



## 41 INDUSTRIAL POLICY AND LPG REFORMS

<b>1948</b>	1 <sup>st</sup> industrial policy by India's Minister for industries _____ .
<b>1956</b>	<ul style="list-style-type: none"> <li>- Industrial Policy Resolution (औद्योगिक नीति संकल्प). It focused on public sector led heavy industries (Oil, mining, shipbuilding, steel, chemicals, machinery manufacturing etc).</li> <li>- PM Nehru presumed this will help in 1) employment generation 2) self reliance 3) provide Raw material, intermediate goods and machinery to help other industries to produce consumer goods.</li> </ul>
<b>1991</b>	BoP crisis forces PM _____ to launch New Industrial Policy (नई औद्योगिक नीति) with LPG reforms
<b>Post-LPG</b>	<ul style="list-style-type: none"> <li>- Service sector's share increased in GDP (to ~ __ %) &amp; employment (to ~34%) -though not steadily.</li> <li>- Mfg. sector's share increased in GDP (to ~ __ %) &amp; employment (to ~24%) -though not steadily.</li> </ul>

### 41.1 LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION?

#### 41.1.1 Liberalization :उदारीकरण

Means the withdrawal of controls and regulations by the government on the industries.

<b>Till 1991</b>	<b>After LPG-reforms</b>
Ministerial interference in the functioning of CPSEs → fall in professionalism and inefficiency.	Govt. signed memorandum of understanding (MoUs:समझौता ज्ञापन) with CPSEs granting them operational freedom through 'Ratna' status.
<ul style="list-style-type: none"> <li>- Mandatory for any private individual to obtain license to start to start any industrial activity.</li> <li>- Even on licensed industries, govt. would impose 'production quota' (e.g. not more than 'x' number of telephones or 'y' number of scooters be produced.) Government would appoint inspectors to check the compliance.</li> </ul> <p><b>Result?</b> Delays, corruption, No ease of doing business.</p>	<p>Production quota &amp; Inspector was abolished. Licences required only for a selected number of industries. Namely,</p> <ol style="list-style-type: none"> <li>1. Alcoholic drinks</li> <li>2. Tobacco products</li> <li>3. Electronic aerospace and Defence equipment</li> <li>4. Industrial explosives, gun powder, nitrocellulose and matches;</li> <li>5. Hazardous chemicals: Hydrocyanic acid, Phosgene, Isocyanates &amp; their derivatives.</li> </ol> <p>For remaining sectors, a private entrepreneur can start the business by simplifying an Industrial Entrepreneur Memorandum (IEM:उद्यमी ज्ञापन) with</p>



	Commerce Ministry (except for the industries reserved for public sector). The purpose of IEM is merely to collect data about investment, employment and industrial activities.
The big corporates were not allowed to enter in the sectors reserved for the Small Scale Industries (SSI) / MSME. e.g. pickles & chutneys, mustard oil, groundnut oil, exercise books and registers, wax candles, glass bangles, steel almirah etc.	Govt gradually shrunk this list. By 2015, no item was reserved for SSI/MSME industries.

#### 41.1.2 Privatization: निजीकरण

1. Allowing private sector to enter into the sectors which were previously reserved for public sector companies only,
2. Converting public sector companies to private sector companies by reducing Government shareholding to below 50%

Till 1991	After LPG-reforms
Most of the industrial sectors were reserved for the public sector Industries only → no competition, lack of innovation.	Only following industries are reserved for public sector undertakings <ol style="list-style-type: none"> <li>1. Atomic Energy</li> <li>2. Railway Transport</li> </ol>
Government would nationalise private sector industries in the national interest such as banking, insurance, aviation.	<ul style="list-style-type: none"> <li>- Stopped the practice of nationalisation.</li> <li>- Private sector companies were allowed in Banking, Insurance, aviation, telecom and other sectors.</li> </ul>

#### 41.1.3 Globalization: वैश्वीकरण

Globalization is a process in which nations allow free flow of goods, services, labour, capital investment, technology, ideas and innovations.

Till 1991	After LPG-reforms
Inward looking economy, Import substitution policy, variety of tariff and non tariff barriers on the imported goods and services → problem of smuggling.	India joined the WTO-regime, we gradually relaxed the tariff and non tariff barriers on the imported goods and services.
Very strict controls on currency convertibility, foreign companies, and foreign investment.	Norms were relaxed (Ref: Pillar#3)

Further self study on the LPG reforms from NCERT class 11 ch.2 and 3. Mains Answer writing about LPG reforms: [youtube.com/user/TheMrunalPatel/search?query=rao](https://www.youtube.com/user/TheMrunalPatel/search?query=rao)





- **How?** Awareness generation, demo centres, training , networking between industry and academia, international Corporation.
- **Related?** This department is also responsible for the National Capital Goods Policy 2016, that aims to increase domestic production of textile machinery, Earth moving and mining machinery, printing machinery etc.
- Textile Ministry also has a SAMARTH scheme- but it's for Skill development in textile sector.

### 41.3 MFG POLICY → NATIONAL MFG POLICY 2011: राष्ट्रीय उत्पादन नीति

- **Boss?** Commerce ministry → DIPP / DPIIT.
- **Target?** To increase manufacturing's share in GDP to \_\_ by 2022, & create \_\_ million jobs.
- For this target, Govt will pursue ease of doing business, skill upgradation for young workforce, funding for innovation & green Technologies
- Creating National Manufacturing & Investment Zones (NMIZ).

#### 41.3.1 Mfg Infrastructure → NIMZ, राष्ट्रीय उत्पादन और निवेश क्षेत्र

- NMIZ is an 'industrial township' containing Special Economic Zones, Industrial Parks & Warehousing Zones, Export Oriented Units etc.
- NMIZ are given additional support by government e.g.
  - Tax incentives, Relaxed norms for FDI approval
  - Providing Rail, Road, energy, communication connectivity, schools-hospitals & other social infrastructure for the workers, etc. in a time bound manner.
  - relaxations in the labour laws e.g. women allowed to work in night shift, easier hiring-firing norms: आसान काम पर रखने के - निकालने के मानदंड.
- NIMZ will be treated as self governing bodies under Article 243(Q-c) of the Constitution. So the traditional norms related to Municipality, its functions, election of ward members etc. will not apply for the township area.
- We have more than 15 NMIZ such as Ahmedabad-Dholera Investment Region@Gujarat, Dadri-Noida-Ghaziabad investment Region@Uttar Pradesh, Manesar-Bawal Investment Region@Haryana etc.
- Previously, Delhi Mumbai Industrial Corridor had setup Special Investment Regions (SIR) in its region. They're converted into NIMZ.
- 2017: Commerce ministry launched **Industrial Information System (IIS)**, a GIS-enabled database of industrial areas and clusters across the country. This helps the entrepreneurs to find out availability of raw material, distance from key transport hubs, layers of terrain and urban infrastructure.

#### 41.3.2 Mfg Infrastructure → Industrial Corridors (औद्योगिक गलियारे)

- **Boss?** \_\_\_\_\_ Ministry → National Industrial Corridor Development and Implementation Trust (NICDIT).
- They provide funding for industrial and commercial areas, townships, Warehousing and container depots, Rental Factories, Social infrastructure like- schools, technical institutions, hospitals etc, Housing and Residential Complexes; Connectivity for roads, railways, airports, Oil and gas pipeline etc.

#### Notable ongoing/ proposed industrial corridors of India:



- **Delhi Mumbai Industrial Corridor:** (DMIC-2006 onwards) passing through Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. It's implemented by a Special purpose vehicle (SPV: company) with ownership: 49% NICDIT, 26% Japanese Bank for International Cooperation (JICA) and remainder with India's Public Sector Financial Intermediaries.
- Other notable corridors: Amritsar Kolkata Industrial Corridor, Chennai Bengaluru Industrial Corridor, Bengaluru Mumbai Economic Corridor, Vizag –Chennai Industrial Corridor, East Coast Economic Corridor from Kolkata to Chennai.
- 2017: Commerce Ministry approved **Defence Park** at Pallakad, Kerala. **2018:** Budget announced two Defence Industrial Production Corridors: 1) Tamil Nadu 2) Uttar Pradesh.

**Related?** infrastructure, National Investment and Infrastructure Fund (NIIF) etc. in Pillar#5

## 42 MFG & SERVICES → MAKE IN INDIA: WHY? (2014)

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Previous economic surveys observed that nations improve their GDP using three ways

1. **Geology:** Energy & Minerals resources e.g. W.Asia, Botswana, Chile, Australia, Canada. **India's challenges?** Not sufficient crude oil resources, we still lack cost-effective technologies for large-scale exploration of Shell gas and nuclear minerals.
2. **Geography:** Tourism e.g. Barbados, Mauritius, Caribbean. **India's challenges?** While India has great tourism potential due to its geographical, climatic and cultural diversity. But, tourism income alone cannot sustain a large nation like India.
3. **Jeans to Jets:** As agrarian economy evolves, it'll begin producing low-skill items like jeans → further growth & technological advancements to produce jets, softwares & other high-skilled goods and services → then country will outsource the jean mfg. to other third world nations. USA grew like this. China, Thailand, Indonesia, Malaysia and other East Asian economies pursuing this model.

India's case is unique because post LPG-reforms we directly jumped from Agriculture to IT/service sector. Our growth in (low skill) manufacturing sector has been sub-optimal due to 1) Electricity, road and other infrastructural bottlenecks 2) Outdated factory and labour laws that prevent ease of doing business.

### **Demographic dividend and the need to shift agricultural labour**

- In the advanced economies, not more than 25% of the population is engaged in agriculture ( USA 4%, UK 5%, France 14%, Australia 16%).
- Whereas in India >40%, because the non-agricultural sector has not been adequately developed to absorb the labourers from the growing population.
- Demographic dividend = economic growth potential when share of the working-age population becomes larger than the non-working-age population. India 65% population is below the age of 35 age.
- Industries use raw materials from agriculture and agriculture sector needs industrial equipment and machinery such as pump set, tractor, electricity etc. So both are complementary to each other. But, industrial activities provide higher wages / remuneration than agricultural labour.
- So, industrialization is the only answer to reap India's demographic dividend. Further, to double farmers' income, some of the small-marginal farmers should opt for



industrial / service sector jobs so that land consolidation-mechanization can help doubling the incomes for rest of the farmers.

Keeping these angles in mind, PM Modi launched 'Make in India (मेक इन इंडिया)' in 2014.

## 42.1 MAKE IN INDIA: HOW?

- **Nodal?** \_\_\_\_\_ ministry.
- **Objective?** Promote India as global hub for manufacturing goods & services, design and innovation in 25 sectors.
- **How?** (i) Updating the Policies, relaxing the FDI norms (ii) Fiscal incentives (Tax breaks, subsidies, procurement) (iii) Infrastructure Creation (iv) Ease of Doing Business by relaxing the factory-labour-tax laws & administrative procedures (v) Innovation and R&D (vi) Skill Development.

25 Sectors under	Make in India Initiatives to boost production and demand of India-made products? <list is not exhaustive>
<b>1. Auto Components</b>	<ul style="list-style-type: none"> <li>- National Automotive Testing and R&amp;D Infrastructure Project (NATRiP) project for encouraging R&amp;D</li> <li>- FAME-India [Faster Adoption and Manufacturing of (Hybrid &amp;) Electric Vehicles in India].</li> <li>- Electric, Ethanol and Methanol Vehicles exempted from Permit.</li> </ul>
<b>2. Automobiles</b>	
<b>3. Aviation</b>	<ul style="list-style-type: none"> <li>- National Civil Aviation Policy (NCAP) &amp; UDAAN scheme to boost regional air connectivity. Faster approval to the Greenfield airports in the North East areas</li> <li>- 2016: FDI policy relaxed for Aviation.</li> </ul>
<b>4. Biotechnology</b>	New biotechnology parks launched, FDI policy relaxed.
<b>5. Chemicals</b>	New plastic parks launched.
<b>6. Construction</b>	Real Estate (Regulation and Development) Act, 2016- for granting quick permissions to the builders at the same time protecting the home buyers.
<b>7. Defence Manufacturing</b>	<ul style="list-style-type: none"> <li>- Defence Procurement Procedure (DPP-2016: रक्षा अधिप्राप्ति प्रक्रिया) : Government will give first priority to the indigenously designed developed and manufactured (IDDM) defence equipments.</li> <li>- Updated Defense Offset Norms (रक्षा ऑफसेट मानदंड) i.e. when government buys defence equipments from a foreign company, that foreign company will have to reinvest "x%" of the income back into Indian industries.</li> </ul>





<b>8. Electrical Machinery</b>	<ul style="list-style-type: none"> <li>- New electronic parks approved, subsidy to entrepreneurs for purchasing machinery.</li> <li>- National Electronics Policy 2019 &lt;its salient features given under the Standup India portion of this handout&gt;</li> </ul>
<b>9. Electronic System Design</b>	
<b>10. Food Processing</b>	New Mega Food parks, cold storages, abattoirs approved.
<b>11. IT and BPM</b>	<ul style="list-style-type: none"> <li>- 2016: 100% automatic FDI in market-place E-commerce.</li> <li>- Post demonetisation various initiatives to encourage the digital payment systems.</li> <li>- Pradhan Mantri Digital Saksharta Abhiyan (PMGDISHA), Digital India Mission- All of them directly and indirectly increase the demand of computer hardware and software.</li> <li>- Public Procurement (Preference to Make in India) Order 2017 which requires govt departments to buy India-made desktops and computer parts.</li> </ul>
<b>12. Leather</b>	New leather parks and clusters approved
<b>13. Media and Entertainment</b>	<ul style="list-style-type: none"> <li>- Single window clearances for film shootings for foreign film makers in India. Relaxed the norms to start new private FM radio stations.</li> <li>- Interim-Budget-2019: Previously Single Window clearance to foreigner film makers for shooting movies. This facility made open to Indian as well. Cinematography Amendment bill: unauthorized camcording / duplication of movie → upto 3 years jail + 10 lakh fine.</li> </ul>
<b>14. Mining</b>	Mines and Minerals (Development and Regulation) Act (MMDR) amended in 2015-16 for ease of mining exploration.
<b>15. Oil and Gas</b>	Gas based Thermal Power Projects approved. Gas grid projects to deliver gas through pipeline. Strategic oil reserves created. _____ (HELP) 2016 To facilitate the exploration of all type of hydrocarbons. PM-Ujjwala yojana to encourage poor families adopt LPG (which indirectly boosts the demand & manufacturing of gas stoves, lighters etc.).
<b>16. Pharma</b>	Additional NIPER institutes approved → increased the availability of trained manpower. FDI norms relaxed. Compulsory licensing of expensive MNC-patented drugs to encourage generic drugs' production in India. <Ref: IPR portion of this handout.>
<b>17. Ports</b>	_____ Project to improve port infrastructure.<More in Pill#5>



<b>18. Railways</b>	New Metro Rail Policy 2017 with public private partnership. Mumbai-Ahmedabad high speed rail project with help of Japan.
<b>19. Roads and Highways</b>	<ul style="list-style-type: none"> <li>- Expressways between Vadodara Mumbai, Delhi-Mumbai, Bangalore-Chennai etc.</li> <li>- NHAI approved new investment models.</li> <li>- Bharatmala project for highway construction.</li> </ul>
<b>20. Renewable Energy</b>	Preference given to domestic manufacturers for purchasing equipments for Jawaharlal Nehru National Solar Mission and similar projects. Although later USA complaint to WTO that it is a 'non-tariff' barrier.
<b>21. Space</b>	ISRO's commercial arm _____ Corporation Ltd. getting other countries to launch their satellites using ISRO's expertise.
<b>22. Textiles</b>	India Handloom Brand launched. Special Textile Package to increase jobs and machinery upgradation. Apparel and garment manufacturing parks setup in North East.
<b>23. Thermal Power</b>	New thermal power plants with green supercritical technology. UDAY scheme to cover the losses of distribution companies. Deendayal _____ scheme to increase the electricity penetration in rural households. Unnat Jyoti by Affordable LED for All (UJALA) scheme to increase consumption of LED bulbs.
<b>24. Tourism and Hospitality</b>	<ul style="list-style-type: none"> <li>- e-Visa scheme, Swadesh Darshan scheme, PRASAD scheme etc. to increase tourism</li> <li>- Yoga day, AYUSH Ministry to attract foreigners for medical tourism in India. etc.</li> </ul>
<b>25. Wellness</b>	

**Challenge?** Most of the jobs in above 25 sectors are skill intensive while India is burdened with vast pool of unskilled labour. So, government has to pay more attention to education and skill development schemes incl. Skill India (2015) → *more in Pillar#6*.

## 42.2 MFG & SERVICES → STARTUP INDIA (2016)

**Nodal?** \_\_\_\_\_ Ministry.

- Startup company is defined as a company which is:
  - Not older than \_\_ years. (10 years if Biotech Company).
  - Doesn't have annual turnover above ₹ 25 crore
  - Works towards innovation & development of goods / services.
- Under Startup India (स्टार्टअप इंडिया) initiative such startup companies are given \_\_\_\_\_ exemption from Income Tax / Corporation Tax.
- Self-certification permitted wrt EPFO act, ESIC Act and various Labour Laws.
- Relaxed norms in public procurement. E.g. if Govt tender says 'we are hiring a web development company to make a site for Govt department, but it must have x years





experience and y crores of turnover..“- These “x” and “y” requirement would be kept relaxed for a startup company.

- Relaxed norms for exit i.e. winding up the companies.
- Govt established "Fund of Funds for Startups" (FFS) in Commerce Ministry. This fund will provide money to other startup related schemes.
- Industry-academia partnership, incubation and hand holding, Mobile app and Portal, Legal and Technical Support for filing the patent, lower / zero fees for patent applications etc.
- Foreign venture capital investors (FVCI) given certain technical relaxations by Income Tax Dept (for TDS/ tax withholding) and Reserve Bank of India (for currency convertibility).

**Related Term:** Unicorn club → A startup company whose valuation is \$1 billion />. Swiggy, Paytm, Byjus etc. Indian startups are in this list.

## 42.3 MFG POLICY → NATIONAL POLICY ON ELECTRONICS 2019

- इलेक्ट्रॉनिक्स पर राष्ट्रीय नीति 2019 replaces the previous policy of 2012.
- **Boss?** Ministry of Electronics and Information Technology (MeitY).
- To make India as a global hub for Electronics System Design and Manufacturing – (ESDM: इलेक्ट्रॉनिक्स प्रणाली रचना/सिस्टम डिजाइन और विनिर्माण), Government will do following: →
- Tax benefit, subsidies and other incentive for R&D, innovation, Training and skill development for 5G, Internet of Things (IoT), Artificial Intelligence (AI: कृत्रिम बुद्धिमत्ता), Machine Learning, Virtual Reality (VR), Drones, Robotics, Nano-based devices, Medical Electronic Devices, Automotive Electronics Industry, Strategic electronics for the defence sector etc.
- \_\_\_\_\_ (SPF: सार्वभौम पेटेंट निधि): Govt will buy Patents / Intellectual Property Rights (IPR) from the innovators / Corporate Companies → allow MSME industries to use those IPR for electronics manufacturing, without having to pay hefty royalties to original patent holder..
- **Targets for 2025?** Turnover of \$400 billion. Produce 100 crore units of mobile handsets & export 60 crores units out of that. Create 1 crore jobs.

### 42.3.1 Mfg → Electronics Development Fund (EDF: इलेक्ट्रॉनिकी विकास निधि)

- **Boss?** MeitY gave money to Canara bank's CANBANK Venture Capital Funds Ltd.
- 2015: EDF was set up as a “Fund of Funds” (वृहद निधि) → money is given to “Daughter Funds” (उप-निधिया) e.g. SEBI registered venture capital funds who are investing in electronics related startup companies.

### Conclusion Template:

- **Electronics / IT Technology** permeates all sectors of economy. It plays vital role in economic growth, employment generation and strategic security of nation. R&D, IPR and Training are the critical components for the success of an Electronics / IT Technology company. Aforementioned policy, initiative, scheme will play a significant role in this regard.



## 42.4 STARTUP CRITICISM / CHALLENGES

- **“Valuation game”**: Startup try to increase subscribers with cashback /discounts → show the data to investors about company’s projected sales/growth/valuation to get more funding → eventually convert the private limited company into public limited company & launch IPO to get even more capital → people subscribe in IPO hoping large amount of dividend while the promoter leaves with money & company sees fall in revenue once the cashbacks and discounts are stopped.
- **Past Economic Surveys**: Most of the startups are focused on e-commerce aggregation i.e. Connecting the buyers with sellers (uber, zomato, flipkart, pepperfry etc.) due to ‘valuation game’, whereas India needs more startups in Agriculture, Manufacturing, Healthcare and Education.
- 2019: Raghuram Rajan noted: There is no ‘free lunch’ in economy so when ‘superstar’ companies are giving free products / cashback to consumer - who is paying for it? is it company itself or the government (through tax-holidays & subsidies given to that company!)
- While startup entrepreneurs have to be encouraged but at the same time, (fake) Angel investors’ tax evasion and avoidance has to be discouraged. So we also have a angel tax norms (ref: Black Money handout).

## 42.5 STARTUP → (SHUTDOWN) “EXIT” OF SICK INDUSTRIES

Sick industries: बीमार उद्योग in an entity that has accumulated more losses than its entire capital. Industrial sickness can be a result of

- Internal factors like mismanagement, workers low morale & strikes etc.
- External factors like rising cost of energy & raw material, fall in product demand etc.

1985: PM Rajiv Gandhi in enacted **Sick Industrial Companies Act** → Statutory body in Finance Ministry → **Board for Industrial and Financial Reconstruction (BIFR)**.

- BIFR would A) help the SICK industry with new funds or B) shut down the SICK industry on case to case basis. Higher appeal? Authority for Industrial and Financial Reconstruction (AIFR).
- Ideally, a sick industry should be liquidated so its labour and capital can be shifted to healthy companies.
- But, above bodies’ decision making was very slow so sick companies will not quickly shut down, and continue to receive Government funding/support, as if Abhimanyu entered the “Chakravyuh” but never exits. So previous economic surveys used the term ‘Chakravyuh challenge’.

2016: PM Modi repealed this act & its bodies. Their pending cases referred to NCLT. So now if a firm becomes sick then:

- IF wilful defaulter or incapable defaulter → liquidation under the Sarfaesi Act
- ELSE I&B Code: IP will make a resolution plan within 180-270 days → if IP’s resolution plan is not agreeable to the lenders → liquidation.
  - If a startup company wants to (voluntarily) shut down, it can make application under I&B Code → IP will liquidate it within 90 days. This helps the entrepreneur to pull out his portion of capital (to start another startup = Ease of doing business).



**Conclusion Template:** Startups have always been the engine of progress. The Mega corporations of today were startups of yesterday. Startups can be effective instruments for reaping India's demographic dividend, catalyze employment generation and augment its economic growth. The aforementioned policies/ schemes are significant in this regard.

## 43 MFG & SERVICES → INTELLECTUAL PROPERTY RIGHTS

- WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS-1995) protects following types of IPR (बौद्धिक संपदा अधिकार) : Copyright, Trademarks, Geographical Indications, Industrial Designs, Patents, Integrated Circuits & Trade Secret.
- **World Boss?** UN specialized agency World Intellectual Property Organization (WIPO: HQ Geneva, Switzerland, विश्व बौद्धिक संपदा संगठन).
- WIPO is known for
  - (1) Global \_\_\_\_\_ Index
  - (2) \_\_\_\_\_ Treaty 2013 which requires nations to increasing accessibility of copyrighted books to Visually Challenged. India was first to ratify.
    - Further, Social Justice Ministry → Divyangjan Dept → launched '\_\_\_\_\_ e-library' for VH, in collaboration with Daisy Forum of India (an NGO) and Tata Consultancy Service (TCS).

### 43.1.1 IPR → Indian Laws

Year	Act	Nodal?
1952	Cinematograph Act	Ministry of Information and Broadcasting. Budget-2019 promised to amend it with anti-camcording provisions.
1957	Copyright Act	Previously HRD ministry, now _____ Ministry.
1970	Patents Act	Commerce Ministry's Controller General of Patents, Designs and Trademarks. (CGPDTM)
1999	Trademarks Act	Commerce Ministry's Geographical Indications Registry at Chennai
1999	Geographical Indications of Goods (Registration and Protection) Act	CGPDTM
2000	Designs Act	MEITY: Ministry of Electronics and Information Technology
2000	Semiconductor Integrated Circuits Layout-Design Act	_____ Ministry
2001	Protection of Plant Varieties and Farmers' Rights Act	_____ Ministry
2002	_____ Act	Environment Ministry

### 43.2 IPR → PATENTS → COMPULSORY LICENSING (अनिवार्य लाइसेंसिंग)

- If public interest is involved → Government can use, manufacture, import or sell a patented invention without the patent-owner's consent. Permitted under WTO's TRIPS agreement.
- 2012: Shortage of an anticancer drug Nexavar in Indian market. Bayer Pharma (Germany) held the patent and production rights & sold it price of ₹ 2.50 lakhs per 120 tables.



- So, Indian Govt used powers of Indian Patent Act to 'Compulsory Licence' to an Indian company NATCO to produce this drug, sell it at ₹ 8880 per 120 tablets & pay 6% royalty to Bayer.
- US & EU are apprehensive of Indian Govt issuing CL, because their MNCs will suffer, if such low prices and royalty % are forced.

### 43.3 IPR → EVERGREENING OF PATENTS (पेटेंट को सदाबहार करना / रखना)

- Patent is a statutory right given for an invention for a limited period of time.
- Patent protection is a territorial right and therefore it is effective only within a country.
- Suppose a pharma company is given 20 years patent for xyz drug in India, others cannot manufacture it during that period.
- But when the patent is about to expire, the company just slightly modifies the original drug formula to create a new drug and seeks patent for that new drug. This unethical practice is called "Evergreening".
- Indian Patent Act prohibits Evergreening. (under Section 3(d)).
- (2013) A Swiss pharma company Novartis's blood cancer drug Glivec's patent was about to expire, they had sought patent for similar new anti-cancer drug but lost the case in Supreme Court India. SC allowed Indian companies can produce generic version of this anti cancer drug → patient will get it at cheaper price.

### 43.4 IPR → UTILITY PATENTS: उपयोगिता पेटेंट

- Utility patents / 'petty patents' recognize the minor (mechanical) improvements of existing products e.g. adding speaker in a microwave oven to announce when food is prepared.
- Commerce ministry is not in favour of amending the Patent Act to allow Utility Patent because otherwise it could aggravate the problem of 'Evergreening of Patents'.

### 43.5 IPR → NATIONAL IPR POLICY 2016

- **Nodal?** \_\_\_\_\_ ministry. **Motto?** Creative India; Innovative India.
- This policy shifted the Copyright Office and its statutory body Intellectual Property Appellate Board (IPAB) from HRD ministry to commerce ministry.
- Conduct IPR awareness programs for industry, police, customs and judiciary so they can combat counterfeiting and piracy in a more efficient manner.
- +Filler points like Launching new courses in the higher education to increase the availability of patent experts in India, reducing the patent application fees for the startup companies and grassroot innovators etc.

**MCQ. With reference to the 'National Intellectual Property Rights Policy', consider the following statements: (Asked in UPSC-Pre-2017)**

1. It reiterates India's commitment to the Doha Development Agenda and the TRIPS Agreement.
2. Department of Industrial Policy and Promotion is the nodal agency for regulating intellectual property rights in India.



3. Both 1 and 2
4. Neither 1 nor 2

### 43.6 IPR → NOTABLE SCHEMES

<b>SIPP</b>	<ul style="list-style-type: none"> <li>- Commerce Ministry's Startups Intellectual Property Protection (SIPP:स्टार्टअप्स बौद्धिक संपदा संरक्षण) scheme valid from 2016 to 2020.</li> <li>- Startup entrepreneurs are given free training on how to file the patents. No patent fees for them.</li> </ul>
<b>AIM &amp; SETU In NITI in 2015</b>	<ul style="list-style-type: none"> <li>- Atal Innovation Mission in NITI Ayog to help the innovators. E.g. launch challenges / competitions and award prize money.</li> <li>- Self Employment and Talent Utilisation (SETU) in NITI ayog to setup incubators for innovation. Incubators are centers that help aspiring entrepreneurs to develop /experiment with products without investing in all the machineries beforehand.</li> </ul>
<b>Smart India Hackathon</b>	<ul style="list-style-type: none"> <li>- Organized by the _____ Ministry in 2017, 18, 19.</li> <li>- 2019: College students asked to give innovative ideas to solve the challenges faced by public sector organisations, industries and even NGOs. 36 hrs software development competition, 5 days hardware development competition etc.</li> </ul>
<b>Misc.</b>	<p>Dept of Science Technology launched</p> <ol style="list-style-type: none"> <li>1. <b>INSPIRE</b> (Innovation in Science Pursuit for Inspired Research )</li> <li>2. <b>MANAK</b> (Million Minds Augmenting National Aspiration and Knowledge)</li> <li>3. <b>NIDHI</b> (National Initiative for Developing and Harnessing Innovation)</li> <li>4. <b>NIDHI-PRAYAS</b> (PRomoting and Accelerating Young and ASpiring technology entrepreneurs)</li> </ol> <p>HRD Ministry launched <b>Uchhattar Avishkar Yojana</b> (UAY) for IITs All these schemes provide some type of grant, funding, scholarship, award the innovator. By default they're 100% Union fund. Internal-difference &amp; exact features= poor-cost-benefit.</p>

**Conclusion template?** Innovations / Startup can turn Indian youths from job seekers into job creators. They encourage entrepreneurship, innovation and creation of revolutionary new products that can be used by people around the world. Hence startups are important / protecting their IPR is important. Aforementioned initiatives / schemes are important in that regard.

### 43.7 INDEX → GLOBAL \_\_\_\_\_ INDEX (GII)

(वैश्विक नवीनीकरण सूचकांक) by \_\_\_\_\_, Cornell University (USA), Insead Business School (France).

- ✓ Its 80 indicators capture innovation enabling factors such as political environment, education, infrastructure and business sophistication.
- ✓ **2018 ranking:** 1) Switzerland: kept first rank since 2011 2) Netherlands 3) Sweden 17) China.... 57) India and 126) Yemen the last. India's rank has improved over the years.



### 43.8 INDEX → GLOBAL \_\_\_\_\_ INDEX (GCI)

(वैश्विक प्रतिस्पर्धात्मकता सूचकांक-विश्व आर्थिक मंच) by \_\_\_\_\_ ranks nations on GCI 4.0 framework with 12 drivers of productivity: Institutions, Infrastructure; Technological readiness; Macroeconomic context; Health; Education and skills; Product market; Labour market; Financial system; Market size; Business dynamism; and Innovation.

- ✓ **2018 ranking:** 1) USA, 2) Singapore, 3) Germany.... 28) China, 58) India.... 140) Chad the last. India's rank has improved over the years.

## 44 INDEX → EASE OF DOING BUSINESS REPORT

व्यापार करने में सुगमता का रिपोर्ट is an index by the \_\_\_\_\_ 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..

**2018-Oct:** 'Annual 'Doing Business 2019' report →

- Top 3 were NZ, Singapore, Denmark.
- USA@8, China@46, India@100, Pak@136. Somalia@190 (lowest)

	India's Ranking →			
Number of documents, procedures, time & cost involved in...	2016	2017	2018	Improvement: 2018 vs 2017
Overall	130	100	--	--
Starting a Business	155	156	137	19
Construction Permits	185	181	52	129 (highest jump)
Getting Electricity	26	29	24	5
Registering Property	138	154	166	-12
Getting Credit	44	29	22	7
Protecting Minority Investors	13	4	7	-3
Paying Taxes	172	119	121	-2 (despite apps & portals!)
Trading across Borders	143	146	80	66
Enforcing Contracts	172	164	163	1
Resolving Insolvency	136	103	108	-5 (despite I&B Code)

**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.

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





#### 44.1 EASE OF DOING BIZ → LABOUR REFORMS : श्रम सुधार

There are multiple Central laws related to labour e.g. Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976.

- Entrepreneur has to fill up multiple forms to prove his compliance, and he's subjected to multiple annual inspections by the govt officials = No ease of doing biz.
- Therefore, Second National Labour Commission (2002) recommended govt to simplify & consolidate these laws. 2017-18: Govt announced to replace existing ~44 central laws with just four laws namely

1. Labour Code on Wages (Bill 2017): मजदूरी पर श्रम संहिता (विधेयक 2017)
2. Labour Code on Social Security & Welfare (Bill 2018): सामाजिक सुरक्षा और कल्याण पर श्रम संहिता
3. Labour Code on Industrial Relations (Bill 2018): औद्योगिक संबंधों पर श्रम संहिता
4. Labour Code on Occupational Safety, Health and Working Conditions (Bill 2018): व्यावसायिक सुरक्षा, स्वास्थ्य और कामकाजी परिस्थितियों पर श्रम संहिता

Until above labour code bills are passed, Labour Ministry keeps amending the existing laws for ease of doing business and for workers welfare such as

Passed	Provisions
Maternity Benefit (Amendment) Act, 2017: मातृत्व लाभ (संशोधन) अधिनियम, 2017	<ul style="list-style-type: none"> <li>- Applies to factory, mines, plantations, shops and other establishments.</li> <li>- Increased paid maternity leave from 12 weeks to 26 weeks (for the first two children only)</li> <li>- If woman worker adopts a baby &lt;3 years (or gets a baby through surrogacy)= 12 weeks paid leave for her as well.</li> <li>- If factory has 50 workers/&gt; then boss must install creche facility.</li> <li>- After maternity leave is over, boss may even allow the woman worker to work from home.</li> <li>- Boss must inform every woman worker of her rights in writing.</li> </ul>
Payment of Wages (Amendment) Act, 2017	Previously the employer was legally required to pay salary in 'physical cash only'- in certain industries. Act reformed to allow salary payment in cheque/NEFT to encourage less cash economy.
Child Labour (Prohibition) Amendment Act, 2016: बाल श्रम (निषेध) संशोधन अधिनियम, 2016	<p>It amends the 1986's act to provide that → Children below _ _ _ _ can't be employed anywhere, EXCEPT:</p> <ul style="list-style-type: none"> <li>- TV/ Cinema /Sports (but not circus)</li> <li>- Non hazardous family enterprise work after the school hours.</li> </ul> <p>Adolescents between _ _ _ _ _ age can be employed but only in non-hazardous work. Any violations = Jail + penalty. District Magistrate given additional powers. <b>Criticism?</b> Chemical mixing, battery acid recycling etc. occupations removed from the 'hazardous list' so Ease of doing biz for their owners, but</p>



	exploitation of adolescent workers.
Apprentices (Amendment) Act, 2014	<ul style="list-style-type: none"> <li>- The original 1961 Act regulated the training of apprentices in the industry. But rules were draconian e.g. Govt shall decide the apprentice youth's stipend, holiday, overtime. If factory owner is violating any norm → jail.</li> <li>- So, the 2014's amendment relaxed the norms, Factory owner will decide stipend, holiday etc. and if any violations then only penalty, no jail for him.</li> </ul>

## 44.2 EASE OF DOING BIZ → FIXED TERM EMPLOYMENT 2018

- Fixed-term employee (निश्चित-अवधि कामदार) is a contractual worker hired for a fixed period. If his contract is not renewed on expiry then he's deemed automatically terminated.
- Just like a permanent worker, a fixed-term worker is entitled to all benefits such as wages, hours of work, allowances, EPFO-ESIC and other statutory benefits (But only for the duration of contract).
- 2016: Labour Ministry allowed Fixed term employment only to the textile sector using the powers under Industrial Employment (Standing Orders) Act.
- Budget-2018: Jaitley permitted in all manufacturing sectors.
- **Good?** When factory owner has large production order to fulfill, he can hire more people for short duration without the compulsion of giving them 'permanent jobs'. → Ease of doing business.
- **Bad?** Trade Unions fear the industrialist will convert all the permanent jobs into 'fixed term contract jobs' → boss may simply refuse to renew contract without giving reasons & replace them with cheaper younger labourers= job security is diminished. Although Govt clarified that industrialist can't convert existing permanent jobs into fixed-term contract jobs.

## 44.3 EASE OF DOING BIZ → FACTORIES ACT REFORMS

- Factories Act 1948 (कारखाना अधिनियम) regulates the safety, health and welfare of factory workers.
- If an establishment is classified as 'factory', then the entrepreneur is required to install washroom, drinking water facility, spittoons, creche and other amenities depending on how many workers are employed.
- He cannot engage women workers in night shift or near dangerous machineries.
- His premises will be subjected to government inspection, If any violation he can be arrested and jailed. (=more opportunity for the factory inspector to demand bribes)
- The original act defines a factory as a premise where manufacturing is done using power and minimum 10/> workers are employed during last 12 months. (20 workers, if no power used).

### 44.3.1 Factories (Amendment) Bill, 2014

- Aims to relax definition of factory (20/> workers...) This will create ease of doing business for the small entrepreneurs because they will not have to comply with the



factory act.

- Allows the entrepreneur to engage women worker in night shift & near dangerous machineries subjected to various safety conditions (= women equality & empowerment)
- For smaller violations, the entrepreneur can pay specified penalty. No arrest/ jail.

The bill is still pending in the parliament, but Rajasthan and other state governments have amended their state laws to implement this reforms, because Labour is in concurrent list.

#### **44.3.2 Factories (Amendment) Bill, 2016**

- Bill aims to increase the overtime limit of workers if 1) Entrepreneur has excessive workload / production order to fulfil OR 2) if government notifies in public interest.

#### **44.4 EASE OF DOING BIZ → INDUSTRIAL DISPUTE ACT 1947, 2010**

- If a factory has 100/> workers, and industrialist want to retrench (fire a group of workers to reduce salary bill) then State Govt's approval is necessary.
- Employer must give Advance notice to workers before changing office hrs, holiday norms etc. If workers are unhappy they can file complaint to labour ministry officials.
- Result? NOT EASE of doing Biz because what if entrepreneur wants to adopt new labour saving Machine/technology or what if he has to increase work hours during emergency foreign contract.
- To address these issues, Union amended the act in 2010 with certain technical reforms. Further, Rajasthan, Madhya Pradesh and other states also relaxed norms because labour=concurrent list, to attract more investment in their states.

#### **44.5 EASE OF DOING BIZ → \_\_\_\_\_ PORTAL (2014)**

Labour Ministry's webportal to facilitates ease of doing business in following manner:

1. Labour inspector has to upload reports within 48 hrs of inspecting the factory. This reduces the scope of bribery, corruption & tempering of records.
2. Entrepreneur can do online registration & payment of ESIC and EPFO for his workers.
3. Entrepreneur can upload compliance documents under various factory / labour acts.

#### **44.6 EASE OF DOING BIZ → MODEL SHOPS AND ESTABLISHMENTS BILL, 2016**

- State list subject. Each state has separate Shops and Establishment Act to govern the working conditions, wage payments, leaves and holidays, work hours, etc.
- Union govt has circulated Model Shops and Establishments Bill, 2016 (आदर्श दुकानें और प्रतिष्ठान विधेयक) to the States & UT with legislatures to adopt / customize it as per their wish.
- This bill allows the shopkeeper / malls the freedom to operate an for 24/7 and 365 days in a year without any restriction on opening/closing time and enables employment of women during night shifts with safety provisions. E.g. 2019-Feb Gujarat adopted this bill with certain modifications.

**Benefits?** 1) ease of doing biz 2) overtime benefit to worker 3) separate workers may be employed in day shift and night shift = more jobs.



## 44.7 EASE OF DOING BIZ → REAL ESTATE REGULATION & DEVELOPMENT ACT

**Boss?** Ministry of Housing and Urban Poverty Alleviation: आवास और शहरी गरीबी उपशमन

- While “land” is in the State List of the Constitution, but purchase of home / property / real estate = ‘Contract’ in the Concurrent List.
- So, Parliament enacted रियल एस्टेट (विनियमन और विकास) अधिनियम, **2016** to regulate transactions between home/commercial property buyers and builders of the real estate projects, by setting up state level regulatory authorities called \_\_\_\_\_ : रियल एस्टेट विनियामक प्राधिकरण (RERAs) → higher appeal to Real Estate Appellate Tribunals (अपीलीय न्यायाधिकरण).
- First, the builder must get his project registered @RERA’s website. including the facilities like fire fighting systems, sewage treatment plants, functional lifts etc. He can’t make advertisements or accept money from the buyers otherwise.
- Real estate agents dealing in these projects also need to register with RERAs.
- After RERA registration, project details will be published on RERA website where buyer can cross check / file complaints if any.
- Then builder can accept money from buyers, but in a separate bank account. If the project is not completed in time → builder will have to pay the home/shop/office-buyer’s monthly interest on bank loans (if any). RERA can order further relief / refund / arrange another builder to finish the project.
- If defects found in building upto 5 years → builder must repair free of cost.
- **Punishment?** Penalty + jail upto 3 years.

RERA-Good?	RERA-Challenges?
<ul style="list-style-type: none"> <li>- RERA registration system is online &amp; time bound → ease of doing business for the Builder as he will not have to make repeated trips / bribes to govt. officials.</li> <li>- Consumer protection.</li> <li>- Since building has to be registered at RERA, money has to be deposited in separate bank account → reduces the opportunities for tax evasion and avoidance; malpractice like selling same home to two buyers etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Since cost of compliance increases, builders may raise home prices prices (e.g. considering the additional business cost of doing ‘free repairs’ upto 5 years).</li> <li>- The building projects which were started before RERA act but still building construction is pending → difficult to get justice due to legal loopholes.</li> <li>- Some (non-BJP) state governments have not yet appointed RERA chairman or setup RERA websites.</li> <li>- Unlike GST, RERA doesn’t apply to J&amp;K.</li> </ul>

**Conclusion-Template:** World bank research indicates that countries that improve 10 points on the Ease of Doing business score create an additional 60 new businesses per 1 lakh population. Those new businesses create further job opportunities, which help reduce poverty & inequality in a country. Thus, ease of doing business for ‘corporates’ results into



the ease of living for poor people. The aforementioned scheme / policies / act / initiatives / challenges will play pivotal role in that regard / must be addressed on priority basis.

## 45 MFG → TEXTILE / MSME / SCHEMES / YEARBOOK/ MISC.

### 45.1 TEXTILES MINISTRY

List not exhaustive

<b>PSU</b>	Cotton Corporation of India, Jute Corporation of India, National Textile Corporation Ltd. and others.
<b>Attached offices</b>	Development Commissioners for handloom / handicrafts
<b>Statutory Bodies</b>	National Jute Board, Central Silk Board, National Institute of Fashion Technology (NIFT)

+ various autonomous bodies, export promotion councils, research associations and advisory boards for apparel, textile, wool, silk, carpet etc.

#### 45.1.1 Textile Ministry → Notable schemes / initiatives

1. Jute Packaging Material (JPM) Act, 1987: requires the foodgrains and sugar companies to pack “x%” of their produce in jute bags only. This ensures that jute bag industry can survive against the competition of cheap plastic bags.
2. Technical textiles = Fishing nets, bullet proof jackets, shoe laces, surgical gowns, parachute etc. items. Textile ministry helps such industries with schemes and subsidies.
3. **Project \_\_\_\_\_** : Presently the makers of shoe / shirt / pants etc. refer to size charts developed by UK / US standards e.g. Size 44 shirt, XL t-shirt etc. Textile ministry's project aims to develop size charts specific to Indian consumers' measurements.
4. \_\_\_\_\_ logo (2015): It certifies that given handloom product - sari, dress material, bedsheet etc. is 1) Indeed handmade 2) has zero defect 3) has zero negative impact on the environment 4) has authentic Indian traditional design. Such brand logo increases the appeal of Indian handcrafts to (mainly foreign) buyers. To obtain this logo, the weaver/entrepreneur applies online to Textile Ministry → Development Commissioners for handloom, and pays fees after his product is registered.
5. Previously, UPA/Congress had Mahatma Gandhi Bunkar Bima Yojana (MGBBY)- although gradually Modi switched those beneficiaries to Pradhan Mantri Suraksha Bima Yojana. So we need not worry about this obscure scheme.
6. 2016: '**Pehchan**' cards given to handicraft artisans- linked with their Aadhaar numbers and bank accounts to help them avail various scheme benefits.

#### Textile Ministry's Central sector schemes = 100% funded by the union →

7. National Handloom Development Programme → **Weavers Mudra scheme**: Textile ministry gives interest subvention and credit guarantee for the weavers' bank loans upto prescribed limits.



8. Amended Technology Upgradation Funds Scheme (**ATUFS**): Provides funding to the textile industries to upgrade their machineries. Similarly **Power Tex** scheme for powerlooms.
9. Ambedkar Hastshilp Vikas Yojana, Handloom Weaver Comprehensive Welfare Scheme (HWCWS) etc. schemes to provide training / skill development / marketing support etc. to the artisans.
10. 2017: \_\_\_\_\_ **Scheme** for Capacity Building in Textile Sector. Ministry of Skill Development & Entrepreneurship (MSDE) hires public & private sector institutes for giving training to youth for textile sector → Textile ministry pays 'coaching fees' to those institutes.

#### 45.1.2 Textile Ministry → Pradhan Mantri \_\_\_\_\_ Yojna

When an apparel manufacturing unit hires new employees who are eligible for EPFO scheme (i.e. monthly salary ₹ 15,000 or less)

Employee	Employer (boss') contribution is paid by Govt for first 3 years i.e. →
12% cut from salary for EPF (provident fund)	<ul style="list-style-type: none"> <li>- 3.67% EPF (provident fund) + 8.33% EPS (Pension) = 12% paid by Textile Ministry under Pradhan Mantri Paridhan Rojgar Protsahan Yojna 2016.</li> <li>- It's Central Sector Scheme = 100% paid by Union.</li> </ul>

#### Past economic surveys have suggested / observed:

- India is well positioned to get ahead of China in textile sector because wage costs in most Indian states are significantly lower than in China's wages.
- Textile leather industries should be encouraged to move to smaller towns so they can absorb the Indian women workers available there.
- To increase export earning, we should go beyond textile → readymade garments. But that requires R&D in foreigners' fashion, style & size preferences.
- India primarily exports leather-based shoes, but nowadays foreigners prefer non-leather shoes for they are 1) cheaper 2) more comfortable 3) more fashionable. So, we've to do R&D for non-leather shoes targeted for them.
- **Challenges?** (1) Getting quality cattle hides becoming difficult due to present socio-political atmosphere so leather industry facing problems (2) Bangladesh & Ethiopia emerging as textile/leather hubs and they get duty free access to USA/EU for being L.D.C. so India textile industry facing steep competition.

**Conclusion-Template?** Textile / Leather industry has great potential to generate new jobs especially for Indian women, & augment our income from exports. These industries can greatly help achieving SDG Goal #1: End poverty, Goal #5: Gender Empowerment, Goal #8: Promote sustained, inclusive and sustainable economic growth, Goal #10: Reduce inequality within India. Aforementioned policy / scheme / initiative / challenges are crucial in that regard / must be addressed on priority basis.

#### 45.2 MFG & SERVICES → [YEARBOOK] MSME MINISTRY

Micro, Small & Medium Enterprises, सूक्ष्म , लघु और मध्यम उद्यम मंत्रालय : List not exhaustive →

PSU	National Small Industries Corporation Limited (NSIC)
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<b>Attached offices</b>	Development Commissioner (MSME)
<b>Statutory Bodies</b>	_____ (KVIC), Coir Board

#### 45.2.1 MSME Ministry → (Pending) MSME Amendment Bill 2018

सूक्ष्म, लघु और मध्यम उद्यम विकास (संशोधन) विधेयक, 2018 aims to update old definitions:

Type	2006 Act → Investment in		2018 Bill
	Mfg Unit:	Services:	All enterprises
	Plant and Machinery	in Equipment	Annual Turnover
<b>Micro</b>	25 lakh	10 lakh	5 crore
<b>Small</b>	25 lakh to 5 crore	10 lakh to 2 crore	5 to 75 crore
<b>Medium</b>	5 to 10 crore	2 to 5 crore	75 to 250 crore

Further, the bill empowers Union Govt to change these annual turnover limits through a notification up to three times the limits given above. *(This saves the time in not having to introduce another bill in future to get permission of Parliament)*

Trade Unions (Amendment) Bill, 2019; Payment of gratuity amendment Act 2017 etc. are not so MCQ/Mains worthy so we need not bother.

#### 45.2.2 MSME Ministry → PM's \_\_\_\_\_ (PMEGP)

2008 ManMohan started प्रधान मंत्री रोजगार सृजन कार्यक्रम → Modi continued it till 31/3/2020.

- **Boss?** MSME Ministry → KVIC. Central Sector Scheme = \_\_\_\_\_ funded by the union.
- **Beneficiary?** Min. std. 8 pass person / Self-help-group wanting to setup a NEW micro-enterprises in the non-farm sector.
- Suppose the cost to start a business is 100% then entrepreneurs himself has to contribute 5-10% from his pocket, KVIC gives him 15-35%, rest is given as bank loans. Thus it's a 'Credit linked Subsidy' program.
- These percentages depend on whether the business is to be started in rural area or urban area, and whether the Entrepreneur is General/SC/ST/Women/PH/Minorities/Ex-Servicemen/North East.

#### 45.2.3 MSME Ministry → \_\_\_\_\_ (2015)

- A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship.
- **Boss?** MSME Ministry. Central Sector Scheme = \_\_\_\_\_ funded by the union.
- To encourage Innovation & Rural Entrepreneurship, this scheme will set up Business Incubators and Startup fund for agro-based industry.

#### 45.2.4 MSME Ministry → \_\_\_\_\_ Mission (2018)

- **Boss?** MSME Ministry → KVIC. Central Sector Scheme = \_\_\_\_\_% funded by the union.
- KVIC to setup solar charkha clusters in rural areas.
- KVIC will provide training, subsidy for purchasing Solar Charkha, and interest subvention on the loans taken by the weavers / entrepreneurs.
- **Target?** Generating 1 new lakh jobs.

#### 45.2.5 MSME Ministry → Misc. Initiatives

<b>UAM</b>	- To register an enterprise as MSME, its entrepreneur has to
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<b>2015 onwards</b>	<p>fill up an Udyog Aadhaar Memorandum(UAM)-free online form to MSME ministry. (Previously it was cumbersome form called 'Entrepreneurs' Memorandum'.)</p> <ul style="list-style-type: none"> <li>- He'll be allotted a unique Udyog Aadhar id linked with his personal aadhar number.</li> <li>- Udyog Aadhar id helps applying for various Govt. schemes for MSME.</li> </ul>
<b>Udyami Mitra Yojana</b>	Toll-free helpline mainly to help the first generation entrepreneurs.
<b>India _____ Fund</b>	For promoting grassroot innovations
<b>SFURTI</b>	Scheme of Fund for Regeneration of Traditional Industries → to setup clusters of Khadi, Coir, Handicraft; & help the entrepreneurs inside them.
<b>CHTMSE</b>	Credit Guarantee Fund Trust for Micro and Small Enterprises (CHTMSE) funded by MSME Ministry and _____ to help the MSE Entrepreneurs get loans without collateral from the banks. (Ref:Pill 1: Financial Inclusion handout for more)
<b>MSME Samadhaan</b>	<ul style="list-style-type: none"> <li>- MSME Act, 2006 requires State Governments to establish Micro and Small Enterprise Facilitation Council (MSEFC).</li> <li>- If a buyer is not paying money to MSME supplier within specified time limit, then MSEFC can order him to pay money with interest rate.</li> <li>- MSME Ministry's 'MSME SAMADHAAN' webportal helps filing online complaint for delayed payments.</li> </ul>
<b>MSME- _____</b>	MSME Ministry's webportal to connect jobseekers (passed out trainees / students of MSME Technology Centres) to recruiters (various companies).
<b>Udyam Sangam, Udyam Samvad</b>	MSME ministry organizes such Workshops, Conventions, Mela usually at Delhi.

#### 45.2.6 MSME Ministry → Public Procurement Order

MSME Ministry's Public Procurement Order 2012 (सार्वजनिक खरीद/अधिप्राप्ति आदेश) requires every Central Ministry/Department/PSU to procure annually,

- At least **25%** of their goods & services requirement from Micro and Small Enterprises (MSE). Further,
  - \_\_\_ of that 25% must be procured from MSE owned by **Women** Entrepreneurs: महिला उद्यमियों के स्वामित्व वाले MSE
  - \_\_\_ of that 25% from **SC/ST** entrepreneurs.
- Give first purchase preference to local suppliers. Try to ensure that procured goods/services have minimum 50% local content (to encourage Make in India).
- MSME Ministry → '**MSME- \_\_\_\_\_**' webportal monitors the progress.



MSME Ministry gets power to issue such order / quota under MSME development Act 2006.

#### 45.2.7 Public Procurement → GeM Portal

- Government e-Marketplace (GeM) is an online portal that helps Govt organizations at union, state, PRI/ULB and PSUs to buy common use goods & services in transparent and efficient manner e.g. pen, pencil, stationery.
- Verified sellers list products in this portal → Govt organizations buy it online from here. Ensures transparency, efficiency, cost saving (compared to individual organization giving newspaper ads inviting tenders).
- **Boss?** \_\_\_\_\_ Ministry's not-for-profit company named 'GeM Special purpose vehicle (SPV)'.

#### 45.2.8 MSME → PM's Initiatives for MSMEs (2018, Nov)

- ✓ Loans upto 1 crore within 59 minutes through an online portal. (*Ref: Pillar#1 handout, also revise Mudra & Standup India while you're there!*)
- ✓ Interest subvention of 2% for all GST registered MSMEs on fresh or incremental (=additional) loans. (*Same again announced in Interim-Budget-2019*)
- ✓ MSME / Corporates can borrow money from banks/NBFCs under Bill of exchange / Factoring / Trade Receivables Discounting System (TReDS). Technical norms are further tweaked to help them. (*how does it work? NOTIMP*)
- ✓ All govt organizations to compulsorily procure 25 percent from MSMEs, out of that 25% → 3% from women owned MSME. (*previously it was 20% & women didnot have internal quota*)
- ✓ All CPSUs to compulsorily procure through GeM portal.
- ✓ Simplified forms under labour laws. Factory / labour Inspector will inspect MSME unit via computerised random allotment- to prevent any nepotism / collusion.
- ✓ Self-declaration for air and water pollution laws. Only 10% MSME units to be inspected to checked.
- ✓ For minor violations under the Companies Act, entrepreneurs no longer have to approach NCLT, but file penalties online using simple forms.
- ✓ 100 Technology Centres will be established. Govt. will bear 70% cost for establishing Pharma clusters.

**Conclusion-Template?** MSMEs produce over 30% of India's GDP, contribute to over 45% India's total exports and 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 is important to catalyse that role played by MSMEs.

#### 45.3 MFG → ELECTRIC VEHICLES

- 2015: Ministry of Heavy Industries & Public Enterprises launched National Electric Mobility Mission Plan (NEMMP).
- One of its sub component is FAME (Faster Adoption & Manufacturing of Hybrid and Electric Vehicles) India. They give subsidy, training, awareness for such vehicles.
- It's Central Sector Scheme = 100% funded by Union.
- **Target-2020?** 60 to 70 lakh e-vehicles sold. ~25 lakh tonnes of Fossil fuels saved. Carbon Dioxide emissions decreased by 1.5% by 2020.



*Beyond this, pursuing individual industry specific policies / schemes in mfg / service sector = poor cost : benefit.*

## 45.4 MFG → BODIES FOR QUALITY STANDARDS

### 45.4.1 \_\_\_\_\_ Ministry → Statutory → BIS (1986)

- Bureau of Indian Standards (भारतीय मानकों का कार्यालय / ब्यूरो) is the apex regulator of standardization and quality certification of goods.
- It allows the manufacturer to use \_\_\_\_\_ (ISI) mark on their goods (e.g. helmet, cooker etc.) if they meet BIS's standards.
- BIS also has separate hallmark license system for gold and silver jewellery.
- BIS is India's nodal for International organisation for standardization (ISO-standards), WTO's \_\_\_\_\_ (TBT) agreement.

### 45.4.2 Commerce Ministry → Not-Statutory → QCI (1997)

- Quality Council of India is a non-profit society registered under Societies Registration Act with the funding from Commerce ministry, Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) & Associated Chambers of Commerce and Industry (ASSOCHAM).
- QCI helps the industries to adopt quality standards like ISI, ISO, OHSAS, KAIZEN etc.  
~~हिंदी शब्दावली यहां जरूरत नहीं क्योंकि मुख्य परीक्षा में इसका काम नहीं.~~

### 45.4.3 \_\_\_\_\_ Ministry → Statutory → BEE (2001-02)

- \_\_\_\_\_ (ऊर्जा दक्षता ब्यूरो) setup under Energy Conservation Act, 2001.
- Its Energy '\_\_\_\_\_ labeling' logos help consumers decide which electronic appliance is more energy efficient than other brands.
  - This labelling compulsory for Air Conditioners, Refrigerators, Tubelight, Color TV, Electric Geysers, Inverter, LED Lamps etc.
  - This labelling is voluntary for other appliances like Computers, LPG stoves, ceiling fans- But this list is subject to change **so update this portion of handout as and when new development take place.**

### 45.4.4 Health ministry → Statutory → FSSAI (2006)

- \_\_\_\_\_ (भारतीय खाद्य सुरक्षा और मानक प्राधिकरण) lays down scientific standards for food manufacture, storage, distribution, sale and import in India.
- FSSAI chairman may be a non-bureaucrat, food-scientist etc. While FSSAI functions under the Administrative control of Health ministry, FSSAI Chairperson enjoys rank of an independent Secretary to Government of India. He's not 'under' any department of Health Ministry.
- FSSAI act repealed previous central Acts like Prevention of Food Adulteration Act 1954, & other laws / orders related to Fruits, Meat Edible Oils, Edible Flour, Milk Products etc.
- FSSAI labelling rules 2011: Every package containing vegetarian food item must contain a square symbol with a **Green Colour** filled circle inside. If egg / non-vegetarian item then \_\_\_\_\_ **Color.**



- FSSAI packaging rules banned the use of recycled plastic and newspaper for packing / wrapping food articles.
- FSSAI rules ban the use of **calcium carbide** or **acetylene gas** for artificial ripening of fruits, however \_\_\_\_\_ **is permitted** upto certain limits.
- Monosodium Glutamate (MSG) is a flavor enhancer in Chinese food, but leads to obesity and liver inflammation. Earlier FSSAI had banned sale of Nestle's Maggi noodles because it contained lead and MSG, although later HC lifted the ban.

**Related?** \_\_\_\_\_ is given by Agro Ministry → Directorate of Marketing & Inspection → under the Agricultural Produce (Grading and Marking) Act, 1986. It covers Agriculture commodities, wool, cotton, meat etc.

MCQ. Find correct statement(s): (UPSC-Prelims-2018)

1. The Food Safety and Standards Act, 2006 replaced the Prevention of Food Adulteration Act, 1954.
2. The Food Safety and Standards Authority of India (FSSAI) is under the charge of Director General of Health Services in the Union Ministry of Health and Family Welfare.
3. Both 1 and 2
4. Neither 1 nor 2

#### 45.4.5 Consumer Protection Bill, 2018 (उपभोक्ता संरक्षण विधेयक)

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

This bill aims to replace the original act of 1986. Lok Sabha passed in 2018-Dec.

##### **Consumer Protection Bill, 2018 → New provisions?**

1. **Product Liability:** 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** 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.

##### **Consumer Protection Bill, 2018 → Statutory Bodies?**

1. **Consumer Disputes Redressal Commissions** (known as **Consumer Courts**) at the district, state and national levels. Their powers and jurisdictions are upgraded. E.g. District consumer court can hear matters upto ₹ 1 crore. Appeal structure District → State → National → SC.
2. **Consumer Protection Councils** (उपभोक्ता संरक्षण परिषद) These advisory bodies will work for awareness generation.
3. (new) **Central Consumer Protection Authority** (केंद्रीय उपभोक्ता संरक्षण प्राधिकरण): 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.

<b>Punishment</b>	<ul style="list-style-type: none"><li>- Fines upto ₹ 50 lakhs + upto 5 years jail.</li><li>- ₹50k fine on Consumer if filing frivolous complaints.</li></ul>
<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.



## 45.5 MAINS QUESTIONS IN PREVIOUS GSM2 & GSM3

How are the principles followed by the NITI Aayog different from those followed by the erstwhile Planning Commission in India?	2018
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.	2017
Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages shortsightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism driving inclusive growth in India? Discuss.	2014
"Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments.	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.	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?	2014
Examine the impact of liberalization on companies owned by Indian. Are the competing with the MNCs satisfactorily?	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?	2016