



Mains Practice Question

Q. Faster economic growth requires increased share of the manufacturing sector in GDP, particularly of MSMEs. Comment on the present policies of the Government in this regard. (150 words) (GS-III, Mains 2023)

20 Sep, 2023 GS Paper 3 Economy

Approach:

- Start your answer with the significance of the manufacturing sector with a focus on MSMEs. You can substantiate your introduction with relevant data and stats.
- Discuss various policy measures taken by the Government to boost the manufacturing sector and increase the share of MSMEs in GDP.
- You can conclude your answer by mentioning the impacts of these policy measures.

Introduction:

Faster economic growth requires increased share of the manufacturing sector in GDP, particularly of MSMEs. This is because the manufacturing sector is a major driver of economic growth, employment, and exports. It also helps to reduce dependence on imports and improve the balance of payments.

The MSME sector in India employs over 100 million people and accounts for 45% of manufacturing output and over 40% of the country's exports. The sector contributes around 6% of the manufacturing GDP and 25% of the GDP from service activities. MSMEs are also more agile and innovative than large enterprises, and they can quickly adapt to changing market conditions.

Body:

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

- **Make in India:** Launched in 2014, this initiative aims to transform India into a global manufacturing hub by facilitating investment, fostering innovation, enhancing skill development, and creating a conducive business environment.
- **National Manufacturing Policy (NMP):** The National Manufacturing Policy (NMP) is a comprehensive policy that was launched in 2011 with the objective of increasing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. It also provides incentives for setting up National Investment and Manufacturing Zones (NIMZs) as integrated industrial townships.
- **MSME Development Act, 2006:** This act provides a legal framework for the promotion and development of MSMEs in India. It defines the criteria for classification of MSMEs, provides for registration and credit facilities, and establishes a National Board for MSMEs.
- **Public Procurement Policy for MSEs, 2012:** This policy mandates that 25% of the total annual purchases of goods and services by central ministries and public sector enterprises should be from MSEs, out of which 4% should be from SC/ST-owned MSEs and 3% from women-owned MSEs. It also provides for price preference and tender set-aside for MSEs.
- **Credit Linked Capital Subsidy Scheme (CLCSS):** This scheme provides a 15% capital subsidy

to MSEs for technology upgradation and modernization of their plant and machinery.

- **ASPIRE Scheme:** Launched in 2015, this scheme aims to promote innovation, entrepreneurship, and agro-industry in rural areas. It provides support for setting up incubation centers, technology business incubators, and livelihood business incubators.
- **SFURTI Scheme:** This scheme supports the development of clusters of traditional industries such as khadi, coir, and bamboo. It provides assistance for infrastructure, technology, marketing, skill development, and capacity building.

Conclusion:

These policies and programs have had a positive impact on the manufacturing sector and the MSMEs in India. According to the Ministry of Commerce and Industry, the manufacturing sector in India grew by 11.8% in the first quarter of 2022-23, compared to the same period in the previous year. This is the highest growth rate in the manufacturing sector in over a decade.

The MSME sector has also shown strong signs of recovery. According to the Economic Survey 2022-23, the MSME sector contributed 29.6% to India's GDP in 2021-22. The sector is also expected to generate 1.25 crore new jobs in the next five years.

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