



Good Governance Can Hasten Manufacturing Growth.



Good governance can be a significant driver in accelerating manufacturing growth plan of a nation, writes Dr. Ravindra Ojha.

The quality of governance is influenced by and has far-reaching implications on the political, economic, social and technological growth of a nation. Good governance can be a significant driver in accelerating manufacturing growth plan of a nation, which depends on these four growth factors. In our service-led and Krishi-pradhan development journey of India, the growth of manufacturing sector has become important as it continues to create prosperity for people in our developing nation.

Relevance in India

Manufacturing growth results in improving people's health, education, well-being, positive macro-economic indices and in enhancing their skill and employment levels. India, with its large and diverse population, sizeable and growing domestic market and an innate sense of enterprise has a potential for evolving as a leading manufacturing hub in Asia. This has become more relevant under the current Covid-19 crisis and the strained relations with China. Manufacturing growth has been warranting an improvement in government effectiveness, still better ease-of-doing business at the ground level, manufacturing attractiveness, improved worker and asset productivity, technology driven private and foreign investments, healthy macro-economic indicators and political stability. More specifically, the top four most discussed requirements for the revival of manufacturing through the Make-in-India and Atmanirbhar-Bharat initiatives are providing infrastructural support, driving labour reforms, changing and stabilizing manufacturing policies around incentives and support (GST & other tax reforms) to industries and political stability. Good governance encompasses each of them and India is moving ahead briskly in each of the requirements.

Background of Governance

The understanding of good governance has grown rapidly since 1990s to become a major ingredient in analyses of what's missing in countries struggling for political, economic, social and technological development. The most cited six governance indicators are voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. The per capita incomes and the quality of governance are strongly and positively correlated across countries. Data from past studies have indicated that good governance can reduce total crimes significantly. A study in China has highlighted that there exists a bi-directional causal relationship between quality of governance and economic growth. The provincial government, to improve the quality of governance, has harnessed the potential created by the economic growth. Ease-of-doing business has gained significant importance in facilitating manufacturing growth through FDI in India.

Governance Factors in India

Political related factors – Health and education expense, quantum of skilled-workers, employable fraction of population, political-stability, government-effectiveness and manpower productivity have a high degree of influence in the manufacturing growth of India.

Economic related factors – Manufacturing attractiveness, government effectiveness, political –stability, ease-of doing business, foreign direct investment (FDI), startups, private investment, job creation and employment rate play a key role in the dynamics of manufacturing growth in India.

Social related factors – Interdependence of factors like government-effectiveness, corruption index, reserves, fraction of unemployed skilled-workers, relevant education and quality of vocational and professional trainees have implications on Indian manufacturing growth.

Technology related factors – The factors like R&D expense, socially relevant research projects, technical alliances, scalability, productivity, export quantum and unit-product-cost significantly affect the manufacturing growth in our country.

Recommendations

Based on some research work and analysis there after, four recommendations are being made:

- Government effectiveness is primarily driven by three factors: political stability in the country, capacity of the government to implement reform related decisions and the macro-economic health of the nation. The combined effect of the three factors have a significant effect on behaviour of the government effectiveness and should be in the radar of the policy makers and business planners.
- The growth in manufacturing output should facilitate a healthy rate of job-creation which should be aligned to the employment of skilled workers produced annually from educational/ training institutions in the country. Job creation rate has a high impact on political stability, which affects the manufacturing growth rate significantly. The Skilling-India drive initiated by the government should be effectively aligned to the quality of jobs being created and employment thereafter.
- A consistently average annual manufacturing output growth rate of 6-7% over a decade is realistic for India and should be targeted by the policy makers, planners and manufacturing leaders. The Make-in-India and the Atmanirbhar Bharat initiatives should be facilitating in reaching this goal.
- Productivity, FDI and investment (private) impact the manufacturing growth rate of the nation significantly. The improvement in these three depends on the government effectiveness, the rank in ease-of-doing business and corruption index. FDI and private investments have to be job-creation driven

These recommendations reinforce the intuitive perceptions. In summary, to achieve the 25% manufacturing GDP goal the continued focus on the factors of good governance by the government of India will make it happen.

The article can be read online here - <https://constructiontimes.co.in/good-governance-can-hasten-manufacturing-growth/>