



YOJANA AND KURUKSHETRA

Webinar Handout

CONTENT

YOJANA (JANUARY 2022) AND KURUKSHETRA (DECEMBER 2021)

01	Economic transformation _____	02-04
02	Role of Media _____	05-08
03	Reforming caste in New India _____	09-10
04	Skill Requirements for Sustainable Livelihood in Rural Farm-based Cooperatives _____	11-13
05	Vibrant MSMEs _____	14-16



1. Economic transformation

Context: From 1947 to present, the Indian economy has transformed from a poor economy to a major economic power. On the occasion of the completion of 75 years of Independence, tracing the economic transformation of India becomes important.

What is Economic Transformation?

Economic transformation is a long-term process of shifting labour and other resources from lower- to higher-productivity activities both within and across sectors, resulting in more diversified and complex productive activities.

Mains Paper

General Studies 1

Syllabus:

- Modern Indian history include **significant events**, personalities, issues during the middle of the eighteenth century **until the present**

General Studies 2

Syllabus:

- Government policies and interventions for development in various sectors and issues arising out of their design and implementation

General Studies 3

Syllabus:

- Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.

Situation at Independence:

- **Political and economic issues:** India was faced with the following issues at the time of independence:
 - **Economic issues:** Bankrupt treasury and lack of foreign exchange reserves meant that India could not follow a development plan which involved imports.
 - **Political issues:** Immediate needs of creating a constitution, solving inter-state disputes and preparation of an initial plan.
 - **International Issue:** Relations with the USA and UK were not very good so had to look towards Soviet Russia. Soviet Russia provided India with the rupee-ruble exchange for trade which eased the forex problem.
- **Post Independence planning and issues:**
 - **Adoption of Feldman model of economic development:** Russian closeness of early leaders influenced our initial planning. The Feldman model was based on the planned expansion of state-owned heavy industries.
 - **Issues with initial planning:**
 - Heavy industries **require import and replenishment of capital goods** such as production machinery.
 - Excessive resources were moved in the capital goods industry and this led to **less focus on agricultural production** and ultimately led to lack of consumer goods.
 - The model required limit and control on import of consumer goods, which was unsustainable due to less domestic production.
 - **Wars of 1962 and 1965** further stretched India's resources and weakness of planning was revealed further.
 - **The growing population** and its food need forced India to rely on wheat imported from the US under its PL480 programme.
 - To conserve foreign exchange, production by the private sector was regulated with an Industrial licensing system which led to rising of arbitrariness in the issuance of licensing, crony capitalism

The Runup to 1991 Crisis: The Era of Endemic shortages

- **The 1970s:** This period saw major socialist initiatives.
 - **The complete takeover of the wholesale food market:** It was a complete failure and had to be repealed.
 - As agriculture production was stagnant, the period saw high inflation.
 - The Bangladesh liberation war further stretched our resources and increased the shortage of food and other resources.
- **The 1980s:** With the promulgation of the **Technology policy statement of 1982**, liberalization of production and easing of technology-related imports started.
 - The Internal inconsistency of the planning model led to the peaking of shortage of forex and finally in 1991, the balance of payment crisis arose which forced India to reach out to the International Monetary fund. The IMF made the restructuring of the economy compulsory to bail out India and thus India's journey of comprehensive economic reforms started in 1991.

The 1991 reforms:

- During the 1990s, the process of liberalization that began in the mid-1980s to make the Indian economy more accessible to trade and external flows picked up speed. The goal was to increase the efficiency of the Indian economy by lowering trade obstacles like import tariffs.
- The Feldman model was abandoned and domestic and external liberalization of the economy was carried out.
- The Industrial Policy of 1991 constituted a major economic reform and was introduced to reinvigorate the industrial sector.
 - The strategy eliminated the industrial licensing system and allowed for more private sector engagement as well as foreign investment in the sector.
- Through most of the 1990s, the dismantling of the old domestic production and import control regimes was done.
- The rupee was allowed to be devalued to control imports via market mechanism.

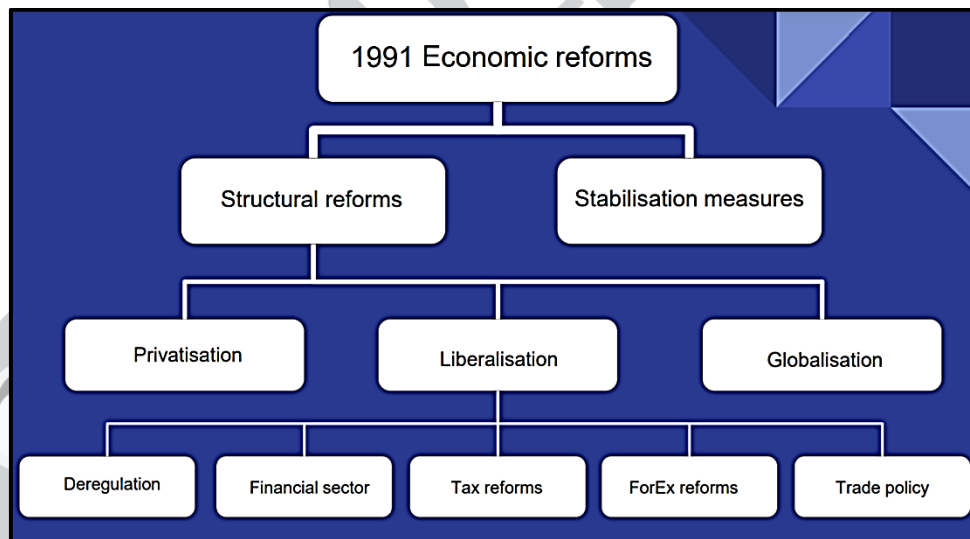


Figure: 1991 Reforms

Post-1991 Reforms:

Following results were seen soon after the reforms:

- **Financial condition:** India's forex rose from USD 5.8 billion at the start of the 1990s to 38 Billion USD by the end of the 1990s. By the end of 2021, it stood at USD 600 billion plus.
- **Manufacturing:**
 - The share of manufacturing has reached 25 percent of GDP.
 - India is becoming a major manufacturer of pharmaceuticals and conducts research to develop new drugs. Engineering and electrical machinery products have also progressed to become global benchmarks.

- **Service sector:**
 - New areas such as information technology and telecommunications have changed the landscape in the services industry, opening up new options such as e-commerce and startups.
 - India's IT prowess is well-known around the world. India today is a software export giant.
 - Traditional service industries have also grown, with financial services, tourism and hospitality, and retail all transforming in different ways, adapting to technology, and gaining market share.
- **Agriculture:** India agriculture has transformed to be self-sufficient and India today is one of the top agricultural exporters today.
 - Indian agriculture production has increased from 60 million tonnes in the 1960s to almost 200 million tonnes today.
 - The contribution of agriculture has declined from a high of 40-50 percent in the 1960s to less than 15 percent today. **According to Engels law**, this pattern is a sign of economic development.
 - **Issues:** Still a high share of the population is dependent on the low-value agriculture sector. This is due to the failure of agriculture policy which couldn't move people from low-value agriculture towards high-value agriculture or other activities.
- **Trade:** The share of total trade in GDP has increased from a meagre of 15 per cent in the 1990s to 45-50 per cent today.

Current Reforms: The pace of reform remains rapid, with important reforms including the historic Goods and Services Tax, the Insolvency and Bankruptcy Code, and Ease of Doing Business reforms, among others, being implemented. All of them are expected to contribute to an ever-expanding and dynamic economy, as well as promote additional economic growth.

Conclusion: Due to reforms, India has transformed from a laggard and poor economy to the fifth largest economy in terms of nominal GDP however the required structural adjustments to transform India from an agrarian economy to modern industrial society is still incomplete. The agriculture economy will require a transformation like the other sectors have experienced too.

Q1. Consider the following statements.

1. There was no attempt by the government of India to liberalize the economy before 1991.
2. India's forex reserves have risen more than 100 times since the 1990s.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: (b)

Explanation:

Statement 1 is incorrect: Although the major reforms were carried out in 1991, the process has started before. E.g in the 1980s, with the promulgation of the **Technology policy statement of 1982**, liberalization of production and easing of technology-related imports started.

Statement 2 is correct: From USD 5.8 billion India's forex has risen to more than USD 600 billion as of december 2021.

Q2. Trace the reforms and economic development of India since Independence. Do you think 1991 reforms were the turning point in India's economic journey?

(15 Marks, 250 Words)

2. Role of Media

Context:

- Journalism is one of the most effective tools for the **rapid transformation of society**. When the publication of the first Hindi newspaper '**Udant Martand**' began, its **motto** was '**For the interest of Indians**': The value of journalism is distinctly imbibed in this phrase and in its long journey, the media has proven that it is the **fourth pillar of democracy** in the true sense.

Mains Paper

General Studies 1

Syllabus:

- Various stages and important contributors and contributions from different parts of the country in 'The Freedom Struggle'

General Studies 2

Syllabus:

- Transparency & accountability and institutional and other measures

General Studies 3

Syllabus:

- Role of media and social networking sites in internal security challenges.

General Studies 4

Syllabus:

- Role of family, society and educational institutions in inculcating values

Development of newspapers in India:

- The development of newspapers in India began in **1780** when **James Augustus Hickey** launched **India's first newspaper, 'Bengal Gazette'**, in English.
 - Its **motto** was - '**Open to all yet not influenced by anyone**'.
 - Hickey** was the **first journalist** of India who fought with the British government for the freedom of the Press.
- This also **inspired Indians** such as Raja Ram Mohan Roy who started Sambad Kaumudi and Mirat-ul-Akhbar.

Significance of Media:

- Awakening social consciousness:** Media has played a significant role in awakening **social consciousness** since the time of the independence movement.
 - Be it any country in the world, the media has always been a **vehicle of change and consciousness**.
- Public opinion & Check on Government:** It has a critical role in spreading **awareness** and creating a **public opinion** on any prevalent issue.
 - The media, on one hand, acts as a **communication link** between the **government and the public**.
 - While on the other hand, it also keeps a **check** on the functioning of the **government**.
- Media of hope:** The media has a vital role in communicating the problems and issues of the people to the government. It is for this reason that even today people look up to the media with hope.

- **Diversity of views:** Media allow **diversity of views, differences and disagreements** which are of great importance in a democratic system.
- **Availability of information:** The sustained spread of the **information revolution** in India and the **advent of new technologies** like **social media** is the reason why many sources of information have become available to people.
- **Everyone's a creator:** Today technology changed everything. Now **everyone is a creator and publisher**. **New age technology** has given this **opportunity to everyone**.

Internet and Social Media:

- The world is connected through the internet and computer networks, allowing all places to stay interconnected. This connectivity has resulted in the birth of **digital media**, which is also known as '**new media**'.
- Every century is known for its distinguishing feature. The **21st century** is being considered as the **century of the 'Internet and Social Media'**.

Significance of Social Media:

- **Popularity:** Around 51 per cent of the world's population uses social media which has increased since the last few years.
- A user spends an **average of 2 hours** a day on social media. Every day, the **equivalent of one million years** is spent on social media alone.
- By 2022, **internet data consumption** in India is expected to **grow five times** more than it is today.
- The number of **Facebook users** in India is about **300 million**, while the number of **WhatsApp users** is about **200 million**. The number of **Twitter users** has also increased to more than **30 million**.

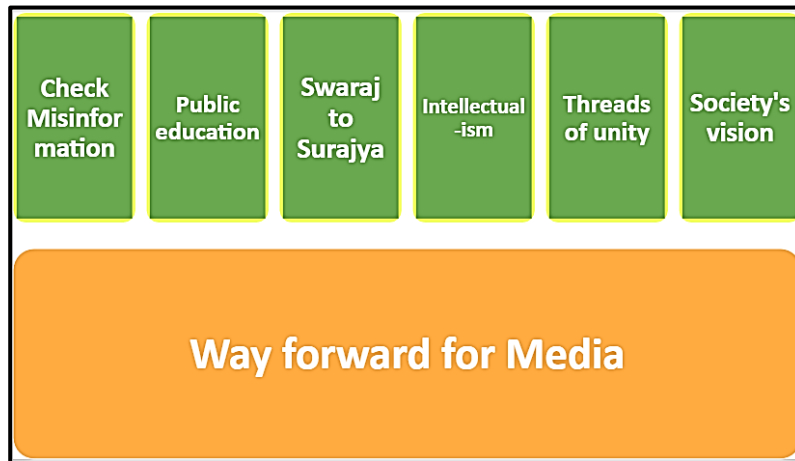
Issues of fake news in Social Media:

- **Indian most vulnerable:** A **Microsoft 2019 report** pointed out that **internet users in India** are the **most vulnerable to fake news**.
 - It said that around **64 % of Indians** are the **victims of fake news**.
- **Developed vs developing country:** Citizens of developed countries are in a better position.
 - But in a developing country like India, where education and awareness levels differ, people vacillate between multiple news and information choices.

Challenges to Media in present time:

- **Credibility Vs. popularity:** New media has also brought forth the **challenge of factual representation** before the media in the prevailing scenario of a **conflict between credibility and popularity**.
- **Age of post - Truth:** Today, we live in an era of **information boom**, and words like '**post- truth**' have been included in everyday conversation.
- There is nothing new in **fabricating and propagating issues** for one's interest. However, In the digital world, the way **fake news on political, economic and social issues** has become **widespread** is a serious concern.

Way Forward for the media:



- **Tools to check misinformation:** In the era of social media and fake news, people must have **access to tools** that empower them to analyse and even discard that information.
- **Awareness in children:** We have to raise awareness in children because the bombardment of information nowadays begins right from childhood.
- **Public education:** It is the **prime objective of journalism** which we are gradually **neglecting**.
- **Society's vision:** It is also the responsibility of journalism to sustain **society's vision** and **intellectual consciousness** in favour of the nation.
- **Threads of unity:** While expressing the diversity and plurality of this country, the media can elicit the threads of unity in it.
- **Intellectualism:** The function of the media is to provide information and **enhance their intellectual level**. Intellectualism should become part of the common man's thinking.
 - Democracy is realised and made meaningful through such participation.
- **'Swaraj' to 'Surajya':** A desire to take the country forward should be awakened amongst the countrymen through the media.
 - As was the spirit of the **movement for Swaraj (self-rule)** during independence, so should be the energy of the **movement for Surajya (good rule)** now.

Conclusion:

- For India to emerge as a force to be reckoned with globally, we have to attain **higher global standards** in many areas. It is the need of the hour that the way India has earned a place in the domain of technology, science, innovation, and sports in the world, similarly our media should also **gain global reach** and create a global identity to raise India's voice in the world. Today, the **press of India should accept this challenge** and contribute to **nation-building**.

Q1. Consider the following statement regarding the development of newspapers in India:

1. 'Udant Martand' was the first Hindi newspaper of India.
2. The motto of India's first newspaper 'Bengal Gazette' was 'for the interest of Indians'

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: (a)

Explanation:

Statement 1 is correct: When the publication of the **first Hindi newspaper 'Udant Martand'** began, its motto was '**For the interest of Indians**'. It was published by **Pt. Jugal Kishore Shukla**.

Statement 2 is incorrect: The development of newspapers in India began in **1780** when **James Augustus Hickey** launched **India's first newspaper, 'Bengal Gazette'**, in English. Its motto was- '**Open to all yet not influenced by anyone**'. **Hickey** was the **first journalist** of India who fought with the British government for the freedom of the Press.

Q2. "The autonomy and independence also brings a tremendous responsibility towards the country and society". In the light of the above statement, discuss the role of media in India and the challenges faced by it.

(15 Marks, 250 Words)



3. Reforming caste in New India

Context:

- Caste has been a subject of considerable debate and reform in Indian society, predating the struggles for independence and a constant accomplishment to the same as well. It is very evident that the **contours of the caste equations have been 'reformed'**, changed in several positive ways in the past 75 years of independence.

Caste as a Social Question during pre-independence:

- In pre-independence India, the caste was seen as a **'social' question**.
- **Caste as a core of society:** It was a period where there was some cognition of issues linked to discrimination and exploitation on basis of caste and on the other hand cast continued to be the basis of the organization of communities at large.
- **The factor for social reform:** It was a subject of social reform which necessitated the creation of more universal opportunities in sectors such as education and jobs by the government.
- **Deliberate efforts and actions:** Since pre-independence there have been deliberate efforts for inclusion through actions of voluntary organisations, by several social reformers, and efforts by activists and advocates to open previously denied spaces such as drinking water commons and access to temples to castes which were denied earlier.

Debates on castes during policy formulation in Independent India:

- **A topic of considerable debate:** Caste discrimination was a subject of considerable debate in the Constituent Assembly and the adoption of specific provisions for the prevention of discrimination was a significant and foundational reform.
- **A shift in caste domain:** A shift of domain of caste reform to the political and economic sphere was seen during this period that was not just restricted to the social sphere as in the pre-independence era.
- **Transformation in the caste agency:** During this period, transformation in the agency of the castes were seen, who were previously labelled only as victims, depressed, and lacking a voice.

Transformative action:

- **Uneven transformation:** Transformative actions in relation to caste have not been easy and are highly uneven.
- **Hard to change the structure:** Institutionalisation of practises such as reservations in education, jobs, and election of people's representatives has been much easier than the transformations in the structure of the institutions and the texture of actual governance.
- **Initiation of transformation:** The transformations initiated by reservation and their outcomes gave an impetus to mobilization and organization of other castes.
- **A Responsible state:** Now the state agencies including police are constitutionally bound to investigate and deliver justice to this highly vulnerable section.

Mains Paper

General Studies 1

Syllabus:

- Salient aspects of Diversity of India and Indian Society
- Social empowerment, communalism, regionalism & secularism

General Studies 2

Syllabus:

- Mechanisms, laws, institutions and Bodies constituted for the protection and betterment of vulnerable sections

General Studies 3

Syllabus:

- Inclusive growth and issues arising from it.

General Studies 4

Syllabus:

- Moral and political attitudes; social influence and persuasion

- The **transformation of the state agency** can be seen in the changes like -
 - The articulation of action against atrocities as a crime
 - Demands for effective budgetary allocation for the Dalits
 - The exposition of how practices of exclusion and discrimination are embedded in systems and institutions
 - The evolution of an entire discipline of Dalit studies that takes inspiration from medical studies
 - The rising associationism among the Dalit businesses
 - The increase in several Dalit castes articulating and visualizing themselves in a disaggregated way
 - The emerging genre of films and other cultural forms that give an expression to the hitherto faceless and amorphous Dalits
- **Recognition of Dalit Rights:** A Dalit is no longer content to be a passive victim but seeks to be an active interlocutor in events. Also, this is seen as a matter of right and not as a favour to be granted by the state authorities.

Challenges:

- **Unequal society:** Even after 75 years of independence, the recognition of Indian society as an equal society has not been achieved. Lower caste and several sections of the Dalits bear the unfair burden of these inequalities
- **Blurred Expectations:** Some of the dreams articulated at the time of independence are turning out to be sour. For example, Dr. Ambedkar viewed **cities and organisations** as **possible sides of liberation for the Dalits** from tradition and suffering bound **villages and rural societies**, but as urbanisation became a significant phenomenon, a shift in the dominance of caste expression is seen in these areas as well.
- **Continued exclusion:** The predominance of Dalits in slums in the cities can be seen as an expression of their legacy of exclusion from the villages, proving that cities as a force of liberation for the Dalits is wrong.
- **Entrenching caste form:** While some of the meanings of what caste means in social discourse have blurred and transformed, there are ways in which the imagination of the caste has become more entrenched. For example, some studies show that the digital space is highly casteist.
- **Caste dominance in politics:** Elections at almost all levels of the government accept and are built on caste equations and mobilizations.

Conclusion:

- **State efforts:** The transformation shift of the state agency in the past years has been responsible for expanding the opening given by the constitutional commitment.
- **Change in society:** Today the Indian society is maybe far from a casteless society but it has made progress towards a society where dispensation of privilege based on birth is contested and challenged.
- **Towards a positive change:** A review of efforts in the last 75 years indicates that the people of India have been successful in changing the contours of the caste question but were not that successful in creating effective alternate principles for inclusion and distribution of opportunities. However, the track for a positive change has certainly been set in motion.

Q1. Do you believe that the contours of the caste equations have been 'reformed' in the past 75 years of independence? Justify your answer with suitable examples.

(10 Marks, 150 Words)

4. Skill Requirements for Sustainable Livelihood in Rural Farm-based Cooperatives

Context: The Rural farm-based cooperatives, as an institutional mechanism, have the potential to achieve food and nutritional security and thereby increase income and well-being in rural areas. Also, the current market scenario needs entrepreneurial orientation, business acumen and skill-sets to make the livelihood of rural people sustainable.

About Sustainable Livelihood:

- The sustainable livelihoods idea was first introduced by the **Brundtland Commission on Environment and Development**, and the 1992 United Nations Conference on Environment and Development expanded the concept, advocating for the achievement of sustainable livelihoods as a broad goal for poverty eradication.
- A **livelihood** comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living.
- **Sustainable livelihood** is the one that can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.

About Cooperatives and their Role:

- Cooperatives are self-supporting community associations of people that are united voluntarily to meet their **common economic, social, political and cultural objectives**.
- Cooperatives are accepted as an essential instrument of social and economic policy with their **people-centric nature** rather than being a capital-centered organization.
- India's cooperative movement started with the serious impact of the then industrial revolution on village Industries, agriculture, rural income and employment during the last quarter of 19th Century.
- The **first ever Cooperative Credit Societies Act** was passed in pre-independent India in **1904**.
- Out of a total 8.5 lakh cooperatives in India, around **20% are credit cooperatives** and the remaining **80% are non credit cooperatives** involved in diverse activities like fishery, textile, dairy and other.

Need of Skilling for Cooperatives in Rural Areas:

- **Cooperatives promote financial independence:** India's rural population mainly depends on agriculture and allied sectors for their livelihood. The Cooperatives empower people in rural areas in becoming **financially self-sufficient**, and provide loans and other banking services to farmers and other business owners.
- There is an emerging **need for enhancing capabilities of members and board of directors of the Cooperatives** through thematic training and capacity building programmes so that they would be prepared to respond to a dynamic and ever-changing economic environment.
- Skill upgradation is needed along with capacity development initiatives for:
 - Facilitating community leaderships

Mains Paper

General Studies 1

Syllabus:

- Poverty and developmental issues
- Social Empowerment

General Studies 2

Syllabus:

- Government policies and interventions for development in various sectors and issues arising out of their design and implementation
- Development processes and the development industry the role of NGOs, SHGs, various groups and associations, donors, charities, institutional and other stakeholders

General Studies 3

Syllabus:

- Inclusive growth and issues arising from it.

- Time management abilities
- Creativity and innovation in business system
- Effective business management etc.
- A nation progressing towards development requires institutions, entrepreneurship and skill development to initiate and achieve the course of change.
- Today, India is rich in human resources and it requires a long-term policy for the development of human resources through education, training, skill development, empowerment and creation of congenial socio-economic, institutional and political environment for the fullest utilization of untapped human power and ingenuity.

Benefits of Skilling Cooperatives in Rural Areas:

- **Rural Development:** Strong cooperatives can create an enabling atmosphere in rural areas to spearhead agriculture and rural development initiatives.
- **Infrastructure development:** They can ensure equitable and concerted efforts towards enhancing the flow of timely, adequate and doorstep credit support in various critical infrastructure such as input services, irrigation, marketing, processing, storage etc.
- **Strengthening of Entrepreneurship Culture:** Skilling these cooperatives can bring in a smooth entrepreneurship culture with sufficient strength to sustain global competition through local means.
- **Human Resource Development:** Effective capacity building and skilling of cooperative human resources are needed in the current scenario in rural areas and through cooperatives this void can be filled.
- **Support to Farmers:** The community level cooperative society known as a primary agricultural credit society (PACS) is an all farmer member driven cooperative institution with the objective to overcome farmers from the clutches of money lenders and middleman.
- **Promotion of Local Livelihood:** In the process of making sustainable livelihood possible, it is needed to understand the present livelihood pattern and related issues. Cooperative could help in conducting strategic interventions for promoting livelihood development at the local level.

Challenges in Skilling the cooperatives:

- **Policy Issues:** Low priority is accorded to the skilling activities by the policy makers and planners.
- **Social Attitude:** Mostly believed that it is for those who opted out of the formal academic system or are not progressing well in their fields.
- **Lack of Convergence:** Absence of a robust coordination and monitoring mechanism has not yet ensured appropriate convergence for their optimal implementation.
- **Other factors** hampering the sustainable skilling ecosystem include:
 - Multiple assessment and skill certification systems
 - Paucity of expert trainers, inability to attract practitioners from the industry as faculty
 - Mismatch between demand and supply at sectoral and spatial levels
 - Limited mobility between skill and higher education programmes and vocational education
 - Low coverage of apprenticeship programmes
 - Narrow and obsolete skill curricula
 - Declining women labour participation rate
 - Predominant non-farm/unorganised sector employment with low productivity
 - Non-inclusion of entrepreneurship in the education system. etc.

Suggestive measures for Sustainable Livelihood in Rural Farm-based Cooperatives

- **Market oriented farming:** Community owned and farmer member driven cooperative business units need to practice market oriented farming.
- **Diversification:** Farm based cooperatives as an institutional form should construct a more diverse portfolio of activities and social support capabilities in their struggle for survival and in order to improve their members income and standard of living.

- **Skill Improvement:** Improvement in hard and soft skill sets of the co-operative manager. Ex. Market dynamics and linkages, business planning, networking etc.
- The cooperative have to to focus on **6 capitals** for their business growth:
 1. **Human capital** where the skills and knowledge would help pursuing different livelihood strategies
 2. **Social capital** where social resources and membership of groups will encourage people to draw in the pursuit of livelihoods
 3. **Physical capital** where basic infrastructure and production equipment would enable people to follow livelihoods
 4. **Natural capital** where land, water, biodiversity and environmental resources management flow to derive livelihoods
 5. **Financial capital** where savings and credit supply broadens livelihood options
 6. **Information capital** where accessibility e and affordability of information about weather or market will empower them to take appropriate and timely business decisions.
- The success of the cooperative lies in **4S - standardization** of institutional and business practices, scaling up of membership and business volume, skilling of hard/technical and soft/process skills, and sustenance of good governance and management practices.

Way Forward:

- The cooperative sector has a big role in **bridging the urban- rural divide** and creating opportunities for income generation.
- **Evaluation from new perspective:** There is a need to look at cooperatives in the rapid competitive environment, especially to evaluate their strengths, weaknesses, opportunities and threats from a new perspective.
- **Strategic Roadmap:** There is a **need to design a strategic roadmap for cooperative movement** to play a key role in making India \$ 5 trillion economy.
- **Convergences:** There is a need for collaboration and convergence to ensure that members of cooperatives are able to enhance their employability skills and undertake income generation activities in cooperatives.

Q1. Which among the following statements is/are correct about the cooperatives in India?

1. The first ever Cooperative Credit Societies Act was passed in pre-independent India.
2. Around 20% of the total cooperative units in India are credit cooperatives.

Choose the correct answer from the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: (c)

Explanation:

Statement 1 is correct: The first ever Cooperative Credit Societies Act was passed in pre-independent India in **1904**. The Indian Co-operative Credit Societies Act of 1904 was based on European ideas and experiences in the second half of the 19th century.

Statement 2 is correct: Out of a total 8.5 lakh cooperatives in India, around **20% are credit cooperatives** and the remaining **80% are non credit cooperatives** involved in diverse activities like fishery, textile, dairy and other.

Q2. Discuss the role of rural Farm-based Cooperatives in developing sustainable livelihood opportunities in India.

(10 Marks, 150 Words)

5. Vibrant MSMEs

Context:

- The Indian MSMEs sector is the **backbone** of the **national economic structure** and has acted as the **bulwark for the Indian economy** by providing resilience to ward off **global economic shocks** and adversities.
- It has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades.
- The MSME sector **contributes significantly** to the India economy in terms of **GDP, exports and employment generation**.

Mains Paper

General Studies 1

Syllabus:

- Poverty and developmental issues

General Studies 2

Syllabus:

- Government policies and interventions for development in various sectors and issues arising out of their design and implementation

General Studies 3

Syllabus:

- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.
- Inclusive growth and issues arising from it.

Important datas related to MSMEs:

- **36 million units** throughout the geographical expanse of the country,
- Nearly **1/3rd** of aggregate economy **gross value added (GVA)**
- Approximately **1/3rd** of **manufacturing output** in the country.
- **3/4th** of all establishments in the country are MSMEs
- **6.11 %** of the **manufacturing GDP**
- **24.63 %** of the **GDP** from **service activities**
- **Employment** to around **120 million people**
- Contribute around **45 %** of the overall **exports** from India
- Maintained a **growth rate** of over **10 %**
- **20 %** of the **MSMEs** are based out of **rural areas**

Challenges Faced by MSMEs:

- **Unregistered MSMEs:** Most of the unregistered MSMEs **predominantly** comprise **micro enterprises**, particularly confined to **rural India**, operating with **obsolete technology**, limited access to institutional finance etc.
 - There is a need to transform the huge numbers of unregistered MSMEs into registered MSMEs.
- **Less Competitiveness:** There is a need to improve the competitiveness of the overall MSME sector by covering areas like access to **technology**, **IPR** related issues, **design** related issues, **wasteful usage** of resources/manpower, **energy inefficiency** and associated **high cost**, **low ICT usage**, **low market penetration**, **quality assurance/certification**, and **standardization of products** and **proper marketing channels** to **penetrate new markets**.
- **Technological Challenge:** As technologies have become more Complex, MSMEs face numerous challenges such as **rising research and development costs**, **high risk** and uncertainty in technological development as well as **lack of resources** to pursue large scale innovation projects.
- **Origin by compulsion:** The micro sector **grows** on its own **like a hydra** because of compulsion. The **compulsion** is either to **generate livelihood** and **income** as in the case of sectors like handloom, handicrafts etc.

Significance of MSMEs Sectors:

- **Generation of large Scale Employment:** In India, **capital is scarce** and **labour abundant**, MSMEs are thought to have **lower capital-output** and **capital labour ratios** than large-scale industries and therefore better serve growth and employment Objectives.
 - The sector generates around **100 million jobs** through over **46 million units**.
- **Rural-urban Migration:** Not only do MSMEs generate the highest employment per capita investment, they also go a long way in checking rural-urban migration by providing people living in isolated areas with a **sustainable source of employment**.
- **MSME led Exports:** Non-traditional products account for more than 95 percent of the MSME exports.
 - Since these products are mostly handcrafted and hence eco-friendly, there exists a tremendous potential to expand the quantum of MSME led exports.
- **Making Growth Inclusive:** MSMEs are instruments of inclusive growth which touch upon the lives of the most **vulnerable and marginalized**. For many families, it is the only source of livelihood.
 - This sector seeks to empower people to **break the cycle Of poverty and deprivation**.
- **Reducing regional imbalances:** MSMEs also helps in **industrialisation of backward areas**.
 - They also help in **reducing regional imbalances**, assuring **equitable distribution of national income and wealth**.
- **Rural Development:** About **20 %** of the MSMEs are based **out of rural areas**, which shows the importance of these enterprises in promoting **sustainable and inclusive development** as well as generating large scale employment, especially in the rural areas.
- **Nursery of Entrepreneurship:** The MSME sector is a **nursery of entrepreneurship** often driven by individual creativity and innovation.
 - It contributes significantly in the **economic and social development** of the country by **fostering entrepreneurship** and generating **large employment opportunities** at comparatively **lower capital cost** next to agriculture.

Government Initiatives for MSMEs:

1. **Access to credit:** Launch Of the **59 minute loan portal** to enable easy access to credit MSMEs. Loans upto one crore can be granted in principle sanction.
 - a. There is also a provision for **2 percent interest subvention** for all registered MSMEs on fresh or incremental loans.
2. **Access to market:** Public Sector companies now have to compulsorily procure 25 % of their total purchase from MSMEs.
3. **Technology Upgradation:** For better technology, **20 technology hubs With 100 spokes** in the form of tool rooms will be set up throughout the country.
4. **Ease of Doing Business:** A number of initiatives have been started for facilitating business for getting **clearances and certifications**.
5. **Social Security:** For MSME Sector Employee, a mission has been launched that ensures that employees have access to Jan Dhan Accounts, Provident Funds and insurances.

Way Forward:

- **S5 trillion Economy:** The vision is to increase MSMEs **contribution to India's GDP** to **over 50 %** from the **current 29 %** for the Indian economy to scale the **S5 trillion mark**.
- **Exports:** Exports contribution is aimed to be **increased to 75 % from the present 50 %** and employment generation from 11.10 crore at present to 15 crore.
- **Global footprints:** Even though MSMEs contribute significantly to exports, Indian MSMEs are still not regarded as a force to reckon with in the international markets. Thus there is a need to increase the global footprint of the MSME sector.
- **MSMEs as power houses of economy:** The challenges are in building the **next generation of MSMEs** that can function as power houses of the economy.
 - It is imperative for MSMEs to demonstrate **greater competitiveness**, position themselves strategically and leverage their engagements in **global value chains**.

Conclusion:

- To reach the **\$5 trillion economy**, MSMEs have to play a much **bigger role** in **employment** generation, in **exports**, in **skilling** people and in making the sector **more formalised** so that they start reaping the **benefits of reforms** such as GST.
- With the government's focus on enhancing credit flow, technological upgradation and digitizing MSMEs, they can not only compete effectively with global counterparts, but also play a bigger role in the '**Make in India**' campaign.

Q1. Consider the following statements regarding Micro, Small and Medium Enterprises (MSMEs) in India:

1. Public Sector companies have to compulsorily procure 25 percent of their total purchase from MSMEs.
2. MSMEs alone contribute around 70 percent jobs in the manufacturing sector.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: (c)

Explanation: The MSME sector contributes significantly to the India economy in terms of GDP, exports and employment generation.

Statement 1 is correct: The Public Procurement Policy for Micro and Small Enterprises (MSME) has mandated that every Central Ministry/Department/PSU shall set an annual goal of **minimum 20 percent** of the total annual purchases from the products or services produced or rendered by MSEs.

- However, the government recently **revised** the order making it compulsory for all CPSEs to **procure 25%** from MSMEs instead of 20% of their total purchases.

Statement 2 is correct: Among all the sectors, **MSME** was the **largest job creator** in the last four years.

- It contributed around **3.6 crore jobs (70%)** in the **manufacturing** sector.

Q2. Discuss the significance of Micro, Small and Medium Enterprises (MSMEs). What are the challenges in building the next generation of MSMEs that can function as power houses of the Indian economy?

(15 Marks, 250 Words)

BYJU'S students in UPSC CSE 2020

Congratulations to our toppers

02 Ranks in Top 10 | **06** Ranks in Top 25 | **18** Ranks in Top 50 | **36** Ranks in Top 100



RANK 02

Jagrati Awasthi



RANK 08

Kartik Jivani



RANK 13

Gaurav Budania



RANK 14

Karishma Nair

Incredible results year after year!

Selected candidates from BYJU'S



To book a FREE COUNSELLING SESSION with our IAS Mentors call: 9241333666

Visit <https://byjus.com/ias/> for more details



byjus.com

Awards



Education Company
Of The Year 2016, 2018



Business Standard
Start-up of the year 2017



Google Play's 'Best Self Improvement'
App in India - 2016



Deloitte Technology Fast 50 India
and Fast 500 Asia Award Year
2012, 2013, 2014, 2015, 2016,
2017



Express IT Awards for IT newsmaker
of the year 2017



NASSCOM Design4India Design
Award 2018 for the 'Best Design'
Mobile Category - 2018