Enhancing India's Manufacturing and Trade

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The National Manufacturing Mission (NMM) aims to increase the manufacturing sector's GDP share to 25 per cent by 2030. It focuses on clean tech, ease of doing business, and boosting local production of high-demand goods like semiconductors and EV components.

India's ambitious initiative to integrate its economy into global trade while strengthening its domestic manufacturing base is a powerful message to the world. By focusing on both 'making in India' and 'making for the world,' the country moves towards self-reliance (*Atmanirbhar Bharat*) while positioning itself as a key player in global commerce.

A series of strategic initiatives have been introduced to strengthen India's manufacturing capabilities and enhance its role in global trade. These measures focus on stimulating economic growth, fostering innovation, and integrating the country more deeply into international supply chains.

National Manufacturing Mission

A National Manufacturing Mission (NMM) has been proposed to cover small, medium, and large industries, aiming to further 'Make in India' by providing policy support, execution roadmaps, and a governance and monitoring framework for central ministries and states.. The mission's mandate will include five focus areas—ease of doing business (EoDB), upskilling for in-demand jobs, MSMEs, availability of technology, and quality products.

Currently, India's manufacturing sector contributes only 16-17 per cent to GDP, whereas countries like China (28 per cent) and South Korea (25 per cent) have a much higher share. The mission aims to increase this contribution to 25 per cent by 2030, making India a major global manufacturing hub. India has a trade deficit of over $250 billion, largely due to heavy imports of electronics, machinery, and petroleum products. The NMM will help bridge this gap by increasing local production of high-demand goods like semiconductors and solar panels and encouraging export-oriented industries to earn foreign exchange.

With increasing global pressure to reduce carbon emissions, the manufacturing sector must transition towards sustainable practices. The NMM focuses on clean tech manufacturing to improve domestic value addition in solar PV cells, electric vehicles (EV) and grid-scale batteries, electrolysers, wind turbines, and high-voltage transmission equipment. Circular economy initiatives will minimise waste and maximise resource

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efficiency.

The NMM is essential for India's long-term economic growth, global trade competitiveness, and job creation. By strengthening domestic industries, reducing import dependence, and integrating into global supply chains, India can position itself as a leading manufacturing powerhouse in the coming decade.

Exemption of Basic Customs Duty (BCD)

Basic Customs Duty (BCD) Exemption refers to the waiver or reduction of import duties levied on specific goods when brought into India from other countries. To secure the availability of essential materials for domestic manufacturing, the government has removed BCD on waste and scrap of several critical minerals, including antimony, cobalt, tungsten, copper, lithium-ion batteries, lead, zinc, and cobalt powder. This move is expected to support industries reliant on these materials and reduce import costs. The exemption of BCD on raw materials, components, consumables or parts for the manufacture of ships will continue for another 10 years. Lower import duties on key materials can encourage foreign companies to set up manufacturing plants in India, boosting FDI.

The Government of India has implemented a policy to levy not more than one cess or surcharge. A more straightforward and predictable tax regime may make India a more attractive destination for foreign investors.

Elimination of Import Taxes on Select Smartphone Components

To boost local manufacturing and attract global tech giants, the 2.5 per cent import duty on specific smartphone components, including printed circuit board assemblies, camera module parts, and USB cables, has been abolished. By removing import duties on essential components, the production costs for smartphone manufacturers in India are expected to decrease. This reduction enhances the profitability of domestic manufacturing units and encourages the establishment of new production facilities. Lower production costs may translate into more affordable smartphones for consumers, increasing accessibility to technology. This initiative aims to strengthen India's position as a major player in the global electronics supply chain.

Production-Linked Incentive (PLI) Expansion

The PLI scheme was launched in 2020 for mobile manufacturing and IT hardware; since then, the scheme has expanded to encompass 14 key sectors, including food products, pharmaceuticals, automobiles, and textiles. The PLI schemes have attracted significant investments, leading to increased production across various sectors. For instance, the electronics sector has seen substantial growth, with India becoming the second-largest mobile phone producer globally.

The government has particularly identified electronics manufacturing as a major driver of growth in the coming years, with Rs 8,885 crore budgeted for the Production Linked Incentive (PLI) scheme for electronics and IT hardware manufacturing for 2025-26, the highest among all PLI schemes. The government has allocated Rs 2,819 crore for the PLI scheme targeting the automobile and auto components sector in the financial year 2025-26. This initiative is expected to boost the production of electric vehicles and related components, contributing to sustainable mobility solutions. The expansion of the PLI scheme across various industries is a pivotal move towards making India a global manufacturing hub, fostering economic growth, and achieving self-reliance in critical sectors.

Micro, Small, and Medium Enterprise (MSME) Support

There are 5.93 crore MSMEs registered on the Udyam Registration Portal. Based on data from the Ministry of Statistics and Programme Implementation (MoS&PI), Micro, Small, and Medium Enterprises (MSMEs) accounted for 35% of India's total manufacturing output in the fiscal year 2022-23. Additionally, the contribution of MSMEs to the country's Gross Value Added (GVA) within the GDP stood at 30 per cent during the same period. The total employment reported by the MSMEs on the Udyam Registration Portal and Udyam Assist Platform is 25.18 crore (as of 04.02.2025).

The recent budget provides special attention to MSMEs and manufacturing, particularly labour-intensive manufacturing. A separately constituted self-financing guarantee fund will provide, guarantees of up to Rs 100 crore per borrower, even if the loan amount exceeds the limit. Additionally, public sector banks will enhance their internal capacity for assessing the creditworthiness of MSMEs, thereby reducing reliance on external evaluations. Furthermore, the government has introduced a new mechanism aimed at ensuring the continuity of bank credit to MSMEs during periods of financial distress. To enhance access to credit, the credit guarantee cover will be significantly improved. Specifically, for micro and small businesses, the guarantee limit will be elevated from Rs 5 crore to Rs 10 crore, thereby facilitating the availability of an additional Rs 1.5 lakh crore in credit over the next five years. For MSMEs, the loan limit under the Modified Interest Subvention Scheme will be increased from Rs 3 lakh to Rs 5 lakh. Investment and turnover limits for MSMEs will be increased, allowing for a 2.5x and 2x expansion in these thresholds, respectively.

Furthermore, the investment and turnover thresholds for MSMEs will be revised, resulting in a 2.5-fold and 2-fold increase, respectively. In an effort to promote entrepreneurship, a new scheme will be introduced to extend term loans of up to Rs 2 crore to five lakh first-time entrepreneurs, with a particular focus on women, as well as individuals belonging to Scheduled Castes and Scheduled Tribes, over the next five years.

Measures for Labour-Intensive Sectors

The leather and footwear industries have been significantly enhanced through improved loan accessibility, simplified levies, and supportive policy frameworks. The introduction of a Focused Product Scheme for Footwear and Leather Sectors aims to strengthen domestic manufacturing, increase exports, and generate employment opportunities. The scheme is expected to create 22 lakh jobs, achieve a turnover of Rs 4 lakh crore, and drive exports exceeding Rs 1 lakh crore. Additionally, the budget has announced a full exemption from BCD on Wet Blue leather, facilitating imports to support domestic value addition and employment. Furthermore, crust leather has been exempted from the 20 per cent export duty, benefiting small tanners and promoting exports.

The Mission for Cotton Productivity, a five-year initiative, will focus on improving the productivity and sustainability of cotton farming. This mission will promote the cultivation of extra-long staple cotton varieties, leveraging advanced science and technology to enhance farmers' income and ensure a steady supply of quality cotton for India's traditional textile industry. In a major relief to the garment sector, the BCD on knitted fabrics (covering nine tariff lines) will be revised from 10 per cent or 20 per cent to 20 per cent or Rs 115 per kg, whichever is higher. Moreover, the total budget allocation for the textiles sector has been increased by 57.7 per cent, reaching Rs 5,272 crore for 2025-2026, compared to Rs 3,342 crore in the revised estimate for 2024-2025.

Recognising the potential of the toy sector, the government will focus on developing specialised production hubs, improve skill development programs, and establish a resilient manufacturing facility to promote the creation of high-quality, innovative, and sustainable toys under the 'Made in India' initiative. India's exports of toys fell from USD 177 million in 2021–2022 to USD 152 million in 2023–2024 as a result of a general downturn in the demand for these goods worldwide. India's competitiveness in the global toy market is demonstrated by the fact that its import bill for toys from China decreased from USD 214 million in FY13 to USD 41.6 million in FY24, which also caused China's share of India's toy imports to drop from 94 per cent in FY13 to 64 per cent in FY24. Since toys, electronics, and footwear are among China's top exports to the United States, it is important to concentrate on their production. It makes sense to concentrate on domestic production now that the United States is levying further tariffs on China.

To further strengthen the food processing industry, the government has announced the establishment of a National Institute of Food Technology in Bihar. This initiative is expected to enhance farmers' income while also creating skilling, entrepreneurship, and employment opportunities for the youth.

Export Promotion Mission

An Export Promotion Mission with an outlay of Rs 2,250 crore has been introduced to provide easy access to export credit, cross-border factoring support, and assist MSMEs in addressing non-tariff measures in overseas markets. Export factoring is a financial service that helps exporters manage their cash flow by selling their accounts receivable (invoices) to a factoring company (also called a factor). This allows exporters to receive immediate funds rather than waiting for buyers to make payments, which can take weeks or months. Encouraging factoring services would help in decreasing exporters' dependency on banks. It is a widely used financing instrument globally but has low adoption in India due to high factoring costs involving higher rates of interest, higher risk premiums, and lack of parity with subvention schemes. The government also announced significant measures to support the handicraft and leather sectors by providing duty-free access to essential inputs. This initiative aims to reduce production costs and enhance the global competitiveness of Indian handicrafts.

Bharat Trade Net: Digitalising Trade

A digital public infrastructure, 'BharatTradeNet' (BTN) for international trade will be set up as a unified platform for trade documentation and financing solutions. BTN will complement the Unified Logistics Interface Platform and will be aligned with international practices.

By simplifying compliance and documentation, the platform aims to lower non-tariff barriers, making it easier for businesses to engage in international trade. Bharat Trade Net will empower MSMEs to expand their export activities, contributing to economic growth and employment generation.

Infrastructure Development for Trade

Export growth requires infrastructure development, and the Budget says the government will facilitate the upgradation of infrastructure and warehousing for air cargo, including high-value perishable horticulture produce. Significant resources have been allocated to strengthen India's research and development (R&D) ecosystem, including a Rs 20,000 crore (US$ 2.30 billion) fund for the Department of Science and Technology to promote private-sector innovation and foster Artificial Intelligence (AI), geospatial initiatives, and Atal Tinkering Labs. This move aims to strengthen India's position as a global hub for technology, manufacturing, and knowledge-driven industries. It will also encourage cutting-edge research in sectors such as AI, semiconductor technology, biotechnology, renewable energy, and space tech, and promote Industry 4.0 adoption with automation, robotics, and data analytics.

The existing SEZ law is set to be replaced with new legislation aimed at enabling states to collaborate in the 'Development of Enterprise and Service Hubs' (DESH). Reforms in customs administration for SEZs are proposed to improve the ease of doing business by facilitating faster clearance and reducing compliance burdens. Allowing states to partner in the development of enterprise and service hubs is expected to promote balanced regional growth.

By aligning economic policies with global trends, the Union Budget 2025-26 creates an enabling environment for sustainable industrial growth. With a balanced approach towards infrastructure development, digitalisation, and export promotion, India is well on its way to becoming a global manufacturing powerhouse. The initiatives outlined in this budget will not only strengthen India's domestic manufacturing base but also expand its role in international trade, fostering long-term economic prosperity. ❑

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