



- **Governance and Reforms**
- **Make in India**





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GOVERNANCE AND REFORMS

In the spirit of Kartavya Kaal, India's governance reforms symbolise a collective stride towards a brighter future. As citizens embrace their responsibilities with newfound vigor, guided by the principles of duty and progress, a promising horizon beckons. Various institutions and constitutional bodies are paving this path with transparency, inclusivity, and accountable governance. Through these reforms, India stands poised to script a tale of transformation, where citizen participation and good governance converge to help the society at large prosper.

A. Judicial Reforms: A Robust justice system ensuring timely justice

Speedy and affordable justice is not only a fundamental right but also a prerequisite for maintaining the rule of law and delivering good governance. Hence, appropriate reforms need to be taken in order to have a robust justice system ensuring timely justice.

Inordinate delay, cost of legal processes, and inaccessibility are impeding the effective delivery of justice to the common man.

- **Equal Justice:** Accessible and Affordable Justice has been enshrined in DPSP under article 39 (A). However, due to various structural and systematic challenges, the aspiration to meet this objective looks blur.
- **High Pendency of Cases:** The total pendency of cases in the several courts of India at different levels, sums up to a total of about 3.7 crores thus increasing the demand of a better and improved judicial system.
 - The National Court Management, a report of the Supreme Court in 2012, studied the data of **pendency of cases and vacancy of judges**.
 - It showed that in the last 3 decades, the number of cases increased by 12 folds while the number of judges increased only by 6 folds.
- **Widening Gap:** The gap between the number of judges and cases is widening. In the next 3 decades, the number of cases is expected to rise by approximately 15 crores requiring a total no of judges about 75000.
 - In fact, currently the 25 high courts have the strength of less than 1200 judges.
- **Article 39 (A) of the Constitution** directs the State to ensure that the operation of the legal system promotes justice on a basis of equal opportunity and shall, in particular, provide free legal aid by suitable legislation or schemes or in any other way.
 - Though 'access to justice' has not been specifically spelled out as a fundamental right in the Constitution, it has always been treated as such by Indian courts.
 - In Anita Kushwaha v. Pushpa Sadan (2016), the Supreme Court held unambiguously that "life" implies not only life in the physical sense but a bundle of rights that also means right to access justice.
- **Important components of access to justice:**
 - **There is a need for adjudicatory mechanisms** that must be conveniently accessible in terms of distance and the process of adjudication must be speedy and affordable to the disputants.
 - The Government has undertaken several measures to make available affordable, quality and speedy justice to the common man. The Legal Services Authorities (LSA) Act, 1987 provides free and competent legal

services to the weaker sections of the society including beneficiaries covered under Section 12 of the Act .

- **To ensure that opportunities for securing justice are not denied to any citizen** by reason of economic or other disabilities, and to organize Lok Adalats to secure that the operation of the legal system promotes justice on a basis of equal opportunities.
 - For this purpose, the legal services institutions have been set up from the Taluk Court levels to the Supreme Court. During the period from April, 2021 to November, 2021, 60.17 lakhs persons have been provided with free legal services and 132.37 lakhs cases (pending in courts and disputes at pre-litigation stage) have been settled through Lok Adalats.
 - Legal Aid Clinics have also been set up in jails, observation homes, juvenile justice boards which are manned by panel lawyers and para legal volunteers of legal services authorities.
- **Further, to enable equitable access to justice**, National Legal Services Authorities (NALSA) has also launched Legal Services Mobile App on Android and iOS Version to enable easy access to legal aid to common citizens.
 - The Government has launched two important legal empowerment initiatives which include **Nyaya Bandhu (Pro-bono Legal Services) programme** to link the persons eligible to avail free legal aid under Section 12 of LSA Act, 1987 with the pro-bono lawyers. 3840 pro bono advocates have been registered under the programme and 1440 cases have been registered by the beneficiaries.
 - The other initiative is the **Tele-law: Reaching the Unreached**, being run by the Government which provides legal advice to the public including persons entitled to free legal aid under Section 12 of the LSA Act, 1987, at the pre-litigation stage by the Panel Lawyers through the Common Service Centers (CSCs) at the Panchayats. Tele-law has served more than 13.7 lakh beneficiaries till date.

Way Forward

- **Streamlining the Appointment System:** The vacancies must be filled without any unnecessary delay.
- **A proper time frame for the appointment of judges** must be laid down and the recommendations must be given in advance.
- **The Constitution of the All India Judicial Services** is also an important factor which can definitely help India establish a better judicial system.
- **Use of Technologies:** People are becoming more and more aware of their rights and which is why the number of cases filed in court are also increasing.
- **To deal with that judicial officers need to be trained**, vacancies for the judges must be filled up expeditiously and in addition the use of technology particularly artificial intelligence must be encouraged.
- **Dispute Resolution:** The adjudication of disputes within a short time frame is important to ensure the trust of the people within the judicial system.

- **Out of Court Settlement:** Resolving every case within the court premises is not mandatory; other possible systems must also be accessed.
- **Alternate dispute resolution (ADR):** As stated in the Conference on National Initiative to Reduce Pendency and Delay in Judicial System- Legal Services Authorities should undertake pre-litigation mediation so that the inflow of cases into courts can be regulated.
 - **The Lok Adalat** should be organized regularly for settling civil and family matters.
 - **Gram Nyayalayas**, as an effective way to manage small claim disputes from rural areas which will help in decreasing the workload of the judicial institution.
 - **Village Legal Care & Support Centre** can also be established by the High Courts to work at grass root level to make the State litigation friendly.

The fundamental requirement of a good judicial administration is accessibility, affordability, and speedy justice, which will not be realized until and unless the justice delivery system is made within the reach of the individual in a time-bound manner and within a reasonable cost.

Nyaya Bandhu's (Pro Bono Legal Services)

- It is a primary initiative to establish a framework for the dispensation of pro bono (free of cost) legal services across the country.
- Under Nyaya Bandhu, practising advocates, interested in volunteering their time and services, are connected, via mobile technology, with eligible marginalised beneficiaries.
- Nyaya Bandhu Mobile application (Android/IOS) has been developed in collaboration with technical partner Common Services Centres (CSC) e-Governance Pvt. Ltd.
 - Common Services Centres (CSC) are the access points for the delivery of various e-governance and business services to citizens in rural and remote areas of the country.
 - CSC e-Governance Services India Limited, a Special Purpose Vehicle set up under the Companies Act, 1956.
 - **Ministry:** Ministry of Electronics & IT
 - **Objective:** to oversee the implementation of the CSC scheme.
 - It provides a centralized collaborative framework for the delivery of services to citizens through CSCs, besides ensuring the systemic viability and sustainability of the Scheme.
- Nyaya Bandhu Mobile application has been onboarded on the UMANG platform.
 - UMANG (Unified Mobile Application for New-age Governance) is developed by the Ministry of Electronics and Information Technology (MeitY) and the National e-Governance Division (NeGD).



B. Making of a Bureaucrat

In a youthful democracy, with a higher proportion of the population dependent on government services, any improvements at the grassroots will have exponential impacts. Therefore, the Government's increasing emphasis is on the spirit of Jan Bhagidari, on plugging the trust deficit between citizens and government processes, on innovation, and on impactful delivery signals a citizens-first approach. Through Mission Karmayogi, the 'bureaucrat' who is rule-bound is expected to transform into an empathetic civil servant by embracing the transformation from 'Rule to Role'.

The civil service in a democratic government is an important institution. It is charged with the responsibility of assisting the political executive in framing policies, implementing them through programmes that deliver governance and welfare, and discharging system maintenance services. Through its successful actions, it generates public support for executive and legislative policy, and through its failings, it renders itself (and putatively the elected governments) accountable to the instruments of parliamentary oversight.

Part XIV of India's Constitution provides for efficient 'public services' by creating the Union Public Service Commission and the State Commissions, together with elaborate safeguards that support professionalism.

*Mission Karmayogi***Evolution of the Indian state: from being a provider and a provisioner state to becoming a “partnership” state:**

- These forces have led to a sharper focus on **citizen-centricity, engagement and partnership**, which the Prime Minister has aptly called **Jan Bhagidari**.
- These forces herald a new phase in the evolution of the Indian state — from **being a provider and a provisioner state, to becoming a “partnership state”**.
- As we observed during the time of covid-19 pandemic that different arms of the national government acts as partnership state, from the PMO to the Ministry of Health and Family Welfare and many other ministries, the NITI Aayog, ICMR and other central government organisations.
- These arms collaborated effectively with international bodies and state governments, bringing out the strength of India’s global relations and federal structure.

Changing dynamics with the evolving India and world

- **Rise of information and communication technology (ICT)**
 - With the rise of ICT, we are becoming more interconnected globally.
 - Young Indians living in small towns and villages are connected to the wider world, which is shaping their aspirations and desires.
 - India’s citizens are no longer content to passively receive benefits from a patronising government. they are actively making claims on the state and feel empowered to shape how it affects their lives.
- **More empowered and aware citizens:**
 - Better informed citizenry is giving shape to a more mature political system, in which politicians from across the spectrum recognise the importance of delivering on campaign promises of better health, education and social benefits.
- **Development of new technology:**
 - Development of new technologies is opening up possibilities for governance.
 - The state needs to leverage them to deliver the greatest good for the largest number.

Expanding dimensions of “partnership” state with the time

- With the emergence of challenging situation such as Covid-19 pandemic, it was observed that **private sector, civil society and citizen volunteer groups** all joined the effort against the virus
- All these parts of society came together as one “**Team India**” to fight the pandemic. This is the true spirit of the “partnership state”.

Role of Civil services in the “partnership” state: ENTERS MISSION KARMAYOGI

- Operating in this dynamic ecosystem requires a new mindset and an evolving skill set.
- It needs **skills of collaboration, adaptiveness, credit sharing, persuasion, and conflict resolution** along with a nuanced and practical understanding of disruptive innovations,

digital arenas, big data management and emerging technologies. This is the fertile ground from which the seeds of Mission Karmayogi emerged.

- Indian government initiative **Mission Karmayogi**, the **National Programme for Civil Services Capacity Building (NPCSCB)**, encapsulates three transitions.
 - The first transition is a change in the mindset of government officials from considering themselves karmacharis to becoming karmayogis.
 - The second transition is a change in the workplace, from assigning individual responsibility for performance, to diagnosing the constraints to a civil servant's performance and remediating them.
 - The third transition is moving the public HR management system and the corresponding capacity building apparatus from being rule-based to role-based.





Merits of the Mission

- **Democratized Civil Service:** This is a New National Architecture for Civil Services Capacity Building that will herald Silo-less Performance. It would help augment the capacities of over two crore officials in India.
- **Holistic:** This is a comprehensive reform of the capacity-building apparatus at individual, institutional and process levels for efficient public service delivery.
- **Competency-driven HR Management policy:** The mission ensures that the right person with the right competencies is at the right position
- **Enhanced Accessibility:** The mission enables Civil Servants to learn from the best institutions and practices across the world (through the marketplace of iGOT platform)
- **Increased Expertise** The mission is Knowledge-driven and aims at building competencies to transform Civil Servants into leaders and subject matter experts.
- **Better Governance:** The capacity of Civil Services plays a vital role in performing core governance functions. The mission will help make Civil Servant more efficient, effective, accountable and responsive to the needs of the citizen
- **Leads to Better Work Culture:** The mission organically links the transformation of work culture and strengthening public institutions through adopting modern technology (iGOT Karmayogi platform) which lays emphasis on skills
- **Professional Growth:** It helps make available to all civil servants, an opportunity to continuously build and strengthen their Behavioral, Functional and Domain Competencies in their self-driven and mandated learning paths
- **Uniform Approach:** The mission will enable a uniform approach in managing and regulating the capacity-building ecosystem on a collaborative and co-sharing basis.
- **Reduces the cost** of training Civil Servants for both Centres and states, due to emphasis given on continuous online learning and shared ecosystem. Expenditure on foreign training will thence be cut down.

Way forward

- A post-Covid BANI (brittle, anxious, non-linear and incomprehensible) world is redefining the understanding of the future of work.
- The understanding of what is a public good is also evolving along with the aspirations of citizens. India is moving towards a **“less government, more governance” approach**.
 - This requires a paradigmatic shift in the capacities, mindset, and actions of the civil servant.
- Technology is redefining how goods and services can be rendered.
 - **From Aadhaar to DBT and Digilocker, from CPGRAMS to MyGov**, from faceless transactions to drone deliveries, from online learning to a digital university, India is rapidly integrating technology in both governance and in delivering goods and services.
- Therefore, the structure and setup of the workplace is rapidly altering and “work from anywhere to deliver good governance” to all citizens will soon become the norm.
 - All this requires a **worker (civil servant) who is not just committed but also has the competence to deliver on this evolving mandate**.

C. Accountability and Financial Administration

The institution of the Comptroller and Auditor General (CAG) plays a key role in the Public Financial Management space of the country. CAG advises the Government on the manner in which the accounts of the Union and State Governments are to be maintained. The CAG's institution upholds the trust reposed by tax payers in India and investors in Indian enterprises; and continues to contribute constructively towards the goal of establishing a robust financial administration.

About CAG:

- CAG is an **independent authority** under the Constitution of India.
- The Constitution of India provides for an independent office of the Comptroller and Auditor General of India (CAG) in **chapter V under Part V**.
- He is **the head of the Indian Audit and Accounts Department**.
- He is **the guardian of the public purse**.
- He acts as a **guide, friend and philosopher of the Public Accounts Committee of the Parliament**.

Constitutional Provisions regarding the CAG:

- **Article 148–151**, in **Part V** of the constitution of India deals with the appointment, oath and conditions of service, Duties, and Powers of CAG.
- **Article 279** – The calculation of “net proceeds” is ascertained and certified by the Comptroller and Auditor-General of India, whose certificate is final.

- **Third Schedule** – Section IV of the Third Schedule of the Constitution of India prescribes the form of oath or affirmation to be made by the **Judges of the Supreme Court and the Comptroller and Auditor-General of India** at the time of assumption of office.
- **Sixth Schedule**– According to this schedule, the District Council or Regional Council should be kept in such form as the CAG prescribes with the approval of the President.
- In addition, these bodies' accounts are audited in such manner as CAG may think fit, and the reports relating to such accounts shall be submitted to the Governor who shall cause them to be laid before the Council.

CAG plays the following roles and performs important functions to fulfil her/his accountability

- CAG audits the accounts related to all expenditures from the Consolidated Fund of India, the Consolidated Fund of each state and UT's having a legislative assembly.
- She/he audits all expenditures from the Contingency Fund of India and the Public Account of India as well as the Contingency Fund and Public Account of each state.
- She/he audits all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept by any department of the Central Government and the state governments.
- She/he audits the receipts and expenditure of all bodies and authorities substantially financed from the Central or State revenues.
- She/he audits the accounts of any other authority when requested by the President or Governor e.g. Local bodies.
- CAG also acts as a guide, friend and philosopher of the Public Accounts Committee of the Parliament.

Keystone in the arch of Constitutional measures of accountability

- CAG audit reports are handed over to the PACs i.e. Public Accounts Committee at the centre and at the state.
- Three CAG reports are examined by PAC
 - Financial attest audit to ascertain the accuracy and correctness of the financial statements of the entity;
 - Compliance audit to check adherence to applicable rules, regulations, and procedures; and
 - Performance audit to assess whether systems within the entity operate with economy, efficiency, and effectiveness.
- At the central/state level, these reports are submitted by CAG to the president/governor, who makes them to be laid in parliament/legislature. Here CAG stands different from other measures of accountability as the CAG reports are submitted to the executive.
- CAG also assists the committee in its deliberations by preparing a list of the most urgent matters that deserve the attention of the PAC. Here, CAG plays his role by bringing the most important matters to the attention of PAC.

- She/he also helps in making the actions of the committee clear to the witnesses and in making the actions of the government clear to the committee.
- The CAG position is sometimes one of interpreter and translator, explaining the officials' views to the politicians and vice-versa which in turn ensures accountability of the government.
- The responsibility of the CAG does not end here. He has to watch whether the corrective action suggested by her/him has been taken or not. In cases where it has not been taken, She/he reports the matter to the PAC which will take up the matter. It ensures accountability not just with respect to auditing matters but also with respect to implementation.
- Hence, CAG stands as a keystone in the arch of constitutional measures of accountability where CAG not only represents the structure of accountability but also holds together the structure of accountability.

There are several limitations on CAG that prevent him in fully exercising his mandate:

- **No criterion or procedure** has been prescribed either in the Constitution or in the statute for the **appointment** of CAG. This goes against the international best practices prevalent across the world.
- He cannot perform the function of comptroller, as he has **no control over the issue of money from the consolidated fund** and performs only the role of auditor.
- The CAG **cannot call for particulars of expenditure incurred by the secret service agencies**.
- Certain particulars of **defense deals** are also not compulsorily revealed to CAG, for example recently retracted documents of expenditure incurred in case of Rafale deal.
- The government has increased its participation with the private sector through the PPP (Public Private Partnership) investments; however, **CAG does not have the power to audit PPP**.
- There is **no provision for auditing of funds** that are given to an NGO and elected local bodies.
- Despite having such importance in the parliamentary setup of a democracy like India, the institution of the Comptroller and Auditor General of India has, time and again, suffered due to the **less general public awareness about the significance of this authority**.
- A major fallacy that exists in modern-day polity is the **low popularity of many CAG reports** and the fact that **not all of these reports are deliberated upon in the Parliament**.

The office of CAG is too important to be ignored or not utilized efficiently, and thus calls for reforms.

To address these challenges some reforms are suggested by former CAG Vinod Rai

- Bring all private-public partnerships (PPPs), Panchayati Raj Institutions and government-funded societies, within the ambit of the CAG.
- CAG Act of 1971 should be amended to keep pace with the changes in governance.
- A collegiums type mechanism be set up to choose a new CAG on the lines of selecting a Chief Vigilance Commissioner (CVC).

Recent Steps Taken by the Government

- With digitalisation, Governments have moved towards an **Integrated Financial Management System (IFMS)**, which is a comprehensive payment, receipt, accounting, and management information system.
- An **institutional framework for the digital audit of GST revenues** has also been established.
- **Audits of financial systems in Government schemes such as MGNREGA, PM Awaas Yojana, DDUGJY, SAUBHAGYA, AIBP, and NRHM have been conducted**, in which systemic issues relating to the release of funds to implementing agencies, unspent balances, non-submission of utilization certificates; and financial irregularities such as diversion of funds, parking of funds, fraudulent expenditure, and non-realization of revenue were highlighted.

“I am of the opinion that this dignitary or officer is probably the most important officer in the Constitution of India. He is the one man who is going to see that the expenses voted by Parliament are not exceeded, or varied from what has been laid down by Parliament in the Appropriation Act.” —Dr. B.R Ambedkar

D. Strengthening the scope and role of Parliamentary Committees

Parliamentary Committees serve an important role in scrutinising the work of the Government and improving the quality of Bills brought before Parliament. The effectiveness of Parliamentary Committees is crucial to the effective functioning of Parliament. Reports submitted by the Committees allow for informed debate in the Parliament. Additionally, Committees provide a forum to build consensus across party lines, develop subject expertise, and consult with experts and stakeholders.

A parliamentary committee means a committee that

1. Is appointed or elected by the House or nominated by the Speaker / Chairman
2. Works under the direction of the Speaker / Chairman
3. Presents its report to the House or to the Speaker / Chairman
4. Has a secretariat provided by the Lok Sabha / Rajya Sabha

Method of appointment

- The members of almost all standing committees are elected by the Parliament (respective house) every year from amongst its members according to the principle of proportional representation by means of the single transferable vote. Thus, all parties get due representation in it.
- A minister cannot be elected as a member of the committee.
- The chairman of the committee is appointed from amongst its members by the Speaker.

Importance of Committees

- **Thorough analysis of issues:** Most MPs are generalists who rely on advice from experts and stakeholders before taking decisions. Therefore, committees are meant to help MPs seek expertise and give them time to think about issues in detail.
- **Ensures all parties voice their opinion:** All committees have MPs representing different parties, in roughly the same proportion as their strength in Parliament
- **Feedback from multiple stakeholders:** When bills are referred to these committees, they are examined closely and inputs are sought from various external stakeholders, including the public.
- **Less burden of populist posture:** By virtue of being closed-door and away from the public eye, discussions in committee meetings are also more collaborative, with MPs feeling less pressured to posture for media galleries.
- **Put pressure on government:** Although committee recommendations are not binding on the government, their reports create a public record of the consultations that took place and put pressure on the government to reconsider its stand on debatable provisions.

Standing Committees

- Permanent (constituted every year or periodically) and work on a continuous basis
- Can be broadly categorized into four types
 1. Department-related/subject
 2. Financial
 3. Accountability
 4. Administrative

Ad Hoc Committees

- Temporary and cease to exist on completion of the task assigned.
- Ad hoc committees can be divided into two categories, that is,
 - Inquiry Committee
 - Advisory Committee

1. Department-related Committees, or subject Committees

- Ensure oversight over each ministry.
- **A Minister is not eligible to be a member.**
- There are **24 subject Committees**, and each Committee has **31 members, with 21 from the Lok Sabha and 10 from the Rajya Sabha.**
- Membership in Committees is allocated to parties in proportion to their strength in the House.
- Subject Committees review proposed laws, select subjects for closer examination, and scrutinise the allocated budget for each ministry.

2. Financial Committees

- Consists of three Committees: **Estimates, Public Undertakings, and Public Accounts.**
- **A minister is not eligible to be a member.**

- The Estimates Committee examines pre-budget estimates of ministries; the Committee on Public Undertakings (CoPU) examines the functioning of public undertakings; and the Public Accounts Committee (PAC) reviews the government's spending statement approved by Parliament.

3. Accountability Committee

- Apart from financial Committees and DRSCs, three other Committees ensure government accountability towards Parliament and citizens.
- These are the **Committee on Government Assurances, the Committee on Subordinate Legislation, and the Committee on Petitions.**

4. Administrative Committee

- Both Houses of Parliament also require significant administrative support for their day-to-day functioning.
- The Houses have set up different Committees, such as the **Business Advisory Committee** which helps decide the daily agenda of Parliament. Table 1 provides a list of administrative Committees in Parliament.

About Joint Parliamentary Committee

A Joint Parliamentary Committee (JPC) is **set up by the Parliament for a special purpose**, like for the detailed scrutiny of a subject or Bill.

- It has members from **both the Houses and from both the ruling parties and the opposition.**
- Members of the JPC are **decided by the Parliament.**
- There is **no fixed number** of members in the committee.
- It is **dissolved after its term ends** or its **task has been completed.**
- The recommendations made by the committee are in recommendatory in nature **not binding on the government.**

Powers of the committee:

- A JPC can obtain evidence of **experts, public bodies, associations, individuals or interested parties suo motu** or on requests made by them.
- If a witness fails to **appear before a JPC** in response to summons, his conduct constitutes a **contempt of the House.**
- Ministers are **not generally called by the committees** to give evidence.
 - However, with the **permission of the Speaker**, the JPC can seek information on certain points from ministers and call the ministers.
- The JPC can take **oral and written evidence or call for documents** in connection with a matter under its consideration.

The Joint Parliamentary Committees are formed till date include the following cases:

- Bofors scandal (1987)
- Harshad Mehta Stock market scam (1992)
- Ketan Parekh share market scam (2001)

- Soft drink pesticide issue (2003)
- 2G spectrum case (2011)
- VVIP Chopper scam (2013)
- Land Acquisition (2015)
- NRC (2016)
- Personal Data Protection Bill (2019)

There are several areas where Parliamentary Committees need improvement and strengthening.

- **Referring all Bills to Committees:** Currently, Bills are not automatically referred to a committee.
 - The decision of whether a Bill should be referred to a committee depends on the decision of the Speaker or Chairman, in consultation with the Minister presenting the Bill.
 - Referring all Bills to a Committee would ensure that all laws go through a **minimum level of Parliamentary scrutiny**.
- **Attendance of MPs:** Parliamentary Committees hold multiple meetings to discuss issues through deliberations among Members.
 - The participation of Members in these meetings is essential for the success of the Committee system.
 - However, the attendance of MPs in Committee meetings is low. In the 17th Lok Sabha, as of July 2023, the average attendance for subject committee meetings was 47%.
 - The National Commission to Review the Working of the Constitution Report (2002) noted that there was **large-scale absenteeism** in Committee meetings.
- **Shortage of technical staff and experts:** Parliamentary Committees can consult with **expert witnesses, stakeholders, and the public to better understand complicated issues** and the potential impact of policies or legislation.
 - Currently, technical support available to Parliamentary Committees is limited to a secretariat that helps with scheduling meetings and taking notes.
 - This is in contrast to other democracies like Canada, where the Library of Parliament provides research staff to all Committees on request.
- **Public transparency:** As a measure of transparency the minutes of Parliamentary Committee meetings are included within Committee reports.
 - The National Commission to Review the Working of the Constitution (2002) recommended that major reports of all Parliamentary Committees be discussed in Parliament, especially where there is a disagreement between any Committee and the Central Government.
 - The National Commission to Review the Working of the Constitution (2002) recommended certain reforms for Parliamentary Committees.

- **Worrying Trend of sidelining Parliamentary Committees:**
 - Sidelining committees is increasingly becoming the norm in India.
 - Only 25% bills were referred to committees in the 16th Lok Sabha (2014-2019) as compared to 60% in the 14th (2004-2009) and 71% in the 15th Lok Sabha (2009-14).
- **Brute Majority:** By giving discretionary power to the Chair to decide whether the bill has to be sent to committee or not, the system has been especially rendered weak in a Lok Sabha where the ruling party has a brute majority.

Way Forward

- **Sweden Model:** In countries such as Sweden and Finland, all bills are sent to committees. In Australia, a selection of bills committee, which includes members from the Opposition, is tasked with identifying the bills that should go to committees.
- **Need to uphold quality Governance & Parliament relevance:** Scrutiny by Parliamentary Committees is necessary to uphold the quality of legislation, and by extension, the quality of governance in the country. A strong committee system is probably the only way to ensure Parliament's relevance in the law-making process.

E. Direct Tax Reforms

Tax policy reform is a continuous process. There are various tax reforms and administrative initiatives undertaken from time to time. There is always a time lag in producing the desired effect. Tax rate reductions in particular lead to a reduction in tax collection in the short term. Hence, the success of tax reforms should be seen over a period of time rather than analyzing each year separately. Ease of doing business is also one area where tax policies are required to pay attention. It has always been the effort of the Government to ensure easy compliance with tax laws as part of its ease of doing business initiative.

The government of India has undertaken substantial tax reforms to ensure that tax collection increases in a non-adversarial manner through a stable and predictable tax regime.

1. Removing exemption/deduction and reducing tax rates-

- i. A study report to the G20 Development Working Group by the IMF, OECD, UN, and World Bank in October 2015 concluded that tax incentives are often found to be redundant in attracting investment in developing countries.
- ii. Corporate tax rates were reduced through the Taxation Laws (Amendment) Ordinance 2019, on 20 September 2019, to 25.17% (including surcharge and cess) for existing domestic companies, at their option, which do not avail of specified exemptions/deductions.
- iii. A lower rate of 17.16% (including surcharge and cess) was provided for new domestic manufacturing companies (incorporated on or after 1 October 2019) that start manufacturing on or before 31 March 2023 (later extended to 31 March 2024).

- iv. Similar lower tax rates have been provided for cooperative societies.
- v. Similar reforms were carried out in personal income tax in 2020 by providing an option for taxpayers to shift to the new tax regime with lower tax rates but without exemption/deduction.
- vi. The Finance Act, 2023, has further reduced the tax rates in the new tax regime to make it more attractive.
- vii. The result of reducing tax rates by eliminating exemption/deductions has also started showing results.

2. Widening and deepening tax base through various measures

- i. New Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) provisions have been introduced like TDS on payment of rents by Individual/HUF, TDS on e-commerce operation, TDS on cash withdrawal above a threshold, TDS on large payments by Individual/HUF, TDS on Purchase of goods, TDS on benefit/perquisite in course of business/ profession.
- ii. Removing arbitrage on the sale of market-linked debentures and debt mutual funds, removing ambiguity on the taxation of return from business trusts classified as debt, putting a cap on saving long-term capital gains tax by way of investment in residential property, a higher surcharge for high-net-worth taxpayers, etc.
- iii. The Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015, was enacted to make provisions to deal with the problem of black money, which is undisclosed foreign income/ assets stashed abroad.
- iv. The third-party information collection mechanism has been strengthened to collect information on undeclared income/assets.
- v. Various amendments have been made to encourage the use of digital transactions in place of cash transactions.

3. Using technology to increase efficiency in the income tax department

- i. Third-party information is populated in the Annual Information Statement (AIS), which is visible to the taxpayer at the time of furnishing his tax return. Thus, the taxpayer is urged to include all income in its tax return and pay proper tax voluntarily.
- ii. An e-Verification scheme has been introduced with a facility to update returns with some additional tax.
- iii. Faceless system of assessment and appearance has started in the Income Tax Department to bring efficiency to the process and provide taxpayers with the convenience of replying to various queries without visiting the income tax office.
- iv. End-to-end technology driven services are being provided to the taxpayers on the one hand and technology driven processing of tax returns with issuance of refunds within the department is being done on the other.

4. Reducing litigation by providing tax certainty

- i. Tax litigation consumes a lot of time and resources from all stakeholders, i.e., taxpayers, tax administration, courts, and tribunals.
- ii. Advance Pricing Agreement (APA) has been a success story in reducing litigation in transfer pricing.

Result of these Reforms

- The tax collection in direct tax has shown a significant increase having buoyancy of more than 1 over the years.
- Direct tax growth is higher than the growth in GDP over a long period of time.
- If we take the period from 2013-2014 to 2022- 23, in nine years, GDP has grown from Rs 113.55 lakh crore to Rs 272.41 lakh crore, i.e., a growth of 140%.
- During the same period direct tax collection grew from Rs 6 .39 lakh crore to Rs 16.61 lakh crore i.e., growth rate of 160% giving long-term direct tax buoyancy of 1.15.
- This higher than 1 tax buoyancy signifies the efficiency of tax administration and the success of various tax reforms.

Future Challenges

- Tax policy reform is a continuous process. More reforms are contemplated along the above lines in order to ensure that direct tax collection remains buoyant.
- More reforms are also required to reduce tax litigation and ensure tax certainty at an early stage.
- Ease of doing business is also one area where tax policies are required to continue to pay attention.
- It should always be the endeavor to ensure that all those who are required to pay indirect tax pay their tax fairly and voluntarily.

F. Administrative Reforms

India has adopted several Next-Generation Administrative Reforms to improve its time-tested administrative systems for carrying out functions of nation-building and the creation of an inclusive State.

- The Central Government's e-governance models like Ayushman Bharat, PM's Jan Arogya Yojana, PM's Jan Dhan Yojana, One Nation-One Ration Card, and Passport Sewa Kendras have been successful in bringing transparency and openness to government processes.
- The Prime Minister has adopted the policy of 'Maximum Governance Minimum Government' which envisages a 'Digitally Empowered Citizen' and a 'Digitally Transformed Institution' radically changing India's governance landscape in scale, scope, and learning paradigms.

A. Effective Redressal of Public Grievances

- Centralized Public Grievance Redress and Monitoring System (CPGRAMS) has been adopted and implemented across all the Central Ministries and Departments, attached, subordinate, and autonomous bodies.
- Currently, 17 lakh citizens have registered themselves on this platform to file public grievances. 84,449 Grievance Officers and 950 appellate officers are mapped on the CPGRAMS portal.
- The average disposal time of Central Ministries and Departments has improved from 32 days in 2021 to 27 days in 2022.
- The average grievance redressal time Central Ministries and Departments came down to 19 days in the period 1 January 2023 to 30 June 2023.
- The 10-step CPGRAMS reforms adopted to improve the quality of disposal and reduce timelines had a significant impact.

B. Benchmarking Governance

- Benchmarking Governance is an important Next Generation Administrative Reform.
- The DARPG undertakes a biannual assessment of the governance of States and UTs.
- It is done through the Good Governance Index (GGI), which assesses the governance at the district level through the District Good Governance Index and assesses the delivery of e-Services through the biannual National e-Services Delivery Assessment.
- The Good Governance Index framework, covering 10 sectors and 58 indicators, represents a comprehensive framework for assessing the governance of States and UTs and presents a competitive picture for improvement.
- The National e-Services Delivery Assessment (NeSDA) assesses the state of e-services Delivery across the Nation.

C. Secretariat Reforms

- The Government implemented deep-rooted Secretariat Reforms through the initiative for increasing efficiency in decision-making, which focuses on layering, delegation of financial powers, adoption of e-office, and the Special Campaign 2.0 for institutionalizing swachhata and minimizing pendency.
 - **e-File adoption in the Central Secretariat** stands at 89.66 percent with 26.48 lakh e-files in June 2023, and the physical files stand at 7.17 lakh.
 - **Chintan Shivir**- In 2023, this concept gained considerable momentum following deliberations in the Council of Ministers that every Ministry should conduct internal, inhouse deliberations to take a fresh look at their governance models.

D. Civil Services Day

- India observes **21st April** every year as 'Civil Services Day'.
- It is marked as an occasion for civil servants across the Nation to rededicate themselves to citizens and renew their commitment to public service and excellence in work.

E. Prime Minister's Awards for Excellence in Public Administration

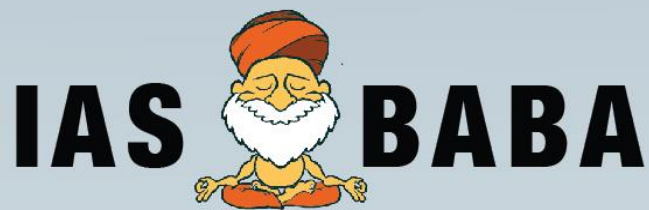
- These were instituted to acknowledge, recognize, and award the extraordinary and innovative work done by districts, Central, and State Governments and organisations.
- The 2022 Awards Schemes included Promoting Swachh Jal through the Har Ghar Jal Yojana, Promoting Swastha Bharat through Health and Wellness Centres, Promoting Quality Education through Samagra Shiksha, Holistic Development through the Aspirational District Programme.
- With a special focus on saturation approaches, and Innovation categories for Central Ministries, States, and Districts.

F. Replication of Good Governance Practices

- The Government has made significant efforts for the dissemination and replication of Award-winning nominations.
- Since 2022, 16 National Good Governance Webinars have been held on a monthly basis, in which 32 PM's Award winners presented their successful initiatives.

G. National Conferences on e-Governance and National e-Governance Awards

- The Government of India convenes the National Conferences on e-Governance every year in association with one of the States or UT Governments.
 - The 25th National e-Governance Conference, conducted at Katra, Jammu & Kashmir, was attended by over 1600 delegates, which included officials from the Government of India, State and UT Governments, industry, academia, and the private sector.
 - The Conference reiterated that open digital platforms are tremendous force multipliers and critical for providing affordable, interoperable technology to India's citizens.



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MAKE IN INDIA

In a country as diverse and vibrant as India, the potential for economic growth lies not just in its urban centers, but also in rural heartlands. The 'Make in India' initiative, launched in 2014, has shown its potential to not only bolster the manufacturing sector but also to become a driving force for rural development. As the initiative gains momentum, it is becoming increasingly evident that its impacts extend far beyond urban areas, reaching deep into the rural fabric of the nation.

While the primary focus of the 'Make in India' was on attracting investment and fostering innovation in industries, its benefits for rural development have been noteworthy. One of the most significant ways this initiative has contributed to rural growth is by generating employment opportunities. As new manufacturing units are established in and around rural areas, they create job openings for local residents, thus reducing the migration of rural populations to cities in search of work.

G. Catalysing Growth of Students and Youth

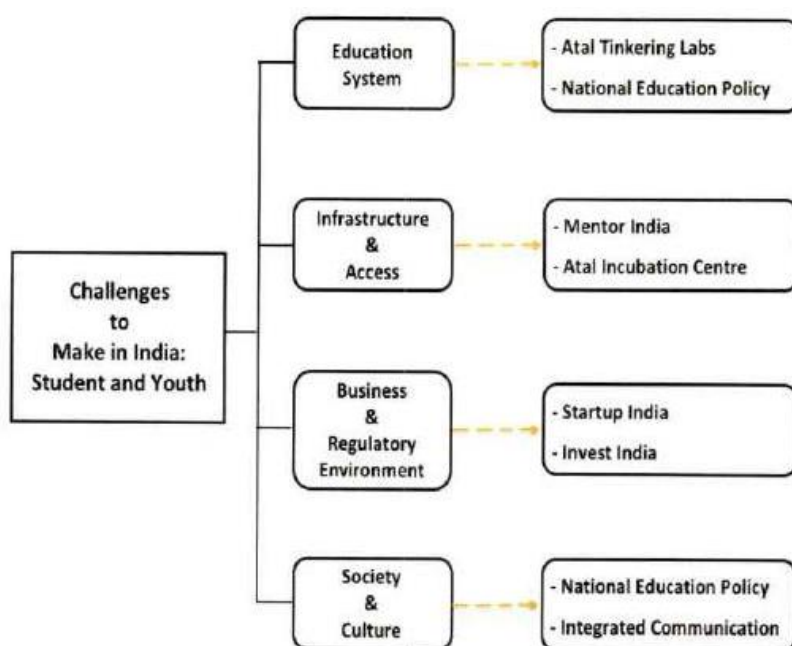
With the aim of bringing about a mindset shift in students at a young age, the Government of India, through the Atal Innovation Mission (AIM), established the Atal Tinkering Labs (ATL). It is through these labs that the Government is trying to instill in the students the skill set of an entrepreneur so that they can go on to become makers and 'Make in India' in the future.

The Challenges

- In the realm of education, the Indian system has faced criticism for its emphasis on **rote learning and grades**, rather than nurturing creativity and critical thinking.
 - This has hindered the development of innovative thinking among students, stifling their potential to come up with novel solutions.
 - Moreover, practical exposure remains limited, with a gap between theoretical knowledge and real-world applications.
 - Many educational institutions lack access to advanced technology, practical training, and exposure to industries, restricting students' ability to apply their knowledge practically.
 - Furthermore, India's investment in research and development falls short compared to other nations, hampering the growth of innovative ideas and technologies that could drive progress.
- **In terms of infrastructure and access**, inadequate facilities, particularly in rural areas, pose significant challenges for students and innovators who require reliable internet connectivity, electricity, and other basic amenities.
 - Additionally, disparities in internet and technology access limit learning opportunities in certain regions.
- **Access to resources**, such as laboratories, libraries, and mentorship, is also a struggle for many students and young innovators, particularly in rural areas where the cost and availability of equipment can be barriers to their progress.

- **In the regulatory and business environment**, securing intellectual property rights and patents can be complex and time-consuming, deterring some innovators from protecting their ideas.
 - Additionally, while entrepreneurship is growing in India, the ecosystem is still developing, making it challenging for young innovators to secure funding, find mentors, and navigate the business landscape.
- **Societal and cultural factors** also play a significant role in hindering innovation. Students often face immense pressure from their families to pursue conventional career paths, discouraging risk-taking and exploration of unconventional fields. Moreover, the fear of failure and the stigma associated with it can deter young entrepreneurs from taking bold steps.
- **Additionally, gender disparities persist**, with female students and innovators facing unique challenges due to biases and limited opportunities. Encouraging and supporting more women to participate in innovation is vital for India's progress as a whole.

Despite these challenges, India's youth possess immense potential and determination. Addressing these obstacles and nurturing a conducive environment for innovation and entrepreneurship can unlock the country's true innovative prowess and lead to significant progress in various fields.



India's Steps Towards Nurturing Young Talents to Make in India

- **Addressing the Challenge of Rote Learning:** With the world undergoing rapid changes in the knowledge space and dramatic shifts in science and technology, it is important for the Nation to produce a skilled workforce.
 - The rise of big data, machine learning, and artificial intelligence will take over many unskilled jobs; hence, it is important to nurture the workforce better in

mathematics, data science, computer science, etc. in conjunction with multidisciplinary abilities across social sciences and humanities.

- This led to the birth of the National Education Policy in 2020, which addresses the challenge of 'rote learning' faced by the Indian education system.
 - This policy is aimed at not only recognising and identifying the unique skills and capabilities of each and every student but also promoting creativity and critical thinking, which are important to develop in students at a young age.
 - It is through this policy that the curriculum and pedagogy will become more holistic, integrated, and enjoyable, which will then allow more youth to venture into the fields of research and development.
- The introduction of reforms in the education system promotes experiential learning, critical thinking, and problem-solving skills and encourages project-based learning, practical training, and collaborations with industries to bridge the gap between theory and application.
- **Instilling Behavioural Change at a Young Age:** With the aim of bringing about a mindset shift in students at a young age, the Government of India, through the Atal Innovation Mission (AIM), established the Atal Tinkering Labs (ATL).
 - These 10,000 labs are established across India, with 60% coverage in government schools and 40% in private schools and essentially maker spaces where students from 6' to 12th grade can bring ideas to life.
 - The idea behind establishing these labs was to foster curiosity, creativity, and imagination amongst these young kids so that they could tinker using the do-it-yourself and get a chance to work with tools and equipment to understand the concepts of STEM (Science, Technology, Engineering and Math).
 - These laboratories are equipped with DIY kits, scientific instruments, electronics, robotics, open-source microcontroller boards, sensors, 3D printers, and computers, which are important for any student to build their thinking capacity.
 - It is through these labs that the Government is trying to instill the students the skill set of an entrepreneur so that they can go on to become makers and 'Make in India' in the future.
- **Developing Infrastructure for Innovation and Access to Resources**
 - For any young innovator to traverse the innovation cycle, they have to travel through the entire process of ideation, prototyping, product development, re-development (according to customer needs), and patenting, which requires hand-holding support and mentoring.
 - Through the Atal Incubation Centres (AIC) program at Atal Innovation Mission, the Government has provided support for the establishment of new incubators that focus on nurturing innovative start-ups and helping them grow into scalable and sustainable businesses.

- To provide support to young innovators on their journey, the 'Mentor India' initiative was launched, wherein the students at the ATLs and startups at AIC can request support from professionals and academicians who are well-equipped with innovation, marketing, product development, patenting, etc.
- **Ease of Doing Business and Protection of Intellectual Property Rights:** Investment in innovation and R&D offers large payoffs in terms of economic growth and competitiveness in a global economy.
 - The "Start-up India" initiative was launched with the aim of fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to the growth of start-ups.
 - In order to simplify the process of enrollment and compliance, multiple initiatives under this initiative have been undertaken, which have resulted in a boost to the spirit of entrepreneurship.
 - Since then, the number of startups in the country has increased from 452 in 2016 to 84,012 by November 2022, which is relatively higher than the rest of the world.
- **Addressing Local Needs by States:** Each state has the flexibility to design and implement its own programs based on local needs and opportunities.
 - These state-level initiatives may include additional funding schemes, incubators, skill development programmes, and innovation challenges specific to their respective regions.
 - Various State Governments in India have also launched initiatives to support students and young innovators. For example, the Kerala Startup Mission, T-Hub in Telangana, and Gujarat Startup and Innovation Scheme have been successful in fostering entrepreneurship and innovation at the state level.

Nine years of 'Make in India' represent a transformative vision that has set India on a path of economic resurgence and self-reliance. By harnessing the collective potential of its people, resources, and entrepreneurial spirit, India can truly emerge as a manufacturing powerhouse, driving economic growth, generating employment, and contributing significantly to the world economy.

H. Challenges, Opportunities and Outcomes

One of the game-changing economic initiatives of the Government of India, 'Make in India' was launched on 25 September 2014. This timely and appropriate international marketing slogan, aimed at encouraging companies and individuals across the globe to facilitate investment, foster innovation, build world-class infrastructure, and build a hub for manufacturing, design, and innovation in India. Unique 'vocal for local' interventions within the activities of this initiative envisaged promoting India's manufacturing domain to transform the nation into a global manufacturing centre.

The underlying policy principle of achieving a manufacturing-led transformation prompted the country to bring in several planned and structural interventions. The initiative demanded the identification and review of economic sectors with a global competitive advantage and the potential to lead the world in the manufacturing and distribution of products and services. It not only promoted labour- and capital-intensive industries with a different stance and safeguarded their sustainability but also tried to bring in timely and adequate Research and Development (R&D) into manufacturing firms and modern services.

Objectives of the scheme

- To attract foreign investment for new industrialisation and develop the already existing industry base in India to surpass that of China.
- Target of an increase in manufacturing sector growth to 12-14% per annum over the medium term.
- To increase the share of manufacturing sector in the country's Gross Domestic Product from 16% to 25% by 2022 (later revised to 2025).
- To create **100 million additional jobs by 2022**.
- To promote export-led growth

Pillars of Make in India

- **New Processes:** The Government of India introduced several reform measures to ensure an enabling environment for growth by creating possibilities for attracting both domestic as well as foreign investment, and fostering effective business partnerships with efficiency.
 - The reform measures are aligned with positive parameters of the World Bank's 'Ease of Doing Business (EoDB)' with a view to enhance India's ranking on business facilitation through process reforms.
 - It is 'Make in India' that recognised EoDB as the single most important factor to promote entrepreneurship and expand enterprises with the capability to withstand competition in the open market.
 - The review of processes and procedures, along with schematic customization has a positive impact on the manufacturing sectors growth with reduce the adverse economic impact of post-Covid economic deceleration.
- **New Infrastructure:** Make in India intends to develop a well-equipped industrial corridor: with all necessary facilities for the expansion of industrial activities, build smart cities to provide citizen services with ease, and create world-class infrastructure with state-of-the-art technology, and high-speed communication network amenities.
 - While research, innovation and technology transfer activities are supported through an integrated registration system, the infrastructure of the Intellectual Property Right: (IPR) registration system has been improved and made simpler.
 - At the time when a big push was given to improve industrial infrastructure necessary steps were taken to enhance the capacity of various sectors by providing training

and education for creating respective sectoral skilled workforce, covered and promoted vide the 'Make in India' initiative.

- **New Sectors:** Economic growth centres in a large economy like India needed to be identified.
 - Keeping this in view, the 'Make in India' initiative identified 25 sectors to begin with, followed by two additional sectors.
 - While investment gaps were removed in certain sectors, restrictions for expansion were either removed or relaxed for some other sectors, considering their growth potential and their share in national economic development.
- **New Mindset:** Efforts were made to review the Government's interaction with various core and dynamic entities of the economy.
 - It was felt that Make in India requires a change in the mindset of all the stakeholders - be it the Government, industry partners, service providers or the community.
 - Make in India brought about a paradigm shift in the way the Government interacts with various industries.
 - Attempts were made to transform the Government's outlook towards industrial growth by making it a partner in the economic development of the country along with the development of the corporate sector.

Review of 'Make in India'

Accomplishments - Ministry of Commerce & Industry said that the program, which is aimed at self-sufficiency or being 'aatmanirbhar', has substantial accomplishments across 27 sectors, including strategic sectors such as manufacturing and services.

1. Attracting record FDI Inflows:

- In the first year of the 'Make in India' scheme, FDI inflows stood at \$45.15 billion.
- The year 2021-22 recorded the highest ever FDI at \$83.6 billion and India is on track to attract \$100 billion FDI in the current financial year.

Steps taken to ensure ease of doing business

- In order to simplify the various aspects of doing business, the government has taken various steps to increase the ease of doing business in India.
 - A Phased Manufacturing Programme along with a reduction in corporate taxes,
 - Public procurement orders
 - The National Single Window System (NSWS),

Improving toy exports, reducing imports:

Custom duty on toys:

- In an attempt to reduce the import of foreign made toys and enhance India's ability to manufacture toys domestically, the Basic Custom Duty on the import of toys was increased from 20 percent to 60 percent.
- Initiatives such as The India Toy Fair 2021, Toycathon 2021, Toy Business League 2022 have been conducted to encourage innovation in this sector.

The growth of toy industry:

- **Export:** Despite the pandemic, the Indian toy industry has grown, boasting of export of \$326 million (Rs 2,601.5 crore) of toys in FY21-22, which is an increase of over 61 percent over \$202 million (Rs 1,612 crore) in FY18-19.
- **Import:** The import of toys in FY21-22 has reduced by 70 percent to \$110 million (Rs 877.8 crore), compared to imports worth \$371 million (Rs 2,960 crore) in 2018-19.

Other measures to strengthen the Make in India initiative:**Labour reforms:**

- Recent labour reforms have brought flexibility in hiring and retrenchment.

Promotion of manufacturing:

- Steps to promote manufacturing and investments also include reduction in corporate taxes, public procurement orders and Phased Manufacturing Programme.
- Quality control orders have been introduced to ensure quality in local manufacturing.

Production Linked Incentive (PLI) schemes:

- As a part of the 'Make in India' program, the government introduced Production Linked Incentive (PLI) schemes across 14 key manufacturing sectors in 2020-21 as a big boost to the 'Make in India' initiative. This also included a \$10-billion incentive scheme to build a semiconductor, display, design ecosystem in India.

The One-District-One-Product (ODOP) initiative:

- It is aimed at facilitating the promotion and production of indigenous products from each district of the country and providing a global platform to the artisans and manufacturers aiming to contribute to the socio-economic growth of various regions of the country

'Gatishakti' programme:

- The programme will ensure logistical efficiency in business operations through the creation of infrastructure that improves connectivity.
- This will enable faster movement of goods and people, enhancing access to markets, hubs, and opportunities, and reducing logistics cost.

State initiatives:

- In line with the Make in India, individual states too launched their own local initiatives, such as "Make in Odisha", "Tamil Nadu Global Investors Meet", "Vibrant Gujarat", "Happening Haryana", and "Magnetic Maharashtra".

Issues Associated with the scheme:

- **Investment from Shell Companies:** Large part of the Indian FDI is neither foreign nor direct but comes from Mauritius-based shell companies which are suspected to be investing black money from India only, which is routed via Mauritius.
- **Low Productivity:** Productivity of Indian factories is low and workers have insufficient skills.

- McKinsey report states that Indian workers in the manufacturing sector are, on average, almost four and five times less productive than their counterparts in Thailand and China.
- **Small Industrial Units:** Size of the industrial units is small for attaining the desired economies of scale, investing in modern equipment, and developing supply chains.
- **Infrastructure:** Electricity costs are almost the same in India and China but power outages are much higher in India.
- **Transportation:** Average speeds in China are about 100 km per hour, while in India, they are about 60 km per hour. Indian railways have saturated and Indian ports have been outperformed by a lot of Asian countries.
- **Red Tapism:** Bureaucratic procedures and corruption make India less attractive for investors. India has made progress in the World Bank's Ease of Doing Business (EDB) Index, but even then, is ranked 63 among 190 countries in 2022.
- **Insufficient Rules and Regulations:** Labour reforms and land acquisition laws were not completed before making attempts to attract foreign investors to Make in India.
- **Capital Outflow:** In future India will have to face another external challenge in the form of capital fleeing the country. The net outflow of capital has jumped as the rupee has dropped

The success of this initiative depends on the effectiveness of the following activities:

- Need-based and regular capacity-building initiatives in collaboration with related government/private training and education imparting bodies, viz. the National Institutes of Design/the National Institutes of Fashion Technology,
- On boarding onto e-commerce platforms, including Government e-Market (GeM).
- Identify market players and conduct physical/location virtual buyer-sellers meets along with Indian embassies and missions abroad.
- Facilitating trade events in India and abroad.
- Promoting a brand image and propelling international marketing for local products.
- Products to be selected by States/UTs by taking into consideration the existing ecosystem on the ground.
- Channelising the potential and diverse identity in each District by setting up District Export Hubs (DEH)

Being a long-term sectoral intervention, the 'Make in India' initiative has the potential of transforming India into a world manufacturing hub. While MSMEs, the services sector and startups, are going to play a critical role in the success of Make in India, there is a lot to do through this initiative to ensure balanced regional growth and address issues of poverty, unemployment, and disparities of income and wealth.

I. Production Linked Incentive Scheme

The scheme aims to make India self-reliant in manufacturing goods for local and export markets, positioning it as a global manufacturing hub. It also aims to make domestic manufacturing competitive and efficient, build capacity, and benefit from economies of scale, enhance exports, attract investment and create jobs. The success story of special economic zones (SEZs) only adds credence to the impact that this scheme can also have on the economy. The scheme is on the lines of 'Made in China 2025' which aims at enhancing competitive strength of selected sectors.

Why is the production linked scheme needed?

According to experts, the idea of PLI is important as the government cannot continue making investments in these capital intensive sectors as they need longer times for start giving the returns. Instead, what it can do is to invite global companies with adequate capital to set up capacities in India. The kind of ramping up of manufacturing that we need requires across the board initiatives, but the government can't spread itself too thin. Electronics and pharmaceuticals themselves are large sectors, so, at this point, if the government can focus on labour intensive sectors like garments and leather, it would be really helpful.

How will it incentivize manufacturing ops?

The production-linked incentive scheme gives eligible manufacturing companies a 4-6% incentive on incremental sales over the base year of 2019-20 for a five-year period. It is a kind of subsidy being provided by direct payment from the budget for domestically manufactured goods. The incentive amount varies across sectors and savings generated from PLI of one sector can be utilized to fund other sectors, maximizing returns. The PLI scheme will incentivize large domestic and global players to boost production, build a competitive ecosystem and lead to more inclusive growth.

A. For Pharmaceuticals: The Scheme will

- Benefit domestic manufacturers
- Is expected to contribute to the availability of wider range of affordable medicines for consumers
- Promote the production of high value products in the country and increase the value addition in exports. Total incremental sales of Rs.2,94,000 crore and total incremental exports of Rs.1,96,000 crore are estimated during six years from 2022-23 to 2027-28.
- The scheme is expected to generate employment for both skilled and un-skilled personnel, estimated at 20,000 direct and 80,000 indirect jobs as a result of growth in the sector.
- Promote innovation for development of complex and high-tech products including products of emerging therapies and in-vitro Diagnostic Devices as also self-reliance in important drugs.
- Improve accessibility and affordability of medical products including orphan drugs to the Indian population. The Scheme is also expected to bring in investment of Rs.15,000 crore in the pharmaceutical sector.

The scheme will be part of the umbrella scheme for the **Development of Pharmaceutical Industry**.

The objective of the scheme is to **enhance India's manufacturing capabilities by increasing**

investment and production in the sector and contributing to product diversification to high-value goods in the pharmaceutical sector. One of the further objectives of the scheme is to create global champions out of India who have the potential to grow in size and scale using cutting-edge technology and thereby penetrate the global value chains.

B. For IT Hardware: The scheme proposes a production-linked incentive to boost domestic manufacturing and attract large investments in the value chain of IT Hardware. The Target Segments under the proposed Scheme include Laptops, Tablets, All-in-One PCs and Servers.

- The Scheme shall, extend an incentive of 4% to 2% / 1% on net incremental sales (over base year i.e. 2019-20) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years.
- The scheme will enhance the development of electronics ecosystem in the country. India will be well positioned as a global hub for Electronics System Design and Manufacturing (ESDM) on account of integration with global value chains, thereby becoming a destination for IT Hardware exports.
- The scheme has an employment generation potential of over 1,80,000 (direct and indirect) over 4 years.
- The Scheme will provide impetus to Domestic Value Addition for IT Hardware which is expected to rise to 20% – 25% by 2025

C. For Telecom Sector

Pursuant to the extraordinary incentive of PLI being provided by Government of India in various sectors, the Cabinet approved the Production Linked Incentive (PLI) Scheme for Telecom and Networking Products. This approval comes in wake of very encouraging success of PLI related to Mobile and component manufacturing, which was announced in April 2020 during the height of Covid pandemic.

Cabinet decision addresses another component of Atmanirbhar Bharat to make India a global hub of manufacturing telecom equipment including core transmission equipment, 4G/5G Next Generation Radio Access Network and Wireless Equipment, Access & Customer Premises Equipment (CPE), Internet of Things (IoT) Access Devices, Other Wireless Equipment and Enterprise equipment like Switches, Routers etc.

- The core component of this scheme is to offset the huge import of telecom equipment worth more than Rs. 50 thousand crores and reinforce it with “Made in India” products both for domestic markets and exports.
- Financial Year 2019-20 shall be treated as the Base Year for computation of cumulative incremental sales of manufactured goods net of taxes.
- The Scheme will be operational from 1st April 2021.
- This scheme also addresses local manufacturing in MSME category because Government desires MSMEs to play an important role in the telecom sector and come out as national champions.

- This scheme will lead to incremental production of around ₹2.4 Lakh Crores with exports of around ₹2 Lakh Crores over 5 years. It is expected that the scheme will bring investment of more than ₹3,000 crore and generate huge direct and indirect employment and taxes.

D. For Large Scale Electronics Manufacturing

- The scheme proposes a financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain including electronic components and semiconductor packaging.
- Under the scheme, electronics manufacturing companies will get an incentive of 4 to 6% on incremental sales (over base year) of goods manufactured in India for a period of next 5 years.
- The scheme shall only be applicable for target segments – mobile phones and specified electronic components.
- With the help of the scheme, domestic value addition for mobile phones is expected to rise to 35-40% by 2025 from 20-25%.
- It shall also generate 8 lakh jobs more, both direct and indirect.

E. For Food Processing Industry'(PLISFPI): For implementation during 2021-22 to 2026-27 with an outlay of Rs. 10,900 crore.

- **Objective:** To support creation of global food manufacturing champions commensurate with India's natural resource endowment and support Indian brands of food products in the international markets.
- Ministry of Food Processing Industries is inviting applications for availing sales based incentives and grants for undertaking Branding & Marketing activities abroad under the scheme from three categories of Applicants:
- **Category-I:** Applicant under this category could undertake Branding & Marketing activities abroad also and apply for grant under the scheme with a common application.
- **Category-II:** SMEs Applicants manufacturing innovative/ organic products who apply for PLI Incentive based on Sales.
- **Category-III:** Applicants applying solely for grant for undertaking Branding & Marketing activities abroad

F. For Specialty Steel: With a budgetary outlay of Rs 6,322 crore over a period of five years from 2023-24.

- It is **value-added steel**, which is made by processing normal finished steel.
- It is done by converting normal finished steel into high value-added steel by way of **coating, plating and heat treatment**.
- Apart from the automobile sector and specialised capital goods, they can be used in various strategic applications such as **defence, space, power etc.**
- SS are **categorized in various types** such as, coated/plated steel products, high strength/wear resistant steel, speciality rails, alloy steel products and steel wires, electrical steel etc.

G. For India's textile sector: To help India regain its historical dominant status in global textiles trade.

- The incentives shall encourage investment in new capacities in man-made fibre (MMF) apparel, MMF fabrics, and 10 segments or products of technical textiles.
- The scheme shall help attract investment of more than Rs. 19,000 crore, creating an additional 7.5 lakh direct jobs.
- There will be two levels of investment with different sets of incentives.
 - In the first category, any person or firm can invest a minimum Rs. 300 crore in plant, machinery, and civil works to produce the identified products to ensure eligibility for the PLI.
 - In the second category a minimum investment of Rs. 100 crore would make an individual or firm eligible to apply for the incentives.
- Priority would be given for investment in aspirational districts, tier-three, tier-four towns and rural areas.
- The scheme is expected to benefit States such as Gujarat, U.P., Maharashtra, Tamil Nadu, Punjab, Andhra, Telangana and Odisha.
- Applicants would have two years as investment period and 2024-2025 would be the 'performance' year. The incentive flow would start in 2025-2026 and extend for five years.

H. For auto sector: Approved a Rs. 26,058 crore production-linked incentive (PLI) scheme to enhance manufacture of advanced technology and green vehicles, auto parts and drones.

- Benefits: It will attract Rs. 42,500 crore in fresh investment into the automobile and auto components industry over five years
- It will help create more than 7.5 lakh jobs.
- The scheme has been devised for both existing automotive firms and new investors.
- The 'sales value linked' scheme includes a 'champion OEM' incentive applicable on battery electric vehicles and hydrogen fuel cell vehicles.
- A 'component champion' incentive is for advanced automotive technology components.

I. For Drone Industry:

- Will incentivize emergence of Advanced Automotive Technologies global supply chain in India
- Help create additional employment of over 7.6 lakh people
- Incentives worth ₹ 26,058 crore will be provided to industry over five years
- It will bring fresh investments of over ₹5,000 crore in three years and incremental production of over ₹ 1,500 crore

J. For The Advanced Chemistry Cell (ACC) Battery Storage

- **Aim:** To achieve a manufacturing capacity of 50 GigaWatt Hour of ACC and five Giga Watt Hour of Niche ACC with an outlay of 18,100 crore.

- ACCs are the new generation of advanced storage technologies that can store electric energy either as electrochemical or as chemical energy and convert it back to electric energy as and when required.
- It will also give a big push to electric mobility, benefiting three-wheelers, four-wheelers and heavy vehicles.
- India is currently importing Battery Storage Equipment

K. National Programme on High-Efficiency Solar PV Modules: For achieving manufacturing capacity of Giga Watt (GW) scale in high-efficiency solar PV modules with an outlay of Rs.4,500 crore.

- **Solar PV** manufacturers will be selected through a transparent competitive bidding process.
- PLI will be disbursed for 5 years after the commissioning of solar PV manufacturing plants, on sales of high-efficiency solar PV modules.

The outcomes/ benefits expected from the scheme:

- Additional 10,000 MW capacity of integrated solar PV manufacturing plants
- Direct investment of around Rs.17,200 crore in solar PV manufacturing projects
- Demand of Rs.17,500 crore over 5 years for 'Balance of Materials'
- Direct employment of about 30,000 and Indirect employment of about 1,20,000 persons
- Import substitution of around Rs.17,500 crore every year
- Impetus to Research and development to achieve higher efficiency in solar PV modules.

L. For White Goods (Air Conditioners and LED Lights) – with a budgetary outlay of Rs. 6,238 crore.

- Shall extend an incentive of 4% to 6% on incremental sales of goods manufactured in India for a period of five years to companies engaged in manufacturing of Air Conditioners and LED Lights.
- An entity availing benefits under any other PLI Scheme of Govt. India will not be eligible under this scheme.
- It will be implemented as a pan India scheme.
- A number of global and domestic companies, including a number of MSMEs are likely to benefit from the Scheme.
- It is estimated that over the period of five years, the PLI Scheme will lead to incremental investment of Rs. 7,920 Crore, incremental Production worth Rs. 1,68,000 Crore, exports worth Rs 64,400 Crore, earn direct and indirect revenues of Rs 49,300 crore and create additional four lakh direct and indirect employment opportunities.

By implementing the PLI Scheme, the Government has tried to achieve four specific end results, viz.

- Reduce import dependency for manufactured products/goods identified under the PLI Scheme.
- Enhance the export of these products.
- Attract FDI by setting up manufacturing capacities for these products in India.
- Bring in cutting-edge technology into the country in these sectors and products.

The Impact

- **Max Investment:** The maximum investment under the PLI scheme has so far been in the **Pharma sector**, mainly in the manufacture of APIs and drug intermediaries. As a result of this scheme, the manufacturing of 35 APIs has commenced in India. These 35 APIs are among the 53 APIs for which India has 90% import dependence.
- **Most viable:** When it comes to the most visible impact of the PLI scheme, it is difficult to miss the country's achievements in **mobile phone manufacturing as well as export**. India is set to cross Rs 1.2 lakh crore in mobile phone exports in 2023-24, in comparison to Rs 90,000 crore in 2022-23. A major share of this export surge is driven by Apple, which is now considering shifting around 18% of its global iPhone production to India by 2025; up from the current 7%.
- **Electronics Sector:** In 2022-23, India's electronics imports stood at \$ 77 billion, which is next only to its petroleum imports, which stood at \$ 158 Billion. The PLI scheme for electronics is expected to reduce this import dependency substantially
- **Telecom sector:** The PLI scheme has resulted in import substitution to the extent of over 60% and the country has become Aatmanirbhar in Antennae, GPON (Gigabit Passive Optical Network), and CPE (Customer Premises Equipment).

The success of domestic manufacturing in mobile devices and telecom equipment has therefore been phenomenal, and what makes this achievement special is the short span of just 3 years in which domestic manufacturing facilities have been set up & commenced production.

- **Sectors that are not picking up well include high- Afidency solar PV modules, advanced chemistry cell (iAtc) batteries and Man-Made Fibre (MMF) textile products.**
 - Longer gestation period required for setting up manufacturing in these sectors
 - Unattractive incentive structure in the PLI scheme
 - The shorter window being made available by the Ministries while calling for proposals in these sectors
 - The reluctance of MCs to bring in cutting-edge technology in these sectors to India.
- Meanwhile, the Government is considering adding a few more sectors to the PLI scheme, namely toys, leather and footwear, and components for new-age bicycles, all of which have seen growing imports in the last few years.
 - Although the non-tariff barriers have helped reduce import of cheap Chinese toys into India, there is still a serious shortage of state-of-the-art toy designing & manufacturing facilities in India.
 - The inclusion of these sectors under the PLI scheme shall go a long way in setting up a manufacturing base in India for both domestic consumption as well as export.

All the best,

Team IASbaba 😊



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