



One stop Guidance for UPSC by IAS toppers

**MANUFACTURING
YOJANA MAGAZINE JIST
QUESTIONS & ANSWER FORMAT
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Preface

Yojana magazine (released by Ministry of I&B) is increasingly finding a place in the questions of both UPSC Prelims and Mains.

Every Issue of Yojana deals with a single topic comprehensively sharing views from a wide spectrum ranging from academicians to policy makers to scholars. The magazine is essential to build an in-depth understanding of various socio-economic issues.

From the exam point of view, however, not all articles are important. Some go into scholarly depths and others discuss agendas that are not relevant for your preparation. Added to this is the difficulty of going through a large volume of information, facts and analysis to finally extract their essence that may be useful for the exam.

We are not discouraging from reading the magazine itself. So, do not take this as a document which you take read, remember and reproduce in the examination. Its only purpose is to equip you with the right understanding. But, if you do not have enough time to go through each and every Yojana magazine, you can rely on the content provided here for it sums up the most essential points from all the articles in Yojana.

You need not put hours and hours in reading Yojana and making its notes in pages. We believe a smart study, rather than hard study, of Yojana can improve your preparation levels. Hence, instead of giving you a jist of articles, we are providing a Q&A format from both Prelims and Mains that can make you understand – “How to read Yojana?”

Think, learn, practice and keep improving! That is the key to success. 😊

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1. Introduction (From Yojana)

Manufacturing industry is of significant importance to the development of any economy. Developing countries like Indian depend on manufacturing from growth and development.

Indian economy which has traditionally been agriculture based is taking big leap towards promoting manufacturing which constitutes 16 per cent of GDP in India. But its contribution to employment sector and growth is well below its true potential. Restrictive and rigid labour laws, abundance of unskilled workforce over skilled workforce, lack of technology innovations are some of the factors contributing to this.

Diversity of resources and the varying degree of skills and qualifications of the available labour makes it essential to understand the importance of both the small as well as large scale industries. The small-scale sector largely dependent on the strengths of our traditional skills and knowledge, creates largest employment opportunities, next only to Agriculture. It also helps in alleviation of poverty and brings about equitable distribution of income and wealth.

At the same time the large scale industry, apart from providing job opportunities, plays an important role in promoting exports resulting in increased foreign exchange earning, and expanding demand base for domestic products leading to overall inclusive growth.

National Manufacturing policy aims at enhancing the share of manufacturing in GDP to 25 per cent within a decade and creating 100 million jobs. It also seeks to empower rural youth by imparting necessary skill sets to make them employable. The recent budget of the Government has made efforts to provide a favourable environment to promote domestic as well as international industry by simplification, rationalization and digitization of processes. Initiatives like "Make in India", Skill India, MUDRA etc arc aimed at encouraging the spirit of entrepreneurship and making India the manufacturing hub of the world. The budget also tries to address issues relating to lack of robust infrastructure, constraints on energy supply, importance of technology and innovation etc.

Manufacturing sector can play a crucial role in making India the fastest growing economy of the world, only if there is right policy from government and strong commitment by the Industries.

MAINS related Questions & Answers

1. Discuss the latest initiatives that are aimed at encouraging the spirit of Entrepreneurship and making India the Manufacturing hub of the world.

Manufacturing industry is of significant importance to the development of any economy. Recent Initiatives like “make in India”, skill India, MUDRA Etc; reflects the India’s keen dependence on manufacturing industry for growth and employment.

“**Make in India**” is a timely policy initiative to convert India into a global manufacturing hub. In order to attract new investments and promote manufacturing, this programme addresses the problem areas in the manufacturing sector through different channels of interventions.

One more multi-skill development programme for job creation and entrepreneurship for all socio economic classes is the “**skill India**”. The emphasis is to skill the youth in such a way so that they get employment and also improve entrepreneurship. It can be said that the skill India is a bonus plan of “Make in India” Initiative.

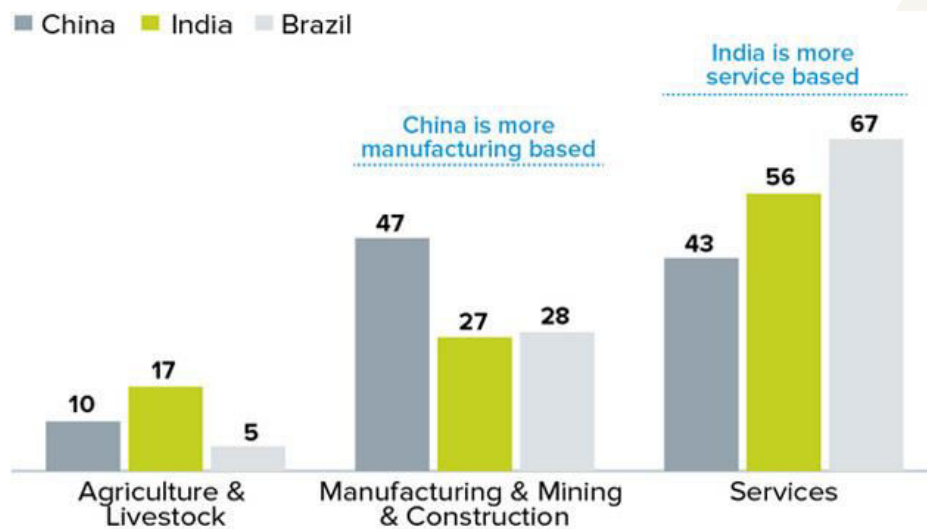
Moreover, reforms in the labour laws by bringing **Deen dayal Shramev Jayate** Yojana, will inspire confidence in businesses; improve business flexibility and ease of doing business in India.

The **MUDRA** (Micro units’ development and refinance agency) scheme aims at funding the unfunded. Small entrepreneurs of India are used to exploitation at the hands of money lenders so far, Mudra model of functioning supports entrepreneurs to give employment to a large number of people using least amount of funds.

To conclude, one can say that manufacturing sector has the potential to play a crucial role for India to achieve its goal of becoming the fastest growing economy in the world.

2. India must aim to match china in Manufacturing given the low-cost labour with the added virtue of skills. Critically discuss the issues Involved.

The secondary sector (Manufacturing Industry) in India is slow in race compared to the primary and tertiary sectors. Inadequate growth in manufacturing has had its adverse impact on employment generation in India. The share of the manufacturing sector in the gross domestic product in India is 17% compared to 33 % in china.



Recent trends in some sectors, such as auto and auto components, specialty chemicals, generic drugs and engineering, however, suggest a vast scope for global manufacturing to locate here. The policy thrust outlined by the Prime minister through the two flagship programmes, 'Make in India' and 'skill India', should be understood against this background.

And worryingly, it is losing depth. While china's GDP is 3.8 times larger than India's, its production of machine tools, the 'mother industry' of manufacturing, is 55 times more. India needs a strategy to grow manufacturing 12% to 14% per annum, create 100 million new manufacturing jobs in the next 15 years to realize its 'Demographic dividend'. It needs to create more depth in capital goods industries and innovation for its manufacturing sector to be competitive and sustainable.

In order to match china in Manufacturing, India must plot an innovation strategy and must be closely intertwined with an integrated manufacturing strategy. Manufacturing has to be the sponge which absorbs people who need to move out of agriculture in

pursuit of higher incomes. India has to create gainful employment opportunities for a large section of its population, with varying degrees of skills and qualifications; the manufacturing sector is expected to be the engine of this employment creation initiative.

3. The challenges for Indian manufacturing exports are insurmountable but India has no choice if inclusive growth has to be experienced. Explain?

The Importance of exports in raising the economic growth is enormous. The dual objectives of enhancing foreign exchange earnings and at the same time, expanding the demand base for the domestically produced goods can be met through increased exports. Further the exports of services cannot contribute significantly to the employment generation for the unskilled variety of the work force. Therefore, it is the export of manufacturing goods which can result in an inclusive growth.

India's manufacturing exports in the total world exports is, however, not substantial and faces major threats from various countries. For example, the garment exports from India are severely challenged by the competing exports from Bangladesh.

The main issue is the export of high value products. There are several high value products which are labour intensive. The production of such products is limited in scale as the cost is high. But the saleability of such products in the developed countries market is very high. With certain Initiatives to manufacture finished goods adjusted for western taste and preferences, the exports of high value products can pick up with positive effects on both employment and foreign exchange earnings.

The Indian exporters are required to ship several documents such as letter of credit, copy of proof of advance payment, print out of application form, foreign inward remittance certificate etc to government office, accompanied by numerous visits which indeed pose major challenges to Indian exports. Anti-dumping action has also led to loss of Indian trade.

The solution lies primarily in manufacturing led-growth which in turn, can be enhanced with manufacturing of exports.

4. Explain why Indian manufacturing sector needs to undertake more indigenous research and development to alien manufacturing with the principles of sustainable development?

Indigenous Research and Development is necessary to cater the growing needs of India. It will also aid in making Indian manufacturing world leaders, along with china and some developed countries, in clean or green technologies. India has excellent centers of research to tap for rejuvenating Indian Manufacturing.

The centers of research alluded to include academic institutes such as Indian institute of Technology (IIT), Indian Institute of science (IISc) and other premier academic institutions, with their excellent academics and pool of research scholars, and various defense and non-defense related national laboratories. A strong nexus among the Indian private sector, many of whose entities are world class companies, national laboratories and academia would also go a long way in achieving this goal.

Apart from research in traditional areas of manufacturing, from the viewpoint of sustainability, the Indian academia and industry could also focus on some of the latest disruptive technologies. The advent of 3D printing or additive manufacturing technology is one such technology that in recent decades has revolutionized some areas of manufacturing for components made primarily of non metallic materials.

Other areas beckoning for attention include automation with robots, artificial intelligence, big-data and cloud computing, to name a few. All of these areas have the capacity to modernize Indian manufacturing prowess while catering to our requirements through sustainable development.

However, the use of these new concepts should also be tempered with the large pool of labour at various levels of skill available in this country.

5. What explains India's Lacklustre participation in Global production network for "Make in India"?

The concept of "Global production network" (GPN) has been developed as a way to analyse the complex link between a lead or a key firm and its suppliers in different countries. Growth of global production networks implies that trade involves not only the exchange of end products but, increasingly, of parts and components (P & C) that go into making them. Each country specializes in a particular fragment of the production process based on its comparative advantage, which in turn, is determined by factor intensity of fragments and differences in factor prices across countries.

India's policies discourage against labour-intensive industrial activities. India lags behind other fast-growing Asian countries in integrating domestic manufacturing with the global vertical production chain. India's archaic labour laws create severe exit barriers and hence discourage large firms from choosing labour intensive activities and technologies. Government interventions in labour markets have had the unintended consequence of creating a bias in the incentive structure against labour-intensive manufacturing.

The bulk of the FDI flows to china's manufacturing sector has been vertical (export promoting) in nature, which represents international fragmentation of the production process by multinationals. By contrast inward FDI into India is primarily horizontal (market seeking) rather than vertical in nature making its participation Lacklustre in GPN.

6. What explains the fact that India has been attracting horizontal rather than vertical FDI while the opposite has been the case for china?

Horizontal FDI arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.

Vertical FDI takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

Two things explain the fact why India has been attracting market seeking FDI rather than Export promoting FDI.

First, there existed a powerful incentive for multinationals to undertake tariff jumping horizontal investment as Indian tariff rates, despite the reduction since 1991, remained relatively high until 2007. Higher tariff rates would have made India a relatively undesirable destination for vertical investments.









Second, Vertical specialization has been discouraged in India also on account of restrictive labour laws, inadequate infrastructure, a burdensome regulatory environment, an inefficient land acquisition process and poor trade facilitation.

These issues are reflected in India's poor ranking among the countries in the region, In particular among the dynamic export oriented economies in East Asia, in terms of various indicators of ease of doing business. The World Bank's annual "Doing Business 2015" ranked India 142nd out of 189 countries in ease of doing business while china's rank stood much better at 90th.

What is important is the creation of an environment that allows entrepreneurs to freely search and identify opportunities in the vertically integrated global supply chains of various industries. Based on imported parts and components, India has a huge potential to emerge as a major hub of final assembly in several industries. A level playing field should be created for different types of business entities-domestic, foreign and joint ventures.

WHERE INDIA STANDS

A comparison of ease of doing business in India with other emerging economies

	Ranking	
	2015	2014
 Singapore	1	1
 New Zealand	2	2
 Hong Kong	3	3
 Brazil	120	123
 Russia	62	64
 India	142	140
 China	90	93
 South Africa	43	37
Starting a business	158	156
Dealing with construction permits	184	183
Getting electricity	137	134
Registering property	121	115
Getting credit	36	30
Protecting minority investors	7	21
Paying taxes	156	154
Trading across borders	126	122
Enforcing contracts	186	186
Resolving insolvency	137	135

Source: World Bank Doing Business 2015

7. What do you understand by the “Right to Legal Aid” and Explain the Role of National Legal Service Authority?

The Right to legal aid is basic to ensuring effective access to Justice. Article 21, already identified as a non-derogable human right in the Indian Constitution, in fact, covers almost every aspect under its broad sweep. The Indian Constitution does not explicitly provide the right to free legal aid as a fundamental right. But under the “Directive principles of State policy”, Article 39-A provides for free legal aid in all cases involving indigent persons. The main objective of this Act is to provide free and competent legal services to the weaker sections of the society and to ensure that they are not deprived of it by reason of economic and other disabilities.

National Legal Service Authority (NALSA) is responsible for providing free legal assistance to poor and weaker sections of the society. It also provides for the organisation of legal aid camps and encouraging the settlement of disputes through Lok Adalat. The Act imposed a duty on Central Authority to take necessary steps by way of social action litigation for the cause of weaker sections and give training to social workers in legal skills. It provides for clinical legal education programmes and legal aid clinics in universities, law colleges and other institutions.

Access to Justice is one of the most basic human rights and without its realization; many of the human rights may stay merely on paper.

8. Why can't India be a World-Class Player in Manufacturing Industry as it is in IT & BPO Sectors?

There are several factors because of which India has not been able to develop into a manufacturing superpower. The major ones are:

- India, barring a few states, is a power deficient country; there are no proper Power, logistics and transport facilities readily available.
- We are surplus in labour but rarely the labour is skilled, this can be accounted mainly due to focus on academics and lack of practical knowledge. Managing and upgrading skills is poor and need major overhauling.

- India has stringent labour laws, workers cannot be employed from so and so states, political backing, labour unions etc.
- Lack of transparency on processes and clearances. There are no proper demarcations afa processes are concerned at state and central levels. File clearances, bribes to be offered, babus involved etc. One major example is that of POSCO project not getting clearance and the infamous "Jayanti Tax". Kumarmangalam Birla recently announced his reluctance to invest 4000 crore in business due to the lack of support from the government.
- Lack of investment in R&D and strategic planning. Most of goods finished products have to be imported. Arms, cosmetics, etc.
- Political interests, land disputes etc. Ex. TATA NANO -Singur case.
- Mindsets, people in India prefer White colour jobs and do not want to get their hands dirty by having "On the floor jobs".
- Innumerable Taxes and laws for setting up projects.
- Finally the monster corruption and scams that fend off global investors.

PRELIMS related Questions

1. Consider the following statements regarding “Make in India” initiative.

- A. National manufacturing policy aims at enhancing the share of manufacturing in GDP to 25 % within a decade.
- B. MSME can play a critical role to strengthen the make in India Initiative.
- C. The manufacturing sector revolves around the workers only
- D. Indigenous culture and tradition is a hinderance in generation of employment and manufacturing

Choose the INCORRECT statement/Statements:

- a. A and C
- b. A and D
- c. A and B only
- d. None of the above

Solution: d)

Explanation: The manufacturing sector revolves around two sets of major participants the entrepreneurs and the workers.

2. Which of the following Programme has been formally launched in north east in the SAIHA district of Mizoram was selected among 100 districts across India?

- a. North East livelihood project
- b. Centre for Development of Advanced Computing (C-DAC)
- c. Act East Policy Initiative
- d. Beti Bachao, Beti Padhao

Solution: d)

Explanation: Programme has been formally launched in north east in the SAIHA district of Mizoram was selected among 100 districts across India for this unique initiative on the occasion of International Women’s Day.

3. The Pharma-Literacy Initiative “ Pharma Jan Samadhan “- a web enabled system for redressal of consumers’ grievances is related to

- a. Pricing and Availability of Medicines
- b. Distribution and Availability of Medicines
- c. Manufacturing of Medicines
- d. Safety and production of Medicines

Solution: a)

4. Which of the following statements regarding the Digital Gender Atlas for Girl’s Education in India is/are correct?

- a. This will help identify low performing geographic pockets for girls, particularly marginalized.
- b. To ensure equitable education with a focus on vulnerable girls, including girls with disabilities
- c. It provides comparative analysis of Individual gender related indicators over three years
- d. All of the above

Solution: d)

5. What is the name of the Indigenous vaccine for Rotavirus that was launched recently?

- a. Rotarix
- b. Rota Teq
- c. Rota virus vaccine
- d. Rotavic

Solution: d)

The oral rotavirus vaccine Rotavic, which has been developed by Hyderabad-based Bharat Biotech and the department of biotechnology to combat diarrhoea was launched recently by the prime minister.

6. Consider the following statements regarding the budget allocation to the North-eastern region for its development

- a. A 24*7 Television channel named “Arun prabha” for the northeastern region will be launched
- b. Meghalaya has been brought on the railway map of India with its direct connectivity to Delhi
- c. RS. 300 Cr have been given for 4,046 kms of sino-india border stretching from karakoram point to fish tail in Arunachal Pradesh.
- d. All of the above.

Solution: d)

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