

Revitalizing India's Maritime Sector

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Revitalizing India's Maritime Sector: Progress, Challenges, and the Way Forward

Context:

India, with its **7,500 km long coastline** and strategic location along major maritime trade routes, has immense potential to become a **global shipping hub**. Recognizing this, the Indian government has launched various initiatives aimed at modernizing and strengthening the maritime sector.

Key Developments in the Maritime Sector

- The **Sagarmala Programme** has led to substantial improvements in **port infrastructure**.
- Investments in **modernization, connectivity, and coastal development** have fueled trade and economic growth.
- Despite these advances, the **Indian shipping industry** remains stagnant, struggling to match global competitors.

Challenges Hindering the Shipping Industry

The Indian shipping sector faces several key challenges:

- **Capital Constraints and High Borrowing Costs:**
Shipowners face high interest rates and short loan tenures, which restrict growth opportunities. Ships also cannot be used as collateral, making financing difficult.
- **Regulatory Barriers:**
Unfavorable **tax policies** and complex compliance processes hinder progress. For instance, **5% IGST** is levied on Indian-flagged ships, while foreign vessels in Indian waters are tax-exempt.
- **Shipbuilding Limitations:**
The country remains **dependent on imports** for shipbuilding, resulting in **high production costs**. Outdated shipyards and a **lack of skilled workforce** further reduce efficiency.
- **Competition from Foreign Ships:**

Foreign-flagged vessels dominate India's EXIM trade due to **lower operational costs** and **minimal regulatory compliance**.

Progress Under the Sagarmala Programme

The **Sagarmala Programme** has made significant strides in improving India's maritime infrastructure, with the following achievements:

- **Total Projects:** 839 projects planned with an investment of **₹5.8 lakh crore**.
- **Completed Projects:** 241 projects (₹1.22 lakh crore).
- **Ongoing Projects:** 234 projects (₹1.8 lakh crore).
- **Projects in Development:** 364 projects (₹2.78 lakh crore).

Key focus areas include:

- **Port Modernization:** ₹2.91 lakh crore invested.
- **Port Connectivity Enhancement:** ₹2.06 lakh crore allocated.
- **Port-Led Industrialization:** ₹55.8 thousand crore aimed at boosting trade-related industries.
- **Coastal Community Development:** Supporting local economies and employment.

Impact on Economic Growth:

India's **GDP** has risen significantly from **₹153 trillion** (2016-17) to **₹272 trillion** (2022-23), despite the COVID-19 disruptions. The **EXIM trade** growth has also been impressive, increasing from **\$66 billion** in 2016-17 to **\$116 billion** in 2022, reflecting a **77% rise**.

Future Goals (By 2030):

- Aim to become a **\$5 trillion economy** by 2027 and **\$7 trillion** by 2030.
 - **Exports** are projected to reach **\$2 trillion**.
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Stagnation in the Indian Shipping Industry

While the port infrastructure has improved, the **Indian shipping sector** continues to face stagnation due to several factors:

- **Limited Cargo Growth:**

Cargo handled at major ports grew by just **2.85% annually**, from **1,071.76 million tons** in 2016-17 to **1,249.99 million tons** in 2020-21.

- **Decline in Vessel Handling:**

The number of vessels handled at Indian ports decreased from **21,655** in 2016-17 to **20,371** in 2020-21, a **5.93% decrease**.

- **Slow Expansion of the Indian Fleet:**

The number of Indian-registered ships grew from **1,313** in 2016-17 to **1,526** in 2024. India's **global ship ownership ranking** fell from **17th** to **19th**, reflecting a loss of competitiveness.

- **Declining Market Share:**

Foreign-flagged vessels continue to dominate India's EXIM trade, and **rail and road transport** remain preferred for domestic cargo.

Government Initiatives to Boost the Industry

Several initiatives have been introduced to revitalize the shipping sector:

- **Maritime Development Fund (MDF):**

A **₹25,000 crore** fund to improve access to capital for shipowners. However, only **49%** of this fund is government-funded, raising concerns about sustainability.

- **Infrastructure Status for Large Vessels:**

This allows shipping companies to access benefits similar to those in other infrastructure sectors.

- **Customs Duty Exemption on Shipbuilding Spares:**

Extended for **10 years** to reduce production costs.

- **Revamped Financial Assistance Policy:**

Includes credit incentives for **shipbreaking** and extended **tonnage tax benefits** for inland vessels.

Despite these policies, more comprehensive reforms are required to fully revitalize the industry.

The Way Forward: Urgent Reforms Needed

To address the challenges and ensure long-term growth, several reforms are critical:

- **Long-Term, Low-Interest Financing:**

Offering loans with tenures of **7-10 years** and **lower interest rates**.

- **Strengthening Shipbuilding Infrastructure:**

Establishing **new shipyards** and modernizing existing ones. Fostering **domestic manufacturing** of ship components will reduce costs.

- **Tax Reforms for Competitiveness:**

Removing **IGST** on ship purchases and **exempting Indian seafarers** from **TDS** deductions.

- **Encouraging External Commercial Borrowings (ECBs):**

Allowing ECBs to finance ship purchases can help bridge funding gaps.

- **Investment in Green Technology:**

Promoting **eco-friendly shipbuilding** and retrofitting existing vessels to meet sustainability goals.

Conclusion

While the **Sagarmala Programme** has successfully modernized India's port infrastructure, the **shipping industry** remains underdeveloped. Addressing capital shortages, tax burdens, and shipbuilding inefficiencies is crucial for strengthening the sector. By implementing **long-term financial solutions, strengthening domestic shipbuilding, introducing tax reforms**, and **promoting green technology**, India can leverage its maritime potential to reduce reliance on foreign ships and enhance its position in global trade.



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