

Introduction to Urban Planning
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Lecture - 36
Legal Requirement for Industrial Development

Welcome to the course introduction to urban planning. Ever since independence we have realized the key significance of industries in meeting our economic goals as we have discussed in our five-year plans. So today we are going to look at the industries and all the requirements, for its development and particularly we are going to look at the legal requirements for the industrial development.

And what are various processes involved in industrial development from procuring license developing land to registration. Ever since independence we have realized the key significance of industries in meeting our economic goals as we had seen in our previous lectures. Today we are going to discuss legal requirements for industrial development.

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Coverage	
1	Objectives of India's Industrial Policies
2	Institutional arrangement
3	History of Industrial Policies in India
4	Foreign Direct Investment (FDI)
5	National Investment and Manufacturing Zones (NIMZs) Guidelines
6	Special Economic Zone (SEZ) Act, 2005
7	Small & Medium Enterprises Development (MSMED) Act, 2006

Accordingly, our coverage would include objectives of India's industrial policies, institutional arrangements, we will also look at the history of industrial policies in India and I would request you to keep reflecting on our initial objectives and also when we studied about contextualizing

cities, how our direction has been changing and we have been trying with learning and trying a lot of things in the process.

We look at the foreign direct investments FDI, further and will look into national investment and manufacturing zones NIMZ the guidelines of it. Then we will look into the special economic zone SEZ act of 2005 and the last we will look at small and medium enterprise developments MSMED act of 2006, so this will be our coverage for today. The expected learning outcomes which are expected after you finish this particular session.

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Learning Outcomes

- 1 Review the changes in Planning approach in the Industrial sector
- 2 Review the Objectives of India's Industrial Policies
- 3 Describe the Institutional Arrangement
- 4 Review the History of Industrial Policies in India
- 5 Discuss the key aspect of Foreign Direct Investment (FDI)
- 6 Review National Investment and Manufacturing Zones (NIMZs) Guidelines
- 7 Review the Special Economic Zone (SEZ) Act, 2005
- 8 Discuss the approach of Government through Small & Medium Enterprises Development (MSMED) Act, 2006

That you should be able to review, the changes in the planning approach in the industrial sector and you should be able to connect all the objectives and you should be able to connect it with the historical journey and also see what kind of interventions we have been taking. You should be able to review the objectives of India's industrial policy as well as be able to describe the institutional arrangements, further you should be able to review the history of industrial policy in India.

Likewise, you should be able to discuss the key aspects of FDI, furthermore you should be able to review the national investment and manufacturing zone guidelines. Furthermore, you should be able to review these special economic zones likewise you should be able to discuss the approaches adopted by the government to support small and medium enterprise.

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Industrial Policy Objectives

So, moving on, now let us see the main objectives of India's industrial policies. The objectives of India's industrial policy are,

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Objectives of India's Industrial Policy

- To maintain a **Sustained Growth** in productivity
- To enhance **Gainful Employment**
- To achieve **Optimal Utilization** of human resources
- To attain **International Competitiveness**
- To **Transform India** into a major partner and player in the global arena.
- To achieve these **Objectives**,
 - Policy focus is on deregulating Indian industry;
 - Allowing freedom and flexibility to the industry in responding to market forces;
 - Providing a policy regime that facilitates and fosters growth.

(URDPFI Guidelines, 2014)

To maintain a sustained growth in productivity to enhance gainful employment. So, you see how employment has been an issue for us to achieve optimal utilization of human resources to attain international competitiveness. You may recollect how we talked about competitive cities to transform India into a major partner and player in the global arena. Furthermore, to achieve these objectives, the policy focus is on deregulating Indian industry allowing freedom.

And flexibility to the industry in responding to the market forces and providing a policy regime that facilitates and foster growth. Looking further at the institutional arrangements for the industries, what we see is the department of industrial policy and promotion which we abbreviate as dip. It is an important government organization established in 1995 to promote and regulate industrial growth and production in India.

It falls under the aegis of the ministry of commerce and industry; the dip was merged with the department of industrial development in 2000. Looking at the; key role and function of the department.

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Institutional Arrangement

Department of Industrial Policy & Promotion

The **DIPP** is an important government organization that promotes and regulates industrial growth and production in India.

The role and functions of the DIPP are as follows:

- To formulate and implement the industrial policy and strategies for industrial development .
- To monitor general industrial growth as well as the performance of industries specifically assigned to it under the *Allocation of Business Rules* established in 1961.
- To provide advice on all industrial and technical matters.
- To formulate the **Foreign Direct Investment (FDI)** policy and promotion through its approval and facilitation;
- To function as the **Nodal Department** for investment-related issues in **Bilateral/Regional Economic Cooperation Agreements**;
- To encourage **Foreign Technology Collaboration** at the enterprise level and **formulate policy parameters** towards its **Implementation**;
- To **Promote Industrial Development** of underdeveloped areas of the country through international cooperation on industrial partnerships;
- To promote **Productivity, Quality, and Technical Cooperation**.

(DIPP, 2021)

We see that they are responsible for formulating and implementing the industrial policy and strategies for the industrial development. They are responsible for monitoring general industrial growth as well as the performance of industries especially assigned to it under the allocation of business rules established in 1961. Further we see that they are responsible for providing advice on all industrial and technical matters.

Furthermore, we see that they are responsible for formulating the foreign direct investment policy and promotion through its approval and facilitation like we see that they are responsible for functioning as a nodal department for investment related issues in bilateral regional economic

cooperation agreements. Furthermore, they are supposed to encourage foreign technology collaboration at the enterprise level and formulate policy parameters towards its implementation.

Likewise, we see they are responsible for promoting industrial development of underdeveloped areas of the country through international cooperation on industrial partnership. So, looking at the regional balances here, furthermore they are responsible for promoting productivity, quality and technical cooperation. Looking at some of the, major projects of the department.

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Delhi-Mumbai Industrial Corridor (DMIC) project

(Smisek, 2016)

We see that it includes the industrial infrastructure upgradation scheme IIUS and for the range of industrial corridors which you have also seen in the regional planning sessions which include,

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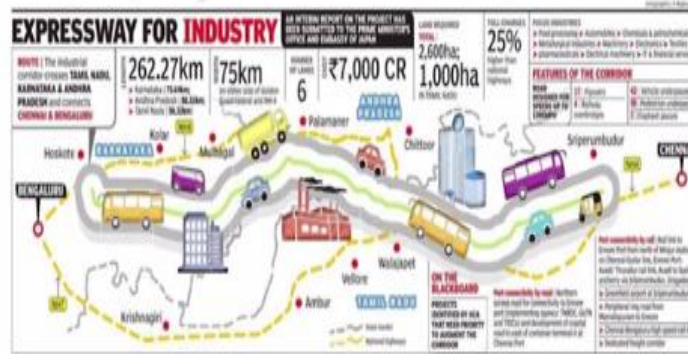


Amritsar-Kolkata Industrial Corridor (AKIC)

(NICDA, 2021)

Delhi Mumbai industrial corridor.

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Chennai-Bengaluru Industrial Corridor (CBIC)

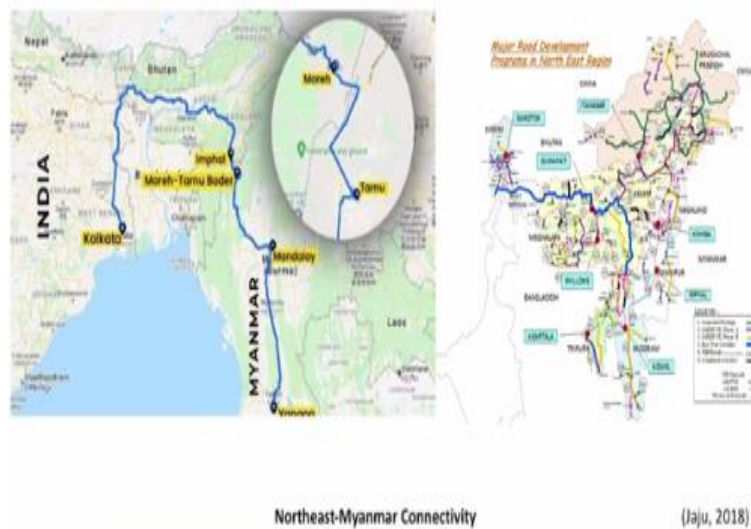
(times of India, 2015)

Amritsar Kolkata industrial corridor. Bangalore Mumbai economic corridor and so on.

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Moving on let us now,
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Briefly look into the history of industrial policies in the country.
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We will follow the timeline provided by,
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Professor Abhishek from his doctoral research on sustainable industrial infrastructure in India, our work as a country for industrial development started soon, after independence in 1947.
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Year	Summary
August 1947	Realisation of the need to outline an industrial policy.
April 1948	First industrial policy (classification of industries into 4 broad categories).
April 1958	Second industrial policy (new classification in 3 categories).
May 1951	Transport subsidy scheme (promoted industrialisation in inaccessible areas by providing subsidy).
December 1952	Industrial policy statement (identified high-priority industries where investment from large industrial houses and foreign companies would be permitted).
March 1957	Industrial policy resolution (Emphasis on decentralisation and the role of small-scale industries).
July 1960	Industrial policy resolution (Rationalisation of industrial licensing, attention on the need for promoting competition in the domestic market, technological upgradation, and modernisation).
July 1991	Industrial policy resolution (up-gradation of previous liberalisation schemes).
June 2002	Industrial park scheme (to provide site regulations for industrial parks (zones and setbacks) and procedure and approval guidelines for setting up of industrial parks).
February 2003	Industrial Infrastructure Up-gradation Scheme (IUS) (to provide quality infrastructure to existing industrial clusters through PPP mode).
June 2005	ISEZ Policy (promotes and facilitates setting up ISEZ through incentives and exemptions, simplifies compliance procedures, and single window clearance provides approval and allotment procedure).
June 2008	National Mineral Policy (NMP) (to develop framework for R&D of efficient usage of resources that will guide the establishment of industries.)
July 2009	Agri-Industrial Policy (enhancing backward areas by way of foodgrain promotion through political support).
July 2011	Industrial & FDI Policy (to promote and increase the role of foreign direct investments (FDI)).
July 2011	National Manufacturing Policy (to promote and increase the role of the manufacturing sector in GDP (optimization of land and resource usage).

Milestones in National Policies (India)

(Kumar, 2020)

Through the industrial policy resolution of 1948, the first policy we defined the role of the state in the industrial development both as an entrepreneur and authority which also classified, this particular policy also classified the industries into various categories at that time. It categorized four, identified four categories. This was followed by comprehensive enactment of industries, development and regulation act IDRA in 1951.

That provides for the necessary framework for implementing the industrial policy and enables the union government to direct investment into desired channels of industrial activity through the mechanism of licensing. The IDRA 1955 also makes provision for establishment of the central advisory council and development councils. It also looks into the regulation of industries through the process of registering and licensing.

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License for Industries in India

Moving on we will briefly look into, how the licensing is done and the process is dealt with in our country. In between briefly we will look at licensing concerns and the process for industries in India and how this licensing liberalizes a lot of our processes.

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LICENSE FOR INDUSTRIES IN INDIA

- In India, Industrial development license are regulated by the **IDRA (Industrial Development & Regulations Act) , 1951 Act**, and are approved by the Secretarial of Industrial Assistance (SIA).
- Earlier, large industries that manufactured items that were exclusively reserved for **Micro, Small, and Medium Enterprises (MSME)** also needed to obtain an industrial license.

In April 2015, the government unreserved item

- To encourage greater foreign investment,
- Incorporate better technologies,
- Enhance competition in the Indian and global market for the products.
- Large industries are now permitted to manufacture items, including bread, pickles and chutneys, mustard oil, groundnut oil, laundry soap, safety matches, agarbattis, and many more without obtaining an industrial license. (IDRA, 1951)

In India industrial development licenses are regulated by IDRA, 1951 act and are approved by secretary of industrial assistance SIA. Earlier large industries that manufactured items that were exclusively reserved for micro, small and medium enterprises like MSME also needed to obtain an industrial license. However, in April 2015, the government unreserved these items to encourage greater foreign investment incorporate better technologies.

And enhance competition in the Indian and global market for the product. So, these licensing requirements were relaxed, large industries were now permitted to manufacture items including simple bread, pickles and other stuff without obtaining an industrial license. However, there are industries that require licensing for manufacturing in the country that include,

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License For Industries In India

Industries subject to compulsory licensing in India

- Tobacco items
- Defense aerospace and warships
- Hazardous chemicals
- Industrial explosives

These industries require compulsory licensing because of

- Environmental
- Safety
- Strategic Considerations

(IDRA, 1951)

Like tobacco items, defense, aerospace and warships, hazardous chemicals, industrial explosives. So, all these things still need the license and apart from this there are licenses required for specific locations. And we also see that these particular identities require licensing because of the environmental safety and strategic considerations. Coming back to our timeline we just quickly looked into the licensing part, coming back to our timeline.

We further see in 1971 a transport subsidy scheme was brought to improve accessibility for the industrial areas. So, with transportation coming in and access coming in there were a lot of improvement in the year 1973,

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Date	Summary
August 1947	Realization of the need to outline an industrial policy.
April 1948	First industrial policy (classification of industries into 4 broad categories).
April 1956	Second industrial policy (new classification in 5 categories).
May 1971	Transport subsidy scheme (promoted industrialization in inaccessible areas by providing subsidy).
December 1973	Industrial policy statement (identified high-priority industries where investment from large industrial houses and foreign companies would be permitted).
March 1977	Industrial policy resolution (Emphasis on decentralization and the role of small-scale industries).
July 1980	Industrial policy resolution (liberalization of industrial licensing, attention on the need for promoting competition in the domestic market, technological upgradation, and modernization).
July 1991	Industrial policy resolution (up-gradation of previous liberalization scheme).
June 2002	Industrial park scheme (to provide site regulations for industrial parks (zones and setbacks), and procedure and approval guidelines for setting up of industrial parks).
February 2003	Industrial Infrastructure Up-gradation Scheme (IIUS) (to provide quality infrastructure to attract industrial clusters through PPP mode).
June 2005	ISZ Policy (simplifies and facilitates setting up ISZ through incentives and exemptions, simplifies compliance procedures, and single window clearance provides approval and allotment procedure).
June 2008	National Mineral Policy (NMP) (to develop framework for NMO of efficient usage of resources that will guide the establishment of industries).
July 2008	Agro-Industrial Policy (enhancing backward areas by way of fund/promotion through political support).
July 2011	Industrial & FDI Policy (to promote and increase the role of foreign direct investments (FDI).
July 2011	National Manufacturing Policy (to promote and increase the role of the manufacturing sector in GDP (utilization of land and resource maps).

Milestones in National Policies (India) (Kumar, 2020)

High priority industries were identified for large industrial houses and foreign companies would be permitted in these corridors. Further in 1977 the industrial resolution for decentralization and further in 1980 through another resolution we see liberalization was promoted through ease of licensing with the intention to promote competition in the domestic market technological upgradation and modernization.

So, you may connect with the history part of what we saw or you can also connect with the five-year plan of how we were seeing how our focus and development was changing. Further in 1977 the industrial resolution for decentralization and further in 1980 through another resolution. Liberalization was promoted through ease of licensing with the intention to promote competition in the domestic market, technological upgradation and modernization which was further upgraded in 1991 policy resolution.

In the year India opened up its economy to the world and attracted a lot of investment from international companies across sectors. In 1991 industrial policy aimed to maintain sustainable growth in productivity, enhance gainful employment, achieve optimal utilization of human resources, attain international competitiveness and transform India into a major partner in the global arena. The policy which we were seeing is focused on industry deregulation.

Earlier large industries that manufactured items that were exclusively reserved for MSME also needed to obtain an industrial license. However, large industries are permitted to manufacture items including various, stuff without obtaining an industrial license. Market responsive industrial development and provision for a policy regime for facilitation and growth of industry was targeted in this particular policy.

Later in 2002 we saw an industrial park scheme which is again area based and investment in pockets was initiated to provide site regulations for industrial parks, areas and setbacks and procedure and approval guidelines for setting up industrial parks. As for the data from the press information bureau of the Government of India; industrial parks and industries in the country, as for the lists given.

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State of India	Number	State of India	Number
Andhra Pradesh	400	Maharashtra	728
Assam	01	Mizoram	0
Bihar	04	Madhya Pradesh	0
Chhattisgarh	4	Odisha	2
Goa	01	Rajasthan	0
Gujarat	04	Tamil Nadu	128
Haryana	04	Uttar Pradesh	10
Himachal Pradesh	02	West Bengal	03
Jammu & Kashmir	01	Chandigarh	01
Karnataka	539	Delhi	213
Kerala	01	Goa	01
Madhya Pradesh	0	Haryana	147
Maharashtra	728	Uttarakhand	28
Manipur	0	Uttar Pradesh	218
Mizoram	0	West Bengal	01
Nagaland	0	Andhra Pradesh	14
Odisha	2		
Rajasthan	0		
Tamil Nadu	128		
Uttar Pradesh	218		
West Bengal	03		
Total	3989		

(PIB, 2021)

State-wise number of Industrial Parks/ Estates/ Clusters/ Sides (as on 1st Feb, 2021) entered on Industrial Information System (IIS) by Ministries/ State Govt.

There are total 3989 industrial parks as of first February 2021 data, maximum being in Maharashtra 728, then followed by Karnataka 539, in Andhra Pradesh 400 and you see the industrial park in this region, and you see the industrial park in these states. Further moving on in 2003, industrial infrastructure gradation scheme was introduced and this was introduced to provide high quality infrastructure to the existing industrial clusters through the PPP model.

In 2005 we further see that a special economic zone policy came which was initiated to promote and facilitate setting of special economic zones also called SCZ through incentives and

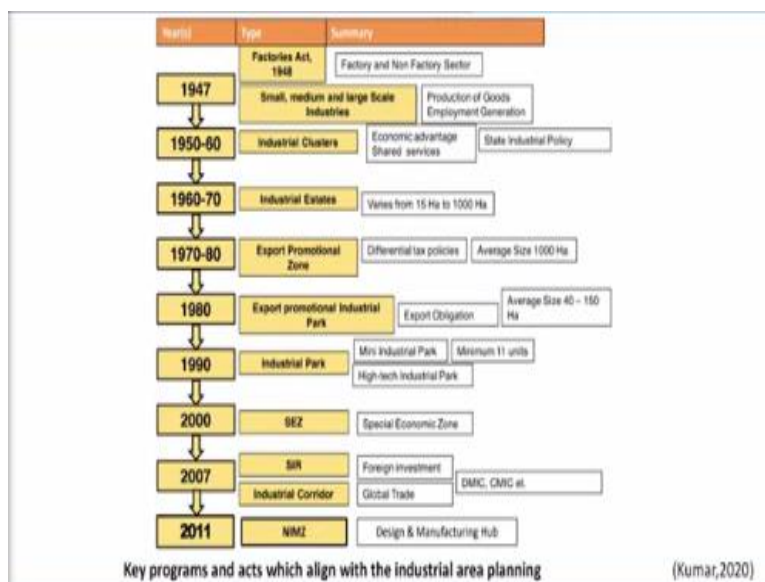
exemption simplified compliance procedures. There would be very simple procedures to acquire anything and ease of the process, the regular process, so the ease was given to them. Moving on we see in 2008 there was a framework which was developed for R and D for efficient use of resources.

Further in 2009 in order to enhance the backward areas by way of funding agro-industrial policy was also made. So, you can see how we are looking at the regional balance here and July 2011, we saw enhanced industrial and FDI policy. Also, we look at the national and manufacturing policy to promote and increase the role share of the manufacturing sector. So, you may see how we have still focused on the manufacturing sector.

You may recollect that in previous contextualizing cities, the global cities are moving more towards the high skilled jobs and they are looking at non-manufacturing jobs because of environmental concerns. So, we are right now at a stage where we are more focusing on the manufacturing jobs. However, we are moving in the other direction as well, service-oriented jobs and high skilled jobs and also moving towards the creative cities.

Moving on, here we also see various key programs and acts which align with the industrial area planning taken from the research work of,

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Professor Abhishek, so you can see all these areas planning different schemes and acts which came up which focused like from moving on to factory act to small and medium and large-scale industries and all these and SCZ and SIR are coming in. Moving forward now let us look into India's policy for,

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Foreign Direct Investment (FDI)

Foreign direct investment, this one will slightly be seen in detail. We are going to look at the consolidated FDI policy circular of 2020. I will walk through only selective parts of the document for broader and basic understanding. For detailed and in-depth understanding, you may look into all the detailed policy and reviews and some are given in the suggested readings and watches for you. Looking at the intent of FDI like why FDI was really, we promoted FDI.

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Foreign Direct Investment (FDI)

- Foreign Direct Investment (FDI) is considered as a major source of non-debt financial- resource for the economic development.
- Non-debt financial resource : doesn't incur any future **repayment burden** for the government.

(Department for Promotion of Industry and Internal Trade document, 2020)

FDI is considered as, a major source of non-depth financial resource for economic development. And what do we really mean by non-depth financial resource? It is the resource which does not incur any future repayment burden for the government. So, the government need not return it back to the people who invest, so it is a huge relaxation for the government.

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In India since liberalization, you may, recollecting from the eighth five-year plan, FDI's have grown consistently. FDI as the department of promotion of industry and internal trade documents of 2020 are seen as an important component of foreign capital.

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Foreign Direct Investment (FDI)

Benefits of FDI

- Foreign capital
- Long term sustainable capital in the economy
- Contributes towards technology transfer
- Development of strategic sectors
- Support innovation
- Encourages competition
- Creates employment

(Department for Promotion of Industry and Internal Trade document, 2020)

FDI is said to infuse long-term sustainable capital in the economy, it is said to contribute towards technology transfer, helps in developing of strategic sectors, support innovation, it also encourages competition and creates employment among other benefits.

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Foreign Direct Investment (FDI)

FDI Policy pronouncements

The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India through Consolidated FDI Policy Circular/Press Notes/Press Releases

FDI pronouncements notification

Department of Economic Affairs (DEA), Ministry of Finance, Government of India as amendments to the **Foreign Exchange Management (Non-Debt Instruments) Rules, 2019** under the **Foreign Exchange Management Act, 1999 (42 of 1999) (FEMA)**.

(Department for Promotion of Industry and Internal Trade document, 2020)

FDI policy pronouncements, if we see the procedure are made by the departments, for promotion of industry and internal trade that is DPIIT, ministry of commerce and industry, government of India through consolidated FDI policy circular which we are walking through. Right now, we are looking at that and these pronouncements are notified by the department of economic affairs DEA, ministry of finance government of India as amendment to the foreign exchange

managements rules of 2019 under the foreign exchange management act which is now called as FEMA.

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Foreign Direct Investment (FDI)

The Foreign Exchange Management Act (1999)

- FEMA (1999) has been introduced as a replacement for earlier Foreign Exchange Regulation Act.
- FEMA came into act on the 1-06-2000.

The main objective behind the Foreign Exchange Management Act (1999) is

- To consolidate and amend the law relating to foreign exchange with objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India.
- FEMA is applicable to the all parts of India.

(Department for Promotion of Industry and Internal Trade document, 2020)

The foreign exchange management act 1999 or in short FEMA has been introduced as a replacement for the earlier foreign exchange regulation act. FEMA came into act on the first day of June 2000. The main objective behind the FEMA is to consolidate and amend law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and management of foreign exchange market in India.

FEMA is applicable to all parts of the country, the act is also applicable to all branches, offices and agencies even outside India which are owned and controlled by persons who reside in the country. So, we saw the intent of the FDI, benefits of the FDI who makes the policy. Now moving forward, we will see few definitions.

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Key Definition's

For us to develop a better conceptual understanding in this direction, FDI means investment through capital instruments.

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Key Definition's

- 'FDI' or 'Foreign Direct Investment' means investment through capital instruments by a person resident outside India in an unlisted Indian company

Capital instrument, which are shares debentures loans by a person residing outside India in an unlisted Indian company. Now looking at foreign investment.

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Key Definition's

Foreign Investment

- Any investment made by a person resident outside India on a **repatriable basis** where in capital instruments of an Indian company or to the capital of a Limited Liability Partnership (LLP)
- Repatriable refers to **the ability to move liquid financial assets from a foreign country to an investor's country of origin.**

Foreign investment means an investment made by, a person resident outside India on a repatriable basis. If you look at the meaning of repatriable, it refers to the ability to move liquid financial assets from a foreign country to an investor's country of a region. And capital instruments of an Indian company or to the capital of a limited liability partnership.

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Key Definition's

Joint Venture (JV)

- Joint venture means an Indian entity incorporated in accordance with the laws and regulations in India in whose capital a non-resident entity makes an investment.

Let us now look at joint venture. Joint venture means an Indian entity incorporated in accordance with the laws and regulation in India in whose capital a non-resident entity makes an investment.

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Key Definition's

FEMA

- the Foreign Exchange Management Act, 1999.

FEMA, we have already seen means foreign exchange management act.

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Key Definition's

Venture Capital Fund (VCF)

- A fund established in the form of a trust, a company including a body corporate and registered under the Securities and Exchange Board of India Regulations, 2012.

Venture capital fund, this means a fund established in the form of a trust, a company including a body corporate and registered under the securities and exchange board of India regulation of 2012. So, we see SEBI, SEBI means the securities and exchange board of India.

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Key Definition's

'SEBI'

- Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
- **Prime purpose** is to protect the interests of investors in securities and to promote the development , and to regulate the security of the market and for matters connected with these.

Established under the securities and exchange board of India act 1992, the prime purpose of this is to protect the interest of investors in securities and to promote the development and to regulate the security of the market for matters connected with these. So, we see how the investors are protected through this act. Then we also have seen this particular term before as well.

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Key Definition's

'Transferable Development Rights' (TDR)

meaning assigned to it in the regulations made under subsection (2) of section 6 of FEMA.

So, transferable development rights, which means shall have the meaning assigned to it in the regulation made under the subsection of section 6 of FEMA. Now moving on we see the investment vehicles. So, what are investment vehicles?

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Key Definition's

Investment Vehicle:

Entity registered and regulated under relevant regulations framed by SEBI or any other authority designated for the purpose and shall include

(i) **Real Estate Investment Trusts (REITs)** governed by the SEBI (REITs) Regulations, 2014.

(ii) **Infrastructure Investment Trusts (Invlts)** governed by the SEBI (Invlts) Regulations, 2014.

(iii) **Alternative Investment Funds (AIFs)** governed by the SEBI (AIFs) Regulations, 2012.

Investment vehicles mean, an entity registered and regulated under the relevant regulation framed by SEBI and other authority designated for the purpose and will include real estate investment trust as well as infrastructure investment trust and alternative investment funds. So, through these channels what comes from its investment vehicle, we also see that there are few prohibited sectors for investment.

So, in many areas FDI is permitted but then we will pay attention to the prohibited sections here. So, FDI is prohibited and the businesses like lottery business,

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Foreign Direct Investment (FDI)

Prohibitive Sectors

There are few prohibitive sectors for investment, FDI is prohibited in:

- a) **Lottery Business including Government/private lottery, online lotteries, etc.**
- b) **Gambling and Betting including casinos etc.**
- c) **Chit funds.**
- d) **Nidhi company .**
- e) **Trading in Transferable Development Rights (TDRs).**

Including government lottery, online lotteries and so on gambling and betting, chit fund, Nidhi company trading in TDR, transferable development rights. So, in this we prohibited we further see it is prohibited in real estate business or construction of farm houses which can be exchanged for TDR.

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We see real estate business or construction of farm houses, including real estate business shall not include development of township, construction of residential commercial premises roads or bridges and real estate trust registered and regulated under the SEBI regulation of 2014. We see the manufacturing of cigars, cheroots, cigarillos and so on are also not permitted. Then we see activities or sectors, not open to private sectors, investment are also not permitted such as atomic energy, railway operation, other than the permitted activities.

So, you will see those permitted activities. Further we see foreign technology collaboration in any form including licensing for franchise trademark brand name management contracts is also prohibited for lottery gambling and betting activities. Now looking at the permitted sector, so this is a long list, so I will just tell you the titles in which they are permitted, so you would see that these permissions are given plus there is a limit to how much,

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Foreign Direct Investment (FDI)

Permitted Sectors

- FDI up to the limit indicated against each sector/activity is allowed, subject to applicable laws/regulations; security and other conditionalities.
- In sectors/activities not listed below, FDI is permitted up to 100% on the automatic route, subject to applicable laws/regulations; security and other conditionalities.

(Department for Promotion of Industry and Internal Trade document, 2020)

of the investment can be done and through which channel it would be channelized. So, most of them are automatic routes they follow, for the sum of the sectors need to come through the government.

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Foreign Direct Investment (FDI)

Permitted Sectors

AGRICULTURE & ANIMAL HUSBANDRY-100%

- a) Floriculture, Horticulture, and Cultivation of Vegetables & Mushrooms under controlled conditions;
- b) Development and Production of seeds and planting material;
- c) Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture, Apiculture; and
- d) Services related to agro and allied sectors.

(Department for Promotion of Industry and Internal Trade document, 2020)

So, we see agriculture and animal husbandry where 100% can be invested and that includes floriculture, horticulture. You can also see development and production of seeds and planting material; animals have been raised. So, all these are permissible, you can also see the plantation sector which again has percent investment.

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Foreign Direct Investment (FDI)

Permitted Sectors

PLANTATION SECTOR -100%

- (i) Tea sector including tea plantations
- (ii) Coffee plantations
- (iii) Rubber plantations
- (iv) Cardamom plantations
- (v) Palm oil tree plantations
- (vi) Olive oil tree plantations

(Department for Promotion of Industry and Internal Trade document, 2020)

Such as T sector, coffee, rubber, cardamom, palm oil, olive oil tree plantations and so on. Further moving on we see that there are selective areas,

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Foreign Direct Investment (FDI)

Permitted Sectors

Selective areas in

- MINING AND PETROLEUM & NATURAL GAS (with 100%FDI)
- BROADCASTING CARRIAGE SERVICES
- BROADCASTING CONTENT SERVICES – with caping ranging from 26-100%

(Department for Promotion of Industry and Internal Trade document, 2020)

In mining and petroleum and natural gas also, which have 100% FDI investment provision. Moreover, we also see the broadcasting, carriage services and content also has provision from investment from 26 to 100%. Likewise, we see even defense industry subject to industrial license is also open for FDI,

(Refer Slide Time: 26:05)

Foreign Direct Investment (FDI)

Permitted Sectors

- **Defense Industry** subject to Industrial license under the Industries (Development & Regulation) Act, 1951 and Manufacturing of small arms and ammunition under the Arms Act, 1959 .
- 100% for which 75% is through automatic route.

(Department for Promotion of Industry and Internal Trade document, 2020)

Ranging from certain percent 75 and 100%. However, for the maximum it is routed through the government. We also see the investment is also open in the print media.

(Refer Slide Time: 26:20)

Foreign Direct Investment (FDI)

Permitted Sectors

- **PRINT MEDIA** is 26% through government route.
- Civil aviation –airports , airport transport services and aligned services 100% with few taken through government route.

(Department for Promotion of Industry and Internal Trade document, 2020)

We see civil aviation, airport, air force transport services and the line services are also open for investments. Likewise, we see construction development. So, something which we are more concerned with like,

(Refer Slide Time: 26:35)

Foreign Direct Investment (FDI)

Permitted Sectors

- **Construction Development: Townships, Housing, Built-up Infrastructure - 100% - Automatic route.**

(Department for Promotion of Industry and Internal Trade document, 2020)

Township, housing, built up infrastructure, construction development projects which would include development of township construction of residential commercial premises roads and bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure in township. So, for this FDI is open for 100% and or has an automatic route for this.

We also see that each phase of construction development project is considered as a separate project for the purpose of FDI policy. The project shall conform to the norms, so that it is required that they align with the norms and standards including something which we are concerned with. Including land use requirements and provision of the community, amenities and common facilities as laid down in the applicable building control regulation.

Bylaws, rules and other regulations of the state government or the municipal local bodies which are connected with investment. And Indian investee companies shall be responsible, so the person of the investing company would be responsible for getting all the permissions and aligning with the laws. You may also read through the notes in the circular and see that FDI is not permitted in an entity which is engaged or proposes to engage in real estate business, construction of farm houses and trading in transferable development rights.

(Refer Slide Time: 28:15)

Foreign Direct Investment (FDI)

Permitted Sectors

- **INDUSTRIAL PARKS** new and existing with 100%
- **SATELLITES- ESTABLISHMENT AND OPERATION**
 - Satellites- establishment and operation, subject to the sectoral guidelines of Department of Space/ISRO
- **PRIVATE SECURITY AGENCIES**
- **TELECOM SERVICES**
- **TRADING**
- **E-COMMERCE ACTIVITIES**

(Department for Promotion of Industry and Internal Trade document, 2020)

Further we see industrial parks. New and the existing are all 100% open for FDI, we also see satellite establishment and operation, also satellites establishment and operation they are subject to sectoral guidelines but they are open for FDI as well. You see private security agencies, telecom services trading e-commerce activities also. Further something of our concern would be railway infrastructure which is again open for, some of the segments are open for FDI.

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Foreign Direct Investment (FDI)

Permitted Sectors

RAILWAY INFRASTRUCTURE

Railway Infrastructure Construction, operation and maintenance of the following: 100% automatic

1. Suburban corridor projects through PPP,
2. High speed train projects,
3. Dedicated freight lines,
4. Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities,
5. Railway Electrification,

(Department for Promotion of Industry and Internal Trade document, 2020)

You see such as suburban corridor projects through private public partnership mode, high-speed train projects which we have been seeing, dedicated freight lines, rolling stock including train sets and locomotive coaches manufacturing and maintenance facilities, railway electrification.

(Refer Slide Time: 29:11)

Foreign Direct Investment (FDI)

Permitted Sectors

- (vi) Signaling systems,
- (vii) Freight terminals,
- (viii) Passenger terminals,
- (ix) Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway line and
- (x) Mass Rapid Transport Systems.

(Department for Promotion of Industry and Internal Trade document, 2020)

Signalling system and so on you can see here we can also see mass rapid transport in the list. So, looking at the example we see that a consortium of Larsen and Touro link constructions.

(Refer Slide Time: 29:28)

Bullet train project: Consortium of L&T, Japanese firm bags ₹1,390 crore contract for steel bridges



These bridges will be built over railway lines, rivers, highways, roads and other structures. National High Speed Rail Corporation Limited said in a statement. (nhrc.in)

(Mint,2021)

Heavy civil infrastructure business and Japan IHI infrastructure system has secured a contract to deliver 28 steel bridges for the Mumbai, Ahmedabad high speed rail corridor in the country. So, that is about how the investment is also coming in the railway sector.

(Refer Slide Time: 29:51)

Foreign Direct Investment (FDI)

Permitted Sectors

ASSET RECONSTRUCTION COMPANIES

- BANKING- PRIVATE SECTOR 100% -Automatic up to 49%
- BANKING- PUBLIC SECTOR-20% government route
- CREDIT INFORMATION COMPANIES (CIC)-100%, automatic
- INFRASTRUCTURE COMPANY IN THE SECURITIES MARKET-49%
- automatic

(Department for Promotion of Industry and Internal Trade document, 2020)

We see that asset reconstruction companies, banking credit information companies, infrastructure companies, securities also are open with certain ranges. As well as we see insurance, pension.

(Refer Slide Time: 30:04)

Foreign Direct Investment (FDI)

Permitted Sectors

- INSURANCE-40-100% automatic
- PENSION SECTO-49% automatic
- POWER EXCHANGES-49% automatic
- WHITE LABEL ATM OPERATIONS-100% -automatic
- PHARMACEUTICALS-green and brown field –automatic to government route.

(Department for Promotion of Industry and Internal Trade document, 2020)

Power exchange and other listed here you can see. Moving on we will quickly look into which are the countries that invest in our nation.

(Refer Slide Time: 30:18)

Amount in Rupees Crores (in US\$ Million)						
Rank #	Country	2019-20 (April - March)	2020-21 (April - March)	2021-22 (April - June)	Cumulative Inflows (April 00 - June 21)	Share of total inflows (in terms of US \$)
1.	MAURITIUS	57,765 (8,241)	41,681 (8,439)	24,325 (3,290)	811,367 (181,648)	28%
2.	SINGAPORE	703,910 (14,871)	129,227 (17,478)	24,244 (3,248)	765,133 (114,394)	22%
3.	U.S.A.	28,890 (4,222)	102,498 (13,823)	14,098 (1,911)	288,985 (44,842)	8%
4.	NETHERLANDS	48,071 (6,886)	20,826 (2,788)	2,054 (1,891)	237,976 (37,244)	7%
5.	JAPAN	22,774 (3,228)	14,411 (1,990)	4,007 (598)	274,352 (38,888)	7%
6.	U.K.	15,041 (1,422)	18,223 (2,843)	2,803 (248)	188,147 (38,800)	6%
7.	GERMANY	3,487 (488)	4,910 (867)	2,488 (333)	76,323 (13,196)	2%
8.	CAYMAN ISLANDS	28,387 (3,782)	28,778 (2,788)	4,728 (1,318)	88,383 (11,884)	3%
9.	UAE	2,383 (336)	31,242 (4,203)	1,387 (190)	74,341 (11,383)	2%
10.	CYPRUS	8,448 (876)	2,810 (388)	603 (88)	81,338 (11,288)	2%
TOTAL FDI EQUITY INFLOWS FROM ALL COUNTRIES *		183,058 (49,877)	412,500 (89,436)	129,323 (17,867)	1,324,323 (247,321)	-

* Includes inflows under ARI Schemes of RBI.

Note:

(i) Cumulative country-wise FDI equity inflows (from April, 2000 to June, 2021) are at - Annex-21.

(ii) Sage worked out in US\$ terms & FDI inflows received through FIPB/SIA- ARI's Automatic Route + acquisition of existing shares only.

(iii) Figures are provisional.

Share of Top investing countries FDI equity inflows (Financial years)

(DPIIT,2021)

As per the quarterly facts sheet on, Foreign direct investment from April 2000 to June 2021. We see Mauritius and Singapore are among the highest with 28 and 22% of total inflow from these countries in the FDI which we have.

(Refer Slide Time: 30:35)

E. SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOWS:

Amount in Rs. Crores (in US\$ Millions)						
Rank	Sector	2019-20 (April - March)	2020-21 (April - March)	2021-22 (April - June)	Cumulative Inflows (April 00 - June 21)	% age to total inflows (in terms of US\$)
1.	SERVICES SECTOR **	15,428 (7,854)	37,542 (9,260)	14,000 (1,893)	523,272 (88,886)	18%
2.	COMPUTER SOFTWARE & HARDWARE	34,250 (7,677)	1,34,291 (26,148)	22,674 (3,041)	4,32,671 (74,117)	14%
3.	TELECOMMUNICATIONS	30,540 (4,448)	2,384 (382)	2,338 (314)	2,24,411 (37,877)	7%
4.	TRADING	32,405 (4,874)	19,349 (2,498)	4,422 (641)	1,36,775 (20,684)	6%
5.	AUTOMOBILE INDUSTRY	78,753 (8,824)	12,718 (1,837)	34,274 (4,845)	1,36,078 (20,814)	6%
6.	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	4,350 (617)	3,117 (422)	436 (58)	1,27,519 (28,144)	6%
7.	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	14,510 (2,042)	58,240 (7,878)	4,878 (648)	1,71,500 (25,382)	6%
8.	CHEMICALS (OTHER THAN FERTILIZERS)	7,407 (1,688)	4,300 (647)	1,673 (213)	1,58,427 (18,788)	3%
9.	DRUGS & PHARMACEUTICALS	3,660 (518)	11,015 (1,490)	654 (138)	90,798 (18,121)	3%
10.	METALLURGICAL INDUSTRIES	14,870 (2,191)	16,003 (1,340)	6,290 (1,288)	83,881 (16,919)	3%

Note:

(i) ** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech, Testing and Analysis, Other.

(ii) Cumulative Sector-wise FDI equity inflows (from April, 2000 to June, 2021) are at - Annex-22.

(iii) FDI Sectoral data has been revalidated / reconciled in line with the FDI, which reflects minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.

(iv) Figures are provisional.

Sectors Attracting Highest FDI Equity Inflows

(DPIIT,2021)

Highest investment is in the service sector if we look sector wise, so the highest investment comes in the sector 16% of total inflow comes in the service sector and we will further see that 14% comes in the computer software and hardware segment. We also see that in construction you have 5% and construction infrastructure you see another 5% of the flow coming in.

(Refer Slide Time: 31:05)

Amount in Rupees Crores (in US\$ Million)

S. No.	STATE	2019-20 (October - March)	2020-21 (April - March)	2021-22 (April - June)	Cumulative Inflows (October, 19 - June, 21)	%age to total Inflows (in terms of US\$)
1	MAHARASHTRA	52,073 (7,243)	1,19,734 (16,170)	30,141 (4,898)	2,01,948 (27,536)	27%
2	GUJARAT	18,684 (2,891)	1,82,830 (21,890)	5,678 (785)	1,87,470 (25,247)	26%
3	KARNATAKA	30,746 (4,398)	56,884 (7,870)	62,085 (8,448)	1,49,715 (20,467)	20%
4	DELHI	28,487 (3,973)	40,404 (5,471)	14,373 (1,948)	83,325 (11,392)	11%
5	TAMIL NADU	7,230 (1,006)	17,268 (2,323)	5,640 (782)	30,079 (4,091)	4%
6	HARYANA	6,198 (726)	12,550 (1,697)	2,580 (358)	20,338 (2,772)	3%
7	JHARKHAND	13,268 (1,852)	5,983 (793)	9,71 (6,1)	19,251 (2,644)	3%
8	TELANGANA	4,665 (660)	8,818 (1,155)	4,225 (572)	17,709 (2,407)	2%
9	PUNJAB	698 (97)	4,719 (644)	128 (17)	5,544 (758)	1%
10	WEST BENGAL	1,363 (190)	3,115 (418)	1,049 (141)	5,527 (746)	1%

Note: (i) Cumulative State-wise/UT-wise FDI equity inflows (from October, 2019 to June, 2021) are at - Annexure-C.
(ii) %age worked out in US\$ terms & FDI inflows received through FIPB/SIA+ RBI's Automatic Route + acquisition of existing shares only.
(iii) Figures are provisional.

States/UT attracting Highest FDI Equity Inflows

(DPIIT,2021)

Among these states if you look at the states Maharashtra, Gujarat, Karnataka and Delhi are among the highest FDI attracting states, as you can see in the table here. So, we broadly and selectively walked through the FDI related circular. So, that was about the FDI we looked into.

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Manufacturing Policy for Cluster Development

Now let us look into India's manufacturing policy for cluster development. So, you may recollect how during the journey of cities and our economic policies we have seen that now we are also moving and encouraging cluster development in our approach towards planning.

(Refer Slide Time: 31:40)

Manufacturing Policy for Cluster Developments

The Government of India has announced the National Manufacturing Policy in year 2011 with the objective to enhance the share of manufacturing in **Gdp And For Creating Jobs.**

The policy is based on the principle of industrial growth in partnership with the States

- The National Manufacturing Policy outlines creation of clusters.
- The clusters play a **critical role in technological propagation** by facilitating technological learning and manufacturing through the presence of an entire ecosystem in the same geographical location.

(URDPFI Guidelines,2014)

So, we see that the Government of India has announced the national manufacturing policy in 2011 with the objective to enhance the share of manufacturing in the GDP and for creating jobs. The policy is based on the principle of industrial growth in partnership with the states. So, the policy outlines creation of clusters and looking at clusters we see that cluster plays a critical role in technology propagation by facilitating technological learning and manufacturing through presence of an entire ecosystem in the same geographical location.

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Vision of 12th Five Year Plan (2012-17)

12th Five Year Plan focuses on **Growth** - Growth which is

- Faster
- Inclusive
- Sustainable

25 Core Measurable Targets of the 12th Five Year Plan (2012-17)

Economic Growth

- Real GDP growth at 8%.
- Agriculture growth at 4%.
- Manufacturing growth at 10%.
- Every state must attain higher growth rate than the rate achieved during 11th plan.

Poverty and Employment

- Poverty rate to be reduced by 10% than the rate at the end of 11th plan.
- 5 Crore new work opportunities and skill certifications in non-farm sector.

Education

- Mean years of schooling to increase to 7 years.
- 20 lakh seats for each age bracket in higher education.
- End gender gap and social gap in school enrollment.

Health

- Reduce -IMR to 25, MMR to 1, Increase Child Sex Ratio to 100.
- Reduce Total Fertility Rate to 2.1
- Reduce under nutrition of children in age group 0-3 to half of WHO-S levels.

Infrastructure

- Investment in Infrastructure at 9% of GDP
- Create Irrigated Area 100 million hectares (from 60 million hectares)
- Electricity to all villages. Reduce AT&C losses by 20%.
- Connect Villages with All Weather Roads
- National and State High ways to a minimum of 2 lane standard.
- Complete Eastern and Western Dedicated Freight Corridors.
- Rural Tele-Density to 70%.
- 40 Litres Per Capita Per Day Drinking Water to 50% of rural population; Normal Green Status to 50% of all Gram Panchayats.

Environment and Sustainability

- Increase green cover by 1 million hectares every year.
- 30,000 MW renewable energy during Five Year Period.
- Emission intensity of GDP to be reduced to 29-21% of 2005 levels by 2020.

Service Delivery

- Banking Services to 90% of Indian Households.
- Subsidies and Welfare related payment to be routed through Aadhar based Direct Cash Transfer Scheme.

(MOSPI,2021).

So, we see that the 12th five-year plan of the planning commission also suggested a cluster approach for promotion of manufacturing industries. The ministry of micro, small and medium enterprise government of India has adopted the cluster development approach as a key strategy

for enhancing the productivity and competitiveness as well as capacity building of the micro and small enterprise MSE and their collectives in the country. So, we will just look at the key definitions of this. You can look at how do we define a cluster.

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Cluster Development approach

- A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area or a value chain that goes beyond a geographical area and producing same /similar products/ complementary products/ services, which can be linked together by common physical infrastructure facilities that help address their common challenges.

(DCMSME, 2021)

A cluster is a group of enterprises located within, an identifiable and as far as practicable contiguous area or a value chain that goes beyond the geographical area and produces similar products, complementary products services which can be linked together by common physical infrastructure facilities that help address their common challenges. Likewise, further see the essential characters of the cluster. So, the essential characters of this cluster include that it should be similar in nature.

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Cluster Development approach

Characteristics of Enterprises

The essential characteristics of enterprises in a cluster are

1. Similarity or **complementary in the methods of production**, quality control & testing, energy consumption, pollution control, etc.,
2. **Similar level of technology** & marketing strategies/practices,
3. Similar **channels for communication** among the members of the cluster,
4. Common **market & skill needs**
5. Common **challenges & opportunities** that the cluster faces.

(DCMSME,2021)

In terms of methods of production or the quality control and so on. Further we see that they are identified with similar levels of technology and market strategies. So, either they are common in terms of technology and markets. Further we see that they are similar in terms of channels for communication among members of the cluster. They have common marketing skills and then common challenges and opportunities that the cluster faces.

(Refer Slide Time: 34:04)



Admissible Components
(under the provision)

So, moving on let us see the different admissible components under the provision. Let us see different admissible components under the provision the first one being the common facility centre.

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FDI: Admissible Components

The Common Facility Centers (CFCs):

CFCs are defined as component would cover creation of tangible “assets” as Common Facility Centers (CFCs) like Common Production/ Processing Centre (for balancing /correcting/ improving production line that cannot be undertaken by individual units),

- Design Centers
- Testing Facilities
- Training Centre
- R&D Centers
- Effluent Treatment Plant
- Marketing Display/Selling Centre

And common facility centres are defined as the component which would create tangible assets as common facility centres like the examples would include common production, processing centre for balancing, correcting, improving production line and so on, others would include design centres, testing facilities, training facilities, R and D centres.

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FDI: Admissible Components

The Common Facility Centers (CFCs):

- Common Logistics Centre, Common Raw Material Bank / Sales Depot
- Effluent Treatment Plant
- Marketing Display/Selling Centre
- Common Logistics Centre, Common Raw Material Bank
- Plug & Play Facility
- Facilities that can Support Marketing Systems
- Collective Geographical Indications (GI)

So, these all things would work common and support all the industrial components which are there in the cluster.

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FDI: Admissible Components

The Common Facility Centers (CFCs):

- Development of **Common Production & Product Standards**
- Development of **New Product Designs**
- Improved systems for **Better Hygiene & working conditions for workers,**
- Systems for higher overall **Productivity & Capacity Utilization** of the cluster,
- Systems for skill **Upgradation of the Cluster,**
- Supporting **diversification activities of Enterprises and Startups** in the cluster, etc.

Other similar to this would include development of treatment plan, marketing display and all you can see in the list here. Furthermore, you see that there is also backward forward linkages of value addition in the by product, waste of the cluster units would also be admissible for enhancing productivity. So, these all are included in the particular common facility centres. Looking at the example we see that.

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FDI: Admissible Components

The Common Facility Centers (CFCs):



CFC in Pharmaceutical Cluster, Karnal, Haryana

CFC in Printing Cluster, Chamarajpet, Bangalore,

Here you can see, CFC in pharmaceutical cluster, Karnal, Haryana you can see the structure which has been already completed here the infrastructure. Then you can see CFC in printing cluster, Chamarajpet, Bangalore, Karnataka. Moving on we see another component which is infrastructure development, this component would cover development of land.

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FDI: Admissible Components

Infrastructure Development:

This component would cover development of land,

- Provision of **Water Supply**,
- **Drainage**
- **Power Distribution**,
- **Non-conventional sources of energy for common captive use**,
- **Construction of roads**
- **Common facilities**
 - first aid centre, canteen, any other need based infrastructural facilities in new industrial (multi-product) areas/estates or existing Industrial Areas/Estates/Clusters.
- **Development of Flatted Factory Complexes** can also be undertaken under this component.

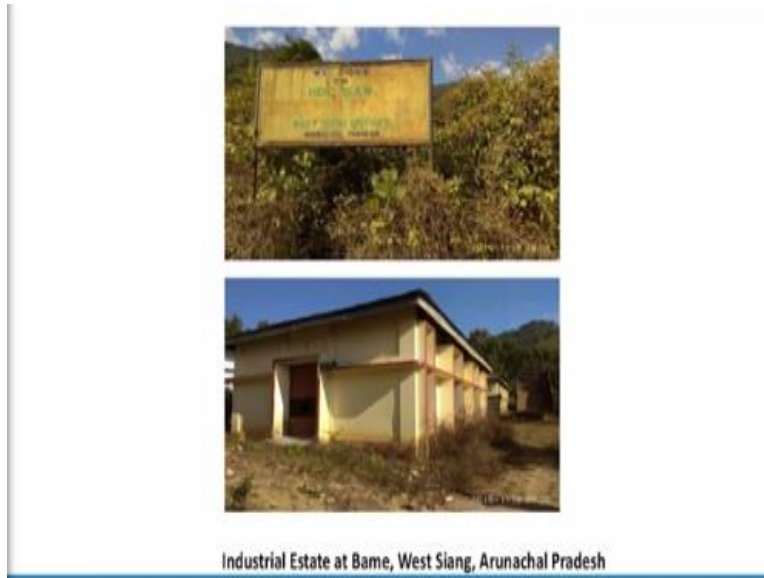
Provision of water supply, drainage, power distribution, non-conventional source of energy for common captive use. Other things like construction of roads, common facilities such as first state centre and so on.

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So, you see that the examples of this include infrastructure developments which you can see here how they have improved the road condition at Raj in district Sonipat Haryana. You can see the before and after picture here.

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You can see another example of an industrial estate at Bame, West Siang, Arunachal Pradesh. You can see how they have improved the facility here. Now we look at marketing hub exhibition centres by association as another component. So, government of India assistance is extended to such kind of establishment. The, another component we see is thematic interventions.

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FDI: Admissible Components

Thematic Interventions:

This component would provide Gol financial assistance for implementation of Thematic Interventions in approved/completed CFCs for following activities:

1. **Training Programs.**
2. **Exposure Visits.**
3. **Strengthening the Business Development Service (BDS) provision through a panel of service providers.**
4. **To creating business eco-system in cluster mode.**

(DCMSME,2021)

Which include training programs, exposure visits, strengthening the business development services. So, all these are included in thematic interventions which are also another component in this particular scheme. Further we see that another component is support to the state innovation cluster development programs. So, we see a few state governments such as Haryana,

Maharashtra, Bihar and all have initiated state funded cluster development programs to support soft and hard interventions in clusters with limited funding support.

So, this was about this infrastructure, cluster infrastructure. Now we are moving towards the guidelines for NIMZ.

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National Investment and Manufacturing Zones Guidelines

National investment and manufacturing zones, we are going to look into the guidelines of this. So, the government of India notified national manufacturing policy in 2011.

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National Investment & Manufacturing Zones (NIMZs)

- Government of India notified the National Manufacturing Policy (NMP) in 2011.
- The Policy is based on the **principle of industrial growth in partnership** with the States.
- National Investment & Manufacturing Zones (NIMZs) are one of the important instruments of the policy.

The policy is based on the principle of industrial growth in partnership with states and this NIMZ is considered one of the most important instruments of the policy.

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National Investment & Manufacturing Zones (NIMZs)

The NIMZs are envisaged as integrated industrial townships with

- State of the art **Infrastructure**
- **Land use** on the basis of zoning
- **Clean and Energy Efficient Technology**
- Necessary **social infrastructure**
- **Skill development** facilities

To provide a productive environment for persons transitioning from the primary to the secondary and tertiary sectors. An NIMZ would have an area of at least **5000 hectares in size.**

(URDPFI Guidelines, 2014)

The NIMZ are envisaged as Integrated Industrial Township with state of art infrastructure, land use on the basis of zoning, clean and energy efficient technology, necessary social infrastructure, skill development facilities and so on. To provide a productive environment for persons transitioning from the primary to the secondary and tertiary sectors. So, how we are allowing people to move to different sectors. Moving on we see the example of NIMZ.

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National Investment & Manufacturing Zones (NIMZs)

Example of Andhra Pradesh

Details	CHITTOOR NIMZ	PRAKASAM NIMZ
Location/Mandals	Falls within Valmikipuram (Nayalpad) Katiki and Gurramkonda mandals, Chittoor Dc. (Close to Chennai - Bangalore Industrial Corridor - CBC)	Falls within Pamaru and Pedacherla Pali mandals, Prakasam Dc. (Falls in Vizag-Chennai Industrial Corridor - VIC)
Extent Proposed	1288.51 acres (51.875 sqkm / 5187.467 ha)	14,231 acres (57.59 sqkm / 5,759 ha)
Est. Project Cost (External & Internal Infrastructure)	Rs. 11,692 Cr	Rs. 10,869 Cr
Economic Benefits (Expected)	Investments : Rs. 40,000 Cr Employment : 192 Lakhs (Direct & In-direct) Exports Rs 20,300 Cr	Investments : Rs. 43,7000 Cr Employment : 2.5 Lakhs (Direct & In-direct) Exports Rs 24,000 Cr

We see that in Andhra Pradesh, they have taken certain initiatives. You can see Chittoor NIMZ and PRAKASAM NIMZ here, which they have developed in the state.

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Special Economic Zone (SEZ) Act, 2005

Now let us look at the spatial economic zone act of 2005. India was one of the first in Asia to recognize the effectiveness of the export processing zone EPZ model in promoting exports,

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Special Economic Zone (SEZ) Act, 2005

- India was one of the **First in Asia** to recognize the effectiveness of the **Export Processing Zone (EPZ)** model in promoting exports, with **Asia's first EPZ** set up in Kandla in 1965.
- With a view to overcome the shortcomings experienced on account of
- Multiplicity of Controls and Clearances .
- Absence of World-class Infrastructure.
- An unstable Fiscal Regime and with a view to attract investment policy was developed.

(SEZIndia,2021)

With Asia's first EPZ set up in Kandla in 1965. So, with the view to overcome the shortcomings experienced on account of multiplicity of controls and clearances, absence of world-class infrastructure and an unstable fiscal regime and with a view to attract investment, this particular

policy was developed. And it was seen as an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package.

So, monetary benefits were given both at the central and the state level with the minimum possible regulations, so a lot of freedom given as he said in India functioned from 2000 to 2006 under the provision of the foreign trade policy and fiscal incentives were made effective through the provision of the relevant statutes. So, the main idea behind this is to instil confidence in investors and signal the government's commitment to a stable SEZ policy regime.

And with a view to impart stability to SEZ regime and thereby generating greater economic activity. So, more and more activity will be generated and employment will be created through such kinds of initiatives.

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Special Economic Zone (SEZ) Act, 2005

Objectives of the SEZ Act

The main objectives of the SEZ Act are:

- Generation of **Additional Economic Activity**
- Promotion of **Exports of Goods and Services**
- Promotion of **Investment From Domestic and Foreign Sources**
- Creation of **Employment Opportunities**
- Development of **Infrastructure Facilities**

(SEZIndia,2021)

So, looking at the main objective of SEZ are, that to generate additional economic activity, promote export of goods and services, promote investment from domestic and foreign sources, creation of jobs, development of infrastructure facilities. So, it is expected that SEZ will trigger a large flow of foreign and domestic investment. In infrastructure and productive capacity leading to generation of additional economic activity as well as creation of jobs in our country. Furthermore, we see that this particular act plays a key role for the state government.

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Special Economic Zone (SEZ) Act, 2005

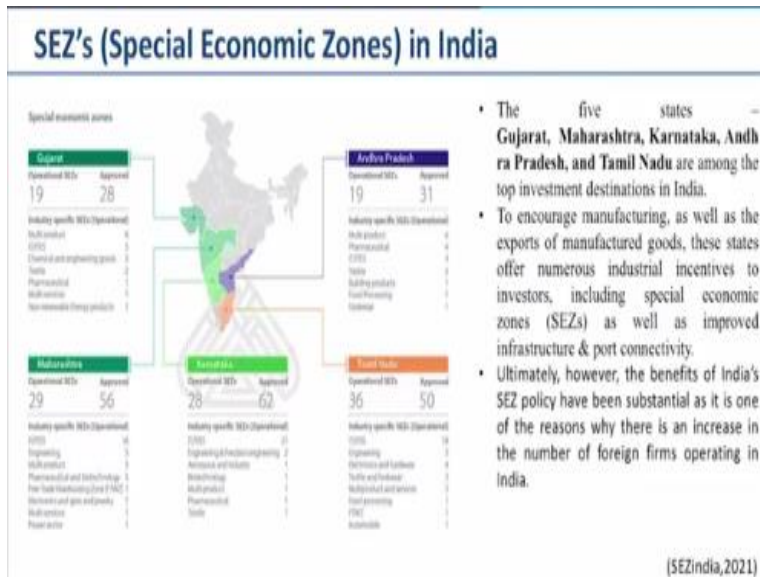
The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure.

- A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA).
- The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus.
- The SEZ Rules provide for different **minimum land requirement for different class of SEZs**.
- Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

(SEZIndia,2021)

In export promotion as well as creation of related infrastructure, this is seen as a single window mechanism to minimize all the procedures which are there. So, looking at the statistics, the latest statistics which we get there are 267 operational SEZ in the country as per the list published in 2021.

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- The five states – Gujarat, Maharashtra, Karnataka, Andhra Pradesh, and Tamil Nadu are among the top investment destinations in India.
- To encourage manufacturing, as well as the exports of manufactured goods, these states offer numerous industrial incentives to investors, including special economic zones (SEZs) as well as improved infrastructure & port connectivity.
- Ultimately, however, the benefits of India's SEZ policy have been substantial as it is one of the reasons why there is an increase in the number of foreign firms operating in India.

Here you can see how the SEZ are spread.

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Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

So, now quickly looking into the micro, small and medium enterprise developments. We see that the MSME sector contributes to the Indian economy in a great deal and so in order to encourage that this particular act came in. So, we see that it broadly classified.

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Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

- **Micro, Small & Medium Enterprises (MSMED) Act, 2006** defines Micro Enterprises, Small Enterprises, and Medium Enterprises for the Manufacturing Sector and service sector. Classification of Enterprises (for manufacturing sector) as per (MSMED) Act, 2006.

(URDPPI Guidelines, 2014)

It classifies micro enterprise, small enterprise as well as medium enterprise here.

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Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

The classification include

Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed Rs. 25 lakh
Small Enterprises	More than Rs. 25 lakh but does not exceed Rs. 5 cr
Medium Enterprise	More than Rs. 5 cr but does not exceed Rs. 10 cr

(UPDFI Guidelines, 2014)

Summarizing what we have done today, we reviewed the changes in the planning approach in the industrial sector, how different policies came in and how we started moving on from sectoral to area specific to infrastructure and then also easing out the investment and also encouraging those investments and looking forward to creating more jobs. So, we also reviewed the objectives of industrial policies.

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Summary

- 1 Objectives of India's Industrial Policies
- 2 Institutional arrangement
- 3 History of Industrial Policies in India
- 4 Foreign Direct Investment (FDI)
- 5 National Investment and Manufacturing Zones (NIMZs) Guidelines
- 6 Special Economic Zone (SEZ) Act, 2005
- 7 Small & Medium Enterprises Development (MSMED) Act, 2006

Further we looked into institutional arrangement, we also looked through the history of the policies, we looked into foreign direct investments, we looked into NIMZ, SEZ as well as, we also looked into the MSME act of 2006. So, that was for today.

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References

- Industrial Licensing in India: Norms and Policy <https://www.india-briefing.com/news/industrial-licensing-norms-policy-5473.html/>
- Amendments in India's Industrial Policy <https://www.india-briefing.com/news/amendments-indias-industrial-policy-5101.html/>
- The Industries (Development and Regulation) Act, 1951
- Obtaining Environmental Approvals in India <https://www.india-briefing.com/news/obtaining-environmental-approvals-india-17208.html/>
- The Role of the Department of Industrial Policy & Promotion <https://www.india-briefing.com/news/the-role-of-the-department-of-industrial-policy-promotion-11759.html/>
- Urban & Regional Development Plans Formulation & Implementation (URDPFI) 2014 [http://mohua.gov.in/upload/uploadfiles/files/URDPFI%20Guidelines%20IIA-IIB\(1\).pdf](http://mohua.gov.in/upload/uploadfiles/files/URDPFI%20Guidelines%20IIA-IIB(1).pdf)

These are the references which we followed.

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Suggested Reading and Watch

(to contemplate Industrial Policies)

<https://www.youtube.com/watch?v=jp204gs6HI8>
https://www.youtube.com/watch?v=Vfc3qMo_wEM
<https://www.youtube.com/watch?v=OgEjgAORGuU>
<https://www.youtube.com/watch?v=gCBf2Ieinrc>
<https://www.youtube.com/watch?v=Zwh3gHcuiB4>



Our coverage was limited with the scope to make you aware of the topic, there are enormous readings and movies available to explore. Few are suggested here, this is not an extensive list, and you may feel free to suggest more from your experience.

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 Please feel free to ask Questions. 

Let us know about any Concerns you have . 

 Do share your Opinions, Experiences and Suggestions.

Looking forward to Interacting and 
Co-learning with you while exploring Cities and
Urban Planning. 

Please feel free to ask questions, let us know about your concerns you have, do share your opinion, experiences and suggestions looking forward to interacting and co-learning with you while exploring cities and urban planning, thank you.