million people in 2020-21(Bhardwaj, 2021). It provides gainful employment to the people moving out of agriculture. Considering the nation's demographic profile, the manufacturing sector plays an essential role in absorbing the agricultural labour force. Recently, the Prime Minister of India launched the "Make in India" scheme in 2014 as a part of a nation-building initiative to make India a manufacturing hub and encourage companies to make new investments in the manufacturing sector. The National Manufacturing policy intends to increase the share of manufacturing in GDP to 25 % by 2022 (India Brand Equity Foundation, 2012). The sector's contribution to GDP has almost outpaced the overall GDP growth for a long time.

India's 2nd rank (2015) globally as per Global Manufacturing Competitive Index (GMCI) reflects the increasing competitiveness of Indian manufacturing units (India Brand Equity Foundation, 2020). India's leading manufacturing companies are textiles, automobiles, consumer non-durables, electronics, chemicals, and various other products. Table 1 shows that the manufacturing exports as a percentage of merchandise exports have increased substantially from 1980 to 2003 with a slight decrease in 2019.

Table 1: A comparison of manufacturing export as a percentage of merchandise exports over the years

Year	Manufacturing Exports (% Of Merchandise Exports)
1980	58.64
1991	71.71
2003	76.40
2019	71.02

Source: World Development Indicators (2021)

The paper builds the background amidst which the manufacturing sector was reshaped in section 2 and analyses the trends of multiple variables related to the manufacturing activity in the economy in section 3. The paper also throws light on the outlooks and challenges of the sector in section 4.

2.0 The Shaping of the Manufacturing Sector

2.1 Pre-1980

The colonial rule had ravaged the Indian economy and society for nearly two hundred years and deprived it of the opportunity of participating in the process of transformation, occurring in other parts of the world. The government's constant drain of wealth and de-industrialisation had led to a poor, backward, underdeveloped and stagnant economy[1]. Under Nehru's era, India's economic growth resurged and transformed into an economy that held the capability to grow instead of its stagnant trait before independence (Balakrishnan, 2007). Economic growth not only picked up but diversified as well. Compared to a lopsided occupational structure under the colonial regime, the economy witnessed a shift in the workforce from agriculture to the manufacturing and services sector. This was accompanied by balanced regional development, thus shaping India into a broad-based economy. Balakrishnan (2007), thus, has described the Nehruvian era as unique, concerning the effort undertaken to transform a democratic framework and the growth trajectory observed in the past and the years after.

[1] In 1867, Dadabhai Naoroji proposed the Drain of Wealth theory, which was later investigated and extended by R. P. Dutt, M. G. Ranade, and others. According to the theory, a significant portion of India's capital and wealth was transferred or drained to Britain in the form of salaries and pensions of British civil and military officials working in India, interest on loans taken by the Indian government, profits of British capitalists in India, and home charges or expenses incurred by the Indian government in Britain. The drain accounted for half of the government revenues, more than entire land revenue collection, and over one-third of India's total savings.
On the other hand, deindustrialisation refers to the process of social and economic change caused due to reduction of industrial capacity. Before the advent of Europeans, India's traditional village economy was characterised by the "blending of agriculture and handicrafts". However, this internal balance of the village economy was systematically destroyed by the British Government. In the process, traditional handicraft industries started declining in the 18th century and proceeded rapidly almost to the beginning of the 19th century. Thus, drain of wealth coupled with deindustrialisation played an important role in the underdevelopment and increasing poverty of the country.

India's development strategy post-independence, which could be characterized as policies of export-pessimism[2] coupled with import-substitution[3], had almost led to a state of autarky[4] in India. This was done to achieve self-sufficiency to avoid dependence on imports and, in turn, the excessive influence of countries in the rest of the world on India's affairs. This move was an outcome of years of exploitation under colonial rule and translated into an emphasis on rapid industrialization and the creation of basic goods and heavy industries.

The second five-year plan, which spanned from 1956 till 1961, saw an ‘iconic' strategy being implemented. This plan was based on the Mahalanobis model and intended to provide the analytical foundation for raising income levels via industrialization. The National Planning Committee at the time was chaired by, then Prime Minister, Jawaharlal Nehru. This strategy, thus came to be known as the Nehru-Mahalanobis Strategy. The fundamental theme of the Nehru-Mahalanobis strategy was a fast-growing ‘heavy goods’ sector. Heavy goods refer to the machine-building complexes with a large capacity to manufacture machinery to produce steel, chemicals, fertiliser, electricity, transport equipment, and other goods. Apart from this, to channel the resources efficiently to the given industries noting that India was capital-poor, the Indian policymakers formulated a combination of heavy public sector involvement and controlled private sector involvement. Therefore, contrary to other developing nations, India allowed private sector activity through import licensing[5], investment licensing[6], foreign exchange controls[7], and controls on prices. A significant reason to do this was to avoid the concentration of economic power. In addition to these, acts such as Monopoly and Restrictive Trade Practices (MRTP) Act and the Foreign Exchange Regulation Act (FERA) were implemented, which imposed severe constraints on the expansion of firms. With this

[2] It refers to the belief that developing nations' efforts to boost exports would result in a deterioration in their terms of trade due to developed countries' inability (due to poor demand) or unwillingness (expressed through protection) to absorb these exports.
[3] It refers to domestic production of previously imported goods to foster industrialization.
[4] An economic system of self-sufficiency and limited trade.
[5] Administrative procedures requiring the submission of an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importation of goods (World Trade Organization (WTO))
[6] It refers to a permission that provides the right to engage in certain type of financial activity, issued by the state body of the country specially authorized for the foregoing
[7] Foreign exchange controls are restrictions applied by governments to ban or limit the sale or purchase of foreign currencies by nationals and/or the sale or purchase of the local currency by foreigners.

backdrop, Indian manufacturers faced requirements enumerated in many labour laws, which proved to be quite burdensome and presented a dilemma amongst them. An outcome of this complex set of policies was a dirigiste regime that lasted for a couple of decades.

Box 1: License Raj in India

India embarked on a phase of centrally planned industrialization following independence. The Industries (Development and Regulation) Act of 1951, which stated that it is in the best interests of the public that the Union take control of the industries listed in the First Schedule, was the focal point of the planning regime. The Act established an industrial licensing system to govern the scale and pattern of industrial development across the country, which became known as the "license raj." Licensing became the primary method of assigning production targets outlined in five-year plans to enterprises. The licensing regime applied to both state and private enterprises in the registered manufacturing sector. An industrial license was necessary under the 1951 Industries Act to: (i) create a new factory; (ii) carry on business in an existing unlicensed facility; (iii) significantly expand the capacity of an existing factory; (iv) launch a new product line; and (iv) relocate location. Industrial license applications were submitted to the Ministry of Industrial Development and then examined by an inter-ministerial Licensing Committee. The Act was meant to boost industrialization and economic growth while also reducing regional income and wealth disparities. The framework of the licensing process, on the other hand, imposed a significant administrative burden on enterprises. Furthermore, there was considerable uncertainty about whether license applications would be approved and when they would be approved. Delays in the approval process were common and indefinite. Applicants were not provided with explicit criteria for the award of industrial licenses. Finally, the Licensing Committee reviewed applications in a sequential manner, and since the five-year plans established targets for industrial capacity, pre-emptive license applications were encouraged. As a result, the act favoured larger industrial houses that were better informed and organised.

Table 2 below presents the share of manufacturing in India's GDP in the year 1981 and compares it with a set of developed and developing countries. With the share of

manufacturing in GDP being just above 16%, India seems to cut a disappointing figure compared to east-Asian economies and China. However, it is to note that the share of manufacturing in total output varies with the level of development, first increasing and then witnessing a decline with the increase in the level of income (Kuznets and Chenery).

Table 2: A comparison of India's manufacturing value-added (as % of GDP) with other economies

Countries	Manufacturing, value-added (% of GDP)
India	16.8
Brazil	30.2
Indonesia	13.0
China	40.5
Korea	21.9
Malaysia	21.9
Mexico	18.3
Thailand	21.5
Turkey	17.1

Source: World Bank, World Development Indicators (2021)

According to (Subramanian et al., 2006), manufacturing accounted for roughly the regular share of output and employment; these figures were higher than the average in industries that are typically skill-intensive or have larger establishments. Furthermore, even though the average establishment size was substantially smaller than in comparable countries, Indian manufacturing was significantly more diversified both in terms of output and employment than countries of comparable income and size.

2.2 Post-1980 till 1990

India's economic performance in the first three decades after independence was christened as 'disappointing but not disastrous' (Subramanian, 2012). From serving as an example of development strategies gone wrong, it became the poster child of how economic growth can be unleashed with a turn towards free markets and open trade. India's economic growth rate has more than doubled since 1980, increasing from 1.7% in 1950-80 to approximately 4% afterwards, thus experiencing an astonishing turnaround. The manufacturing sector, in particular, posted a growth rate of over 6% as opposed to 2-3% in years before that.

This turnaround was made possible by a multitude of significant policy changes. The government implemented import liberalisation, particularly capital and intermediate inputs, which was combined with the extension of export incentives through the tax system and greater liberal access to credit and foreign exchange. Additionally, there was an attitudinal change on the part of the government, signalling a shift towards the private sector. This shift and policy changes were pro-business rather than pro-competition. These minute changes resulted in a significant change in productivity as India was far from its income possibility frontier[8]. The policy changes, as mentioned above, were restricted to internal liberalisation, which was through decentralisation and industrial delicensing. Greater decentralisation meant that the states could distinguish themselves to attract private-sector investment. This was made possible by the restrained dismantling of the industrial licensing system, popularly called the 'license-permit-quota raj' (coined by Rajaji).

2.3 Post-1991: The Year of Reforms

The growth upsurge in the Indian economy is commonly attributed to the economic reforms of 1991 introduced by the P.V. Narsimha government. It was an attempt to deregulate the industrial economy to foster growth and to increase overall productivity. Several policy changes were brought in to end the traditional business regulations or "license-raj". Industrial licensing was abolished, and 'The Monopolies and Restrictive Trade Practices Act, 1969' was repealed, which laid a pathway for diversification and enhanced competitiveness in the

[8] It is a curve that illustrates the variations in the amounts that can be produced of two products if both depend upon the same finite resource for their manufacture

economy. The trade policy reforms focused on greater openness, and an outward-looking approach was adopted to promote exports while reducing control on foreign trade. The manufacturing value-added percentage share in the gross domestic product (GDP) increased from 16.59 % in 1990 to 17.3 % in 2006. However, following the global financial crisis of 2008, the share fell to 15.81% in 2012 (World Bank, 2021).

Table 3 below compares the values for wages to workers, invested capital, gross fixed capital, and GNP at market prices in the financial year 1985-86 and 1995-96. As the table shows, all four components witnessed a sizable increase in figures in the post-reform period.

Table 3: A comparison of certain variables in 1985-86 and 1995-96

Variable (in rupees crore)	1985-86	1995-96
Wages to workers	7,09,209	27,97,035
Invested Capital	88,11,181	4,89,96,925
Gross Fixed Capital	10,83,295	69,11,987
GNP at Market Prices	2,79,901	11,78,329

Source: Ministry of Statistics and Programme Implementation, Annual Survey of Industries (2018)

While the reforms sought to increase efficiency, the economists appeared to disagree on, ‘How have the reforms impacted the Indian Manufacturers?’. Various studies have been undertaken to analyse the impact. Nambiar et al. (1999) studied that while it may be true that trade liberalisation might increase economic activity in the long run, it is baseless to realise the immediate benefits as greater openness could lead to the closure of less competitive firms. He concludes that India's manufacturing base has dwindled over the years. Having said that, healthy perception of the reforms put forward by Panagariya (2004), who found out that trade liberalisation, which increased foreign direct investment (FDI), had led to the more robust growth of manufacturing units in the 1990s as compared to the 1980s. Balasubramanyam and Mahambre (2001) observed that while the total factor productivity (TFP) declined due to

trade and industrial reforms, the industrial sector also benefited from the expanding capacity. Given the above arguments, it would be of utmost interest to do a trend analysis of the manufacturing sector's performance over the last couple of decades to understand the impact of economic reforms on the Indian Industry.

2.3.1 New Industrial Policy, 1991

The need to introduce a New Industrial Policy,a breath of fresh air, was an outcome of prevailing economic and administrative conditions in India of the 1980s. The government's budgetary crisis, shortage of funds for new investments and excessive bureaucratic controls almost suffocated the economy. Hence, a major structural change, given the backdrop, was inevitable. New industrial policy (1991) attempted to liberalise the industrial sector, limited the government’s role and welcomed the foreign companies in new India. The aim to attain global competitiveness and export promotion further revolutionized the sector. Reforms helped in maintaining sustainable productivity growth, enhanced global competitiveness and made India a global player.

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3.0 Analysing the Trends in Manufacturing Post-Independence

3.1 Value-Added

Value-added in manufacturing is the net output of all manufacturing units derived from the subtraction of intermediate consumption from the gross output. As the graph shows, the value-added of manufacturing has witnessed an almost steady increase since the 1980s. For the 1980-81, the manufacturing value-added stood at 1,79,987 crores. Following the 1991 reforms, the value-added of the manufacturing sector increased to 10,14,805 crores in 2006-07, 6 times the 1980-81 figures. Further impetus to growth has been provided by the recent schemes launched by the government. The value-added increased to 21,76,923 crores in 2017-18.

Graph 1: Manufacturing Value-added at 2011-12 prices (in crores) for the period 1980-81 to 2017-18

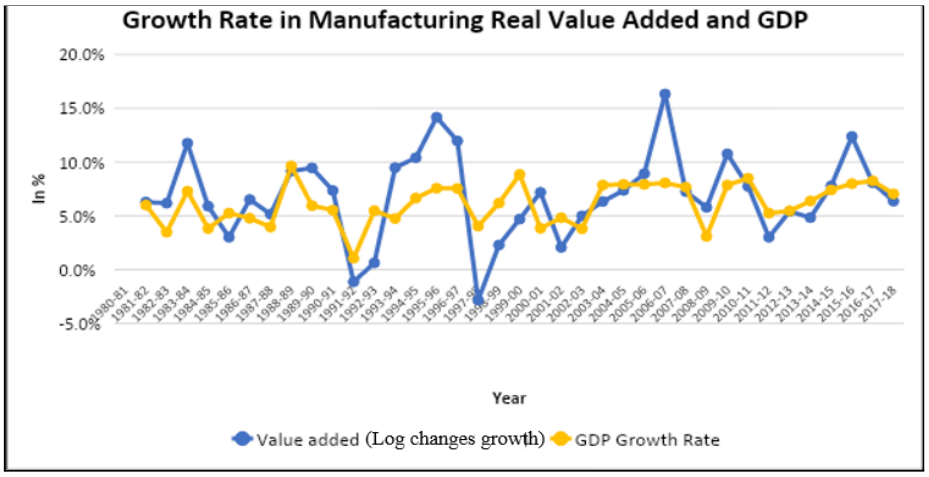
Source: Reserve Bank of India, The India KLEMS Database (2020)

3.2 Manufacturing Sector v/s Overall GDP

The manufacturing growth surpassed the GDP growth from 1950-51. As the pattern shows, manufacturing growth has been a roller coaster ride. From almost a constant growth of 6% in 1981-83, it fell to as low as 3% in 1985-86, which raised the concern for the manufacturing sector as an engine of growth. During the low GDP growth in 1991, the manufacturing activity declined to -1.1% but increased to 14.2% in the post-reform period (1995-96).

As a result of several initiatives undertaken, the manufacturing sector witnessed an all-time high growth of 16.3% in 2006-07 but fell by 13.3% in 2011-12 due to the global financial crisis (2008). Lately, the performance of the sector has not been very satisfactory.

Graph 2: Growth rate in manufacturing: Real Value-Added and Gross Domestic Product (GDP) for the period 1980-81 to 2017-18



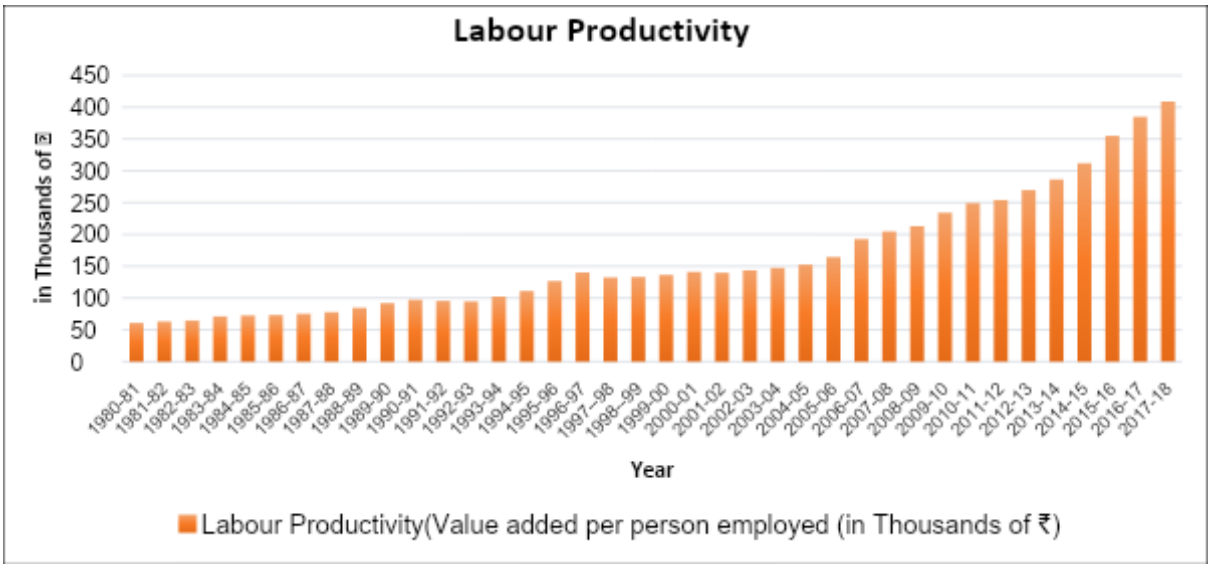
Source: Reserve Bank of India, The India KLEMS Database (2020)

3.3 Productivity

The secondary database has been collected from the India KLEMS database available at RBI (Reserve Bank of India). India KLEMS is a global initiative launched to promote and facilitate growth and productivity pattern analysis. The analysis of productivity of the manufacturing sector has been conducted using the data of labour productivity, which is in terms of value-added per person employed (in thousands of rupees); the growth rate of labour productivity (in %); and the total factor productivity growth rate (in %). The trends in the concerned variables have been graphically depicted in the paper.

Labour productivity is an important economic indicator closely linked to economic growth, competitiveness, and living standards within an economy. According to the International Labour Organisation (ILO), labour productivity refers to the total volume of output (measured in terms of gross domestic product) produced per unit of labour (measured in terms of people employed) during a given period. India's labour productivity has increased post-economic reforms of 1991 sharply. From an average growth of 3.7% during the period 1981-82 to 1992-93, average labour productivity growth increased swiftly to 5.1% during 1992-93 to 2007-08. From 2008-09 to 2017-18, the average labour productivity growth further accelerated to 6.9%.

Graph 3: Manufacturing labour productivity for the period 1980-81 to 2017-18



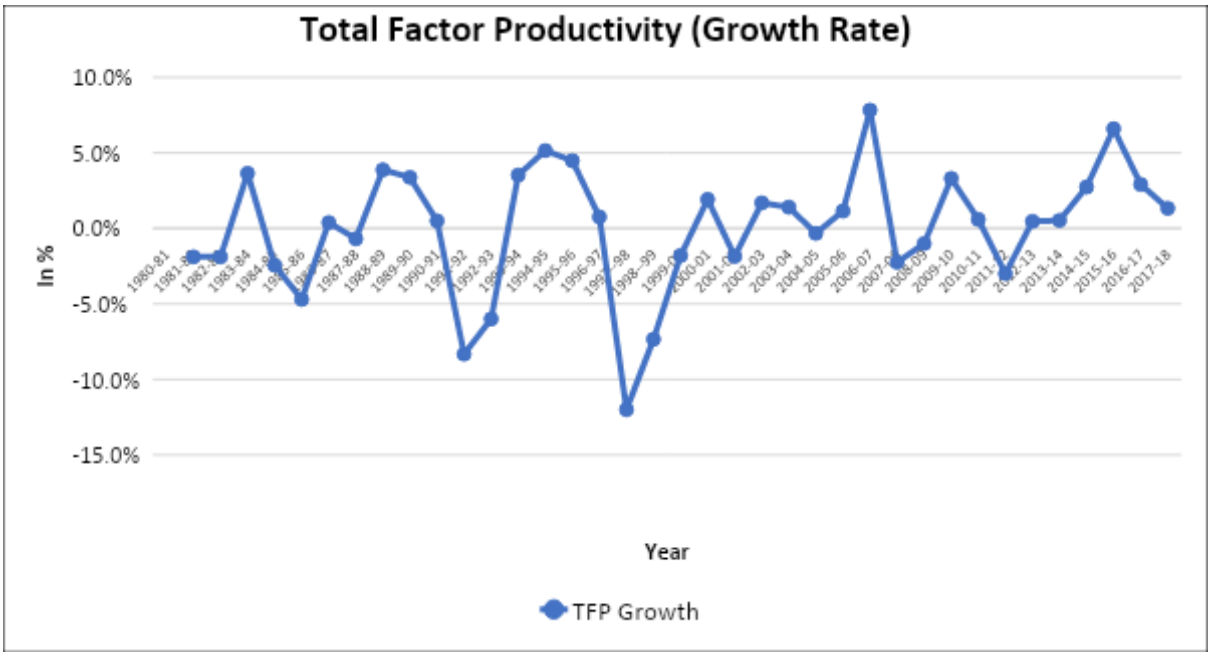
Source: Reserve Bank of India, The India KLEMS Database (2020)

Graph 4: Growth rate in manufacturing labour productivity for the period 1980-81 to 2017-18

Source: Reserve Bank of India, The India KLEMS Database (2020)

The trends in labour productivity are accompanied and driven by significant capital deepening and an increase in total factor productivity (TFP). The capital deepening here refers to the increasing level of capital stock in the manufacturing sector.

Graph 5: Growth rate in total factor productivity (TFP) for the period 1980-81 to 2017-18



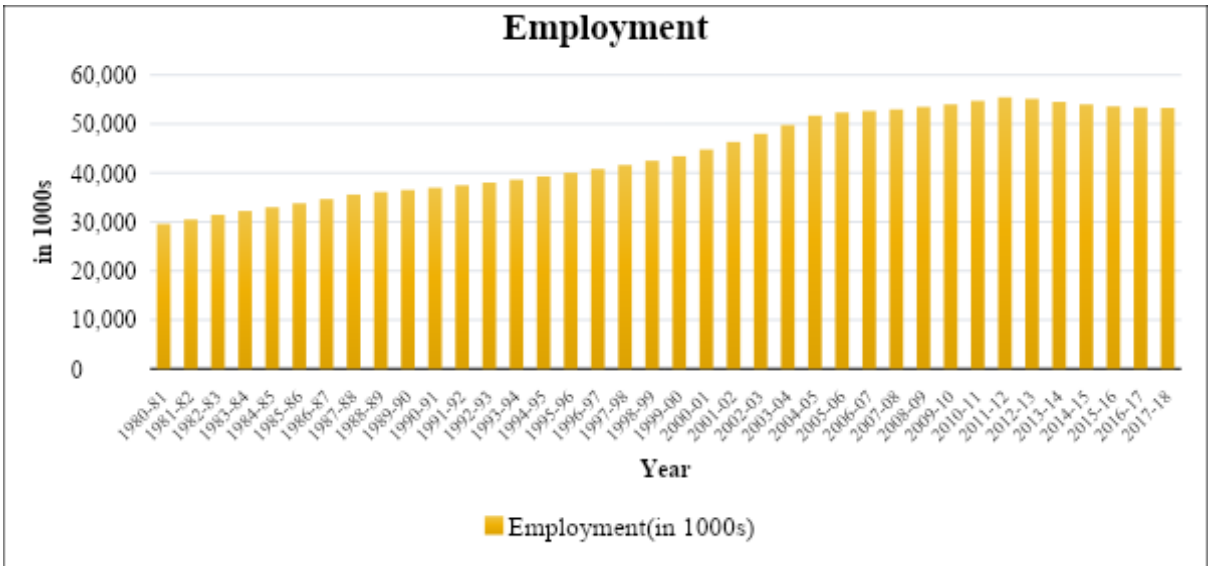
Source: Reserve Bank of India, The India KLEMS Database (2020)

The total factor productivity refers to the output per combined unit of all inputs, measured during a given period. The average total factor productivity growth during the period 1981-82 to 1992-93 was -1.2 % which witnessed a good increase to 0.2 % during the period 1993-94 to 2007-08. Amidst the aftershocks of the global financial crisis of 2007-08, the average TFP growth for the period 2008-09 to 2013-14 declined to 0.1 %. However, it has rebounded to an average of 3.4 % during the period 2014-15 to 2017-18.

3.4 Employment

According to the International Labour Organisation (ILO), employed people are defined as all those of working age who were engaged in any activity to produce goods or provide services for pay or profit during a short reference period. The share of people employed in manufacturing has increased substantially since 1980. The number of people employed has increased from 29,585 thousand to 38,029 thousand in 1992-93, which is approximately 1.28 times. It has further increased after the implementation of economic reforms in 1991 to 53,006 thousand in 2007-08. However, the increase in employment has not been up to the mark, with recent years witnessing a decline.

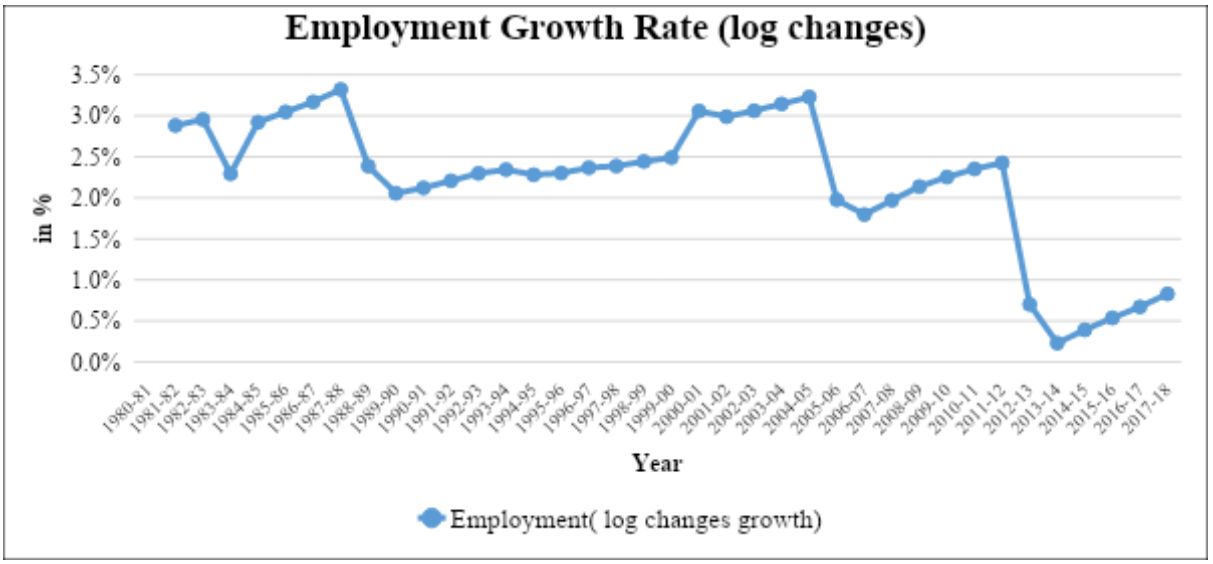
Graph 6: Employment in the manufacturing sector for the period 1980-81 to 2017-18



Source: Reserve Bank of India, The India KLEMS Database (2020)

The growth rate of employment in manufacturing has been fluctuating around 2% since the 1980s, with the last decade witnessing an apparent decline. The average growth rate of employment during the period 1981-82 to 1992-93 was 2.6% which changed to an average of 2.5% during the period 1993-94 to 2011-12. However, this trend has witnessed a steep decline in the average growth rate of employment of 0.6% during the period 2012-13 to 2017-18.

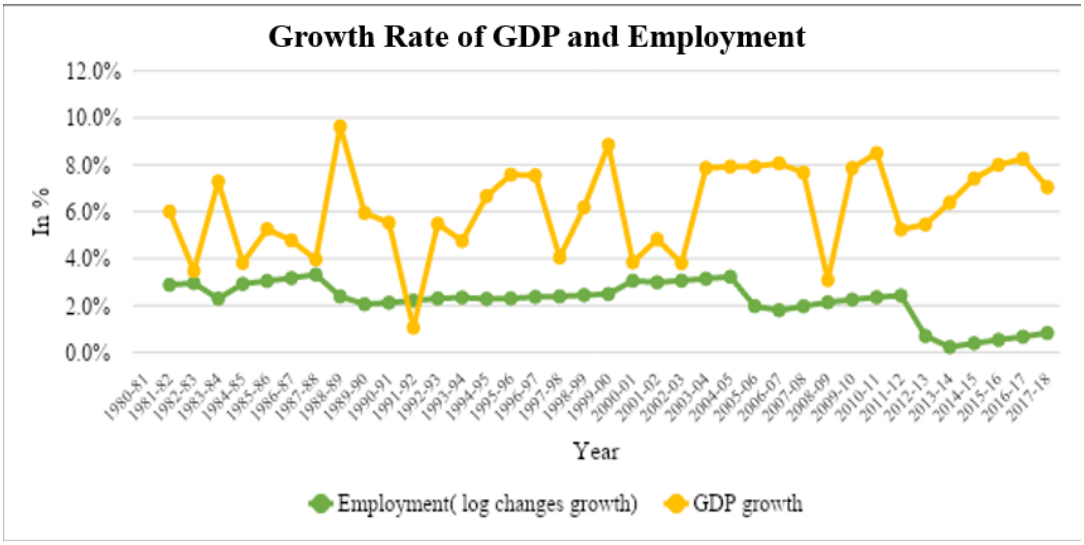
Graph 7: Employment growth rate in the manufacturing sector for the period 1980-81 to 2017-18



Source: Reserve Bank of India, The India KLEMS Database (2020)

A particularly fascinating trend is observed when a comparison of the growth rate of employment and growth rate of gross domestic product (at 2011-12 prices) is made. While employment growth was rationally high at around 2% with just about 5% growth rate of GDP on an average during the 1980s, employment growth has been much lower since the 1980s, particularly during the period 2003-04 to 2017-18 wherein the employment growth rate has been an average of 1.6% against the average GDP growth of 7.11%.

Graph 8: Growth rate of employment in the manufacturing sector and gross domestic product for the period 1980-81 to 2017-18

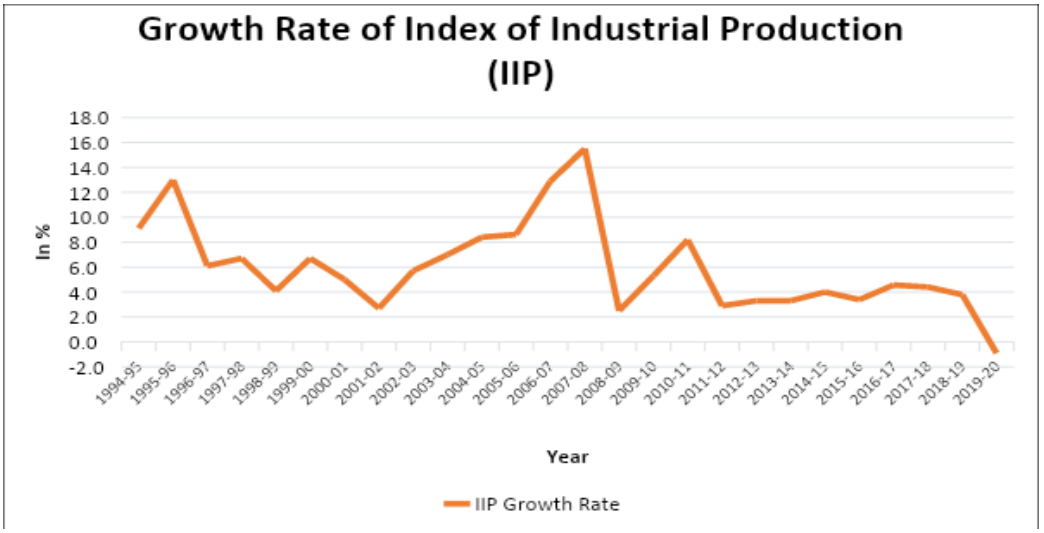


Source: Reserve Bank of India, The India KLEMS Database (2020)

3.5 Index of Industrial Production (IIP)

The Index of Industrial Production, commonly known as IIP, is a key economic indicator of the economy's manufacturing sector. It tracks the industrial production for the period under review against a reference period. The figure below depicts India's IIP growth rate trend over the years 199-95 to 2019-20.

Graph 9: Growth rate of Index of Industrial Production (IIP) for the period 1994-95 to 2019-20



Source: Ministry of Statistics and Programme Implementation (2020)

The IIP witnessed an average growth rate of 6.6% during the period 1994-95 to 2003-04 increasing to an average of 7.5% during the period 2004-05 to 2012-13. However, in the last few years ranging from 2013-14 to 2019-20, the growth rate of IIP has declined to an average of 3.2%, with 2019-20 registering a fall in IIP value.

4.0 Challenges and Prospects

According to the trend analysis presented above, the manufacturing sector's performance has been dissatisfactory. While total labour productivity has increased sharply since the 1991 economic reforms, the growth rates of labour productivity and total factor productivity have fluctuated significantly from 1980-81 to 2017-18. A similar pattern can be seen in manufacturing employment. Since 1980, the proportion of people employed in manufacturing has increased significantly. However, the growth rate of manufacturing employment has been fluctuating about 2% since the 1980s, with the recent decade showing a noticeable fall. Finally, the rate of increase of IIP, which measures industrial production in the economy, has slowed dramatically during the last two decades.

This dismal performance is attributable to various constraints on the expansion of the country's manufacturing sector. Presently, the sector is suffering from an infrastructural deficit, which includes a lack of water, transportation facilities, natural resources, skilled labour, and an effective set of regulations and administrative services, as measured by ease of doing business.

There is also a lack of small and medium-sized enterprises in the manufacturing sector, which makes it difficult for Indian firms to enter global value chains, thereby depriving them of access to technology, investment, and other desirable spill-over effects. The presence of these small and medium-sized enterprises also allows them to attain economies of scale[9] and have a better potential to innovate, hire more competent labour, and build more sustainable ties with larger firms. The regulatory structure that governs the sector is a major reason for the absence of medium-sized enterprises. Small enterprises are relatively free of labour rules and have certain benefits such as access to industrial infrastructure and the prospect of capital subsidies, which dissuades small firms from expanding their production level.

[9] It refers to cost advantages that companies experience when production becomes efficient, as costs can be spread over a larger amount of goods

Another constraint is the inadequate availability of skilled labour. Further, small firms tend to employ low-skilled workers and unless these firms expand, they do not provide employment to skilled labour. Consequently, these firms are unable to engage in competitive production techniques. Other constraints to manufacturing sector growth include banks' reluctance to lend for industrial activities, a bias toward capital-intensive manufacturing, low spending on research and development, competition from cheap imports from China and other countries with which India has a free trade agreement, and expensive and inefficient transportation system, and corruption.

Amidst this scenario, several measures have been undertaken to improve the performance of the manufacturing sector. Corporate taxes have been reduced to 25% to promote investments in the sector (The Economic Times, 2019). To achieve the golden targets of high growth and productivity, several initiatives have been taken by the government of India to promote the Indian manufacturing sector. The Make in India initiative aims to increase the sector's share in GDP to 25% and create 100 million new jobs by 2022 (IBEF, 2021). Skill India Mission aims to train over 40 crore people in India in different skills by 2022, thus enhancing the employability of the youth and increasing their productivity. The mission aims at vocational training and certification of Indian youth for a better livelihood and respect in society. It is an umbrella scheme for various programmes and initiatives being undertaken by the government. The other popular schemes include Standup India, which envisages promotion of entrepreneurship among women, Scheduled Castes (SC) and Scheduled Tribes (ST) candidates; and Startup India, which intends to build a robust ecosystem conducive to the growth of the manufacturing units.

The government of India has also launched several schemes for the promotion of micro, small, and medium enterprises in the economy. These include Prime Minister Employment Generation Programme (PMEGP), Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE), Credit Linked Capital Subsidy for Technology Upgradation (CLCSS), Market Promotion & Development Scheme (MPDA), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Coir Vikas Yojana (CVY), Financial

Support to MSMEs in ZED Certification Scheme, A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE), National Manufacturing Competitiveness Programme (NMCP), Marketing Promotion Schemes, Entrepreneurship Skill Development Programmes (ESDP), Micro & Small Enterprises Cluster Development (MSE-CDP), and Scheme of Surveys, Studies and Policy Research. In addition to these, the government has announced several measures to provide immediate relief to the MSME sector under the Atmanirbahar Bharat Package. The most important ones include INR 3 lakh crore collateral-free automatic loans for MSMEs to buy raw material, meet operational liabilities and restart businesses; revision of MSME definition to extend maximum benefits to the sector; disallowing global tenders in procurements up to INR 200 crore to create attractive opportunities for domestic players; and clearing of MSME dues by the Government and Public Sector Units (PSUs) within 45 days. Furthermore, Pradhan Mantri Mudra Yojana (2015) provides refinance support to micro-businesses and supports the sector's development. Therefore, if implemented well, these introduced reforms and initiatives will enable the manufacturing sector to reach its true potential.

5.0 Conclusion

The Indian economy has emerged as one of the fastest-growing economies in the world today. However, the same dynamism has not been observed in India's manufacturing sector of late, which has been comparatively less robust with respect to the service sector. India's manufacturing sector still underperforms in comparison to some developed and developing nations. However, despite its non-satisfactory performance, the sector remains crucial to India's structural transformation. In this respect, the paper summarises the conditions under which the manufacturing sector transformed since independence and analyses the aggregate trends of certain variables signifying the level of manufacturing activity in the economy. Given these developments, the paper has also discussed the various bottlenecks that the sector faces in current times and the government's policies to deal with them.

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