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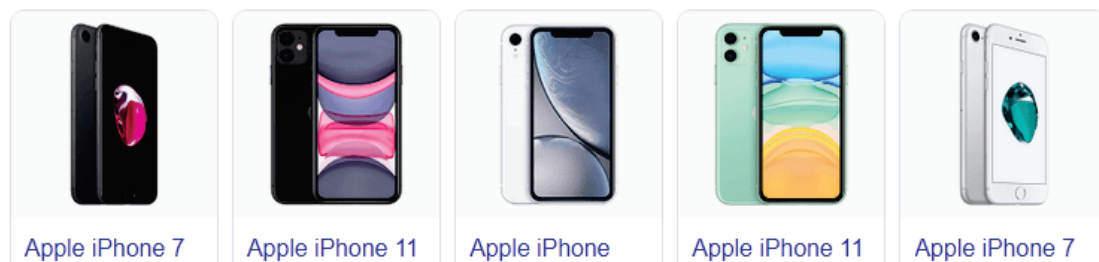
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## 60 PILLAR4B: SECTORS OF ECONOMY: MANUFACTURING

### 60.1 🧑🏭📺📺📺 MFG: ASSEMBLE IN INDIA (असेंबल इन इंडिया)



📖📖 ES20 Vol1Ch5 suggested we move one step ahead from 'Make in India' towards Assemble in India

	👤🧑👤 Make in India	📺📺📺 Assemble in India
What?	textiles, clothing, footwear, toys (कपड़े वस्त्र जूते खिलौने)	Products of Apple, Samsung, Sony, Nike, Adidas etc.
How?	Traditional Unskilled Labour पारंपरिक अकुशल श्रमिक	Semi-skilled labour आंशिक रूप से कुशल श्रमिकों के द्वारा

- 🧑🏭📺📺📺: Assemble in In India → "Network products"



- (Definition) Network Products: Their production occurs across Global Value Chains (GVCs) operated by Multinational Companies (MNCs) such as Apple, Samsung, Sony, Nike, Adidas etc. (बहुराष्ट्रीय निगमों द्वारा वैश्विक मूल्य श्रृंखला के द्वारा “नेटवर्क उत्पादों” को बनाया जाता)

Product is designed by their Headquarter (HQ) located in a rich country @US/EU/Japan. But Product assembly/manufacturing is done in low wage countries.

Further, these products are not produced from start to finish within a single country. (अलग-अलग देशों में विशेषज्ञता के अनुसार उत्पादन किया जाता है)

Instead, countries specialize in particular stages of production sequence. E.g. Iphone:

LCD screen @South Korea

+ Processor @Taiwan

+ WiFi chip @Malaysia

→ above parts are finally assembled in Foxconn Factory in China.

2020-July: Apple's contract manufacturer Foxconn started iPhone 11 mfg in its **Chennai** factory. (Due to the USA-China trade war, companies are shifting the factories away from China. Ref Pillar#3B for trade war / protectionism)

- : Assemble in In India → how will it benefit India?

IF India joins the assembly chain of Network Products (नेटवर्क उत्पाद) esp. computers, TV, mobile, electronics (विद्युत उपकरण), road-vehicles (सड़क वाहन), then...

Assemble in India	2025	2030
New Jobs in India रोजगार सृजन →	4 cr	8 cr
India's share in World Export वैश्विक निर्यात में भागीदारी →	3.5%	6%

- : Assemble in In India → Wild Geese Flying Model (1960s)

Formulated by Japanese economist Kaname Akamatsu. जंगली हंसों का उड़ान मॉडल

Japanese companies (Sony) first started assembling Camera, mobiles, TV etc. then later outsourced manufacturing to South Korea, Malaysia.

Then South Korean companies (Samsung, LG etc) grew and they started outsourced mfg to other Asian nations like Taiwan, Thailand etc.

Thus, Networked Goods assembly will continuously move from the more advanced countries to the less advanced ones. उत्पादन की प्रक्रिया ज्यादा-विकसित देशों से कम-विकसित देशों में स्थानांतरित होती है।

ES20 observed: India is presently at a stage where it can become part of this flying model.

India has experience of Network products in the Automobile sector: Suzuki, Honda, Ford, Fiat, and Renault etc. import some of the components and finally 'assemble' Car in India. But such cars are made for domestic consumers (and not 'exported' to rich countries, unlike the China-assembled Iphone & SonyTV).

- : Assemble in In India → Policy recommendations?

- ✓ Previously, China was seen as a low-cost location for final assembly of industrial products. But ageing population = labour shortages + increases in wages. (चीन में श्रमिकों की कमी और वेतन में बढ़ोतरी)
- ✓ US/EU Protectionism (संरक्षणवाद)=higher duties on China-made products → companies are shifting production away from China.
- ✓ So, India should attract these MNCs by reforming its taxation, FDI and labour laws (कराधान, विदेशी प्रत्यक्ष निवेश, श्रम कानून में सुधार करना).
- ✓ Skill training of Indian youth as workers and middle-level supervisors. (कौशल प्रशिक्षण)



- ✓ Improve infrastructure for transportation, broadband communication etc. (परिवहन व संचार की बुनियादी सुविधाओं को बेहतर करना)
- ✓ Shipping Delays, Electricity Failure, Political Disturbances, Labour Disputes etc could disrupt the entire production chain & thereby discourage the MNCs. So, Govt should try to monitor them closely. (नौवहन में देरी, बिजली की कटौती, राजनीतिक अस्थिरता, मजदूरों के विवाद से पुरी उत्पादन-शृंखला बाधित हो जाती है. इन पर सरकार की निगरानी जरूरी)
- ✓ 2018: top 3 mobile handset manufacturers 1) China 2) India 3) Vietnam. With the right policies, we can even overtake China! (कोशिश करे, हम चीन से भी आगे निकल सकते हैं)

## 60.2 🇮🇳 🏠 MFG & SERVICES → STARTUP INDIA (2016)



Nodal? Commerce Ministry.

- Startup company was defined **originally** as a company which is:
  - Not older than 7 years. (10 years if Biotech Company).
  - Doesn't have annual turnover above ₹ 25 crore.
  - Works towards innovation & development of goods / services.
- These norms were changed to 10 years for any company & upto 100 cr. Turnover in 2019-Feb.

### 60.2.1 🇮🇳 🏠 📅 (Full) Budget-2019 on Start-ups

- ✓ We'll stop harassing startups in the Angel Tax cases.
- ✓ We'll launch **special Doordarshan TV channel** for helping startup entrepreneurs- how to register and manage business, how to mobilize capital, tax planning, marketing strategies etc.
- ✓ We'll **extend the Stand-Up India Scheme** till 31/3/25. (Ref: Pillar1D)

### 60.2.2 🇮🇳 🏠 📅 Budget-2020 on Start-ups

- ✓ Startup can claim 100% deduction on its profits, for 3 years out of the first 10 years of incorporation. (as such they get tax benefits under Startup India scheme, but new budget fine tuned those technical definitions further.)
- ✓ Start-ups generally use Employee Stock Option Plan (ESOP) to attract talented employees. But ESOP was subjected to various direct taxes → New budget gave some technical reliefs to them. What is ESPO? Ans Ref: pillar1B2

### 60.2.3 🇮🇳 🏠 📅 Startup: Misc Terms and trends

- Unicorn club → A startup company whose valuation is \$1 billion />. Swiggy, Paytm, Byjus etc. Indian startups are in this list.
- As of Jan-2020 Total 27,084 startups registered in India. 43% of them have at least 1 woman director.

Rank →	1	2	3	4	5
Largest number found in State →	Maharashtra	Karnataka	Delhi	UP	Haryana





<b>Largest number found in Sector →</b>	IT services	Healthcare & Life Science	Education	Professional services	Food Beverages
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#### ES20Vol1Ch2 observed:

- ✓ World Bank's Data on Entrepreneurship (उद्यमिता): Top 3 nations with largest number of new firms registered 1) USA 2) BRAZIL 3) India.
- ✓ As per Ministry of Corporate Affairs (MCA)-21 database the # of new firms created in India  $\uparrow$  from 70,000 (2014) to 1,24,000 (2018).
- ✓ Largest number of new firms are created in the Services sector than in (manufacturing, infrastructure or agriculture). सेवा क्षेत्र, विनिर्माण, बुनियादी अवसंरचना, कृषि
- ✓ 10%  $\uparrow$  in registration of new firms in a district = 1.8%  $\uparrow$  in that district's Gross Domestic District Product (GDDP: सकल घरेलू जिला उत्पाद )
- ✓ Thus, entrepreneurship at district – has a significant impact on wealth creation at the grassroots level. उद्यमिता से जमीनी स्तर पर धन सृजन में मदद मिलती है

#### 60.2.4 Startup: Factors affecting new firms creation (ES20)

नई स्टार्ट-अप/ इकाइयों के निर्माण को प्रभावित करने वाले कारक

- ✓ Eastern India: lowest literacy rate (साक्षरता दर: 59.6%, census of 2011). This region has the lowest registration of new firms. In the past, the privatization of engineering colleges helped improve India's software exports. So, governments could also explore the privatization of education further (allow more private colleges: शिक्षा का निजीकरण) →  $\uparrow$  education →  $\uparrow$  No. of new firms @district level.
- ✓ W.Bengal, Assam, Jharkhand, Kerala and Bihar have inflexible labour laws so entrepreneurial activity is lowest. (जहां श्रम कानून लचीले नहीं होते वहां उद्यमिता कम होती है)
- ✓ physical infrastructure such as road, electricity, water/ sanitation facilities, and telecom services. (भौतिक अवसंरचना: पक्की सड़क, बिजली, पानी स्वच्छता, दूरसंचार सेवा)

#### 60.2.5 → Quantum Technology (क्वांटम प्रौद्योगिकी) 2020

- ✓ Conventional computers process information in 'bits' or 1s and 0s.
- ✓ Quantum computers compute in 'qubits' (or quantum bits). They work on quantum mechanics principles related to how matter behaves on the atomic scale.
- ✓ Google's quantum computer 'Sycamore' claimed 'quantum supremacy' because it finished a task in 200 seconds that would have taken a conventional supercomputer 10,000 years to complete.
- ✓ Applications? computing, communications, cyber security etc.
- ✓ Budget-2020: National Mission on Quantum Technologies for a period of 5 years.
- ✓ Related Topics: 5g, public data etc in Pillar#5: communication infrastructure.

## 61 MFG & SERVICES → INTELLECTUAL PROPERTY RIGHTS





## 61.1 IPR → PATENTS → WHAT CAN'T BE PATENTED ?

- ⇒ Frivolous inventions. E.g. schoolbag, laptop bag
- ⇒ Anything seriously harmful to public order, morality, humans, animals, plants or environment. E.g. Stone-pelting machine
- ⇒ Atomic energy related inventions.
- ⇒ Mere discovery of a scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature;
- ⇒ Plants-seeds varieties, biological process to create them; (Ref Pil#4A Pepsi-Potato)
- ⇒ animals breeding; Medical treatment of humans and animals
- ⇒ Mere discovery of a new form of a known substance which does not result in the increased efficiency.
- ⇒ Mere re-arrangement or duplication of known devices.
- ⇒ Mere aggregation of properties of the components e.g. lemon + sugar + water = juice
- ⇒ Traditional knowledge. E.g. Ayurvedic information.
- ⇒ Mathematical formula, business method, method of playing game e.g. Dhoni's helicopter shot.
- ⇒ computer program, presentation of information, integrated circuit
- ⇒ literary, dramatic, musical or artistic work; cinema-TV shows

### MCQ (Pre19-SetA) Q57. Find correct statement(s):

1. According to the Indian Patents Act, a biological process to create a seed can be patented in India.
2. In India, there is no Intellectual Property Appellate Board.
3. Plant Varieties are not eligible to be patented in India.

Answer Codes: (a) 1 and 3 only (b) 2 and 3 only (c) 3 only (d) 1, 2, and 3

### 61.1.1 Patent pools (पेटेंटो का समूहीकरण)

- ⇒ Patent pools are voluntary agreements between two or more patent holders. (स्वैच्छिक समझौते) to create a "pool" → Appoint a manager → Manager gives the production/licence rights to multiple third parties for a cheap cost → manager distributes the royalty/license fees among the patent holders.
- ⇒ **Why in the news?** Costa Rica and other poor nations are proposing patent pools for Corona related drugs/vaccines.
- ⇒ Pharma MNCs of USA & UK etc are opposed to this idea since it'll harm their monopoly & profiteering. (एकाधिकार और मुनाफाखोरी)

### 61.1.2 Atma-Nirbhar IPR → YUKTI 2.0

YUKTI 2.0	– YUKTI 2.0 Young India Combating COVID with Knowledge, Technology and Innovation (YUKTI) is HRD/Edu Ministry's portal for sharing info about: Research, Innovation, Technologies, Startup (संशोधन, नवपरिवर्तन, तकनीक, स्टार्टअप) esp. those related to Corona
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### 61.1.3 IPR Index → NITI's India Innovation Index (भारत नवाचार सूचकांक)

**2019-Oct:** NITI Aayog released it. Institute for Competitiveness (a private organization) acted as knowledge partner. It monitors the States and UT on two dimensions viz




1) Enablers (प्रोत्साहनदाता)	Includes five pillars: (1) Human Capital, (2) Investment, (3) Knowledge Workers, (4) Business Environment, and (5) Safety and Legal Environment.
2) Performance	Includes two pillars: (6) Knowledge Output and (7) Knowledge Diffusion.

The Innovation ranking has three categories:


Category	Major States	North East and Hill States	UT & Small States
Best →	#1 Karnataka > TN > Maharashtra	#1: Sikkim > HP > Uttarakhand	#1: Delhi > Chandigarh > Goa
Worst →	Jharkhand	Meghalaya	Lakshadweep

Similarly separate rankings are given for enablers, performers, human capital, investment etc. in three separate categories of State/UT but preparing that much data = very poor cost: benefit.


#### 61.1.4 IPR Index → International

 Following are low profile bodies, so their index components / India' ranking = not Imp / gives very poor cost benefit for exam

Index	Prepared by
<b>Global Competitiveness Index (GCI) by World Economic Forum</b>	✓ <b>2018-Dec ranking:</b> 1) USA, 2) Singapore, 3) Germany.... 28) China, 58) India.... 140) Chad the last. India's rank had improved than earlier years. ✓ <b>2019-Oct Ranking:</b> 1) Singapore 2) USA 3) Hong Kong ...68) India. Meaning India has fallen by 10 places.
<b>Global Talent Competitiveness Index (GTCI: वैश्विक प्रतिभा प्रतिस्पर्धा सूचकांक)</b>	INSEAD business school (Paris) in partnership with Tata Communications and Adecco Group.
<b>World Digital Competitiveness Ranking World Competitiveness Index</b>	By Switzerland-based International Institute for Management and Development (IMD).
<b>Index of Economic Freedom</b>	Heritage Foundation (USA) with support of Wall Street Journal.
<b>Global Economic Freedom Index</b>	Fraser Institute (Canada)

 Global Competitiveness Report is published by the \_ \_ . (Prelims-2019)

(a) International Monetary Fund (b) UNCTAD (c) World Economic Forum (d) World Bank

 Which one of the following countries was ranked 1st in the IMD World Competitiveness ranking 2019? (UPSC-Geologist-2020)

a) Singapore b) USA c) India d) Switzerland

## 61.2 SECTORS: EASE OF DOING BUSINESS REPORT







Figure 1: अपना बिजनेस शुरू करने के लिए सरकारी दफ्तरों के चक्कर काटते काटते थक चुका हूँ

- व्यापार करने में सुगमता का रिपोर्ट is an index by the World Bank to measure how easy or difficult it is to run a business organisation in a given country, based on simple average (equally weighted) of 10 parameters- such as no. of documents, time & cost involved in registering a property, getting an electricity connection, paying taxes etc.
- As such no specific themes are given in these reports.

Report 2018 →	#1: NZ>Singapore>Denmark> India (100) >... Somalia (190)
Rank2019 (released in 2018-Oct) →	#1: NZ>Singapore>Denmark> India (77) >... Somalia (190)
Rank2020 (released in 2019-Oct) →	#1: NZ>Singapore>Hongkong> India (63) >... Somalia (190) Report acknowledges India as one of the top 10 improvers, third time in a row. India's rank in 2017 (#130) to 2020 (#63) = shows a jump of 67 steps- this is highest by any large country since 2011.

Table 1: India's ranking on 10 parameters

Ease of Doing Biz Parameters	Rank-2017	Rank-2018	Rank-2019	Improved 2019 over 2018	Rank-2020	Improved 2020 over 2019
Overall	130	100	77	100 -77=23	63	77 Minus 63 =14
Starting a Business	155	156	137	19	136	137 Minus 136= 1
Construction Permits	185	181	52	129 (highest jump)	27	25
Getting Electricity	26	29	24	5	22	2
Registering Property	138	154	166	-12	154	12
Getting Credit (loan)	44	29	22	7	25	-3 (getting tougher to get loans, thanks to NPA, ILFS-NBFC crisis)
Protecting Minority Investors	13	4	7	-3	13	-6 (corporate scams in ILFS etc)
Paying Taxes	172	119	121	-2 (despite apps & portals!)	115	6
Trading across Borders	143	146	80	66	68	12
Enforcing Contracts	172	164	163	1	163	0
Resolving Insolvency	136	103	108	-5 (despite I&B Code)	52	56

MCQ. According to the World Bank's Doing Business Report, 2019, India's ranking has improved in in which of the following areas compared to previous year? (UPSC's-CDS-ii-2018):






1) Paying taxes 2) Resolving insolvency 3) Starting a business 4) Construction Permits

Answer Codes: A) 1 only B) 1 and 2 only C) only 3 and 4 D) All four areas.

 **MCQ (Pre19-SetA) Q77. Which one of the following is not a sub-index of the World Bank's 'Ease of Doing Business Index?**

- (a) Maintenance of law and order
- (b) Paying taxes
- (c) Registering property
- (d) Dealing with construction permits

61.2.1  **ES20 Vol1ch6 on Ease of Doing Biz in India: observed**



- ⇒  To open a restaurant, China and Singapore require only 4 four licenses, but India requires >20.
- ⇒  45 documents required to get Delhi Police's permission for opening a restaurant. Far less number of documents required for a gun license!

- ⇒  Hong Kong construction permits available within 2 months, India takes 4 months.

Similarly, CEA Subramanian K. has done a lot of bol bachchan comparison done with New Zealand, Hongkong, Bangladesh etc. just to fill up pages in this chapter.

*We've already learned some of the measures for Ease of Doing Biz in the handouts of tax related portals, Foreign Trade policy, WTO: TFA agreement etc. Apart from that...*

61.3  **PRO-BUSINESS VS PRO-CRONY,   ES20VOL1CH3**

Crony capitalism is an economic system in which businessmen thrive not by their hard work or risk taking capacity, but through a nexus between a business class and the political class. (पक्षपाती पूंजीवाद: ऊद्योगपति अपनी मेहनत या जोखिम लेने की क्षमता से नहीं किन्तु, राजनीतिक वर्ग से सांठगांठ के चलते तरक्की करते हैं)   ES20vol1ch3 found that:

- ⇒ **India:** After election results, road contractors associated with the ruling party were given large numbers of contracts to build Pradhan Mantri Gram Sadak Yojana (PMGSY, More in Pillar5). But 1/4th of such roads exist only on paper.
- ⇒ **Brazil's** public sector banks are more likely to approve loan applications of a company if the company owner gave election donation to the ruling party.
- ⇒ **Eastern Europe:** When politically connected firms fail in business → Government will usually bail them out using taxpayers' money.
- ⇒ Politically Connected Underwriters increase the likelihood of clients' IPO applications being approved by the **Chinese** share market regulator. (Ref: pillar1C)
- ⇒ Across the world, crony capitalist firms pay lower taxes than their actual profits.

61.3.1   **Cronyism: Related Party Transaction (RPT: संबंधित पक्षों से लेनदेन)**

RPT transactions involve company's directors, their relatives and their related companies. RPTs may harm the interests of the company's shareholders. Example,

- ⇒ *Pawnfisher Airlines Ltd* gives sponsorship to a IPL cricket team owned by Ajay Dallaya's Son.
- ⇒ *Jes Bank* buys crore ₹₹ worth painting from Kana Kapoor's daughter for 'office decoration' purpose.
- ⇒ Minister gives 2G spectrum / coal auction / highway construction rights to a company. THEN company appoints that minister's wife/son as a consultant/director & pays a hefty salary.



Companies Act has norms to regulate RPT. But, often Crony capitalists, wilful defaulters and tax-avoiders misuse RPT using loopholes.

### 61.3.2 🧑🏻‍💼🗳️🏢🧑🏻‍💼 Cronyism: Economist David Ricardo & Rent Seeking

- ⇒ A Mobile company pays political bribes to get spectrum/license from the Government. (More in Pillar5: Communication infrastructure)
- ⇒ Then the Company will charge very high prices on the prepaid plans and data packs to recover (1) Operational Costs (2) Profit (3) Bribes.
- ⇒ Similar examples could be cited in the coal-power based thermal electricity prices, Toll fees charged by highways developers, heavy fees in private hospitals/ schools/colleges.
- ⇒ Ricardo labelled it “rent seeking behaviour. (किरायावसूली/लुटने की मानसिकता)” It doesn’t help in (new) wealth creation because abnormal profits extracted at common citizens’ expense.
- ⇒ Such crony capitalists do not invest their high profit for research and innovation, they just use it for debauchery & building more crony-relationship with politicians. (मुनाफे को नई खोज/संशोधन में नहीं बल्कि ऐयाशी, और नेताओं से साँठगांठ बढ़ाने में इस्तेमाल करते हैं)

### 📅📅 ES20 observed

- ❖ This type of rent-seeking behaviour was more prevalent till 2011. (यानी कि परोक्ष रूप से कांग्रेस सरकार निकम्मी और भ्रष्ट थी)
- ❖ After CAG / Media reported the scam, the profits, share prices, SENSEX performance of such crony firms greatly declined, since they **couldn't compete with the innovative firms**.
- ❖ CEA Subramanian K. used ‘**Herfindahl Index**’ to prove this. Economist Herfindahl’s Index (1950) is used for monitoring the level of competition among the companies.

### 61.3.3 🧑🏻‍💼🏢📊 Crony Capitalism and SENSEX’s 30 companies

Recall Pillar1C: BSE-30 SENSEX monitors the share prices of 30 listed companies.

🧑🏻‍💼 Before liberalization	🧑🏻‍💼 After liberalization
<p>If a company entered this list, it could stay there for 60 years. So, CEA Subramanian K. is hinting that</p> <p>⇒ Pre-LPG firms paid political bribes to prevent any new entrepreneurs from getting a license to even start the business or getting a quota to expand business production.</p> <p>⇒ So, rival’s company will never grow large enough to get noticed by BSE-officials so they’ll not add its name in BSE-SENSEX-30</p>	<p>⇒ Decreased to only 12 years. Within that time, some new firm will replace old firm in the BSE-30 list. E.g. Bombay dyeing replaced by Arvind Mills etc.</p> <p>⇒ It shows a continuous influx of new firms, products and technologies into the economy.</p> <p>⇒ Thus, crony capitalism is finding less domination in post-LPG India.</p> <p>⇒ Austrian economist Joseph Schumpeter coined the term “Creative destruction (सर्जनात्मक विनाश)” i.e. Older firms/products are destroyed by newer firms/products, which is necessary.</p>
BSE-SENSEX-30 list Majority had manufacturing firms	Service sector firms



### 61.3.4 🧑🏫🧑🏫 Pro-business vs Pro-Crony Policies

🧑🏫 Pro-business policies (व्यापार समर्थक)	🧑🏫 Pro-crony Policy (पक्षपाती नीतिया)
Make it easy to start a business, Register property, enforce contracts, $\uparrow$ competition	When existing companies pay political bribes to restrict entry of new companies / import restrictions of rival brands. → $\downarrow$ competition → $\uparrow$ heavy profits, but at the expense of the customer.
⇒ Make it easy to obtain loans, resolve insolvency. This helps in biz expansion and wealth creation ⇒ कर्ज लेना, दिवालापन हल करना, व्यापार विस्तार और धन सृजन में मदद	⇒ When political masters pressurize public sector banks to lend money to unviable biz projects (अक्षम कंपनी को कर्ज देने के लिए मजबूर करना) ⇒ When wilful defaulters are not given strict treatment. (जानबुज के कर्ज न चुकाने वालों पर ढील रखना) ⇒ They've destroyed a total ₹1.4 lakh cr of loan assets. Majority of wilful defaulters belong to mfg. sector
⇒ Transparency in bidding for natural resources (प्राकृतिक संसाधनों की नीलामी में लगाने में पारदर्शिता)	⇒ Government gives preferential treatment to crony companies. (कंपनियों के पक्षपाती रूप से आवंटन)
Result? Competition, innovation, lower prices and better service quality for citizens → demand $\uparrow$ → production $\uparrow$ → GDP → (new) wealth created.	⇒ Reverse will happen → Wealth is destroyed. (धन का नाश/क्षय होता है।)

🔥 **Conclusion:** Cronyism doesn't foster competitive markets. It fosters inefficiencies & results in erosion of wealth. As Dr. Raghuram Rajan said, 'There is a need for saving capitalism from the crony capitalists'. अक्षमता में बढ़ोतरी पूंजी का व्य व्यय बर्बादी

### 61.4 🧑🏫 EASE OF DOING BIZ → JUDICIAL REFORMS: न्यायिक सुधार



📊 Economic Survey 2018-19 (Released in July 2019) vol1 Ch5 observed:

- ⇒ Theory of Matsyanyaya: If no ruler / Government → big fish will eat little fish.
- ⇒ 3.5 crore cases pending in the judicial system.
- ⇒ More than 80% of them are concentrated in the district and subordinate courts. Out of these pending cases, ~70% are criminal cases, ~30% are civil cases. Some economists say poor performance of the criminal justice system is of no direct consequence to the economy. But, a behavioural economics: general lawlessness → Mafias thrive → investors are discouraged (e.g. UP and Bihar).
- ⇒ World Bank's Ease of Doing Biz → Indicator "Enforcing Contracts" → India's ranking is in the range of 160+. And it is not improving at a faster rate.



- ⇒ Compared to many European countries we are 4-6 times slower.
- ⇒ Punjab and Delhi are performing much better than the national average.
- ⇒ But, Odisha, Bihar, West Bengal, Uttar Pradesh very slow rate. And these states are also lagging behind in SDG India Index, Health Index.

Homework for Interview: Go through the data for your own state from Economic Survey 2018-19 Vol1-Ch5

#### 61.4.1 🇮🇳 : 🏛️🏛️ Suggested reforms#1: recruit more judges (न्यायाधीशों की भर्ती)

- ✓ At the district and subordinate level courts: sanctioned strength is ~23,000 judges but at present we have ~18,000 judges. So we have to fill up the vacant posts through faster recruitment. [*~ means approximate*]
- ✓ High Court: Each HC Judges disposes ~2300 cases per year. So to clear all the backlog cases In the next five years, ~360 additional HC judges required.
- ✓ Similarly a few more judges also required at the supreme court.

#### 61.4.2 🇮🇳 : 🏛️🏛️ Suggested reforms#2: Create a new Judicial Administrative Service

- ✓ For faster clearance of cases, judicial staff's efficiency also matters - Whether it is the Court Manager, Bailiff, Judicial clerks, Legal assistants, Translators, Typists/Stenographers. But there recruitment, syllabus, eligibility conditions and training mechanism is not uniform across India. Many tribunals recruit staff on adhoc-contractual basis, and do not impart adequate training.
- ✓ **Canada, USA and UK** have separate cadre of Government employees for this.
- ✓ Therefore, ES19 proposed to create a specialized service called Indian Courts & Tribunal Services (ICTS: भारतीय न्यायालय और अधिकरण सेवाएँ) with following functions:
  - provide administrative support to judges
  - Improving administrative aspects of the legal system- Document storage, data processing etc. backoffice functions through Information and Communications Technology (ICT) and re-engineering.
  - Identify process inefficiencies and advise the judiciary on legal reforms. E.g. “x type of evidence must be submitted in y format within z days for faster processing of the case.”
- ✓ 📁 Budget-2020: 1) We'll reform the recruitment system for tribunal to attract best talents and professional experts. 2) Reform the Contracts Act.

#### 61.4.3 🇮🇳 : 📅📅 Suggested reforms#3: Increase courts' working days

- ✓ Presently Central Government offices are open for **244 days per year**.
- ✓ Whereas High Courts are open for only **232 days** and Supreme Court open for only **190 days** in a year- Because they take longer vacations in summer, winter, Holi, Diwali and Dussehra. (कार्य के दिनों में बढ़ोतरी, ताकि केस जल्दी से निपटा सके)

#### 61.4.4 🇮🇳 : 🏠🏠 Suggested reforms#4: E-governance, ICT-Technology

कोर्ट की कार्यवाही में सूचना प्रौद्योगिकी का उपयोग

- ✓ Lower courts consume a lot of time in sending Notice / summons, recording witness statements. (अदालत का बुलावा भेजना, गवाह का बयान दर्ज करना)
- ✓ Higher court cannot proceed until it receives case's records from the lower court.





- ✓ Computers are used as mere 'modern typewriters'. Their scanning, email, computation facilities are not fully used.
- ✓ So we have to focus on E-governance, ICT-Technology to increase the efficiency of the court administration. Even Artificial Intelligence may be deployed for ordinary disputes e.g. Traffic challan, or Cheque dishonour.
- ✓ Ministry of Law and Justice started eCourts Mission Mode Project - creation of the National Judicial Data Grid (NJDG: राष्ट्रीय न्यायिक डेटा ग्रिड), digitalization of cases. It allows stake-holders to keep track of individual cases and their evolving status. We must ensure its speedy implementation and connectivity with all the courts.

#### 61.4.5 🏛️ : 📌 Conclusion on Judicial reforms?

- ✓ Thus, case pendency can be reduced through recruitment of additional judges, creating separate cadre of Judicial Administrative Services, increase in working days of court, and deploying ICT technology.
- ✓ Preamble to the Constitution of India defines that the first role of the State is to secure social, economic, and political justice for all citizens.
- ✓ Therefore, need of the hour is to pursue judicial reforms on a war footing. OR
- ✓ Judicial delays discourage the victims from approaching the court. Victims silently continue to suffer injustice or approach Mafia elements. It also fuels the atmosphere of **insecurity** (असुरक्षा), **vigilantism** (लोगो द्वारा कानून को अपने हाथ में लेना) and **mob lynching** (भीड़ द्वारा वध करना).
- ✓ Therefore SDG Goal 16: provide access to justice for all....hence need of the hour....

#### 61.4.6 📖 📖 Homework: Read ES19 Vol1 Ch5- Judicial Reforms

- ⇒ Bullet 5.1 to 5.4. And then read figure 11 (Your home-State data for interviews)
- ⇒ Bullet 5.32 till the end of the chapter. To build the vocabulary.

#### 61.4.7 🏛️ 🗳️ 💰 Transparency International → Corruption Perceptions Index 2019

- ⇒ Transparency International is a global civil society organisation fighting against corruption. Setup in 1993, HQ- Berlin, Germany. (भ्रष्टाचार-अनुभूति सूचकांक).
- ⇒ 2020-Jan: it released the ranking for 2019 →
  - ⇒ #1 (tie) Denmark and New Zealand, then directly given #3: Finland, #4 (Tie) Switzerland, Singapore, Sweden.
  - ⇒ #81: India in 2019 (in 2018 it was #78, meaning rank fallen = corruption increased)
  - ⇒ #180: Somalia bottom.

#### To control corruption, above report recommends:

- ⇒ Focus on conflicts of interest, preferential treatment given to wealthy. हितों के टकराव पर ध्यान दें, धनवानों को मिलनेवाली सरकारी रियायतों पर ध्यान दें
- ⇒ Regulate electoral financing, election integrity. चुनावी फंडिंग, सत्यनिष्ठा
- ⇒ Regulate lobbying activities. लॉबीइंग गतिविधियों को नियंत्रण में रखें



## 62 MINIMUM WAGES (न्यूनतम वेतन)



- ⇒ (Definition) According International Labour Organization (ILO) अंतर्राष्ट्रीय श्रम संगठन (आईएलओ), minimum wage is the minimum amount of remuneration that an employer is legally required to pay to the worker. It's usually expressed in amount per day or per hour.
- ⇒ (Origin) The concept of minimum wages is not a modern day innovation. Even Arthashastra written in the 2nd Century BCE ordained the lowest wages for workers based on their skills and occupation.
- ⇒ While the Britishers in enacted Payment of Wages Act, 1936 in India to ensure workers are paid salaries in a timely fashion it did not provide for minimum wages computation or enforcement or equal remuneration for males and females.
- ⇒ After independence, the Directive Principles of State Policy (राज्य के नीति-निर्देशक तत्त्व) mandated the State
  - to secure a living wage, a decent standard of life for all workers (Article 43),
  - to provide adequate means of livelihood for all citizens & equal pay for equal work for men and women (Article 39)

### 62.1 MINIMUM WAGES ACT (न्यूनतम मजदूरी अधिनियम 1948)

The act protects both regular and casual workers (नियमित एवं अनियत श्रमिक).

Minimum Wages are fixed for different categories of workers according to skill levels, location and occupations. But suffers from 3 serious problems.

#### 62.1.1 Gender injustice

Minimum wages are the same for both male and female. But, minimum wages of security guards are higher than domestic workers (This work is mostly done by women). So, minimum wages need to be accommodative of the gender justice angle as well.

#### 62.1.2 New-age workers not covered

Minimum wage rates are set both by the Central and the State governments for employees working in selected 'scheduled' employment (अनुसूचित रोजगार / नियोजन). But, with the advent of ICT and startups, there has been a massive expansion in job categories but the schedules are not updated. Every 1 in 3 workers is not in the ambit of minimum wages.

#### 62.1.3 Unorganized workers not represented



- Act did not prescribe norms / formula for fixing minimum wage. However, it provided for tripartite advisory boards consisting of employers, employees of scheduled employments, and independent experts.
- As a result, the unionized workers are able to get better wages compared to unorganized workers, because unorganized workers have no representation in such advisory boards.




#### 62.1.4 Minimum Wage Reform: Anoop Satpathy Committee (2019)

This committee was setup by the labour ministry for Determining the Methodology for Fixation of the National Minimum Wage. It recommended:

Minimum wages should be decided based on the following factors:

1.  **Cost of food basket:** consisting of x units of calories, fats and proteins.
2.  **Essential non-food items (गैर-खाद्य पदार्थ):** such as clothing, fuel and light, house rent, education, medical expenses, footwear and transport.

Accordingly, Anoop suggested two proposals:

Proposal#1 (all India)	Proposal#2 (Zonal) 
<p>⇒ <b>National-level minimum wage (NMW):</b> ₹ 375 per day x 26 working days in the month = ₹ 9,750 a month. Additional ₹ 1430 house rent allowance / city compensatory allowance for urban workers.</p> <p>⇒ These will be applicable to all, irrespective of sectors, skills, occupations and rural-urban locations.</p>	<p>Indian states and union territories should be divided into 5 regions, and have separate minimum wages suitable to the local realities and as per socio-economic and labour market contexts.</p> <p>⇒ <b>Zone1</b> (Assam, Bihar etc): ₹ 8892/month</p> <p>⇒ To...</p> <p>⇒ <b>Zone5</b> (Delhi, Punjab type small &amp; developed regions with higher cost of living): ₹ 11,622/month</p>

#### 62.1.5 Anoop: why proposal #2 is better?

- ⇒ At present, Minimum wages vary from state to state. Industrialists prefer to setup factories in states with low level of minimum wages. But this results into forced migration (मजबूर प्रवास / विस्थापन) of labourers to States with higher wages.
- ⇒ In Nagaland the lowest minimum wage is ₹ 115/day whereas in Delhi it is ₹ 538/day. Such divergence is justified because the cost of living & economic development of each state is different. Therefore 1st labour commission argued that uniform level of national minimum wage is an impractical idea (अव्यवहारिक विचार).
- ⇒ But both ES19 and Anoop Satpathy Committee (2019) recommended Union Government should fix a National Floor Level Minimum Wage (राष्ट्रीय वेतन सीमा के अधीन न्यूनतम मजदूरी) across the five geographical regions.
- ⇒ Thereafter, states should not be allowed to fix the minimum wages less than the “floor wage” (वेतन की निम्न सीमा) of their region.
- ⇒ If we’ve uniformity in minimum wages in given region, it would encourage industries to move towards interior areas and ensure workers too will remain in their home states thereby ensuring balanced regional growth (संतुलित क्षेत्रीय विकास).

#### 62.1.6 Anoop: Frequently revise Minimum Wages

- ⇒ Minimum wages be updated every 6 months with changes in consumer price index (CPI)
- ⇒ Consumption basket (food items, clothing etc.) should be reviewed every five years,



### 62.1.7 🧑‍💼💰🏠 Minimum Wages → Code on Wages 2019 (वेतन कोड/ संहिता)

This new act aims to merge the existing Minimum Wages Act, 1948, the Payment of Wages Act, 1936, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976 into a single Code on Wages, with following features:

Domain	Sectors covered
🧑‍💼 Union Government	<ul style="list-style-type: none"> <li>✓ <b>Sectors:</b> Air transport service, Railways, Major Ports, mines, oil field, telecommunication, banking and insurance company, Central Government Jobs, CPSEs, autonomous bodies, their subsidiary bodies</li> <li>✓ To fix minimum wages here, Government will setup a Central Advisory Body of Employers, Employees, Independent Experts and 5 State representatives</li> <li>✓ Based on Central Advisory Body's recommendations, the Union will fix Floor Wages, for different geographical areas Taking into account minimum living stds. (<i>Meaning Anoop's idea is accepted</i>)</li> </ul>
🧑‍💼 State Governments	<ul style="list-style-type: none"> <li>✓ Sectors: They'll look after all the other sectors of employment which are not in Union's domain.</li> <li>✓ They'll have individual State Advisory Board.</li> <li>✓ They must keep Minimum wages &gt; or = Floor Wages.</li> </ul>

- 🕒 Update Frequency? minimum wages norms will be revised every 5 yrs or less.
- Here Minimum Wages = salary, allowance and other monetary components. But doesn't include: bonus, travelling allowance

### 62.2 🧑‍💼💰🏠 CODE ON WAGES 2019 → SALIENT FEATURES (FIGURES NOT IMP)

<b>Overtime Pay</b>	<ul style="list-style-type: none"> <li>⇒ Depending on sector: Union / State will fix max. hours in a normal working day.</li> <li>⇒ If worker doing more: "Overtime Wage" = Min. 2x normal wages</li> </ul>
<b>Payment Frequency</b>	<ul style="list-style-type: none"> <li>⇒ Boss (Employer) may pay wages (i) daily, (ii) weekly, (iii) fortnightly, or (iv) monthly.</li> <li>⇒ In coin, currency, cheque, bank money, e-transfer</li> </ul>
<b>Deduction (कटौती)</b>	<ul style="list-style-type: none"> <li>⇒ Boss (Employer) may deduct worker's wages for 1) penalty 2) absence 3) rental home 4) advance / loan etc.</li> <li>⇒ But, deductions should not &gt; 50% of the workers' total wage.</li> </ul>
<b>Right to Bonus</b>	<ul style="list-style-type: none"> <li>⇒ If worker's salary less than "X" ₹, then he is given Right to bonus</li> <li>⇒ 8.33% of wages or ₹ 100 Whichever higher</li> <li>⇒ But not more than 20% of his annual wages. + other caveats notIMP</li> </ul>
<b>Gender discrimination</b>	<ul style="list-style-type: none"> <li>⇒ It is forbidden. Employer must give equal pay for equal work</li> </ul>
<b>Penalty for violation</b>	<ul style="list-style-type: none"> <li>⇒ Upto 3 months jail, ₹ 1 lakh fine</li> </ul>



- Above Code on Wages is already passed by Parliament and signed by the President. But to implement it in reality, the Government of India need to notify the rules & announce the minimum wages.
- But, as of 2020-July: Government announced draft rules for public feedback. There are speculations that it may be implemented by 2020-Sept. But,
- If minimum wages are  then industrialists (who're already suffering from economic slowdown) will suffer even more

## 62.3 ES19 ON MINIMUM WAGES REFORMS (2019)

CEA Subramanian K. appreciated Code on Wages and suggested further reforms →

### 62.3.1 Simplification and Rationalisation

- Present system is extremely complex with nearly 2000 minimum wages defined for various scheduled job categories. They should be clubbed together into four minimum wages based on skill category i.e UNSKILLED, SEMI-SKILLED, SKILLED and HIGHLY SKILLED.
- Such Wage Code should be applicable on all jobs, all workers, and all sectors of economy- Whether it is organised or unorganised.

### 62.3.2 Use ICT to enforce Minimum Wage

Bounded Rationality (तार्किकता की सीमाएँ) Humans can't make the most rational and optimal decision because they do not have all the necessary information

- So, spread MW related information through computer, mobile phones, rural haats, TV-Radio-Massmedia. Then both worker and boss can do effective bargaining.
- Setup Digital dashboard to show updated minimum wages.
- Easy to remember helpline / complaint number for the workers.
- Labour ministry should announced we punished “X” number of violators, so it puts fear into other employers, and discourages them from violating minimum wages.

### 62.3.3 Adopt Best Practices from abroad

We should also implement the following best practices from other Nations:

- ✓ UAE: All companies are legally mandated to pay all types of salary through banks only.
- ✓ South Africa: ‘Impimpi Alive’ system wherein workers can send anonymous SMS messages to Labour Department, and within 48 hrs, an inspector will come to the factory.
- ✓ U.S.: They’ve apps to notify the minimum wages related updates to all the workers & companies.

### 62.3.4 Conclusion: Indeed minimum wage enforcement is important

Minimum wages is a subset of labour welfare policies. So we can always connect it with keyword such as inclusive growth, sustainable development, poverty removal, Social justice and accordingly we can make a conclusion linking them all:

- ⇒ India is witnessing a period of demographic dividend (जनसांख्यिकीय लाभांश). But, even if the youth is equipped with vocational skills (व्यावसायिक कौशल) but unable to find well paying jobs, then such circumstances will breed social unrest and perpetuate social injustice.





⇒ SDG Goal #8 requires India to promote full and productive employment and decent work for all.

Minimum wages protect the vulnerable workers, reduce inequality and poverty.

⇒ Therefore, establishing an effective minimum wage system is important for sustainable development and inclusive growth (सतत एवं समावेशी विकास) .

Alternatively you can make a conclusion on the line that “although for complying with the DPSP we have enacted multiple laws but successive Committees and economic surveys observed these laws have failed to bring about the change in letter and spirit so aforementioned reforms are necessary.”

### 62.3.5 Homework: Read ES19 Vol1 Ch11- Minimum Wages

Introduction from 11.1 upto bullet 11.4. Then ‘Way forward’ from bullet 11.27 onwards.

### 62.4 EoD → CORONA: SUSPENSION OF LABOUR LAWS?

State(s)	majority of the labour laws suspended for (श्रम कानूनों का स्थगन)
UP	next 3 years
Guj, MP	first 1000 days for newly established factories
Some other states	<p>⇒ Small factories will not be subjected to inspection by labour inspectors. (निरीक्षण से मुक्ति)</p> <p>⇒ Factory owners can increase the number of working hours per day, but without any clarification on how much extra overtime wages need to be paid to workers. (प्रति दिन काम के घंटों में बढ़ोतरी)</p>

#### 62.4.1 Implications: Trade unions And Labour rights activists fear that (नकारात्मक प्रभाव)

⇒ Companies will not invest in workers' safety and amenities- washroom, spittoon, creches etc

⇒ Companies may force workers to work for extra hours, without paying overtime/bonus.

⇒ Companies may randomly hire and fire workers. Yet workers will not be able to complain to Government officials / courts since the laws are suspended. (मन मुताबिक किसी को नौकरी पर रखना या निकाल देना)

⇒ This will undermine workers' right to EPFO, ESIC, payment of bonus, job security and social security. (श्रमिक की सामाजिक सुरक्षा का हनन)

#### 62.4.2 Corona Suspension Labour laws: Union says NO!!

Constitution → 7th Schedule → Concurrent list → Labour (7 वीं अनुसूची → समवर्ती सूची → श्रम)

⇒ **Article 254 (1):** In the concurrent list topics: Parliament's law will prevail over State's law. केंद्र/संसद के कानून को राज्य के कानून के ऊपर वरीयता मिलेगी

⇒ **Article 254 (2):** In the concurrent list topics: States need to obtain the President's assent to modify their own State law. (In practice, President of India will act as per the advice of PM) राज्य ने कानून में सुधार के लिए राष्ट्रपति की अनुमति लेना जरूरी

⇒ So, Union Govt has clarified to Parliament, "we'll not entertain that above reforms by State governments." (राज्य सरकारों द्वारा श्रम कानून के स्थगन के प्रस्तावों पर विचार नहीं करेंगे/ अनुमति नहीं देंगे)

⇒ In other words, UP will not be allowed to suspend labour laws for 3 years, Madhya Pradesh will not be allowed to suspend it for 1000 days etc.



⇒ Further, the Union Government had enacted Inter-State Migrant Workmen Act, 1979 to protect migrant workers. Union may take actions under this law, if / when the situation requires. (अंतर-राज्य प्रवासी श्रमिक अधिनियम)

#### 62.4.3 DON'T punish employers if they can't pay full salaries- SC

2020-March: Ministry of Home Affairs (MHA) ordered all employers to pay full salaries to workers, even during Corona lockdown. (Using powers of the Disaster Management Act, 2005: आपदा प्रबंधन कानून के अंतर्गत गृह मंत्रालय ने सभी नौकरीदाताओं को अपने कर्मचारियों को लॉकडाउन में भी पूरा वेतन देने के आदेश)

⇒ MSME owners went to SC with petition, "our business is down. We can't pay full salaries, please save us!"

⇒ SC: Ordered the government not to take any punitive actions against the employers, if they can't pay full salaries to workers. (कोई सजा मत दीजिए)

⇒ 2020-May: Home ministry has withdrawn the order. (आदेश को वापस लिया)

#### 62.4.4 Banking = Public Utility Service (सार्वजनिक उपयोगिता सेवा)



Under the Industrial Disputes Act: workers enjoy a 'statutory right to strike' (औद्योगिक विवाद अधिनियम में मजदूरों को हड़ताल पर जाने का कानूनन हक)

⇒ but there are certain restrictions e.g. (1) Government employees (2) Public Utility Services employees are not allowed this right. (e.g. Electricity company, Telecom company etc.)

⇒ If 'public utility' workers go on strike → it will be deemed "illegal strike" (गेर-कानूनी)

- = 1) the owner can dismiss such workers from job (नौकरी से निकाल देना)

- = 2) workers may be required to pay compensation to the owner for business losses. (नुक्सान की भरपाई)

⇒ 2020-April: Union labour ministry notified that the banking industry will also be treated as Public Utility Service for 6 months.

⇒ Afterall, if bankers go on strike (for salary rise) → Atma-Nirbhar Bharat initiatives related to MSME loans etc. will get delayed → Difficult to revive the economy.





## 63 MFG & SERVICES → MSME → MINISTRY



### 63.1.1 ATMANI: MSME Definition Changed by Government


सूक्ष्म, लघु और मध्यम उद्योग की व्याख्या में बदलाव

- ⇒ MSME units get certain relaxations in the factory and labour laws compliance.
- ⇒ MSME are also eligible for priority sector lending loans and quotas in Government procurement. If MSME firm grows bigger, it'll not get the above benefits.
- ⇒ So, if MSME firm#1 is growing bigger in size, its entrepreneur will create MSME Firm#2 to divert business.
- ⇒ Thus infant firms → giant companies...nope; but infant firms → 'dwarfism (बौनापन)'. Such firms contribute neither to productivity or jobs, said the   ES19. Therefore:
- ⇒ 1/Jul/2020 Government changed MSME definition:

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lac	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 50 cr. and Turnover < Rs.250 cr.

 in above image, read "<" sign as "NOT MORE THAN (से अधिक नहीं)"

Investment: निवेश annual turnover: वार्षिक कारोबार

### 63.1.2 MSME → Atma-Nirbhar Funding/Schemes (2020, Corona)

Ref Pillar#2 Win20CSP: Atma-Nirbhar handout for more details

Scheme	What has been done in Atma-Nirbhar?
Loans: MUDRA	2% interest subvention on Shishu Loans

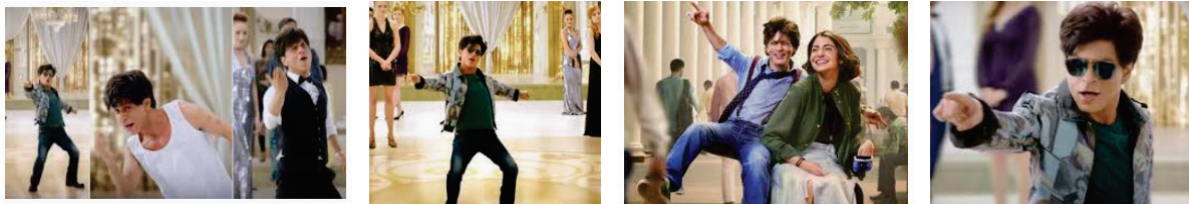


Scheme	What has been done in Atma-Nirbhar?
Loans: MSME Non-NPA borrower	⇒ Emergency Credit Line Guarantee Scheme (ECLGS: आपातकालीन क्रेडिट लाइन गारंटी योजना). ⇒ Guaranteed Emergency Credit Line (GECL) facility. Both are synonyms of the same scheme.
Loans: MSME NPA borrower	⇒ Subordinate Debt (गौण ऋण)
Equity	⇒ infusion via Fund of Funds
Protection from foreign players in public procurement	⇒ So, in Government procurement tenders up to ₹200 crore. → Foreign (global) companies will not be allowed to apply. (सरकारी खरीद के 200 करोड़ तक के टेंडर में विदेशी कंपनियों को अर्जी डालने पर प्रतिबंध)

### 63.1.3 🏠👤🔍📱🏢 Atma-Nirbhar-MSME: CHAMPIONS WebPortal (2020-May)

- MSME's Complaint & Grievances Redressal (शिकायत निवारण)
- Support for various schemes (योजनाओं द्वारा मदद)
- It's based on Hub & Spoke Model. Hub = New Delhi main office of MSME Ministry. Spokes = its field offices, state governments etc. (पहिए का केंद्र और छड़)

### 63.2 📱📱👤📧🏠🏢 ES19: MSME DWARFISM SHD BE DISCOURAGED (बौनापन)



CEA Subramanian K. observed: Following benefits are available to Small firms:

Acts / Policy	Only Applicable on	Implications
<i>Industrial Disputes Act, 1947</i>	100/> workers	Factory owner must get Government approval before retrenching workers/shutting units
<i>Factories Act, 1948</i>	Min 10-20 workers depending on whether power is used in mfg/ or not?	Factory owner must provide restroom, creches and other facilities
<i>Employees' State Insurance Act, 1948</i>	10/> workers	Factory owner required to co-contribute ₹ ₹ in insurance / pension accounts of low-salaried workers
<i>Employees' Provident Fund &amp; Miscellaneous Provisions Act, 1952</i>	20/> workers	Factory owner required to co-contribute ₹ ₹ in insurance / pension accounts of low-salaried workers

Similarly, small firms get benefit of

- **Priority Sector Lending** (Ref:Pillar#1A2: Monetary policy), Public Procurement Quota.



- Benefits in Government tendering such as no need to pay fees / security deposits. Some tender/contracts are exclusively reserved for MSME.
- **GST Composition scheme:** where they have to submit the collected GST to Government on a quarterly basis instead of monthly basis, if turnover less than “X” crores. (Ref: Pillar#2-GST)

#### 63.2.1 🧑🏫📉🏠🏢: 🧑🏫 MSME ‘Dwarfism’ is caused by Govt schemes

📌📌 ES19 observed above schemes/laws create a “perverse” incentive for firms to remain small. अलग-अलग सरकारी योजनाएं और कानूनों में छूट घाट के चलते लघु उद्योगों को छोटा रहने का विकृत प्रोत्साहन मिल रहा है।

- If the firms grow beyond these worker / turnover thresholds they will be unable to obtain the said benefits.
- So, entrepreneurs find it optimal to start a new firm to continue availing these benefits. But then firm doesn’t benefit from economies of scale → they can’t create large number of jobs. (बड़े पैमाने पर धंधा करने से होने वाले फायदे रोजगार सृजन)
- Thus infant firms → giant companies...nope; but infant firms → ‘dwarfs’. Such dwarf firm contribute neither to productivity or jobs. (बौनेपन से ग्रसित उद्योग न तो पैदावार बढ़ाते हैं, न तो रोजगार)
- a 40-year old firm in Mexico generates 40% more jobs than an 40-year old Indian firm.
- Productivity level for 40-year old enterprises in the U.S. was more than 4x of a newly setup firm. Whereas in India, productivity level for 40-year old firms in India was only 60% greater than a newly setup firm.

#### 63.2.2 🧑🏫📈🏠🏢 MSME ‘Dwarfism’: Suggested Reforms by ES19

- Under Priority Sector Lending (PSL), banks are required to lend 7.5% of their annual loans to Micro enterprises. These norms should be tweaked to give first preference to loan applications by ‘start ups’ and ‘infants’ firms.
- **Sunset Clause for Incentives** (प्रोत्साहन के लिए सूर्यास्त उपनियम): MSME benefits should have a ‘sunset’ clause, say, after 5-7 years, the firm will no longer be able to claim it. If owner starts a new firm, then based on his Aadhar card number, the system should alert authorities, so he can’t claim the MSME benefits in the new firm.
- Focus on High Employment Sectors such as rubber and plastic products, electronic and optical products, transport equipment, machinery, textiles and leather & leather products,
- Focus on Service Sectors with high **spillover effects** (प्लवन प्रभाव) such as Tourism. Because it can open up new jobs in tour and safari guides, hotels, catering and housekeeping staff, shops at tourist spots etc. It would also reduce the migration of the rural labour force to other States.

#### 63.2.3 📌 Conclusion-Template for MSME (निष्कर्ष)

MSMEs contribute 45% to the manufacturing sector’s output and 40% nation’s exports.

They provide employment & entrepreneurship opportunities to weaker sections of the society. Thus they play a pivotal role for both industrial development and human development of India. <+ the SDG goals in Textile Template> Aforementioned Policy / Scheme / Act / Bill / Reform is important to catalyse that role played by MSMEs.





उत्पादन तथा देश के निर्यात में प्रमुख योगदान है. कमजोर वर्ग को रोजगार के अवसर देता है. मानव विकास के लिए और औद्योगिक विकास के लिए इनको मदद देना जरूरी. इसलिए उक्त सुधार महत्वपूर्ण है या उक्त समस्याओं को अग्रता क्रम से सुलझाना जरूरी

#### 63.2.4 Homework: Read ES19 Vol1 Ch3- MSME

Introduction bullet 3.1. Then 'Way forward' from bullet 3.35 onwards.

*Beyond this, pursuing individual industry specific policies / schemes in mfg / service sector = poor cost : benefit.  
(e.g. Hotel & Tourism, Filmmaking, Advertizement etc)*

## 64 MFG → BODIES FOR QUALITY STANDARDS

### 64.1 BIS & GOLD HALLMARKING

- ⇒ Bureau of Indian Standards (BIS भारतीय मानकों का कार्यालय /ब्यूरो) is the statutory body and apex regulator of standardization and quality certification of goods, under Consumer Affairs Ministry
- ⇒ Gold hallmarking is a purity certification given to gold products.
- ⇒ Year 2000: BIS started it, in 3 grades viz. 14 carat, 18 carat and 22 carat.
- ⇒ So far it was voluntary (=Non compulsory) so barely 40% of the jewellery sold in India contains hallmarking.
- ⇒ From 15<sup>th</sup> January 2021, compulsory for all the jewellers to register with the Bureau of Indian Standards (BIS) and sell only hallmarked gold jewellery and artefacts. ELSE Penalty + Jail as per BIS Act.
- ⇒ **Direct benefit:** customer assured of gold quality.
- ⇒ **Hidden benefit:** All Jewellers must register & get their products certified so tax authorities get data mining opportunities about how much gold items traded, whether jeweller depositing proportionate amount of taxes or evading it? Etc.

### 64.2 COMMERCE MINISTRY → NOT-STATUTORY → NPC (1958)

- ⇒ National Productivity Council of India (NPC)- autonomous body setup under DPIIT, provides research and consultancy service for Industrial Engineering, Agri-Business, Quality Management, Human Resources Management etc to companies.
- ⇒ Commerce minister is the president of this body.
- ⇒ NPC represents India at Asian Productivity Organisation (APO, HQ: Tokyo, Japan).

### 64.3 HEALTH MINISTRY → STATUTORY → FSSAI (2006)





- 2019: Ministry of Health and Family Welfare will provide training & certificates to youth → they become 'Food Safety Mitra' → they help food processing companies / restaurants etc to comply with FSSAI norms & earn consultancy fees from them.

<b>BHOG</b>	Voluntary certification for the Prasad / Food - at religious places.
<b>State Food Safety Index</b>	2020-Jun: FSSAI released ranking ⇒ Top-3 among larger states: Gujarat, Tamil Nadu and Maharashtra ⇒ Top-3 among the smaller states: Goa, Manipur, Meghalaya
<b>World Food Safety Day</b>	June 7th.
<b>FoSCoS</b>	online platform of FSSAI

☞ But, such misc PIB/Yearbook type GK / ranking = poor cost benefit don't waste time.

#### 64.4 🏠 POWER MINISTRY → STATUTORY → BEE (2001-02)

We had already learned about its Star labelling program and PAT mechanism. Following new developments took place:

- ⇒ **BEE's Chiller Star Labelling:** The traditional star labelling program is for consumer appliances for households use. While chiller star labelling related to the big heating, ventilation, and air conditioning devices in the commercial / factory buildings.
- ⇒ **Separately, EESL's Retrofit of Air-conditioning to improve Indoor Air Quality for Safety and Efficiency (RAISE)** it aims to increase quality and efficiency of AC. RAISE Joint initiative of Energy Efficiency Services Limited (EESL, a company under Power Ministry) and United States Agency for International Development (USAID)

#### 64.5 🛒 CONSUMER PROTECTION ACT, 2019 (उपभोक्ता संरक्षण)



**Boss?** Ministry of Consumer Affairs, Food and Public Distribution

Aims to replace the original act of 1986.

- 🛒 Consumer Protection Act 2019 → bodies → Consumer court

Consumer Disputes Redressal Commissions (CDRCs: उपभोक्ता विवाद निवारण आयोग).

<b>CDRC at</b>	<b>hears complaints upto ₹</b>
<b>District जिला स्तर पर</b>	1 cr
<b>State राज्य स्तर पर</b>	>1 cr upto 10 cr
<b>National राष्ट्रीय स्तर पर</b>	>10 cr

**Appeal structure: District → State → National → Supreme Court**



- 🛒 Consumer Protection Act 2019 → bodies → others

1. **Central Consumer Protection Authority** (केंद्रीय उपभोक्ता संरक्षण प्राधिकरण): It'll be an advisory body on consumer issues, headed by the Union Minister of Consumer Affairs. Its investigation wing to be headed by a Director-General (DG). It can intervene to protect consumers from unfair trade practices. It can also launch class action against a company, order recall or refund of products. The agency is designed on the lines of highly effective US Federal Trade Commission.
2. **Consumer Protection Councils** (उपभोक्ता संरक्षण परिषद) These advisory bodies will work for awareness generation.

- 🛒 Consumer Protection Act 2019 → Features

1. **Product Liability** (दोषपूर्ण सामान / सेवा की जिम्मेदारी): If a consumer suffers an injury, property damage or death due to defective goods / services → company will be liable to pay for damages.
2. **Unfair Contract** (अनुचित अनुबंध) e.g. asking excessive security deposits for broadband / DTH connection, company unilaterally terminating the service without cause → Company liable to compensate the consumer.
3. Complaints can be filed electronically; cases can be heard through video conferencing.

<b>Punishment</b> दंड	- Fines upto ₹ 50 lakhs + upto 5 years jail. - ₹50k fine on Consumer if filing frivolous complaints.
<b>Celebrity Ads?</b>	If an endorser (समर्थनकार) is found giving a misleading advertisement, then he can be banned from advertising any product upto 3 years & fine.

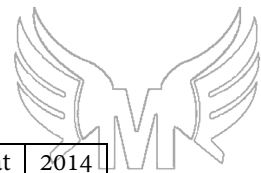
- ⇒ Provisions for mediation / Alternative Dispute Resolution (ADR) mechanism. However, No Appeal Against Settlement Through Mediation. (कोर्ट के बाहर विवाद निपटाना / सुलह करना)
- ⇒ Stricter rules for eCommerce website (Ref Pill#3A)
- ⇒ stricter penalties for adulteration/spurious goods. (मिलावट खोरी / नकली माल बेचना)

**Conclusion?** Thus, new act addresses the lacunas of the original act of '86- by providing for new methods of filing complaints, new bodies for seeking justice and stricter penalties on violators. This will help in long way to protect the rights of consumers in India. यह नया कानून पुराने कानून की खामियों को दूर करता है. शिकायत निवारण के लिए नई प्रक्रिया, नए संगठन, और ज्यादा सख्त सजा के प्रावधान- की मदद से यह कानून- ग्राहक सुरक्षा में बहुत मदद करेगा.

## 64.6 📝👉 MOCK QUESTIONS FOR MAINS

### 64.6.1 📝👉 Mock Questions for Mains → Previous Years Papers

Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports rather than capital-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. पूँजी-साध्य निर्यात के की अपेक्षा और अधिक श्रम साध्य निर्यात को बढ़ाने हेतु उपाय सुझाएँ ?	2017
"Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments. कौशल भारत की सफलता और श्रम कानून में सुधार के बिना 'मेक इन इंडिया' सफल नहीं हो सकता - तार्किक रूप से समझाइए	2015



While we found India's demographic dividend, we ignore the dropping rates of employability. What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. भारत के पास जनसंख्या की लाभांश तो है किंतु रोजगार के दर कम हो रही है. हमने नई नौकरियां कहां पर खड़ी करनी होगी?	2014
Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis industry in the country? Can India become a developed country without a strong industrial base? क्या भारत एक मजबूत औद्योगिक क्षेत्र के बिना एक विकसित देश बन सकता है?	2014
Examine the impact of liberalization on companies owned by Indian. Are the competing with the MNCs satisfactorily? क्या उदारीकरण के बाद भारतीय कंपनियां बहुराष्ट्रीय निगमों से स्पर्धा कर पा रहे हैं?	2013
Has the Indian governmental system responded adequately to the demands of Liberalization, Privatization and Globalization started in 1991? What can the government do to be responsive to this important change? एलपीजी सुधार के अनुसंधान में सरकार ने और क्या-क्या करना चाहिए?	2016

#### 64.6.2 Mock Questions for Mains → Minimum wages, MSME Dwarfism

1. Discuss the significance of minimum wages in reaping India's demographic dividend. जनसांख्यिकी लाभांश के लिए न्यूनतम वेतन का महत्व
2. Examine critically the problems in the present system of minimum wages in India & suggest remedies. का वर्तमान न्यूनतम वेतन व्यवस्था में क्या समस्याएं हैं?
3. Despite India's outstanding growth in the last two decades, low pay and wage inequality remain serious obstacles towards achieving inclusive growth. Suggest remedies to address this problem / OR How does the Code on Wages 2019 address this? वेतन संहिता भारत में समावेशी विकास में कैसे मदद कर सकती है?
4. "Job creation in India suffers from policies that discourage small firms from growing large." Suggest remedial steps through which MSMEs' efficacy in job creation and GDP growth rate can be augmented further. भारत में छोटे उद्योग को बढ़ा होने में हतोत्साहित करने वाली नीतियों के चलते रोजगार सृजन नहीं हो पा रहा. इसके लिए सुझाव दीजिए
5. "Pro-crony policies result in destruction of wealth whereas pro-business policies help in creation of wealth." Comment पक्षपाती पूंजीवाद वाली नीतियों से राष्ट्रीय धन की तबाही जबकि व्यापार वादी नीतियों से धन निर्माण में मदद हो सकती है टिप्पणी कीजिए
6. Examine critically the factors responsible for the uneven growth of Startup firms across various regions of India. भारत के विभिन्न प्रादेशिक क्षेत्रों में स्टार्टअप की असमान वृद्धि के कारकों की समीक्षा कीजिए
7. Enumerate the steps taken under Atma-Nirbhar to revive the MSME sector in India, in the aftermath of corona crisis. एमएसएमई उद्योगों को पुनर्जीवित करने के लिए आत्म निर्भर भारत अभियान में उठाए गए कदमों की सूची दीजिए

#### 64.6.3 Mock Questions for Mains → 100th birth anniversary of PM Rao (2020)

1. (GS1) Evaluate PM Rao as one of the makers/architects of modern India. (आधुनिक भारत के निर्माता/रचयिता के रूप में प्रधानमंत्री नरसिम्हा राव का मूल्यांकन)
2. (GS3) "Legacy Rao's reforms is an Indian economy where GROWTH has priority over Redistribution." Examine critically. नरसिम्हा राव की आर्थिक सुधारों की विरासत - ऐसी अर्थव्यवस्था है जहां पर (अमीरों की) आर्थिक वृद्धि को (गरीबों में) उसके पुनर्वितरण से ज्यादा वरीयता मिली है" समीक्षा कीजिए
3. (GS4) "Though written in ancient times, Kautilya's treatises are effective for modern day crisis management." Elucidate with an example of a modern leader/reformer. (हालांकि कौटिल्य के सिद्धांत प्राचीन समय में



लिखे गए थे किंतु आधुनिक समय में भी संकट प्रबंधन में भी उतने ही प्रभावी हैं. किसी आधुनिक नेता/सुधारक के उदाहरण के साथ विस्तृत रूप से समझाइए)

Model Answers to above Qs:= [youtube.com/c/TheMrunalPatel](https://www.youtube.com/c/TheMrunalPatel) → in search box type "RAO".

## 64.7 MRUNAL'S ECONOMY BATCH PRELIMS AND MAINS 2021

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