

UPSC

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The MSME sector is considered the backbone of India's economy, yet its growth remains constrained due to multiple challenges. Discuss the major bottlenecks faced by MSMEs in India and critically evaluate the recent budgetary provisions aimed at addressing these issues.

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(38M)

Micro, Small and Medium Enterprises (MSMEs) are based businesses that are categorised based on their investment in equipment and annual turnover. It has been brought by the MSME Act 2006.

Significance of MSMEs in India

Volume of Export

- ↳ It share 45% of total export.
- ↳ share manufacturing output of 36%.
- ↳ It employ 6.3 Cr in numbers.

Labour intensive Sector

- ↳ Micro and small entrepreneurs need mainly unskilled or semi-skilled, so it is incorporated for high labour intensive.

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marginInclusivity in Development

- ↳ Diverse nature of small and medium Enterprises in corporates linkages of diverse section of labour force.

Employment Elasticity

- ↳ High labour intensiveness leads it to become job nature is highly elastic for growth.

Assessment of Challenges faced by Indian MSMELack of institutional Capital Support :-

- ↳ Domestic Startup Ecosystem has failed in supporting MSMEs.
- ↳ As per NASSCOM-2023 report Startup-Mortality Rate is 90% India.
- ↳ It led to ~~gap~~ dependency on foreign Capital inflow (approx 70%)

Lagging Credit Support System :-

- ↳ MSMEs facing liquidity crunch in critical time periods lead them to go for heavier interest 5-14-15% (in China it is of 3-4% only).

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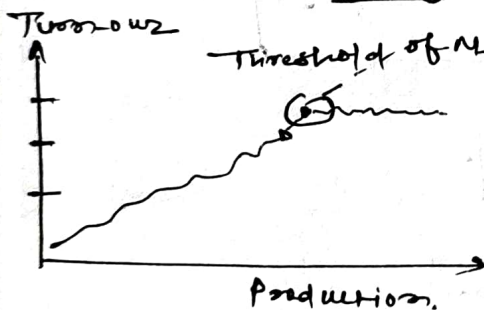
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↳ Earlier rise of NPA in Modern loan conditioned shows inefficiency of Credit management System to MSMEs.

Raw material dependencies:-

- ↳ for many new edge tech industry & MSMEs, needs critical raw material & import it from ab foreign.
- ↳ increase higher import bill.
- ↳ Price volatility often leads Market volatility.

Fear of Economy of Scale:-



↳ fear of unreasonable competition from big corporations due economy of scale.

↳ This restrict growth upto a certain threshold value due to lack of incentive beyond.

Product Standardization:-

↳ ~~Less~~ Regularization and less standardization led in incompetency upto global level.

↳ Hygiene and safety less product not being consumed in global market.

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Market linkage & Export efficiency :-

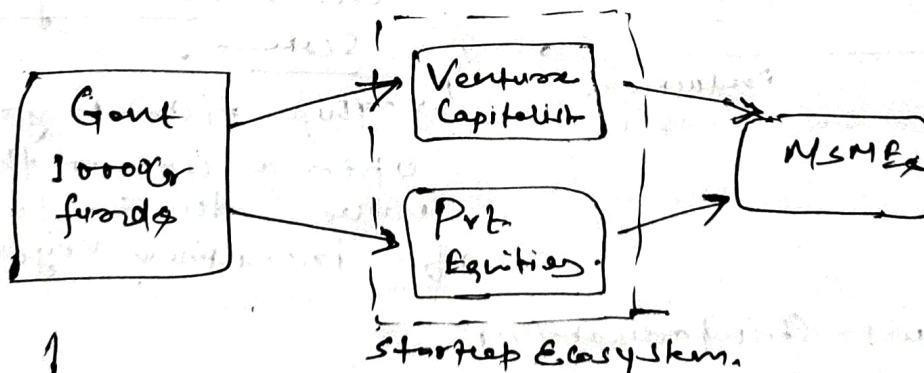
↳ In accessibility in a market support and connectivity retard its linkage to Global value supply chain and hence degrading export efficiency.

Regulatory Cholesterol & Red tapism :-

↳ It creates in bureaucratic bottlenecks in proper monitoring and implementation of MSME policies.

Recent Budgetary provision :-

1. Funds of Funds



↳ These government support will back domestic startup ecosystem along with institutional Capital support to MSMEs.

↳ It will may develops on the use of global initiatives as EIF in Europe and SBICP in USA.

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2. Redefining MSMEs.

	<u>Investment</u>	<u>Turnover</u>
Micro	1cr → 2.5cr	5cr → 10cr
Small	10cr → 25cr	5cr → 100cr
Medium	5cr → 125cr	25cr → 500cr

↳ These expansion will address the issue of economy of scale negativity

↳ Close and proper monitoring will enhanced the existing MSMEs otherwise big Corporates will nuke the market

3. Credit Corde for Micro Enterprises.

↳ A credit Corde upto 5 lac has been provided for addressing the liquidity crunch of Micro Enterprises

4. Footwear and leather focus

↳ Aimed at providing 22 lac for

↳ financial support in Design innovation, technology adoption along with machine upgradation.

↳ India share in global footwear to be increased from 10% (China 50%)

5. Toys and Handicrafts.

↳ provision of National toy industry scheme

↳ financial and technical support will be given.

↳ Promote made in India toys and reduce import from 60% presently.

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Food Processing Industry

- ↳ focus on Agro-based rural MSME
- ↳ Strengthening of FPO model.
- ↳ Infrastructural Support will lead to increase its global share for 2%.
- ↳ (China - 15%, USA - 10%).

Estd. of National Institute of food tech in Bihar

National Manufacturing Mission

focus on Clean tech Energy

E.V
Batteries

Solar
P.V Cell

Wind
turbines

Mid Scale
Energy Storage

Empowering
Clean tech
industry



Energy Security
+
Net Zero emissions
(2070)

~~Assessment of bottlenecks in growth~~

~~of MSMEs~~

After analysing all the dynamics of MSMEs it may be signified as the backbone of India's economy. And recent budget provision has paved the way ahead for MSMEs future in India. But utilizing its full transformative potential, major bottlenecks to be addressed and efficient implementation of it to be done.

(Specimen Answer Booklet - For Practice Purpose Only)

Q.2.

Indian state follows the principle of Principled distance from religion, unlike the absolute separation seen in some western democracies. Analyze how this model influences public policy decisions, such as minority rights, religious freedom and state intervention in religious institutions. (38 M)

Secularism is first and foremost a doctrine that opposes all such forms of inter-religious or intra-religious domination.

Indian secularism follows the principled state intervention to all religions. It allows equal disrespect for some aspects of organised religions and equal respect of all religions.

Characteristics of Principled Distance:-

No water tight separation:-

↳ ~~there~~ is a provision of principled state intervention in some aspect hence no water tight separation of state and religion.

↳ Western democracies follow water tight separation of state and religion.

Dynamic Nature:-

- ↳ State movement of in and out to religion show the dynamic nature of Indian Secularism.
- ↳ So western secularism follows static nature.

Concept of Engagement:-

(+ve)
State Can promote Equality
e.g → Hajratra in Islam & Tirthatras in Hinduism.

(-ve)
State Can intervene in social reform in organised religious practices.
e.g → women & Dalit entry in temple

Critical respect attitude

- ↳ Through this principle Indian state will ensure critical respect towards each religion and not to blind respect.
- ↳ It paves the way for state interventions in religious affairs.

Prevent Religious domination:-

- ↳ Indian Secularism ensures prevention of both inter and intra religious domination that has been institutionalised.
- ↳ Western secularism only follows inter-religious domination prevention

Although conception of secularism has evolved in the modernity of west but Indian secularism is not just an implant of it but a sui generis.

These characteristics has shaped the various public policies decisions etc:-

Minority Rights -

- ↳ Article - 25-28 of provided for religious affair rights for minority
- ↳ Article - 29-30 also for minority rights for educational affairs.
- ↳ It deals with ~~in~~ the ensurance of individual or community ascriptive identity to be intact.
- ↳ It prevent from tyranny of majority not merely a minority appeasement as critics states it.

Religious freedom

↳ Every individual has the right to profess the religion of his or her choice.

↳ State supported religious social reform as like women entry in Sabrimata temple has ensures that religious freedom of individual and also upheld that Constitutional morality is above on traditional Customary practices.

↳ Supreme Court decision of tripbik case in muslim religion has also ensures religious freedom of muslim women.

State intervention in religious institutions

↳ Principled state intervention has shaped the evolution of religious institutions in India.

↳ Recent Supreme Court order which upheld the UP MADARSA BOARD Act-2004.

↳ This decision reformed the regulatory framework for MADARSA which may have broader implications to religious institutions.

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(Specimen Answer Booklet - For Practice Purpose Only)

Principled distance principle of Indian Secularism shows the "Living example" to the world that how to handle plurality and multi-religious society can leave peacefully.

Indian Secularism misses the future of world.