

Indian Economy

Q1. Faster economic growth requires an increased share of the manufacturing sector in GDP, particularly of MSMEs. Comment on the present policies of the Government in this regard.

Introduction

- Discuss the basics of MSME.

Body

- Discuss the role of Manufacturing in Economic Growth.
- Discuss the Government Policies to Promote Manufacturing and MSMEs and its significance and challenges.

Conclusion

- Conclude accordingly.

Introduction

- Increased manufacturing sector GDP share is necessary for faster economic growth, especially for MSMEs. **This is because exports, employment, and economic growth are all significantly influenced by the manufacturing sector.** Additionally, it helps to improve the balance of payments and lessen reliance on imports.
- Over 100 million people are employed by the MSME sector in India, which also contributes more than 40% of exports and 45% of the nation's industrial output. **About 6% of the GDP from manufacturing and 25% of the GDP from services** are contributed by this industry. MSMEs can quickly adapt to shifting market conditions because they are more innovative and agile than huge corporations.

Body

The Government has taken a number of steps to boost the manufacturing sector and increase the share of MSMEs in GDP. These include:

- Launched in 2014, the Make in India programme seeks to make India a hub for global manufacturing by facilitating investment, encouraging innovation,

supporting skill development, and establishing an environment that is favorable to business.

- **The NMP (National Manufacturing Policy):** In order to increase manufacturing's contribution to the GDP to 25% within ten years and generate 100 million new jobs, the National Manufacturing programme (NMP), a comprehensive programme, was introduced in 2011. Additionally, it offers incentives for the creation of integrated industrial townships within National Investment and Manufacturing Zones (NIMZs).
- **MSME Development Act, 2006:** This act provides a legal framework for the promotion and development of MSMEs in India. It defines the criteria for classification of MSMEs, provides for registration and credit facilities, and establishes a National Board for MSMEs.
- **Public Procurement Policy for MSEs, 2012:** This policy mandates that 25% of the total annual purchases of goods and services by central ministries and public sector enterprises should be from MSEs, out of which 4% should be from SC/ST-owned MSEs and 3% from women-owned MSEs. It also provides for price preference and tender set-aside for MSEs.
- **Credit Linked Capital Subsidy Scheme (CLCSS):** This scheme provides a 15% capital subsidy to MSEs for technology upgradation and modernization of their plant and machinery.
- **ASPIRE Scheme:** Launched in 2015, this scheme aims to promote innovation, entrepreneurship, and agro-industry in rural areas. It provides support for setting up incubation centers, technology business incubators, and livelihood business incubators.
- **SFURTI Scheme:** This scheme supports the development of clusters of traditional industries such as khadi, coir, and bamboo. It provides assistance for infrastructure, technology, marketing, skill development, and capacity building.

Conclusion

These regulations and initiatives have benefited India's MSMEs and manufacturing industry. The manufacturing industry in India rose by **11.8% in the first quarter of 2022–2023 compared to the same time in the previous year**, according to the Ministry of Commerce and Industry. In the manufacturing industry, this represents the strongest growth rate in over ten years.

Strong signs of revival have also been seen in the MSME sector. **The Economic Survey 2022-23 states that in 2021–2022, the MSME sector generated 29.6% of India's GDP.** In addition, 1.25 crore new employment are anticipated to be created in the sector over the next five years.

Q2. What is the status of digitalization in the Indian economy? Examine the problems faced in this regard and suggest improvements.

Introduction

- Discuss about the Current State of Digitalization in India.

Body

- Significance of Digitalization in the Indian Economy.
- Challenges in achieving the digitization.

Conclusion

- Conclude with way forward.

Introduction

In India, the movement towards a digital economy has gained impressive momentum, especially in the previous ten years. This digital drive has been greatly aided by developments in the business sector as well as the Indian government. Let's explore the state, difficulties, and future advancements of the Indian economy's digitization.

Status of Digitalization in the Indian Economy:

1. **Digital Payments:** India has witnessed an explosive surge in digital transactions, especially with platforms like UPI. By June 2022, as per the data, UPI transactions were projected to cross a staggering 10 billion, a testament to its widespread adoption.
2. **Digital Identity:** Aadhaar, a biometric-based digital identity system, now covers over 1.3 billion Indians, making the delivery of government subsidies and services more streamlined.
3. **E-Governance:** Government initiatives like Digital India have transitioned several public services online. Platforms like UMANG and e-NAM are testament to this.
4. **Online Retail and E-commerce:** The growth of companies like Flipkart, Amazon, and JioMart underpins the penetration of e-commerce in the country.
5. **Telecom and Internet:** With over 700 million internet users, India's digital market is vast. The availability of affordable smartphones and low-cost data fuels this growth.

Problems Faced:

1. **Digital Divide:** Despite strides, a significant divide remains between urban and rural areas in digital adoption.
2. **Cybersecurity Concerns:** The frequency of cyber-attacks has increased with the digital surge. In 2019, India witnessed the second-highest number of cyber threats in the Asia-Pacific region.
3. **Infrastructure Limitations:** Inconsistent power and limited server infrastructure can stymie digital expansion.
4. **Privacy Concerns:** The lack of a stringent data protection law raises apprehensions regarding data privacy.
5. **Resistance to Change:** There exists a hesitation towards digital methods among certain demographics, especially the older generation.

Suggested Improvements:

1. **Digital Literacy Programs:** Nationwide initiatives are imperative to boost digital literacy, with a focus on underrepresented demographics and regions.
2. **Infrastructure Development:** Strengthening the nation's digital infrastructure, from internet connectivity to power consistency, is crucial.
3. **Data Protection Law:** A comprehensive data protection law is overdue and crucial to assuage prevalent privacy concerns.
4. **Encourage Local Solutions:** Bolstering indigenous digital solutions and platforms can invigorate the domestic digital ecosystem.
5. **Robust Cybersecurity:** Investments in cybersecurity solutions and infrastructure are non-negotiable to thwart threats.

Conclusion

A digital future is indicated by the direction of India's digital growth, which has reached significant milestones like 10 billion UPI transactions. Despite the tremendous progress, a truly inclusive and safe digital economy requires a multifaceted strategy to address the major issues.

Q4. State the objectives and measures of land reforms in India. Discuss how the land ceiling policy on landholding can be considered as an effective reform under economic criteria.

Introduction

- Discuss the land reforms, its history and their reasons.

Body

- Discuss how the land ceiling policy on landholding acts as an effective reform.
- Substantiate with examples.

Conclusion

- Conclude accordingly.

Introduction

The objectives and measures of land reforms in India, with a particular focus on the land ceiling policy. It evaluates the economic criteria that make the land ceiling policy an effective reform measure.

Objectives of Land Reforms in India

1. **Elimination of Intermediaries:** The main goal was to bring about direct contact between the state and the cultivator by getting rid of layers of intermediaries (such as zamindars, jagirdars, etc.).
2. **Tenancy Reforms:** To give renters security, control rent, and grant rights of cultivation to the person who actually tills the soil.
3. **Consolidation of Holdings:** To obtain economies of scale and higher agricultural output, combine disparate landholdings into a single, compact entity.
4. **Land Ceilings:** Limiting the total amount of land a person may own in order to transfer surplus land to marginal and landless farmers.
5. **Empowering Dalits and other marginalised groups:** to guarantee that traditionally underserved areas have equal access to the land and its resources.
6. **Improvement of Land Records:** To secure accurate titles and prevent conflicts, modernise and digitise records.

Measures of Land Reforms in India:

1. **Zamindari Abolition Acts:** Several states passed legislation to do away with Zamindari and other intermediary systems, such as the Uttar Pradesh Zamindari Abolition and Land Reforms Act of 1950 and the Bihar Land Reforms Act of 1950.
2. **Tenancy laws:** States passed tenancy laws to safeguard tenant farmers by ensuring their tenure security and limiting rents. Examples include the Tamil Nadu Cultivating Tenants Protection Act and the Andhra Pradesh (Telangana Area) Tenancy and Agricultural Lands Act.
3. **Land Ceiling Acts:** Several states passed legislation to impose a cap on the total amount of land that a person or family might own. Redistribution of surplus land among the landless was required.
4. **Bhoodan initiative:** This was a voluntary initiative which landowners donated land for the landless, and it was started by Acharya Vinoba Bhave in 1951.

5. **Land records** have been upgraded and digitalized by recent technical initiatives like the Digital India Land Records Modernization Programme (DILRMP).

Land Ceiling Policy as an Effective Reform under Economic Criteria:

1. **Promotion of Equitable Distribution:** It sought to overcome the enormous economic gaps in rural areas by transferring land from wealthy landowners to landless peasants.
2. **Increases Agricultural Productivity:** Due to more extensive cultivation, smaller farms are frequently found to be more productive per unit of area.
3. **Ownership of land:** It is directly correlated with economic empowerment. It encourages investment in agriculture, expands financing availability, and offers security.
4. **Reduction of Rural Poverty:** Its goal was to improve the economic circumstances of the landless and lower rural poverty by giving them access to land.
5. **Promotion of Cooperative Farming:** To attain economies of scale, the program supported the pooling of resources and land.

Conclusion

Although the goals of the land reforms were admirable and had the potential to lead to considerable economic change, their success was primarily dependent on the political will and the strength of the implementation processes in each state. In particular, the land ceiling policy stands out as a bold economic change meant to narrow economic gaps and boost agricultural productivity. However, depending on how strictly it was enforced, the real effects differed among places.

Q. 11 Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements.

Introduction

- Explain meaning of Structural Unemployment

Body

- Mention reasons of structural Unemployment
- Mention various Methodology for Computing Unemployment in India
- Suggest improvements
- Mention Global best Practices

Conclusion

- Mention improving on methodology for measuring unemployment in India is essential for informed policymaking and effective interventions

Introduction

The predominant form of unemployment in India is structural, characterized by a **fundamental disconnect between the skills possessed by the workforce and the demands of available jobs**. Accurate measurement of unemployment is crucial for understanding the extent of the problem and formulating effective policy responses.

Body

Reasons of Structural Unemployment

- **Population Growth:** Rapid population growth outpaces job creation, straining the labor market's capacity.
- **Technology Disruption:** Automation and technological shifts are replacing traditional jobs, leaving many unemployed.
- **Geographic Disparities:** Economic development varies regionally, leading to uneven job availability.
- **Wage Expectation Gap:** Mismatched wage expectations among job seekers can hinder job matches.
- **Skills Gap:** The majority of India's unemployed lack the skills needed for modern jobs due to an outdated education system. For instance, many graduates lack practical skills required for specific roles.

Methodology for Computing Unemployment in India

- **Census of India:** Conducted **once every ten years**, it provides a baseline population count but does not offer detailed employment and unemployment data.
- **NSSO (National Sample Survey Office) Surveys:** Large-scale sample surveys that offer insights into employment and unemployment.
- **The Periodic Labor Force Survey (PLFS),** conducted **annually** since 2017-18, has become a vital source of data, Provides comprehensive information on labor force participation. Replaced earlier employment-unemployment surveys by NSSO.
- **Labor Bureau Surveys:** Conducted by the **Labor Bureau of India** to collect data on employment and unemployment. Examples include the **Employment and Unemployment Surveys (EUS)** and **Annual Employment-Unemployment Surveys (EUS-AEUS)**.
- **State Employment Exchanges:** Collect data on job seekers and placements, offering insights into the number of individuals actively seeking employment.

Areas to Improve on

- **Regular Review and Adaptation:** Continuously review and adapt the methodology to keep pace with evolving labor market dynamics, like gig work and the digital economy.
- **Benchmark with International Standards:** Align data collection and reporting methodologies with international standards to enable global comparisons.
- **Capacity Building:** Invest in training and capacity building for surveyors and data analysts to enhance the quality of data collected.
- **Interagency Collaboration:** Foster collaboration between relevant government agencies, such as NSSO, Labor Bureau, and state employment exchanges, to ensure data consistency and accuracy.
- **Depth of data:** Increase the depth of detail in the statistics by giving more specific information on regional and sectoral unemployment rates, useful for developing carefully tailored policies.
- **Embrace technology:** for data gathering and analysis, utilizing digital surveys, mobile applications, and data analytics tools, can reduce the time lag between data collection and dissemination
- **Capture Informal Sector:** Develop methodologies to capture informal employment and underemployment more effectively.

Global Best Practices

- **United States: Current Population Survey (CPS) monthly**, providing comprehensive labor market data, including unemployment rates by demographic groups and industries.
- **Germany: Labor Force Survey (LFS)**, offering detailed labor market information, including regional and sectoral breakdowns.

Conclusion

Enhancing the methodology for measuring unemployment in India is essential for informed policymaking and effective interventions to address structural unemployment. Implementing the suggested improvements can lead to a **more comprehensive, timely, and precise assessment of unemployment trends**, ultimately contributing to better-targeted policy responses and initiatives to alleviate unemployment issues in the country.

Q.12 Distinguish between 'care economy' and 'monetized economy' .How can care economy be brought into monetized economy through women empowerment?

Introduction

- Briefly define care economy and Monetized economy.

Body

- Show Distinction between 'Care Economy' and 'Monetized Economy'.
- Explain how we can Bringing the Care Economy into the Monetized Economy through Women Empowerment.
- Give examples.

Conclusion

- Mention integration of care economy and Monetized economy can contribute to gender equality and overall economic development.

Introduction

The concepts of the "care economy" and the "monetized economy" represent two distinct spheres of economic activity, with one focusing on unpaid caregiving and the other on formal, market-based transactions. Bridging the gap between these two involves recognizing the value of care work and empowering women to participate actively in the monetized economy.

Body

Distinguishing 'Care Economy' and 'Monetized Economy'

Aspect	Care Economy	Monetized Economy
Nature of Activities	Involves activities like childcare, Elder care, housework, and emotional support.	Includes activities like production, consumption, investment, and trade.
Compensation	Generally unpaid or under-recognized.	Activities are compensated through wages, salaries, or other forms of payment.
Economic Visibility	Often hidden or undervalued in national economic statistics.	Visible through GDP, employment, and financial reporting.
Example	A family member caring for an aging relative without receiving financial	A factory worker earning a salary for Producing goods for sale.
Gender Dynamics	Often disproportionately performed by women; reinforces gender inequalities.	Tends to be influenced by gender norms, with gender wage gaps.
Policy Implications	Calls for recognition, support, and redistribution of caregiving burdens.	Focuses on economic growth, taxation, and regulatory frameworks.

Bringing the Care Economy into the Monetized Economy through Women Empowerment

Empowering Women

- **Access to Education and Training:** Equal access to education and skills development, enabling them to participate in both care and monetized economies.
Example: nursing or teaching qualifications, offering training and mentorship programs

- **Financial Inclusion:** financial literacy and access to resources, enabling them to engage in economic activities. **Example: self-help groups or microfinance programs** to start small businesses.

Recognizing and Valuing Care Work

- **Unpaid Care giving Policies:** Implement policies that recognize and provide support for unpaid caregivers, including parental leave, flexible work arrangements, and social security.
- Like **Maternity Benefit (Amendment) Act** in India increases the duration of paid maternity leave to 26 weeks.
- **Social Services Investment:** Invest in quality social services, such as **affordable childcare**, eldercare, and healthcare, reducing the burden of unpaid care work.
- **E.g.: India's Anganwadi Workers:** The Indian government employs millions of women as Anganwadi workers who provide vital childcare and maternal healthcare services, bridging the care economy with formal employment.

Promoting Gender Equality:

- **Changing Norms and Attitudes:** Challenge traditional gender norms and promote equitable sharing of care giving responsibilities between men and women.
- **Policy Interventions:** Enforce anti-discrimination laws, promote gender diversity in leadership roles. **Example:** Quotas or incentives for women's representation on corporate boards.
- **Digital Platforms and Gig Economy:** Women can participate in the gig economy such as freelance work, online tutoring, or selling handmade products.

Care Services as a Business

- **Professionalizing Care Work:** Creating formal job opportunities in care-giving professions, such as **nursing and elderly care, transforms care services into monetized activities.**
- **Eldercare Services in Japan:** Japan's aging population has led to a surge in demand for eldercare services. Women are actively participating in this sector, providing monetized care services.

Conclusion

A study by the **OECD** found that **every 1% increase in investment in the care sector leads to a 2.5% increase in GDP.** Highlighting the need to empower women through recognition, policy support, and skill development can help bring the care economy into the monetized economy. This transition not only enhances women's economic participation but also contributes to **gender equality and overall economic development.**

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