Indian Economy · GS - III

“Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product(GDP) in the post-reform period” Give reasons. How far the recent changes is Industrial Policy are capable of increasing the industrial growth rate?

EXAM YEAR	PAPER	SUBJECT
2017	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Service-led growth; manufacturing constraints; infrastructure gaps; investment climate; Make in India; industrial competitiveness; employment generation

Model Answer

Introduction

Since the economic reforms of 1991, India's services sector has often grown faster than manufacturing. Although industry has expanded, its contribution to output and employment has remained below the potential expected from a large developing economy.

Reasons for Slower Industrial Growth

- **Infrastructure bottlenecks:** High logistics costs, power constraints and inadequate industrial infrastructure affect competitiveness.
- **Regulatory complexity:** Compliance burdens, delayed approvals and policy uncertainty can discourage investment.
- **Skill shortages:** Mismatches between industrial requirements and workforce capabilities constrain productivity.
- **Limited manufacturing scale:** Many firms remain small and struggle to achieve economies of scale.

- **Credit constraints:** MSMEs face difficulties accessing affordable finance and modern technology.
- **Global competition:** Imports and limited integration into global value chains challenge domestic producers.
- **Land and labour concerns:** Acquisition difficulties and rigid or complex procedures can delay expansion.

Potential of Industrial Policy Changes

- **Make in India:** Seeks to encourage manufacturing investment and improve India's production base.
- **Ease of doing business:** Simplification of procedures can reduce compliance costs.
- **Infrastructure development:** Industrial corridors, logistics improvements and better connectivity can strengthen competitiveness.
- **MSME support:** Easier finance and technology adoption can help smaller enterprises expand.
- **Skill development:** Industry-linked training can improve labour productivity.
- **Foreign investment:** Stable policies can attract capital, technology and access to global markets.

Limitations and Way Forward

Policy announcements alone cannot guarantee industrial growth. Implementation, export competitiveness, research, predictable regulations and reliable infrastructure are essential. Labour-intensive sectors also need targeted support to generate large-scale employment.

Conclusion

Industrial policy reforms can accelerate growth, but their impact depends on execution and productivity improvements. A competitive, employment-generating manufacturing sector is essential for balanced and inclusive economic development.

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