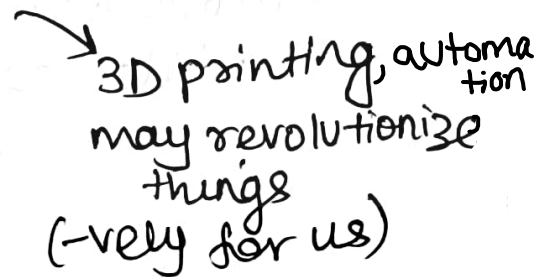
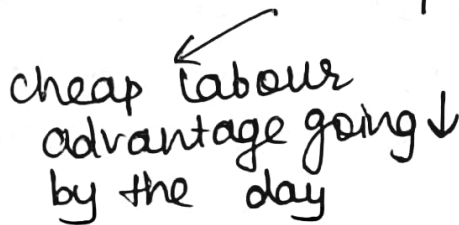
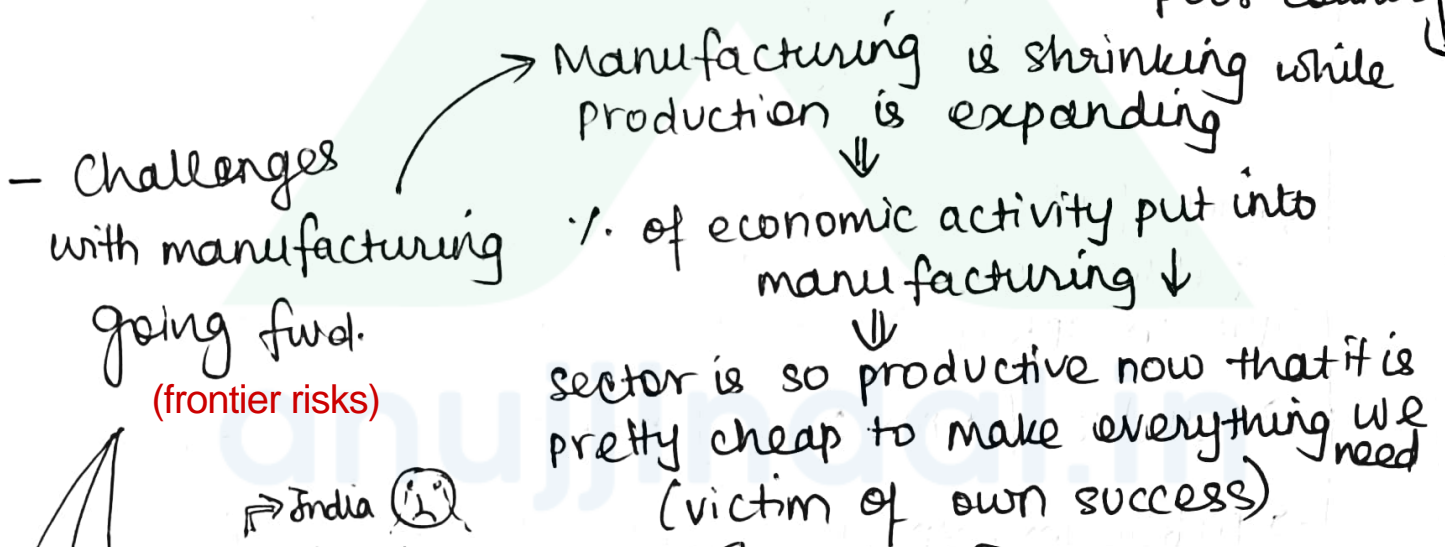
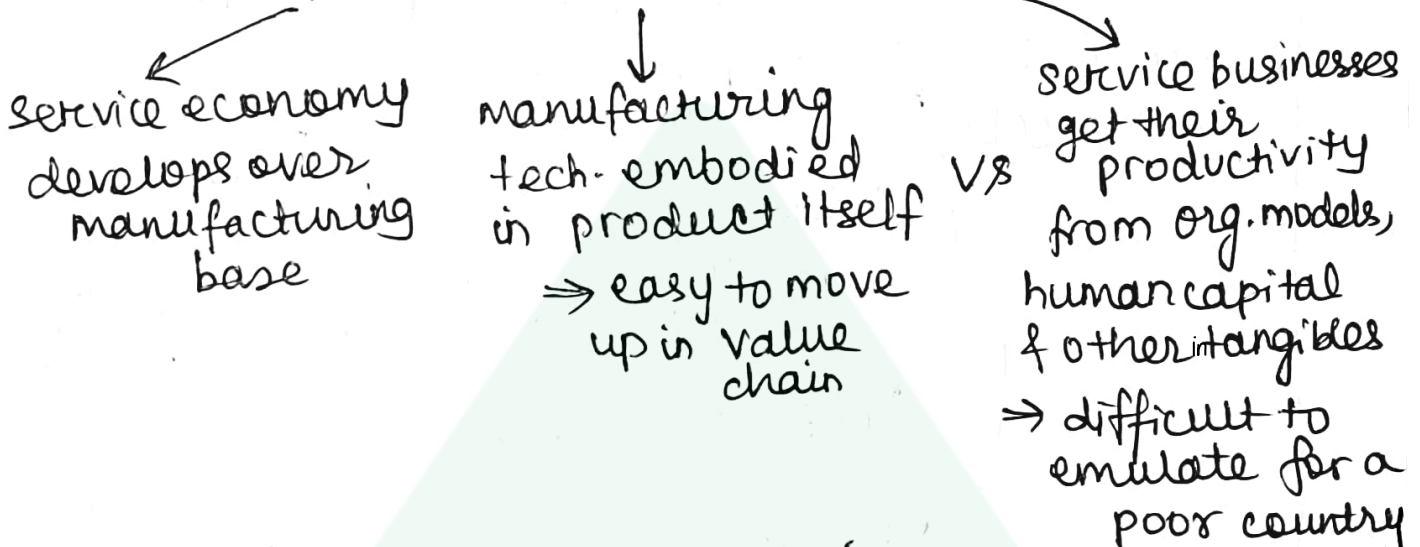
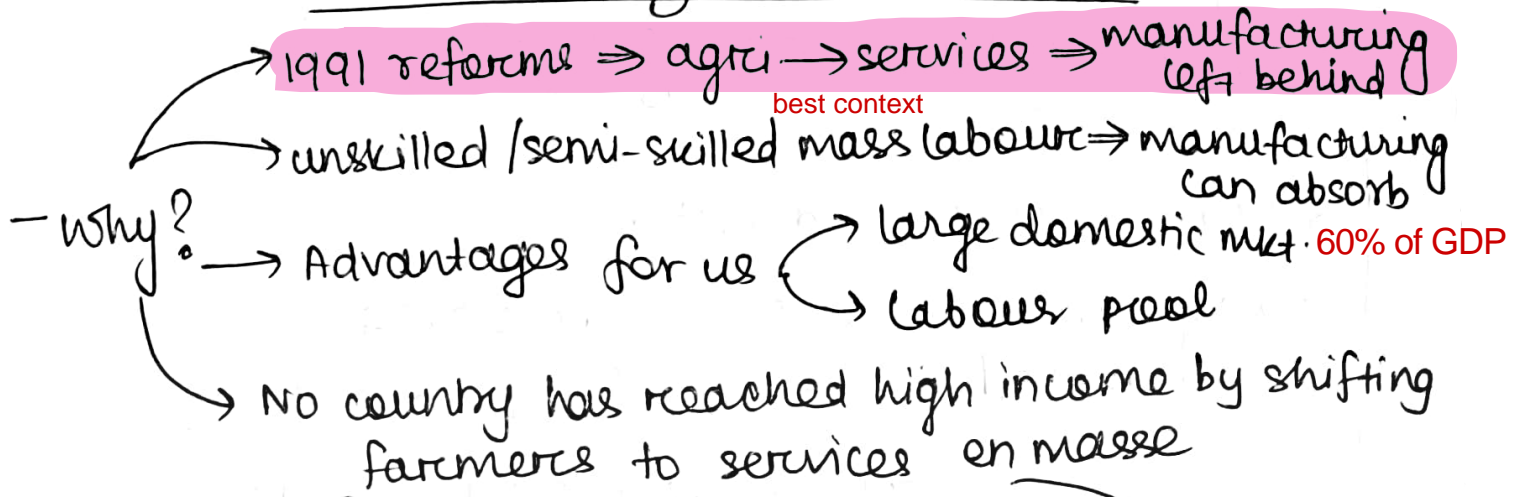


Industrialization in India



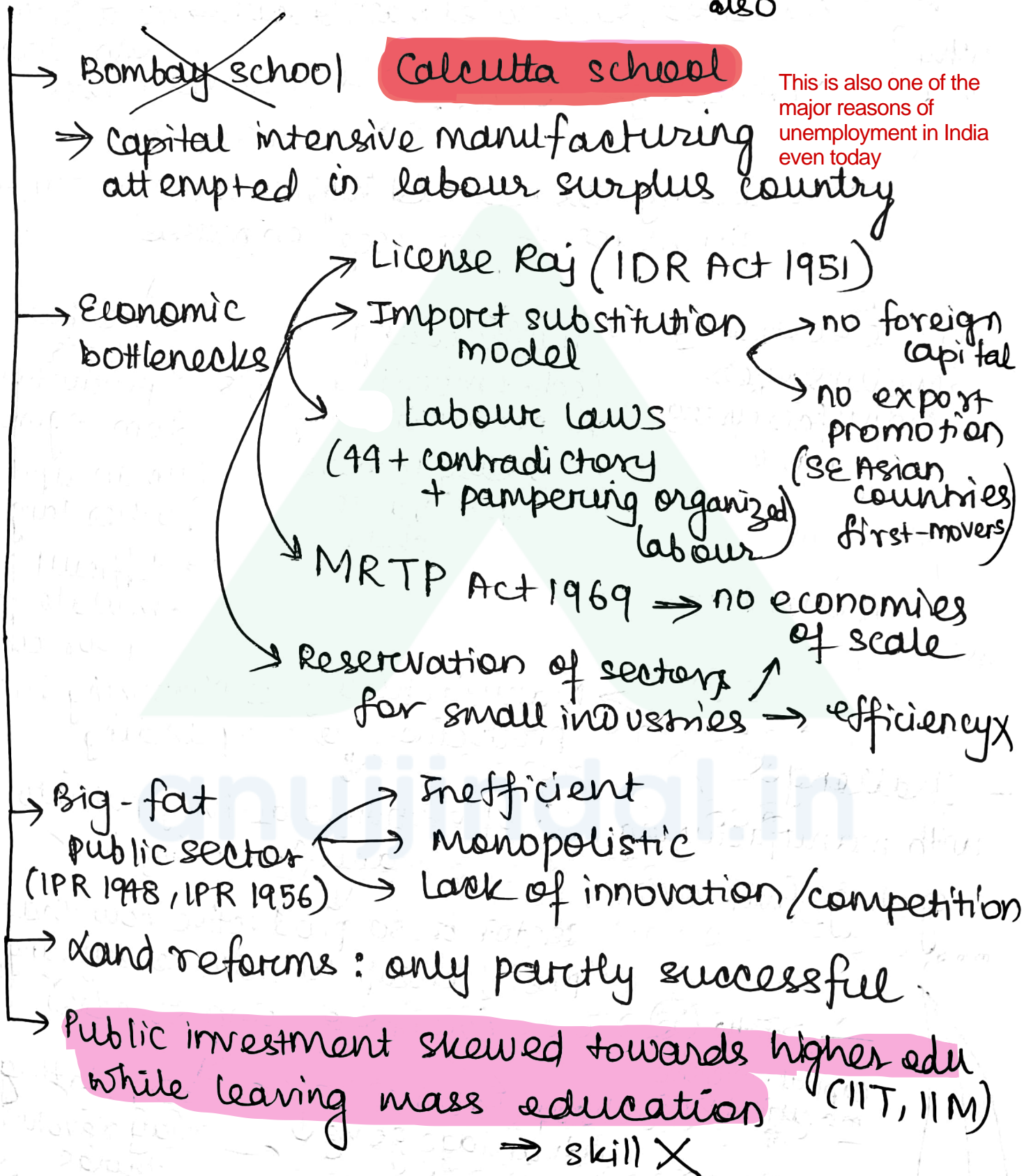
Slowing advanced economies unlikely to absorb much imports + new wave of protectionism

World is unlikely to accommodate another china-like export-led development \rightarrow diversification new norm

China's double digit growth era of globalization behind us

Other SE Asian first-movers against us + china

— Why Industrialization failed pre-1991?
(can use content for general economic situation pre-1991 also)



This is also one of the major reasons of unemployment in India even today

One of the recent criticisms is how we are focusing more on assembly than actual manufacturing but that is how every country starts the process of industrialization before moving up the value chain to value-added manufacturing.

- Why Agri → ~~Industry~~ → services post 1991?

- Land availability/acquisition → low land/person
services doesn't need as much land as factory
- Labour laws unchanged
- Infra
 - cheap & uninterrupted power ⇒ services can run on diesel generator, not factories
 - Better road, rail & port connectivity
 - Logistics cost
- **simplified tax structure** (or lack of it)
 - GST came in 2017
 - services untaxed till 1994 ⇒ head start
- Regulatory burden + clearances (forest, water, power, env.)
↳ disincentive against scale-up
- Telecom revolution ⇒ services boost
- Relatively good higher edu ⇒ software boom
low labour productivity ⇒ manufacturing X

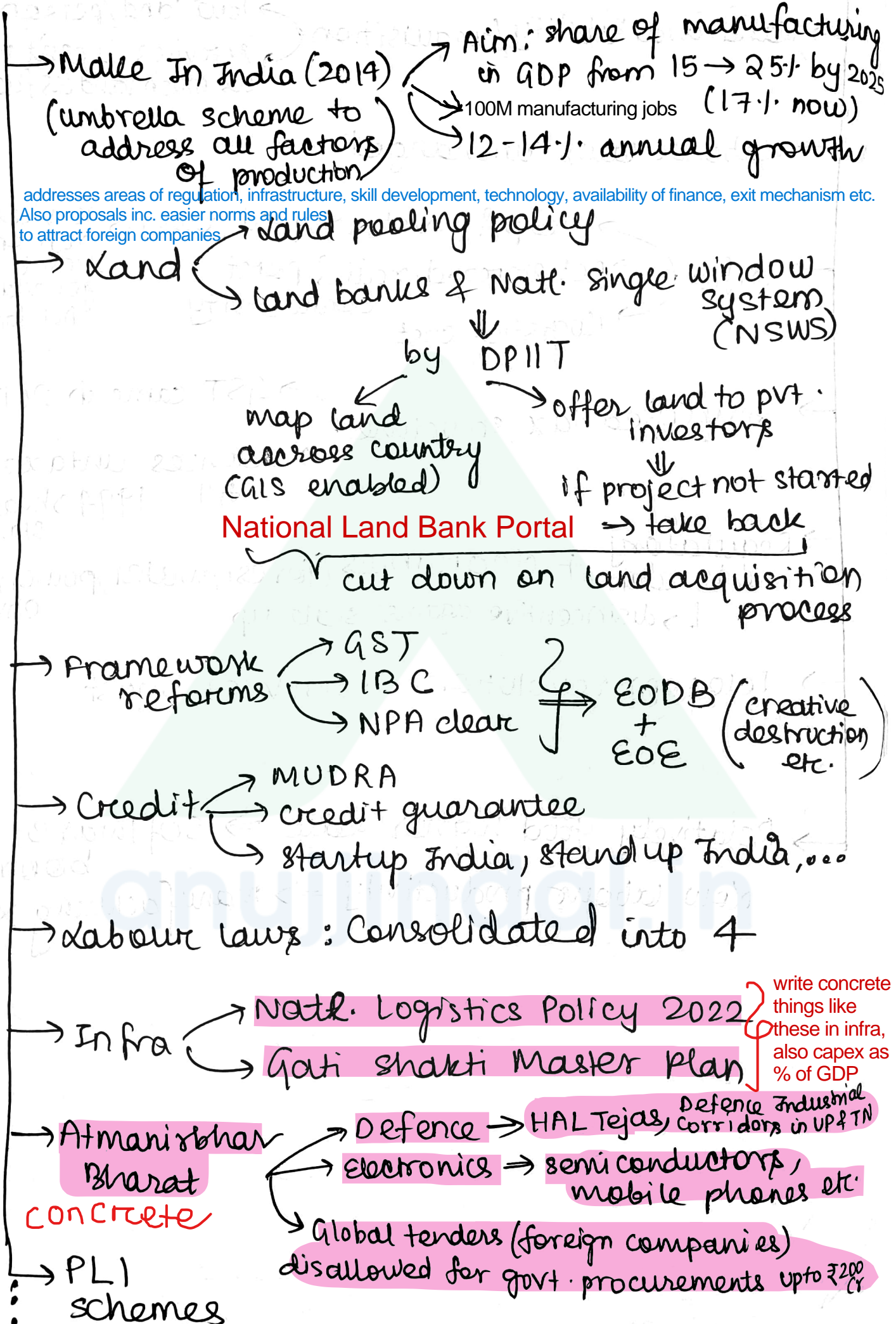
Pressure to cut costs and increase flexibility, together with strict labour laws affecting only formal enterprises, form clear incentives for formal enterprises to subcontract activities to the informal sector and thus pushing more and more people in the informal sectors.

A large informal economy exists because low wages allow it to compete with the formal sector but many times, informal economy also sustains profit in the formal economy as mentioned above

The absence of employment opportunities in formal sector also explains a large informal economy.

↳ 30% of GDP

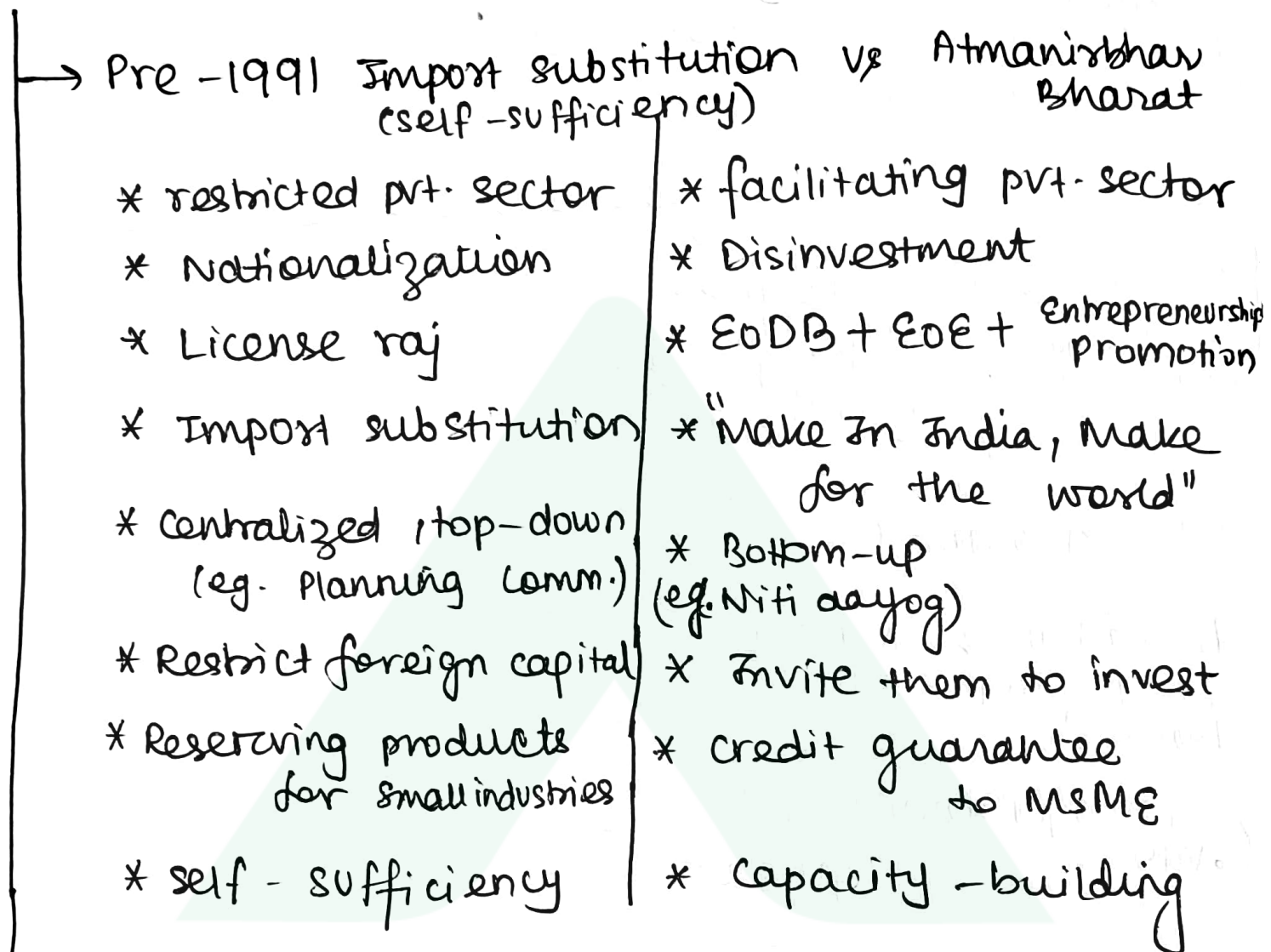
- Govt. efforts at industrialization



Federalism dimension: There's only so much the centre can do since most of the subjects relating to industrialization are actually within the domain of the state under Sc 7. Land (state subject), Labour (concurrent subject), power (state subject => issue of free electricity and cross-subsidization) => we see so much regional variation in industrialization => states must get their act together.

Data to illustrate this: As per Annual Survey of Industries by MoSPI; 5 states (Maha, Guj., TN, Karna, UP) account for abt 55% of India's manufacturing GVA as well as employment.

- Conclusion ideas for the topic



→ From "Command & Control" to "Plug & Play"

⇒ Vikshit Bharat by 2047

whole ecosystem ready for investor/manufactures to tap in

China+1, Ageing China losing cheap labour advantage => industrialization opportunity for India

On benefits of formalization:

The formal sector firms are much more productive when compared to their informal counterparts. The reason for lower productivity of informal units is lack of financial resources, technical expertise, professional management etc. which results in low wages in informal sectors. This hinders the overall progress of the labours as they are not able to upgrade their skills and are stuck in the same kind of task for their lifetime and remain destitute. If we really want that the condition of the poor improves and we could achieve inclusive growth then they must be brought into the formal employment.