CHANAKYA 2.0

For CA Foundation

One Shot | **BUSINESS ECONOMICS**

Chapter - 10

INDIAN ECONOMY

By- LOVE KAUSHIK SIR

Chapter coverage

Before 1947

1757–1858

1858–1947

After 1947

1947–1991

1991 onwards

1600 → East India Company

1757 → Battle of Plassey

1757 - 1947

$\boxed{190 \text{ years}}$

Ruler Britain

Colonialism

India [Colony]

Before the Advent of British Rule India Was

Entry

(1) Self reliant economy

(2) Agriculture was the main source of livelihood

(3) Famous for handicrafts (in the field of cotton, silk, metal, precious stones etc.)

Topic: Status of Indian Economy: Pre Independence Period (1850 -1947)

(1) India was knowns as the largest economy in the ancient and medieval world between the 1st and 17th centuries AD.

(2) Controlled between one third and one fourth of the world's wealth during this period. $\boxed{33\% \quad 25\%}$

(3) The economy consisted of self-sufficient villages and cities, serving as centers for commerce, pilgrimage & administration.

(4) Cities offered more opportunities for diverse occupations and economic activities compared to villages.

(5) The structure of villages was based on a simple division of labor, influenced by race, class, and gender, leading to economic and social differentiation.

Division of Labour [specialisation]

Simple

Pepsi

Chips

Complex

Mkt

Prod^n

Finance

HR

Pepsi

CA

Topic: Status of Indian Economy: Pre Independence Period (1850 -1947)

(6) Agriculture was the dominant occupation, but there were highly skilled artisans and craftsmen producing superior quality manufactures, handicrafts, and textiles for the global market.

1857

1757 → 1858 British govt.

East India Company ✓ ×

1858–1947

Raw material

goods

England

1700

Industrialisation

Factories

Machine

Exporter

Cotton

Raw material

Britain

India

Shirt

Importer

Finished good

Handicrafts

Tariff

Expensive

Machine Made

fashionable

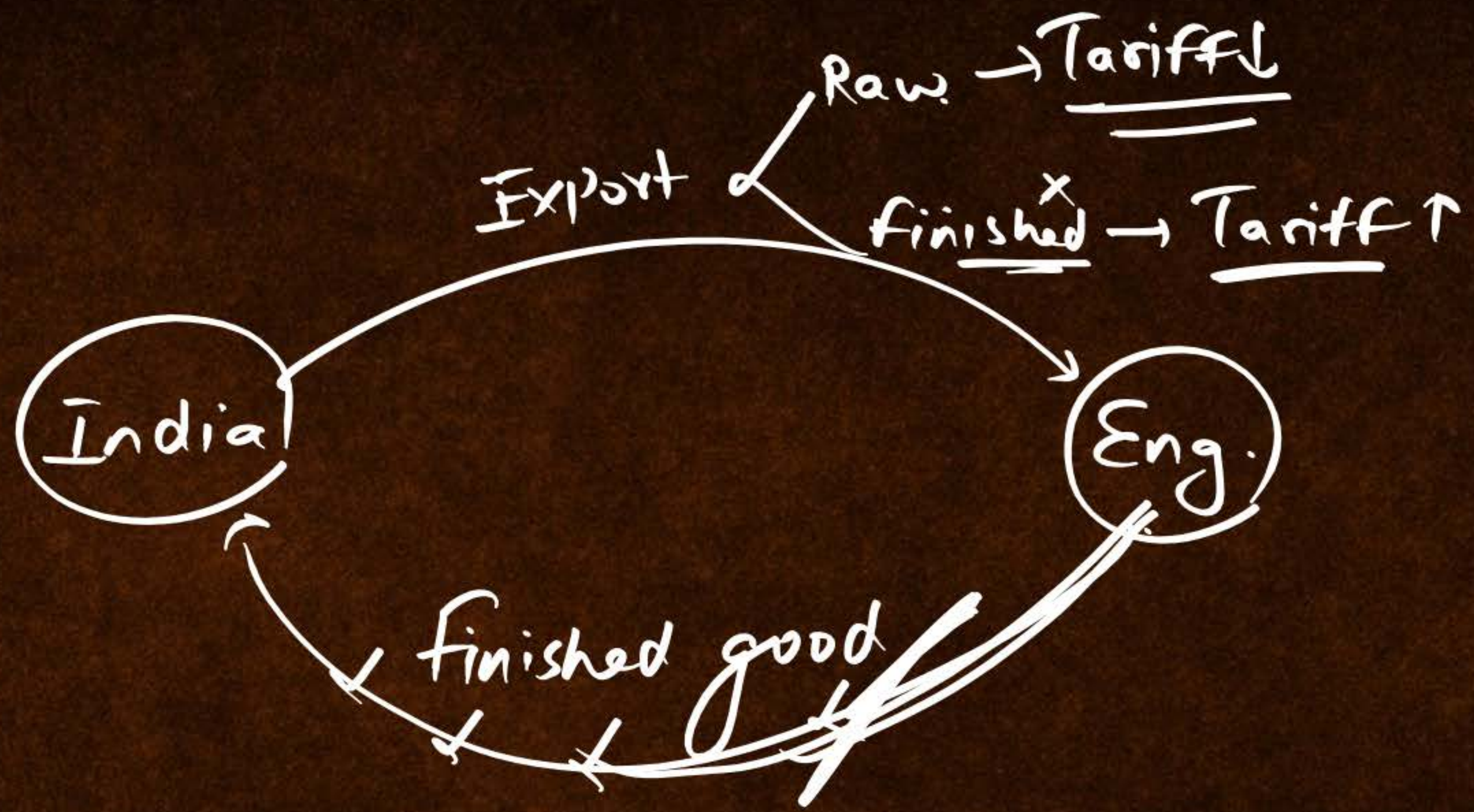
Demand $\uparrow$

The advent of the Europeans and the British marked a shift in the economic history of India. The period of British rule can be divided into two sub periods:

(1) The rule of East India Company from 1757 to 1858

(2) British government in India from 1858 to 1947

- British colonialism in India, influenced by the Industrial Revolution, led to a shift in India's role from a manufacturer to a supplier of raw materials.
- British policies imposed heavy tariffs on Indian exports of finished goods while keeping lower tariffs on imports, making Indian products less competitive.
- This discriminatory tariff policy, aimed at serving British interests, resulted in a sharp decline in both external and domestic demand for Indian goods.


Raw → Tariff↓
Export
finished → Tariff↑
India
Eng.
finished good

Export

India

Raw

Tariff

Finished

C

Tariff

- The destruction of Indian handicrafts and manufactures was a consequence of hostile/adverse imperial/govt. policies and competition from machine-made goods.
- The shift in domestic consumer preferences towards foreign goods, driven by a desire to align with Western culture, further harmed the Indian manufacturing sector.
- The consequences of the damage to India's traditional production structure under British colonialism were extensive:

(1) Widespread Unemployment:.

(2) Land Pressure and Subdivision:

Fragmentation

Scattered

(3) **Imported Goods Impact:** The influx/inflow of cheap machine-made goods from Britain and a shift in Indian tastes towards imported products made it challenging for domestic industries to survive.

(4) **Zamindari System:** The zamindari system created a class focused on perpetuating British rule, impacting the overall economic and social structure.

(5) **Land Tenure Issues:** Excessive pressure on land increased demand for land under tenancy, allowing zamindars to extract excessive rents and payments.

(6) **Agricultural Crisis:** Absentee landlordism, high indebtedness among agriculturists, the rise of exploitative money lenders, and low attention to productivity-enhancing measures contributed to a virtual collapse of Indian agriculture.

A 50%.

B 60%.

- Factory-based production did not exist in India before 1850, and modern industrial enterprises began to grow in the mid-19th century under colonial rule.
- Cotton milling industry in India expanded steadily, achieving high international competitiveness, with **9 million spindles** in the 1930s, ranking fifth globally.
- Jute mills (mainly situated around Kolkata), responding to global demand, made India the largest producer in the world by the late 19th century.
- Other industries such as brewing, paper-milling, leather-making, matches, and rice-milling also developed during the century.
- Heavy industries, like the iron industry established in 1814 (by British money), ranked India eighth globally in terms of output in 1930.

- Some industries in India reached global standards by the early 20th century, and, just before the Great Depression, it was the twelfth largest industrialized country by the value of manufactured products.
- Pressure from English producers influenced policy formulation, discouraging the development of industries that could compete with English producers.
- India's industrial growth was insufficient to bring about a general economic transformation, with the manufacturing sector's share in the net domestic product (NDP) reaching only 7% in 1946.
- Factory employment in India remained small, accounting for 0.4% of the total population in 1900 and 1.4% in 1941.

P, S, T

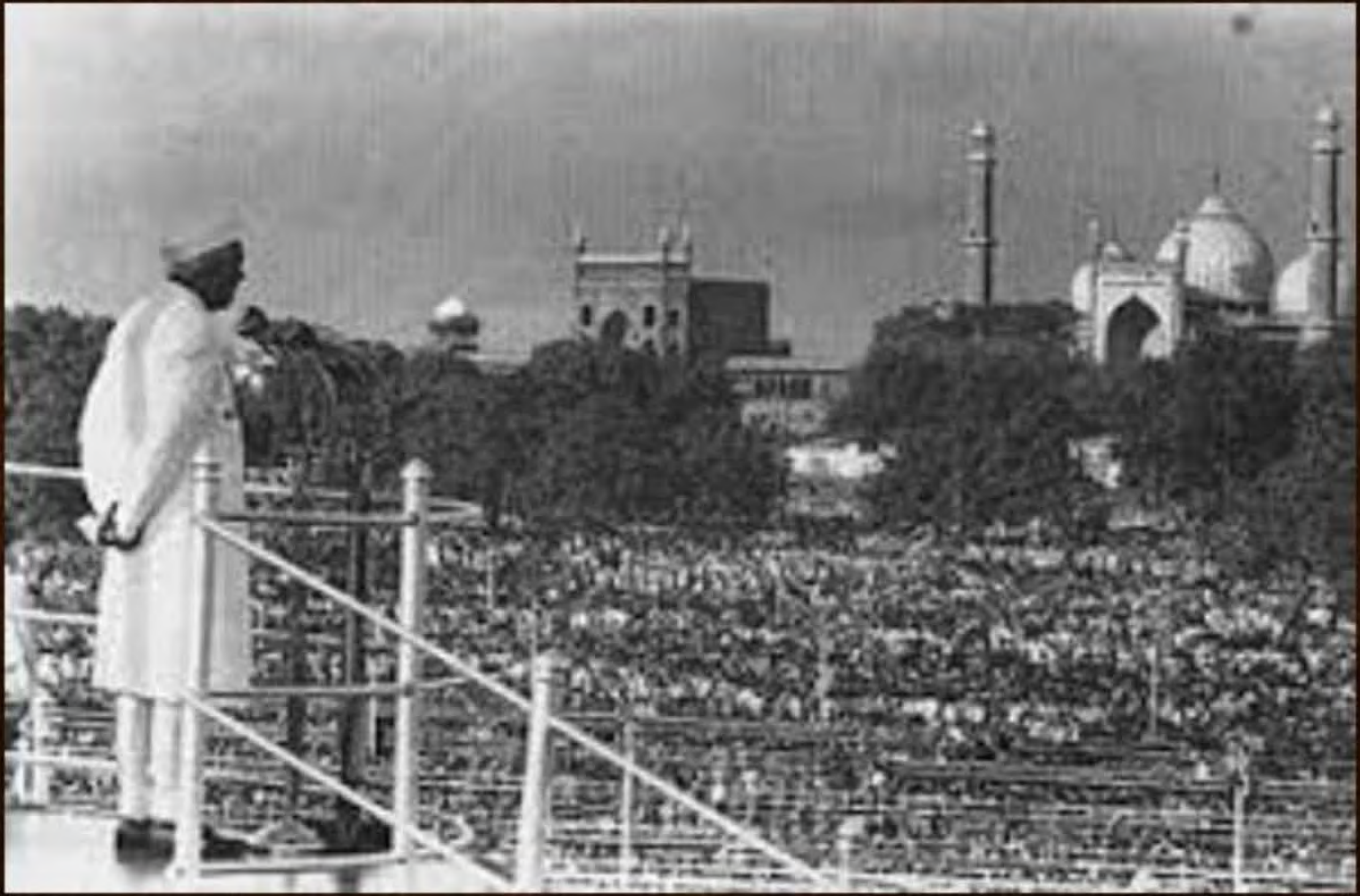
3.5

Topic: Post-independence (1947-1991)

1951

18%

32years



Topic: Post-independence (1947-1991)

- At the time of independence, India was predominantly rural, with a largely illiterate and impoverished population.
- The society was deeply stratified, and India faced challenges not just in income but also in human capital, with a literacy rate just above 18 percent and a life expectancy of barely 32 years in 1951.
- The Nehruvian model, influenced by historical factors, dominated post-independence economic policy, focusing on social and economic redistribution, and state-led industrialization.
- Centralized economic planning and direction were core to India's development strategy, executed through the Planning Commission and five-year plans.

- The early days of independence saw a focus on rapid industrialization, with the central government having authority to design economic strategy and coordinate investments with the private sector.
- Nehru's development strategy emphasized 'planned modernization,' with a significant role envisioned for the state in industrialization.
- The Industrial Policy Resolution of 1948 expanded the public sector's role and introduced licensing for the private sector, granting state monopoly in strategic areas such as atomic energy, arms, ammunition, and railways. New investments in basic industries were exclusively given to the state.

- The policies in 1950's were guided by two economic philosophies:
  (1) The then prime minister Nehru's visualization to build a socialistic society with emphasis on heavy industry, and
  (2) The Gandhian philosophy of small scale and cottage industry and village republics
- The Industrial Policy Resolution of 1956 emphasized public sector expansion, leading to a dampening of private initiative and enterprise, with long-lasting negative consequences for industrial growth.
- Until the late 1950s, India followed an open foreign investment and trade policy, but a balance of payments crisis in 1958 led to a tightening of trade and reduced investment licensing for new investments requiring imports of capital goods.

- Comprehensive import controls were maintained until 1966.
- In the first three decades after independence (1950–80), India's average annual GDP growth rate, known as the 'Hindu growth rate,' was a modest 3.5 percent.
- The initial focus was on capital-intensive projects like dams, power plants, and heavy industrialization rather than consumer goods, contributing to the "Hindu growth rate."
- In the mid-1960s, India witnessed a major shift in economic strategy, marked by inadequate prioritization of agriculture during the second plan and reduced outlays.
- The existing strategy for agricultural development relied on institutional models like land reforms and farm cooperatives, with limited emphasis on technocratic areas like research and development and irrigation.

- Severe droughts in 1966 and 1967 led to negative growth in the agricultural sector, prompting a serious food problem and dependence on the United States for aid.
- The need for a quantum jump in food grain production shifted the focus to increasing agricultural productivity, initiating the 'green revolution.'
- The green revolution involved restructuring agricultural policy, emphasizing innovative technologies like high-yielding seed varieties and intensive use of water, fertilizer, and pesticides, successfully increasing food grain production.
- Simultaneously, the government introduced stringent administrative controls on trade and industrial licensing and launched a wave of nationalization, including the nationalization of 14 banks in 1969 and another 6 in 1980.

- The interventionist policies of the 1960s had irreparable consequences in the following decade.
- The economic performance from 1965 to 1981 marked the worst period in independent India's history, with growth decline attributed mainly to productivity loss.
- Autarchic policies, license-raj, three wars (1962, 1965, 1971), major droughts (1966, 1967), and oil shocks (1973, 1979) contributed to two decades of decelerated growth.
- India's closed economy missed opportunities in the rapidly growing world economy.
- Government policies aimed at equitable distribution of income and wealth undermined wealth creation incentives and were largely anti-growth.

- The MRTP Act of 1969 regulated large firms, restricting their market power through licensing, capacity limitations, and restrictions on mergers and acquisitions.
- The policy of reserving products for exclusive manufacture by the small scale sector from 1967 aimed at promoting small industries but excluded big firms from labor-intensive industries, hindering global competitiveness.
- Stringent labor laws discouraged labor-intensive industries in the organized sector.
- Policymakers and industrialists realized that the strict regime lacked incentives and openness necessary for sustained rapid growth.

Topic: The Era of Reforms

1980s

(1) Seeds of liberalization and reforms were planted in the 1980s, especially after 1985.

(2) Early 1980s saw efforts to restore price stability through tight monetary policy, fiscal moderation, and some structural reforms, referred to as 'early liberalization.'

(3) This period aimed at changing the 'inward-oriented' trade and investment practices, often called 'reforms by stealth' due to its ad hoc and not widely publicized nature.

(4) Despite not being a comprehensive package like the 1991 reforms, these efforts contributed to higher growth rates in the 1980s compared to the previous three decades.

(5) The average annual GDP growth rate during the sixth plan period (1980–1985) and the seventh plan period (1985–1990) were 5.7 and 5.8 percent, respectively.

(6) Early reforms in the 1980s focused on industry, trade, and taxation, accompanied by skillful exchange rate management.

(7) Industrial policy initiatives included

(a) delicensing 25 broad categories of industries in 1985, broad-banding for industry groups to allow flexibility in their product mix, and raising the asset limit subject to MRTP regulations for larger firms.

(b) Conversion of multipoint excise duties into a modified value-added (MODVAT) tax reduced taxation on inputs.

X → Y → Z → J Tax

(c) Establishment of the Securities and Exchange Board of India (SEBI) in 1988.

(d) Expansion of the open general licence (OGL) list and introduction of export incentives.

(e) Realistic exchange rates, expansion of OGL list, and export incentives helped boost exports and reduce foreign exchange pressure.

(f) Abolition of price and distribution controls on cement and aluminum.

(g) Rupee depreciation by about 30% from 1985–86 to 1989–90, based on the real effective exchange rate (REER).

(h) The 1986 budget introduced policies to cut taxes, liberalize imports, and reduce tariffs.

(8) The growth performance of the economy was hindered by structural inadequacies and distortions.

(9) Private sector investments were inhibited due to complex licensing policies, public sector reservations, & excessive government controls.

(10) Reservation of goods for the small scale sector and price controls discouraged private sector investments.

(11) The public sector, despite its massive size and monopoly, suffered from inefficiency, government controls, and bureaucratic procedures, yielding low returns on investment.

(12) The MRTP Act created barriers for entry, diversification, and expansion for large industrial houses.

(13) Import controls, tariffs, quotas, and restrictions prevented foreign competition and investments to protect domestic industries.

(14) Despite limited scope and lack of a clear roadmap, the reforms in the 1980s instilled confidence in politicians and policymakers regarding the efficacy of policy changes for sustained economic growth.

(15) The belief in well-regulated competitive markets as drivers of economic growth and increased total welfare gained acceptance.

(16) Liberalization in the 1980s laid the necessary foundation for the more comprehensive reforms of the 1990s.

Topic: The Economic Reforms of 1991

India embarked on a bold set of economic reforms in 1991 under the Narsimha Rao government. The immediate need for drastic economic reforms in the 1990s was driven by several factors:

(1) Fiscal initiatives in the 1980s led to consistently exceeding revenue receipts, resulting in unsustainable fiscal deficits financed by domestic and external debt.

(2) Persistent deficits led to a significant increase in public debt, with a large portion of government revenues allocated to interest payments.

(3) The Gulf War in 1990 triggered a surge in oil prices, causing severe strain on the balance of payments.


Kuwait
Bahrain
Qatar
Saudi Arabia
UAE
Oman

(4) Foreign exchange reserves reached a critical low of $1.2 billion, only sufficient for two weeks of imports, prompting the need for economic reforms.

(5) Tightening import restrictions to secure foreign exchange for essential imports led to a reduction in industrial output.

(6) Dependency on external borrowing from the International Monetary Fund (IMF) subjected India to stringent conditions for additional drawings, influencing corrective policy measures.

(7) The fragile political situation, coupled with economic crises, created a 'crisis of confidence' that emphasized the urgency for comprehensive economic reforms in India.


FRAGILE
PLEASE HANDLE WITH CARE

Reform measures

- Short term → Stablisation
- Long term → Structural

Structural

1. Fiscal Reforms → Tax
2. monetary & financial Sector reforms
3. Capital market Reforms → SEBI
4. Trade policy reforms
5. New Industrial policy

The year 1991 marked a paradigm shift in the Indian policy reforms. The nation which had embraced the 'socialist model', with the state playing an overriding role in the economy had the history of the government persistently intervening in the markets. Collapse of the Soviet Union and the spectacular success of China, based on outward oriented policies were lessons for the Indian policy makers. The reforms instituted in 1991 aimed to move the economy toward greater market orientation and external openness.

The reforms, popularly known as liberalization, privatization and globalisation, spelt a major shift in economic philosophy and fundamental change in approach and had two major objectives:

(1) reorientation of the economy from a centrally directed & highly controlled one to a 'market friendly' or market oriented economy.

(2) macroeconomic stabilization by substantial reduction in fiscal deficit.

The reform measures of 1991 were driven by critical economic, fiscal, and balance of payments crises, structured as a core package to address these challenges and structural rigidities. The overarching policy paradigm aimed at shifting from central direction to market orientation. These measures can be broadly classified into two categories:

(1) **Stabilization Measures:**

- Short-term measures to address inflation and the adverse balance of payments.
- Implemented to stabilize the immediate economic challenges.

(2) **Structural Reform Measures:**

- Long-term and continuing in nature.
- Aimed at enhancing productivity and competitiveness by eliminating structural rigidities in various sectors of the economy.

- Focused on bringing about systemic changes to foster sustainable economic growth.

This dual approach, combining short-term stabilization measures with long-term structural reforms, was crucial in addressing the immediate crises while laying the foundation for sustained economic development.

Topic: The Fiscal Reforms

1. Introduction of a stable and transparent tax structure.
2. Emphasis on better tax compliance to increase revenue collection.
3. Focus on curbing government expenditure
4. Reduction and abolition of unnecessary subsidies
5. Disinvestment of government equity in selected public sector undertakings.
6. Encouraging of private sector participation

In order to bring in fiscal discipline, it was essential to do away with the temptation to finance deficit thorough the easy path of money creation. Therefore, the government entered into a historic agreement with the Reserve Bank in September 1994 to bring down the fiscal deficit in a phased manner to nil by 1997–98.

slowly

Topic: Monetary and Financial Sector Reforms

Focus on reducing nonperforming assets burden on government banks.

These refroms included many measures like :

(i) Interest rate liberalization and reduced controls by the Reserve Bank of India on loan and deposit rates.

(ii) Opening new private sector banks to foster competition and removing administrative constraints that reduced efficiency.

(iii) Reduction in reserve requirements (SLR and CRR) as per recommendations of Narasimham Committee report.

(iv) Liberalization of bank branch licensing policy and granting freedom for branch operations.

(v) Introduction of prudential norms for accounting, asset classification, income disclosure, and bad debt provisions in line with Narasimham Committee recommendations.

Topic: Reforms in Capital Markets

The Securities and Exchange Board of India (SEBI) which was set up in 1988 was given statutory recognition in 1992.

The 'New Industrial Policy'.

The 'New Industrial Policy' announced by the government on 24 July 1991.

In order to provide greater competitive stimulus to the domestic industry, a series of reforms were introduced

(1) Removal of licensing restrictions for all industries, except for 5 related to security, safety, and environmental concerns.

(2) Limiting the public sector to eight sectors, ultimately reducing it to railway transport and atomic energy. 17-8-2

(3) Restructuring of the MRTP Act, eliminating pre-entry scrutiny and prior approval for large companies.

(4) De-reservation of goods produced by small-scale industries to allow entry of large-scale industries.

(5) Reduction of public sector monopoly, reserving only eight industries for strategic and security reasons.

(6) Liberalization of foreign investment, introducing automatic approval for FDI up to 51%, later extended to nearly all industries except reserved ones.

(7) Liberalization of external trade, shifting from a positive list to a negative list approach, eliminating import licensing for most goods.

(8) Reduction of highest tariff rate from 355% in 1990-91 to 85% by 1993-94 to 50% by 1995-96 to 10% by 2007-08, with exceptions for certain goods.

(9) 18% devaluation of the rupee against the dollar.

(10) Bold step of disinvestment in government holdings of equity share capital of public sector enterprises, providing greater autonomy and professional management.

Topic: Trade Policy Reforms

The trade policy reforms aimed at:

- dismantling of quantitative restrictions on imports and exports
- focusing on a more outward oriented regime with phased reduction and simplification of tariffs, and.
- removal of licensing procedures for imports.

To boost exports, various incentives were introduced, including the removal of export duties. In 1991, India devalued the rupee by 18-19% under a fixed exchange rate system. A dual exchange rate regime was established in March 1992, allowing importers to pay at free-market rates for some imports and at a government-mandated rate for others. By March 1993, the exchange rate was unified, and India adopted a managed floating exchange rate system.

1947 → Public Sector Involvement

1950 → Planning Commission → Central

↓

5 year plans → 1951–1956
56 – 61

$\boxed{2012-17}$ → 12th Plan

$\boxed{1\text{ Jan. }2015}$

↓

NITI Ayog → 2017–2032

Topic: NITI AAYOG: A Bold Step For Transforming India

- For nearly sixty four years, the Planning Commission of India a powerful advocate of public investment-led development.
- The new ideologies of the neoliberal era with their centre of attention on market orientation and shrinking/decreasing roles of the government were becoming popular.
- On **1st January 2015**, the apex policy-making body namely Planning Commission, was replaced by the **National Institution for Transforming India (NITI) Aayog.**

- The major objective of such a move was to 'spur/inspire innovative thinking by objective 'experts' and promote 'co-operative federalism' by enhancing the voice and influence of the states'. NITI Aayog is expected to serve as a 'Think Tank' of the government. [and] a 'directional and policy dynamo'.
- NITI Ayog will work towards the following objectives:

(1) To **evolve a shared vision** of national development priorities, sectors and strategies with the active involvement of states.

(2) To **faster cooperative federalism** through structured support initiatives and mechanisms with the states on a continuous basis, recognizing that strong states make a strong nation.

(3) To **develop mechanisms to formulate credible plans** at the village level and aggregate these progressively at higher levels of government

(4) Interests of national security are incorporated in economic strategy and policy.

(5) To **pay special attention** to the sections of our society that may be at **risk of not benefiting adequately** from **economic progress.**

(6) To design strategic and long-term policy and programme frameworks and initiatives, and monitor their progress and their efficacy/impact

(7) To **provide advice and encourage partnerships** between key stakeholders and national and international like-minded think tanks, as well as educational and policy research institutions.

(8) To **create a knowledge, innovation and entrepreneurial support system** through a collaborative community of national & international experts, practitioners & other partners.

(9) To **offer a platform** for the **resolution of inter-sectoral** and inter **departmental issues** in order to accelerate the implementation of the development agenda.

(10) **To maintain a state-of-the-art** resource centre, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their dissemination to stake- holders.

(11) To **actively monitor and evaluate the implementation** of **programmers** and **initiatives**, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.

(12) To focus on **technology up gradation** and capacity building for implementation of programmers and initiatives.

(13) To undertake other activities as may be necessary in order to further the execution of national development agenda, and objectives mentioned above.

- **The key initiatives of NITI Aayog are: (v.imp)**

(1) 'Life' which envisions replacing the prevalent 'use-and-dispose' economy — Re-cycle

(2) The National Data and Analytics Platform (NDAP) facilitates and improves access to Indian government data

(3) Shoonya campaign aims to improve air quality in India by accelerating the deployment of electric vehicles

(4) **E-Amrit is a one-stop destination for all information on electric vehicles**

(5) **India Policy Insights** (IPI)

(6) **'Methanol Economy'** programme is aimed at **reducing India's oil import bill, greenhouse gas** (GHG) **emissions**, and **converting coal reserves** and municipal **solid waste into methanol,** and

(7) **'Transforming India's Gold Market'** constituted by NITI Aayog to recommend measures for tapping into the potential of the sector and provide a stimulus to exports and economic growth.

There are arguments put forth by experts about the weaknesses of the system. They argue that NITI has a limited role; it does not produce national plans, control expenditures, or review state plans. The **major shortcoming of NITI is its exclusion from the budgeting process.** It **also lacks autonomy and balance of power** within policy making apparatus of the central government. The termination of the Planning Commission has strengthened the hand of the Ministry of Finance, with its 'fixation on near-term macroeconomic stability and the natural instinct to limit expenditure'. But **NITI lacks the independence** and **power** to perform as a **'counterweight'** to act as a **"voice of development" concerned with inequities.**

Topic: The Current State of The Indian Economy: A Brief Overview

The Current State of The Indian Economy is described via - primary, secondary and tertiary.

natural

Manufacturing

Service

Topic: The Primary Sector

- Agriculture, with its allied sectors, is indisputably the largest source of livelihood in India. Till the end of 1960's, India was a food deficient nation and depended on imports.
- **India** has **emerged as the world's largest producer of milk, pulses, jute** and **spices.** India has the largest area planted under **wheat, rice** and cotton.
- It is the **second-largest producer** of **fruits, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cotton, and sugar.**

Indian food and grocery market is the **world's sixth largest,** with retail contributing **70% of the sales.** India has the **world's largest cattle herd** (buffaloes). The Indian livestock sector attained a record growth of 6.6 per cent during the last decade **(2010-19) emerging as a major producer of milk, egg and meat in the world.**

- India grows large varieties of **cash crops of which cotton, jute** and **sugarcane** are prominent. Although the share of agriculture has been declining in overall gross value added (GVA) of India, it continues to grow in absolute terms.

- A number of liberalization measures are adopted by the government. The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the automatic route.

- A few such recent measures are:
  - **Income support** to farmers through **PM KISAN**
  - Fixing of Minimum Support Price (MSP) at one-and-a half times the cost of production
  - Institutional credit for agriculture sector at concessional rates
  - Launch of the National Mission for Edible Oils. **Pradhan Mantri Fasal Bima Yojana (PMFBY)** - a novel insurance scheme for financial support to farmers suffering crop loss/damage

- **Mission for Integrated Development of Horticulture** (MIDH) for the holistic growth of the horticulture sector
- **Provision of Soil Health Cards**
- Paramparagat Krishi Vikas Yojana (PKVY) supporting and promoting organic farming, and improvement of soil health.
- **Agri Infrastructure Fund,** a medium / long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets
- **Promotion of Farmer Producer Organisations** (FPOs) to ensure better income for the producers through an organization of their own.

- **Per Drop More Crop (PDMC)** scheme to increase water use efficiency at the farm level
- **Setting up of Micro Irrigation Fund**
- **Initiatives towards agricultural mechanization**
- **Setting up of E-NAM-a pan-India electronic trading portal** which networks the existing APMC mandis to create a unified national market for agricultural commodities.
- **Introduction of Kisan Rail** for improvement in farm produce logistics, and
- **Creation of a Start-up Eco system** in agriculture and allied sectors

Topic: The Secondary Sector

- The Indian industry holds a significant position in the Indian economy contributing about 30 percent of total gross value added in the country and employing over 12.1 crores of people. The industrial sector in India broadly comprises of manufacturing, heavy industries, fertilizers, pharmaceuticals, chemicals and petrochemicals, oil and natural gas, food processing, mining, defence products, textiles, retail, micro, small & medium enterprises, cottage industries and tourism.
- The **share of informal sector in the economy is more than 50% of GVA.** Rapid industrial growth of domestic industries and diversification of industrial structure are essential elements for sustainable economic growth.

- In India, industrial production measures the output of businesses integrated in industrial sector of the economy.
- **Manufacturing** is the most important sector and **accounts for 78 percent of total production.** The manufacturing GVA at current prices was estimated at **US$ 77.47 billion in the third quarter of financial year 2021-22** and has contributed around **16.3% to the nominal GVA during the past ten years.**
- In 2022-23 (until September 2022), the combined index of eight core industries* stood at 142.8 driven by the production of coal, refinery products, fertilizers, steel, electricity and cement industries.
- In **Jan 31, 2023** the Manufacturing Purchasing Managers' Index (PMI) in India stood at 55.4. **India's rank in the Global Innovation Index** (GII) improved to **40th in 2022 from 81st in 2015.**

- **'Make in India' is a 'Vocal for Local'** initiative launched in 2014 to facilitate investment, foster innovation, build excellent infrastructure and make India a hub for manufacturing, design and innovation. **Make in India 2.0'** is now **focusing on 27 sectors,** which include **15 manufacturing sectors** and **12 service sectors.**
- 'Ease of Doing Business' with key focus areas as simplification of procedures, rationalization of legal provisions, digitization of government processes, and decriminalization of minor, technical or procedural defaults. India ranks 63rd in the World Bank's annual Doing Business Report (DBR), 2020 as against 77th rank in 2019 registering a jump of 14 ranks.

- **The National Single Window System** is a one-stop-shop for investor related approvals and services in the country and aims to provide continuous facilitation and support to investors.
- **PM Gati Shakti National Master Plan** to facilitate data-based decisions related to integrated planning of multimodal infrastructure, thereby reducing logistics cost.
- **National Logistics Policy (NLP)** launched in September 2022, aims to lower the cost of logistics & make it at par with other developed countries.
- Keeping in view **India's vision of becoming 'Atmanirbhar',** the Production Linked Incentive (PLI) Scheme was initiated in March 2020 for 14 key sectors to enhance India's manufacturing capabilities and export competitiveness. PLI Scheme is now extended for white goods/heavy consumer durables (air conditioners and LED lights).

- **Industrial Corridor Development Programme:** Greenfield Industrial regions/areas/nodes with sustainable infrastructure and to make available **'plug and play' infrastructure at the plot level.**
- **FAME-India Scheme** (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles) to **promote manufacturing of electric and hybrid vehicle technology** and to ensure sustainable growth of the same.
- **'Udyami Bharat'** aims at the empowerment of Micro Small and Medium Enterprises (MSMEs).
- **PM Mega Integrated Textile Region and Apparel** (PM MITRA): to ensure **world-class industrial infrastructure** which would attract cutting age technology and **boost FDI** and **local investment in the textiles sector.**

- **Opening up for global investments:** To make India a more attractive investment destination, the government has implemented several **radical** and **transformative FDI reforms** across sectors such as **defence, pension, e-commerce activities etc.**
- **100 per cent FDI under automatic route** is permitted for the sale of coal and coal mining activities, including associated processing infrastructure and for insurance intermediaries.
- **Foreign Investment Promotion Board (FIPB)** was abolished in May 2017, and a **new regime** namely **Foreign Investment Facilitation Portal (FIF)** has been put in place. Under the new regime, the process for granting FDI approvals has been simplified. **853 FDI proposals were disposed off in the last 5 years. FDI has increased jumped by 39% since FIF** came into being.

- **Remission of Duties and Taxes on Export Products (RODTEP) 2021 formed to replace the existing MEIS** (Merchandise Exports from India Scheme) to boost exports. It provides for rebate of all hidden central, state, and local duties/taxes/levies on the goods exported which have not been refunded under any other existing scheme.
- Initiatives towards fostering innovation include incubation, handholding, funding, industry-academia partnership and mentorship and strengthening of IPR regime.
- **National Logistics Policy (NLP) is comprehensive policy framework** for the **Logistics Sector.**
- **Start-up India Programme** acts as the facilitator for ideas and innovation in the country. **India's rank** in the **Global Innovation Index** (GII) has improved from **81st in 2015 to 40th in 2022.**

- **Public Procurement (Preference to Make in India) Order, 2017** gives preference to locally manufactured goods, works and services in public procurement thereby giving boost to industrial growth.
- **The Emergency Credit Line Guarantee Scheme (ECLGS)** is a fully guaranteed emergency credit line to monitor lending institutions.

India is gearing up for the **fourth industrial revolution or Industry 4.0** in which manufacturing transformation needs to integrate new technologies such as **cloud computing, IoT, machine learning, and artificial intelligence (AI).** The National Manufacturing Policy which aims to **increase the share of manufacturing in GDP to 25 percent by 2025** is a step in this direction.

Programme $\begin{cases} \text{E-NAM} \\ \text{PM KISAN} \\ \text{PM MITRA} \end{cases}$

Topic: The Tertiary Sector

A remarkable feature of the **post reform Indian economy** is the **overarching role of the services sector** in generating growth of income and employment. Unlike the usual economic development process of nations where e**conomic growth has led to a shift from agriculture to industries,** or from the **primary sector to the secondary sector,** India has the unique experience of **bypassing the secondary sector** in the growth trajectory/path by a **shift from agriculture to the services sector.**

Fact Based → History

↓

READ → Story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