

1. Lately India is witnessing dismal growth in the manufacturing sector. What measures should be taken to revive manufacturing sector? Examine. (250 Words)

Answer:

Background:-

The projected growth at 6.5% in 2017-18 is mainly due to high growth in services in the next two quarters and manufacturing growth may remain subdued.

Reasons for dismal performance of manufacturing sector are:

- Banks are reluctant to offer credit for industrial activity
- Excess rigidity in the formal manufacturing labour market and rigid labour regulations has created disincentives for employers to create jobs
- Industrial Disputes Act has lowered employment in organized manufacturing by about 25% (World Bank Study)
- Stringent employment protection legislation has pushed employers towards more capital intensive modes of production, than warranted by existing costs of labour relative to capital.
- Therefore, the nature of the trade regime in India is still biased towards capital-intensive manufacturing.
- The labour intensity of **MSME** is four times higher than that of large firms but they have poor access to credit and they are plagued by many serious problems which has limited their growth potential.

Measures needed:-

- **Skill development :-**
 - Building skills among the large population of minimally educated workforce
- Enacting laws that focus on improving workforce relations together with greater flexibility,
- Improving infrastructure including development of world class clusters
- Reducing uncertainties and providing stability and predictability in regulatory, legal, environmental, taxation areas
- Providing access to capital at competitive prices
- **Importance to electronic sector :-**
 - An already conceived programme on silicon manufacturing for fabrication must be revived. This will ensure competitive domestic production of chips, leading to a reduction in imports of electronic items.
 - Focus on Electric vehicles is necessary.
- Items for which merchandise export incentive scheme (MEIS) was not granted so far may be revisited
- Attention may be focused on assistance to states for export-related infrastructure through assistance to states for development of export infrastructure and allied activities (ASIDE) type schemes
- Financial and technical assistance to export industries to improve their standards is needed.
- The inverted duty structure must be attended to and negotiations of items getting hit under current free trade agreements (FTAs) should be focused upon.

- **Banking system:-**
 - The autonomy of bank management and enhancement of banks professional capabilities is needed.
- Increased use of technology to reduce costs, improved whistle blower system is also necessary.

PRACTICE QUESTIONS

Answer the following Questions

1. It seems that the three – fraternity, liberty and equality – can coexist only if one follows the way of the Buddha. Comment on the Dr Ambedkar’s statement.
2. The Delhi Declaration, announced during the recent ASEAN-India Commemorative Summit, is significant for addressing India’s various security concerns. Do you think such declarations will have tangible outcomes? Critically analyse.