Indian Economy · GS - III

Evaluate the role of domestic capital goods manufacturing in strengthening India's industrial competitiveness and strategic autonomy.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 26/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Capital goods, industrial ecosystem, import dependence, technological capability, productivity, global value chains, strategic autonomy

Model Answer

The foundation of industrial development

Capital goods such as machine tools, industrial machinery, construction equipment and heavy electrical systems form the productive backbone of an economy. Their domestic availability influences industrial productivity, technological advancement and manufacturing competitiveness.

Contribution to industrial development

1. **Import substitution:** Domestic production reduces dependence on imported machinery, limiting exposure to exchange-rate volatility and international supply disruptions.
2. **Productivity enhancement:** Modern machinery improves production efficiency, precision, quality and economies of scale across industrial sectors.
3. **Technology development:** Investment in research, automation, robotics and advanced materials strengthens indigenous engineering capabilities.
4. **Employment generation:** Expansion of manufacturing creates skilled employment in engineering, fabrication, maintenance and component production.

5. **Industrial linkages:** A strong capital goods ecosystem supports infrastructure, defence, automobiles, energy and other manufacturing industries.

Structural constraints

India faces challenges involving technological gaps, high research costs, dependence on imported components, inadequate testing infrastructure and competition from established global manufacturers. Limited economies of scale can also affect the cost competitiveness of domestic producers.

Strategic policy priorities

The proposed ₹11,000-crore intervention can support capacity creation, technology upgradation and domestic supply chains. Its effectiveness will depend on industry-academia collaboration, skilled workforce development, quality standards, competitive financing and integration with global value chains.

Conclusion

A competitive capital goods sector is essential for India's transition from an assembly-based manufacturing economy towards technology-intensive industrial production. Policy support must therefore combine domestic capacity expansion with innovation, productivity and international competitiveness.

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