

Budget 2024: Govt to facilitate development of industrial parks, dormitories near manufacturing clusters

From loans for MSMEs to reduced customs duties on mobile phones, here are all the manufacturing incentives highlighted by Finance Minister Nirmala Sitharaman in her Union Budget 2024 speech



A mobile manufacturing company plant in Noida, Uttar Pradesh, India. Image: Shutterstock

Finance Minister Nirmala Sitharaman highlighted Manufacturing & Services as one of the nine key priorities in her Union Budget 2024 speech earlier today. Sitharaman unveiled several incentives aimed at bolstering India's manufacturing sector.

During her speech she said: "Our government will facilitate development of investment-ready 'plug and play' industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by better using town planning schemes." Twelve industrial parks under the National Industrial Corridor Development Programme will also be sanctioned. The work for many such parks is in the works in Uttar Pradesh and Tamil Nadu, among others. These industrial parks are expected to increase employment for manufacturing.

Additionally, the finance minister stated that rental housing with dormitory type accommodation for industrial workers will be facilitated in public-private partnership (PPP) mode with viability gap funding (VGF) support and commitment from anchor industries.

"The creation of industrial parks in 100 new cities along with the establishment of dormitories and women's hostels will ensure that companies have access to the right talent, while also enhancing women's participation in the workforce," says Viswanath PS, MD & CEO, Randstad India.

For the workforce to get better on-the-job experience, the government will launch a comprehensive package to provide internship opportunities in 500 top companies to 1 crore youth in five years. She stated that: "They will gain exposure for 12 months to real-life business environment, varied professions and employment opportunities. An internship allowance of Rs 5,000 per month along with a one-time assistance of Rs 6,000 will be provided." Companies are expected to bear the training cost and 10 percent of the internship cost from their CSR funds.

"This will empower our youth with the necessary skills and experience for the ever-evolving job market. The decision to allow companies to use their CSR funds for training and internships is a commendable move, reinforcing the commitment to fostering a skilled and employable generation," Viswanath added. These, in addition to the announcement of the employment-linked incentive, is seen to be a transformative step for job creation, especially for the manufacturing sector.

Particularly for MSMEs, the finance minister has announced the 'Credit Guarantee Scheme' for facilitating term loans for the purchase of machinery and equipment without collateral or third-party guarantee. The scheme will operate on pooling of credit risks of such MSMEs. "The scheme will help MSMEs to expand capacities, scale up production and improve the size that will make them competitive and enhance market reach. This support is critical in the development of the manufacturing ecosystem in India for emerging sectors such as electronics and semiconductors. The scheme is completely aligned to the government focus on 'Make in India'," says Kathir Thandavarayan, partner, Deloitte India.

Some relief for electronics manufacturing

The electronics manufacturing industry, in particular, saw some relief as the finance minister announced a reduction in basic custom duty (BCD) on mobile phones, mobile PCBA and mobile chargers to 15 percent. Sitharaman said: "With a three-fold increase in domestic production and almost 100-fold jump in exports of mobile phones over the last six years, the Indian mobile phone industry has matured."

According to the Economic Survey 2024, domestic production of electronic items increased to Rs 8.22 lakh crore, and exports rose to Rs1.9 lakh crore in FY23. The rise in India's domestic smartphone demand is also a key factor in companies' decisions to invest there. For instance, Apple assembled \$14 billion worth of iPhones in India during FY24, constituting 14 percent of its global iPhone production.

She added that to increase value addition in the domestic electronics industry, "I propose to remove the BCD, subject to conditions, on oxygen-free copper for manufacture of resistors. I also propose to exempt certain parts for manufacture of connectors."

"We had recommended to reduce BCD on mobile phones, its PCBA and charger/adaptor to 15 percent, which has been accepted. The mobile and electronics industry is elated with the announcements and it will go a long way in enhancing manufacturing, exports and our competitiveness," says Pankaj Mohindroo, chairman, ICEA.

"We welcome the Budget 2024 announcement to reduce BCD on mobile phones, PCBA and chargers, while simultaneously extending exemptions on inputs/raw materials for smartphone manufacturing, capital goods, and inputs for capital goods in the electronics industry. At Xiaomi India, we have been manufacturing nearly 100 percent of our smartphones locally with a strong emphasis on sourcing components like PCBA, charging cables, camera modules, and mechanics, among others. Today's announcement will help further strengthen the domestic electronics manufacturing ecosystem," says Muralikrishnan B, President at Xiaomi India.

Globally, the electronics manufacturing market is valued at \$4.3 trillion, dominated primarily by countries like China, Taiwan, USA, South Korea, Vietnam and Malaysia. Currently, Indian exports are approximately \$25 billion annually, representing less than one percent of the global share despite the four percent share in global demand. These incentives for skilling, customs duties, and R&D will steer the industry in the right direction.