Q. The transition of every economy generally moves from primary to secondary and secondary to tertiary unlike India where there was an abrupt shift from primary to tertiary. What is the impact of this abrupt shift in Indian economy and what measures have to be taken by government to strengthen secondary sector.

India's economic transition has indeed been somewhat unusual, skipping the typical path followed by many other economies where the shift from the **primary sector** (agriculture) to the **secondary sector** (manufacturing) is followed by a move to the **tertiary sector** (services). India witnessed an abrupt shift from agriculture to services, bypassing a robust industrialization phase, which has led to both positive and negative impacts on the economy. Let's break it down:

Impact of India's Abrupt Shift to the Tertiary Sector:

1. **Limited Job Creation**:
    - The service sector, while contributing significantly to GDP growth, tends to be less labor-intensive compared to manufacturing. This shift has created a **"jobless growth"** scenario, where economic output has grown, but the generation of employment has not kept pace. As a result, the **secondary sector** (manufacturing) has lagged, and India has not been able to absorb surplus labor from agriculture into more productive jobs.

2. **Agricultural Stagnation**:
   - Agriculture, employing nearly 50% of India's workforce, contributes less than 20% to GDP, creating a **productivity gap**. With fewer people moving into the industrial sector, rural incomes and productivity in agriculture have remained low.
3. **Widening Income Inequality**:
   - The services sector, particularly IT, finance, and telecommunications, has grown rapidly, but it primarily benefits urban and skilled workers. This has contributed to **regional and class-based disparities** in income and development, with wealth concentrated in service-oriented cities.
4. **Dependence on Imports**:
   - With a weak manufacturing base, India has become **heavily dependent on imports** of goods, including electronics, machinery, and other industrial products. This has led to persistent trade deficits, putting pressure on the country's foreign exchange reserves and balance of payments.

5. **Missed Opportunities in Export-led Growth**:
   - Many emerging economies like China and South Korea have capitalized on **export-driven manufacturing**, which helped in poverty alleviation, job creation, and income growth. India missed this opportunity to some extent, particularly in labor-intensive industries like textiles, electronics, and auto manufacturing.

Measures to Strengthen the Secondary (Manufacturing) Sector:

1. **Improve Infrastructure**:
   - **Physical infrastructure** (roads, railways, ports) needs improvement to reduce logistics costs and enhance the ease of doing business. **Power supply** is another key area that needs stability to support industrial growth.
   - The government should continue its focus on initiatives like **Bharatmala** (road infrastructure) and **Sagarmala** (port development), while also addressing issues in the power sector.

2. **Skill Development and Education**:
   - There is a need to align education and vocational training with the demands of the manufacturing sector. **Skilling initiatives** like **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** should focus on imparting technical skills relevant to industries such as electronics, auto parts, and textiles.
   - Upgrading technical institutions and focusing on vocational training will help build a skilled workforce, essential for modern manufacturing.
3. **Strengthen 'Make in India' and 'Atmanirbhar Bharat' Campaigns**:
   - **'Make in India'** is a flagship program aimed at boosting domestic manufacturing. The government needs to take steps to incentivize investments in key sectors, especially labor-intensive industries like textiles, leather, and electronics.
   - The focus on **self-reliance (Atmanirbhar Bharat)** should encourage the production of goods that are currently imported, reducing the trade deficit and enhancing domestic capabilities.

4. **Boost MSMEs (Micro, Small, and Medium Enterprises)**:

   - MSMEs are the backbone of manufacturing in India, but they often face challenges like lack of credit, outdated technology, and poor market access. Policies aimed at providing **easier credit, technology upgrades, and market linkages** will help strengthen this sector.
   - Programs like **Credit Guarantee Fund Scheme for MSMEs** should be expanded and simplified to ensure better reach.

5. **Enhance Labor Reforms**:

   - **Rigid labor laws** have been cited as one of the reasons for the slow growth of the manufacturing sector. Simplifying labor regulations (as proposed in the **Labour Codes**) will help industries manage their workforce more efficiently and encourage formalization, thus boosting productivity and job creation.

6. **Focus on High-tech Manufacturing and Innovation**:
    - India must not only focus on traditional manufacturing but also develop capacities in **high-tech manufacturing** (e.g., electronics, solar panels, EV batteries). Initiatives such as **Production Linked Incentive (PLI)** schemes in sectors like electronics and pharma have already started showing positive results.
    - Promoting **research and development (R&D)**, and innovation, especially in emerging areas like artificial intelligence (AI), robotics, and biotechnology, will help India become a global manufacturing hub in advanced technologies.
7. **Promote Ease of Doing Business**:
    - Streamlining bureaucratic procedures, reducing red tape, and ensuring **regulatory predictability** will improve the ease of doing business and attract more investments into the manufacturing sector. The government has already taken steps in this direction, but more needs to be done, particularly at the state level.

8. **Focus on Export Competitiveness**:
    - Encouraging **export-oriented industries** by providing tax incentives, subsidies, and infrastructure support in **special economic zones (SEZs)** will allow Indian manufacturers to compete globally. This also involves **trade agreements** with other nations to ensure market access.

Conclusion:

India's service-led growth has contributed significantly to its GDP but has left gaps in job creation and manufacturing development. For a more **inclusive and sustainable growth trajectory**, strengthening the secondary sector is essential. Through focused infrastructure development, skilling initiatives, labor reforms, and promoting ease of doing business, India can build a robust manufacturing base that supports long-term economic growth and equitable distribution of wealth.