

Q5. 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. 38 Marks

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Ans

The contribution of MSMEs in India's economy and employment generation is significant. The export sector is 45% and its share in MSME is 30%. MSME is known as the second growth engine and backbone of Indian economy and development of MSME sector there for the development ministry. In recent budget, its investment has been revised and turnover definition and which are as follows -

| INVESTMENT | MICRO | SMALL | MEDIUM |
|------------|----------|---------|----------|
| TURNOVER | < 2.5 cr | < 25 cr | < 125 cr |

BOTTLENECKS FACED BY MSME

1. CAPITAL

- 1.1 Restricted formal credit
- 1.2 According to All India Management Association (AIMA) report 45% business of MSME got

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Shutdown of business due to restrictions of EMIN 2022

↳ Rising non-performing asset cases due to banking credit in formal sector

1.2 Increased startup mortality rate

1.3 Due to research and development in MSME is also limited

development in MSME is also limited

2. LABOUR

2.1 Due to lack of social security and skilled workforce their participation in MSME is limited

3. RAW MATERIALS

↳ FISME 2022 report says 60% MSME depends on external suppliers for raw material

Increase in cost of production

Increase in global competitiveness

4. TECHNOLOGY

4.1 Issue in food processing

↳ Lack of cold storage facility

4.2 According to NASSCOM report 2022 less adoption of digital economy hinders MSME from global competitiveness

4.3 Bloomberg NEF says India's share in clean energy sector is only 2% due to



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less mining of lithium, cobalt and critical minerals.

5. BUREAUCRATIC HURDLES

- 5.1 Red tapism
- 5.2 Regulatory cholesterol

6. ECONOMIES OF SCALE

WB 2022 report says 55% of MSMEs fears capacity due to increase their production to increase benefit and this to choose of the subsidy benefit to fear hindrance and small scale industries to carry out benefit of lower cost production and higher productivity benefit.

RECENT BUDGET PROVISION RELATED TO MSME

POSITIVES :-

1. BRIDGING FINANCIAL ACCESSIBILITY GAP
- 1.1 Credit guarantee fund of Rs 500 cr to target 10 lakh MSME credit card to remove liquidity crunch for funds of funds for startup ecosystem for their growth, increase private investment, govt backing, establishment of technology based startup for global competition.

Interest free loan, plus interest 10% - 4% profit

2. FOCUS ON LABOUR INTENSIVE SECTOR

- ↳ 2.1 Increase in lead elasticity → to high employment — Target 22 lakh new jobs
- ↳ 2.2 Reduction in poverty and increase in human development index.
- ↳ 2.3 Investment in toy, footwear, leather, handicraft to boost India's GDP growth and development

3. ADVANCED TECHNOLOGY

- 3.1 For labour intensive sector there will be investment in technology adoption, machinery upgradation unit for agro allied industries.
- 3.2 More cold storage units for RECENT TRADE
- 3.3 Digital adoption & AI integration well promoted by commerce expansion.

4. INCREASING EXPORT

- 4.1 Increase export duty free import to reduce cost of production and increase global competition.
- 4.2 Create fixed target in footwear industry.

NEGATIVE CHALLENGES

1. CAPITAL

- 1. Financial risk says
- 2. Rising NPA — RBI report 2019, govt supported

MSME loans default rate is 12.1% and it is

3. Credit card fraud or unauthorised
borrowing

2. INFRASTRUCTURAL HURDLES:
2.1 Lack of eco-friendly material for industry.
2.2 Lack of high quality manufacturing units.

3. LABOUR INTENSIVE MARKET

3.1 Raw material cost

3.2 export restriction

3.3 food processing :- sanitary and phytosanitary measure will reduce export.

4. STARTUP ECOSYSTEM

4.1 Indian venture capitalist market will be at nascent stage.

4.2 Risk management and lack of long term investment strategy.

5. CLEAN ENERGY MARKET

5.1 limited critical mineral, lithium resources.

5.2 less research and development investment.

5.3 raw material supply chain issue.
Thus, E.P. schumacher in his book small is beautiful says small business is more inclusive and MSME not only push GDP growth but also promotes

inclusive growth and the Entrepreneur State:
 book suggests govt strategic investment in startup ecosystem will increase employment, innovation which will increase India's reduced poverty and promotes India's to achieve India's vision of \$5 trillion economy by 2030.

TEGRAM ENTREPRENEURIAL INNOVATION

Two important crop 1.8

indigenous crops 1.8

previous to previous 1.8

trader tributary

MITRAVAS YUTTHATE

silvopasture system 1.8

agroforestry 1.8

regional demand market

TEGRAM KALISUVAAS

concentric circular logistic system 1.8

agroforestry

multiple platforms integration 1.8

with multiple numbers 1.8

various forms of agriculture 1.8

also few SMEs have influenced by Harry Read

extremely other than scientific research in

agroforestry 1.8

very

Day - 11

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Q. D. The Indian state follows the principle of 'principled distance' from religion, unlike the absolute separation seen in many western democracies. Analyze how this model influences public decisions, such as minority rights, religious freedom, and state intervention in religious institutions.

28 Marks

secularism in India is the principle that all religions are equal and that the state is separate from religion i.e. it follows the principle of 'Shram Nirpeksha' and 'Samabhava'.

Difference between Indian and western secularism —

| INDIAN SECULARISM | WESTERN SECULARISM |
|--|--|
| 1. In India state is neutral to all religious groups but not necessarily separate. | 1. In West, the state is separate from the functioning of all religious institutions and groups. |
| 2. Positive relationship between state and religion. | 2. Total non-interference. Doesn't believe in open display of religion. |

3. State gives financial aids to all religious institution and taxes them as welfare & recognises them.
4. No uniform civil code.
3. State treats all religion with equal indifference. It doesn't aid any religious institution through financial means.
4. A single UCC is used to deliver justice regardless of religious background.

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INFLUENCE OF INDIAN SECULARISM ON MINORITY

RIGHTS

1. Constitutional provision - Article 29 and 30 protects the interest of minorities and give rights to minorities to establish and administer their educational institutions.

2. Promotion of equity - By protecting the rights of minorities Indian secularism is able to inculcate the spirit of equality among the citizens.

CHALLENGES

1. Creates divisiveness in the society - Recognising minority as a separate entity creates more and further divisions to establish.

division in the society.

2. Note bank of politics
 Protection of minority is misused by political leaders to appease minorities, which can for note bank politics.

INFLUENCE ON RELIGIOUS FREEDOM

1. Constitutional provision
 All persons are equally entitled to freedom of conscience and the right to freely profess, practice and propagate religion.
2. Promotes fairness in society
 In terms of religion the person will realize that a fair society should not have dominance of any one religion, thus there is need for secularism for the society to be fair.

CHALLENGES

1. Communal riots
 Due to growing religious intolerance there is rise in communal riots.
 Ex :- Delhi riots 2020

2. Political interference in religion

Increasing interference of religion in politics is a major challenge as candidates for election are selected based on religious considerations and votes are cast based on religious sentiments.

INFLUENCE OF STATE INTERVENTION IN RELIGIOUS INSTITUTIONS

1. Promotes modernity

As in the presence of old orthodox dogmas, modernity can't be achieved. state intervention is necessary to alienate from religious

2. Preventing extremism

Prevents the spread of extremist ideology and ensure that religious institution promotes peaceful and inclusive values. such

CHALLENGES

1. Restricting religious freedom

state intervention can restrict religious freedom, particularly if state imposes its own ideology on religious institutions. also state itself

2. Undermining religious authority

It can undermine the authority of institutions particularly if states tries to manipulate it.

Thus, India has come a long way to make this a secular state and John Rawls theory of Justice, thinking under veil of ignorance has been emphasized which says that a person is ignorant of the type of gender, religion thus, he doesn't know the place where he is going to take in the society. Under this ignorance the kind of society the person wants will always be a fair society and India need to bring social reform, use to bring harmony and fraternity among the society.

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