

ECONOMY (INCLUSIVE GROWTH)

Bringing MSMEs into Global Value Chains

❖ **MSME Sector In India**

- The Micro Small and Medium Enterprises (MSMEs) sector is a major contributor to the socio-economic development of the country.
- In India, the sector has gained significant importance due to its contribution to the Gross Domestic Product (GDP) of the country and exports.
- The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India.

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

❖ **Significance**

- **Employment Generation:** MSMEs are the largest employer in India outside of agriculture, employing over 11.1 crore people, or 45% of all workers.
- **Boost to GDP and Exports:** MSME actually accounts for over 99% of businesses.
- This sector consists of nearly 64 million enterprises, second only in size to China's in terms of GDP.
- **Promotion of Industries and Innovation:** They help in the promotion of industrial development in rural areas, capacity building, local resource mobilisation and also an opportunity for budding entrepreneurs to build creative products.
- **Inclusive Society:** They create an inclusive and sustainable society through the creation of non-farm livelihood. They promote balanced regional development, gender equity and create opportunities for people to use banking services and products.
- Considering the above points, they are called '**Growth Engine of the Nation**'.

❖ **Challenges**

- The disruption of the **pandemic severely impacted MSMEs**, especially those in the **services sector**.
- **The MSME sector was among the most pandemic afflicted sectors.** Thousands of MSMEs either shut down or became sick after the government announced a nationwide strict lockdown.
- **Inaccessibility of credit:** The sector always funds starved and banks are reluctant to fund them, and delays in payments to MSMEs from their buyers.
- **Unavailability of raw materials:** Raw material obtaining is the major challenge to them.
- **Inaccessibility of market:** Lack of infrastructure and demand due to lockdown.
- **Quality issues:** Lack of quality assurance certification and marketing of the final goods.
- **Lack of skilled manpower & Infrastructure:** Mostly are present in rural areas, low ICT, lack of trained manpower, inadequate transport facilities, electricity are major issues
- **GreenHouse Gases :** This sector also contributes significantly to greenhouse gases (GHGs), as it is energy intensive. As 70 per cent of the country's power consumption is met by coal, the segment's indirect contribution to global warming is significant.
- **Red-Tapism:** As the MSMEs require various approvals, the entrepreneurs have to run around various government departments for getting construction permits, enforcing contracts, paying taxes, starting a business and trading across borders. These lengthy and time taking processes, regulatory risks and policy uncertainty shake the investor's confidence.
- **Digitalisation concerns:** Digitalisation concerns the integration of digital technologies, such as big data, artificial intelligence and virtual reality, in business processes, also known as Industry 4.0.

❖ **Governments efforts**

- The Government of India has identified the development of the country's MSME ecosystem as a top priority for achieving Atma Nirbhar Bharat (self-reliant India).
- India's ambitious "Make in India" campaign aims to catapult the country up the manufacturing value chain to position itself as a global manufacturing hub.

- Initiatives such as the production linked incentives (PLI) schemes and the recently launched zero effect zero defect (ZED) certification are helping to promote and boost the sector.
- International Support like The UN system in India is supporting these and other MSME development initiatives at the local, State and national levels. Agencies such as the United Nations Industrial Development Organisation (UNIDO), International Labour Organisation (ILO), United Nations Development Programme (UNDP), UN Women, IFAD and others are working with MSMEs.
- For reducing Environmental impact MSME operations and fosters cleantech innovation and entrepreneurship to accelerate the transition to a circular and low carbon economy.
- Energy efficiency provides a case in point as business and climate benefits go hand in hand. For example, together with the Bureau of Energy Efficiency (BEE), UNIDO provided energy efficiency advisory services to 695 MSMEs in 23 clusters covering brass, ceramic, dairy, foundry and hand tool sectors.
- The Prime Minister's Employment Generation Programme (PMEGP) is also creating opportunities for self-employment and micro enterprises, with over 7 lakh micro enterprises assisted in becoming economically viable.
- Others include: ASPIRE scheme, Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme (CLCSS) etc.
- CHAMPIONS Portal to assist Indian MSMEs march into the big league as National and Global CHAMPIONS by solving their grievances and encouraging, supporting, helping and hand holding them.
- MSME Samadhan to enable them to directly register their cases about delayed payments by Central Ministries/Departments/CPSEs/State Governments.
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- Interest Subvention Scheme for Incremental Credit to MSMEs
- The RBI also extended the scheme of one-time restructuring of loans to MSMEs without an asset classification downgrade and permitted bank lending to NBFCs for on-lending to agriculture, MSMEs and housing to be classified as priority sector lending (PSL).

❖ **Conclusion and Way Forward**

- There is a need for replicable digital solutions adapted for MSMEs, including digital enhancements for machinery and equipment currently in use.
- Government initiatives such as the Digital Saksham and the interlinking of the Udyam, e-Shram, National Career Service (NCS), and Atmanirbhar Skilled Employee-Employer Mapping (ASEEM) portals show the promise of targeted digitalisation schemes.
- To fully unlock emerging opportunities in the rapidly changing global value chain ecosystem and maximise the demographic dividend, MSME owners need to further commit to formalising their businesses, investing in improved productivity, compliance and most of all, decent work and jobs for India's aspiring youth.
- The government should control/regulate/support Micro and Small Enterprises from huge raw material price increases and also safeguard the interest of exporters.
- Promoting Small to Medium Enterprise (SME) bond issuances can provide a boost to debt capital markets participation of MSMEs.
- These will provide lower interest rates for MSMEs than other financial intermediaries charge and also be a viable high-yield instrument for informed and educated investors operating in the bond market.
- Government should create an independent regulatory body which can advise and provide consultancy to MSMEs.

PRELIMS

1. **Iskander-M missile system**

- Russia has promised its ally Belarus delivery of nuclear-capable missiles to take on an "aggressive" West.
- ❖ **The missile system**
- Codenamed "SS-26 Stone" by NATO, Iskander-M is a term used by Russia to define both the transporter-erector launch system and the short-range ballistic missile (SRBM) it fires. The system can

also fire ground-launched cruise missiles (GLCMs). The Iskander-M system is exclusively used by the Russian military, where as Iskander-E is the one meant for export.

❖ **Firepower**

- The Iskander-M missile has a range of 500 km and it can carry a pay load of upto 700kg. It is capable of carrying both conventional and nuclear warheads. The conventional warheads can be equipped with cluster bombs, electromagnetic pulse (EMP) warhead and bunker-buster munitions, according to US-based Missile Defence Advocacy Alliance (MDAA). The export variant, Iskander-E, has a range of 280km with a reduced 480kg payload.

❖ **Development**

- While the Iskander system was inducted by Russia in 2006, its development picked pace in the late 1980s after the OTR-23 'Oka' ballistic missile was banned under the Intermediate-Range Nuclear Forces Treaty. The Oka was Russia's first attempt to replace the Soviet Scud missiles. Iskander was the second. Russia first used the Iskander in combat in Georgia in 2008. US-based think tank, the Center for Strategic and International Studies (CSIS), says that the Iskander missiles are designed to confuse missile defences by flying at a low trajectory and manoeuvring in flight to strike targets within an accuracy of around two to five metres.

❖ **Projection of power**

- Russia has made the Belarus announcement at the time when the G-7 meets in Germany. It is also one more time that Putin has raised nuclear weapons as a sort of warning to the West against climbing the escalation ladder in the Ukraine war. In the past too, Russia has used the Iskander system to project power against Europe, more so because of its ability to be fitted with tactical nuclear warheads. In 2012, Russia said that the weapon could be used to target Europe's missile defences. The Iskander system has already been deployed in Kaliningrad, a Russian exclave, from where it can be fired to target NATO forces in Poland, the Baltic States, and Sweden

2. 2/3rds rule in anti-defection law

❖ **Law and exception**

- Under the anti-defection law, a member of a legislature can be disqualified if he or she has voluntarily given up membership of their political party; and if he/she votes or abstains from voting in the House contrary to any direction issued by their party (or by any person or authority authorised by the party).
- There is a provision to protect such legislators from disqualification. If two-thirds of the members agree to a merger with another party, they will not be disqualified. Under the 91st Amendment to the Constitution in 2003, the exemption from disqualification if one-third of the members form a separate group (the rule prior to the amendment) was removed.

❖ **How courts have ruled**

- In February 2022, the High Court of Bombay at Goa held that 10 Congress MLAs and two MGP MLAs, who had defected to the BJP in 2019, are exempted from disqualification and held that a merger of this group of Congress MLAs is "deemed to be a merger" of the original political party with the BJP (*Girish Chodankar v Speaker, Goa Legislative Assembly*).
- In *Rajendra Singh Rana v Swami Prasad Maurya* (2007), a Constitution Bench of the Supreme Court interpreted the term "voluntarily giving up membership of a political party", and held that "a person may be said to have voluntarily given up membership of an original party even though he or she has not tendered resignation from membership of the party" and that an inference can be drawn from conduct of the member.
- The law originally protected the Speaker's decision from judicial review. However, this safeguard was struck down in *Kihoto Hollohan v. Zachillhu and Others* (1992). While the SC upheld the Speaker's discretionary power, it underscored that the Speaker functioned as a tribunal under the anti-defection law, thereby making her/his decisions subject to judicial review. This judgment enabled judiciary to become the watchdog of the anti-defection law, instead of the Speaker, who increasingly had become a political character contrary to the expected neutral constitutional role.
- The same could be witnessed in *Shrimanth Balasaheb Patel & Ors vs Speaker Karnataka Legislative Assembly & Ors* (2019), where the three-judge SC bench upheld the then Karnataka Speaker's decision of disqualification of the 17 rebel MLAs. However, it struck down his ban on the MLAs from contesting elections till 2023, negating the only possible permanent solution to the problem.

❖ **The two-thirds rule**

- The Anti-Defection Law provided a safeguard for defections made on genuine ideological differences. It accepted "split" within a party if at least one-third of the members of the legislative party defect, and

allowed the formation of a new party or “merger” with other political party if not less than two-thirds of the party’s members commit to it. The 91st Constitutional Amendment introduced in 2003 deleted the provision allowing split.

- The 91st Amendment also barred the appointment of defectors as Ministers until their disqualification period is over or they are re-elected, whichever is earlier. But, obviously, such laws have not put to rest the trend of defections.
- The main issue, as witnessed in Karnataka, is that the defectors treat disqualification as a mere detour, before they return to the House or government by re-contesting. This can only be stopped by extending the disqualification period from re-contesting and appointment to Chairmanships/Ministries to at least six years.
- The minimum period limit of six years is needed to ensure that the defectors are not allowed to enter the election fray for least one election cycle, which is five years.

3. **Recession**

❖ **Meaning**

- A recession is when the economy stops growing and starts shrinking.
- It means not only shrinking GDP but also declining incomes, employment, industrial production and retail sales.
- It happens when the value of goods and services produced in a country known as the gross domestic product declines for two consecutive quarters, or half a year.
- A recession ends when economic growth returns.

❖ **Causes:**

- Rising in unemployment.
- Rises in bankruptcies, defaults, or foreclosures.
- Falling interest rates.
- Lower consumer spending and consumer confidence.
- Falling asset prices, including the cost of homes and dips in the stock market.

❖ **prevention**

- It includes targeted tax cuts or spending increases on safety net programs like unemployment insurance that kick in automatically to stabilise the economy when it is underperforming.
- Approving new spending on infrastructure projects in order to stimulate the economy by adding jobs, increasing economic output and boosting productivity.
- In the prevailing market situation, hybrid funds are best placed to protect the downside for the investor.
- Avoid investing in property as builders and housing finance companies are luring buyers with big discounts and low loan rates.
- It is always a good idea to diversify the portfolio with Gold and Foreign reserves to reduce the risk.
- Create an emergency corpus while the jobs are vanishing.

ANSWER WRITING

Q. How far has the linguistic diversity helped in strengthening Indian unity?

❖ **Introduction**

- India is a land of diverse languages, the major ones being the Indo-Aryan languages spoken by 75% of Indians and the Dravidian languages spoken by 20% of Indians. It has 22 scheduled languages and several dialects which are in mutual co-existence in a contiguous space.

❖ **Linguistic Diversity and National Integration**

- Formation of linguistic states such as Andhra Pradesh, Maharashtra, Punjab etc has strengthened the federal feature of India and prevented secessionist tendency of the regions thus maintaining the national unity.
- Linguistic diversity shows that there is respect for regional sentiments including the minority and tribal languages. Also Constitutional provisions under Articles 29, 30, 347, 350 are there to safeguard each language, promote harmony and the spirit of common brotherhood amongst all the people.
- Even if there is diversity in languages, they have been derived mainly from Indo-Aryan and Dravidian languages. This sense of common origin of languages has also promoted unity.
- In contemporary times, ‘Hinglish’, which is the blending of English language with Hindi and other languages spoken in India acts as a bridge between different languages of India and has become an ‘all India common vocabulary’.

❖ **Issues**

- Increasing Regionalism and Parochialism: The people of different linguistic groups who are concentrated in a state seem to think only in terms of interests of their own States. This undermines consideration of national issues and causes parochial feelings.
- Demand for Separate States: The demand for a separate state on linguistic lines creates problems for the concerned state as well as the centre.
- Persecution of the Linguistic Minorities: This can perpetuate separatism and threaten national integration.
- Erosion of National Feeling: The national feeling is eroded due to linguistic and regional loyalties. The erosion of national feeling threatens the sovereignty of the country.

❖ **Way forward**

- A new States Reorganisation Commission can be set up which will invite suggestions, arguments for and against division of particular states or to create new ones.
- Strengthening of criminal justice system to prevent persecution of linguistic minorities.
- Due to India's remarkable quality of accommodation and tolerance, linguistic diversity helps in promoting national unity. Any attempt to forcefully enforce a common language can bring negative impact on national integration.

MCQs

1. Consider the following statements with reference to Medical Termination of Pregnancy (Amendment) Act, 2021

1. The 2021 Act decreased the upper limit of the gestation period from which a woman can seek a medical abortion to 20 weeks from 24 weeks permitted in the 1971 Act.
2. Under the Act a four-member Medical Board, provided to set up in each state.

Choose the incorrect statement/s using the codes given below

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

2. Consider the followings

1. Rising in unemployment.
2. Rises in bankruptcies, defaults, or foreclosures.
3. Falling interest rates.
4. Lower consumer spending and consumer confidence.
5. Falling asset prices

Which of the above can be a possible cause of Recession in Indian economy?

- a) 1,2 and 4 only
- b) 1,2,4 and 5 only
- c) 1,3, and 5 only
- d) All of the above**

3. In the recent context consider the followings with reference to MSME sector

1. Micro – Annual turnover not more than 10 crores
2. Small – Annual turnover not more then 50 crores
3. Medium – Annual turnover not more than 250 crores

How may above pairs are incorrectly matched

- a) Only one pair**
- b) Only two pairs
- c) All the pairs
- d) None of the above pairs

4. With reference to Anti defection law consider the following statements

1. The decision of speaker related to Anti defection cannot be challenged in any court of law
2. The anti defection law originally barred the appointment of defectors as Ministers until their disqualification period is over or they are re-elected, whichever is earlier. Later Supreme court struck down this provision

Choose the correct statement using the code given below

- a) 1 only
- b) 2 only**

- c) Both 1 and 2
d) Neither 1 nor 2
5. Consider the following pairs
1. Iskander – M missile system – Russia
 2. Khordad 15 – Iran
 3. Hwasong- North Korea
 4. Grim 2 – Russia

How many pairs are correctly matched

- a) Only two pairs
 b) Only one pairs
c) Only three pairs
 d) All the pairs
6. Consider the following statements
1. English and French are the two working languages of United Nations (UN) secretariat.
 2. To recognize a language as the official language of the UN A resolution should be adopted by the UN General Assembly (UNGA) with at least a two-thirds majority.
 3. Recently Hindi recognized as the official United Nations language.

Which of the above statement/s is/are correct?

- a) 1 only
 b) 1 and 3 only
c) 1 and 2 only
 d) 2 and 3 only
7. Consider the following pairs

Kits Launched

- A. CAN-CoV-2 ELISA Kit
 B. Surra ELISA Kit
 C. Equine DNA Parentage Testing Kit

Purpose

1. Detects COVID in canines
 2. Detects Trypanosoma evansi infection in animals
 3. Determining parentage in horses and other equines

Choose the correct pairs

- | | A | B | C |
|----|---|---|---|
| a) | 1 | 2 | 3 |
| b) | 2 | 3 | 1 |
| c) | 1 | 3 | 2 |
| d) | 3 | 1 | 2 |

8. The Maasai tribes recently seen in news are an indigenous ethnic group in which of the following region?
- a) Mediterranean region
b) Eastern Africa
 c) Western Africa
 d) Northern Chile
9. Governing Council of NITI Aayog comprises the following?
1. Prime Minister
 2. Chief Minister of all States and Union Territories
 3. LG of Union Territories

Select the correct answer using the code given below:

- a) 2 and 3 only
 b) 1 and 2 only
 c) 1 and 3 only
d) 1, 2 and 3
10. Consider the following statements about Near Field Communication Technology:
1. It is a short distance communication technology over few meters.
 2. No additional power source is required for NFC Technology.

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