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The Hindu Important News Articles & Editorial For UPSC CSE

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Recently the RBI's Monetary Policy Committee (MPC) maintained the repo rate at 6.50% for the 11th consecutive review, reflecting a cautious stance amid slowing growth and elevated inflation.

Amid high inflation, RBI keeps repo rate at 6.5%

- The Monetary Policy Committee takes notes of the recent slowdown in growth momentum
- MPC downgrades growth, inflation estimates for 2024-25 to 6.6%; retail inflation projected at 4.8%
- Persistent inflation reduced the disposable income of consumers and dented consumption, says Das

Lalatendu Mishra
MUMBAI

The Monetary Policy Committee (MPC) of Reserve Bank of India (RBI) on Friday held steadfast in its battle against inflation amid weakening growth momentum, with four of its six members voting to keep policy repo rate unchanged at 6.50% for the 11th bi-monthly review in a row.

However, acknowledging that the economy is facing tight liquidity conditions that are likely to persist for a few months, it cut the Cash Reserve Ratio (CRR) for banks by 50 basis points to 4%, after a gap of nearly four years, in a bid to support growth.

While divisions within the MPC on a *status quo* on rates expanded from the 5:1 vote in October, the panel was unanimous on sticking to a 'neutral' stance and remaining unambiguously focused on a durable alignment of inflation with its 4% target, while supporting growth. Inflation had spiked to a 14-month high of 6.2% in October, the last available price rise number.

"The MPC took note of the recent slowdown in the growth momentum, which translates into a downward revision in the growth forecast for the current year. Going forward into the second half of this year and the next year, the MPC assessed the growth outlook to be resilient, but warranting close monitoring," RBI Governor Shaktikanta Das said in his statement.

While noting the RBI's mandate is to ensure price stability while supporting growth, Mr. Das said persistently high inflation reduced the disposable income of consumers and dented private consumption which negatively impacted the real GDP growth.

Real GDP growth in the July to September quarter fell to a seven-quarter low of 5.4%, compared to RBI's 7% projection.

The MPC has now downgraded the growth forecast for 2024-25 to 6.6% from 7.2%. Similarly, with inflation increasing sharply in September and October led by an unanticipated increase in food prices, the retail inflation for 2024-25 has now been projected at 4.8% compared to the 4.5% average projected till October.

"Food inflation pressures are likely to linger in the third quarter of this financial year, and start easing only from Q4 of 2024-25, backed by seasonal correction in vegetable prices, kharif harvest arrivals, likely good rabi output and adequate cereal buffer stocks," Mr. Das said.

Adverse weather events

The Governor also said the increasing incidence of adverse weather events, heightened geo-political uncertainties and financial market volatility posed upside risks to inflation.

"The MPC believes that only with durable price stability can strong foundations be secured for high growth. The MPC remains committed to restoring the inflation growth balance in the overall interest of the economy," he said.

To ease the potential liquidity stress in the system as more cash could be required to pay direct taxes and GST, the RBI has decided to reduce the cash reserve ratio (CRR) of all banks to 4% of net demand and time liabilities (NDTL) in two equal tranches of 25 bps each with effect from the fortnight beginning December 14, 2024 and December 28, 2024.

"This reduction in the CRR is consistent with the neutral policy stance and would release primary liquidity of about ₹1.16 lakh crore to the banking system," he said.

Interest rate ceiling

To attract more capital inflows, the RBI has decided to increase the interest rate ceiling on FCNR(B) deposits. Accordingly, effective from Friday, banks are permitted to raise fresh FCNR (B) deposits of 1 year to less than 3 years maturity at rates not exceeding the ceiling of overnight Alternative Reference Rate (ARR) plus 400 bps as against 250 bps at present. Similarly, for deposits of 3 to 5 years maturity, the ceiling has been increased to overnight ARR plus 500 bps as against 350 bps at present. This relaxation will be available till March 31, 2025.

In his closing remarks, the Governor said since the last policy, inflation had been on the upside, while there had been a moderation in growth. "Accordingly, the MPC has adopted a prudent and cautious approach in this meeting to wait for better visibility on the growth and inflation outlook."

STAYING THE COURSE
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Balancing act

The RBI on Friday tried to find a balance between inflation management and supporting economic growth

- The RBI kept the repo rate **unchanged at 6.5%** for a record 11th meeting in a row
- The Cash Reserve Ratio — the proportion of deposits that banks must set aside with the central bank — has been cut by **50 basis points to 4%**
- The cut will infuse **₹1.16 lakh crore** into the banking system and will soften short-term interest rates and enhance capacity of banks to extend credit

Policy Repo Rate

- The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) kept the policy repo rate unchanged at 6.50% for the 11th consecutive bi-monthly review.

Cash Reserve Ratio (CRR)

- The RBI reduced the Cash Reserve Ratio (CRR) by 50 basis points (bps) to 4% after a gap of four years.
- This measure, aimed at addressing persistent tight liquidity, will be implemented in two tranches of 25 bps each starting December 14 and December 28, 2024.
- The CRR cut will release ₹1.16 lakh crore of primary liquidity into the banking system to support growth.

Growth Projections

- The MPC observed a slowdown in growth momentum, leading to a downward revision of GDP growth forecasts for 2024-25 from 7.2% to 6.6%.
- Real GDP growth in the July-September 2024 quarter dropped to 5.4%, the lowest in seven quarters, against the RBI's earlier projection of 7%.

Inflation Outlook

- Retail inflation rose to 6.2% in October 2024, driven by unexpected increases in food prices.
- The RBI revised its inflation forecast for 2024-25 upward to 4.8% (from 4.5% projected earlier).

- Food inflation pressures are expected to ease from Q4 of 2024-25, aided by seasonal corrections in vegetable prices, arrivals of the kharif harvest, a strong rabi crop outlook, and adequate cereal buffer stocks.

Risks to Inflation Stability

- Inflation risks remain due to adverse weather events, geopolitical uncertainties, and financial market volatility.

Monetary Policy Stance

- The MPC maintained a neutral stance, balancing between controlling inflation and supporting economic growth.
- The committee emphasized the need for durable price stability to establish a foundation for sustainable growth.

Liquidity Measures

- To ease potential liquidity stress from tax outflows (direct taxes and GST), the CRR cut was aligned with the RBI's neutral policy stance.

Foreign Currency Deposits (FCNR-B)

- To attract capital inflows, the RBI raised the interest rate ceiling on FCNR(B) deposits:
  - Deposits with maturities of 1 to less than 3 years: Increased from the Alternative Reference Rate (ARR) + 250 bps to ARR + 400 bps.
  - Deposits with maturities of 3 to 5 years: Increased from ARR + 350 bps to ARR + 500 bps. This relaxation will be effective until March 31, 2025.

Key Observations by the Governor

- RBI Governor Shaktikanta Das highlighted that persistently high inflation is eroding disposable incomes and denting private consumption, adversely affecting real GDP growth.
- While growth outlook remains resilient, the situation warrants close monitoring.
- The RBI has adopted a prudent and cautious approach, awaiting better visibility on inflation and growth trends before making further policy adjustments.
- Conclusion The MPC reiterated its commitment to maintaining the balance between inflation control and growth promotion in the overall interest of the economy.

Page 05 : Prelims Fact

The article discusses the Jammu and Kashmir government's plan to develop four new tourist destinations with financial and technical support from the World Bank.

Centre to develop four new tourist destinations in J&K with help from World Bank

Sreeparna Chakrabarty
NEW DELHI

Buoyed by the increase in tourist footfall in Jammu and Kashmir, the government is planning to develop four new destinations with financial and technical help from the World Bank. Kokernag in Anantnag district, Baradari in Reasi district, Bhadarwah in Doda, and Doodhpathri in Budgam are the four sites which have been chosen to be developed with world class tourist infrastructure.

"The projects are being developed as a joint venture between The World Bank, Jammu and Kashmir Government and the Centre," a senior official in the Union Tourism Ministry said. The destinations were finalised last month after a World Bank delegation visited the State.

Gulmarg, Pahalgam, and Katra Vaishno Devi and are some of the famous tourist destinations in Jammu and Kashmir at present. According to official estimates, Jammu and Kashmir recorded 1.2 million tourists arrivals in the first half of 2024.

For development of these four new tourist destinations, the World Bank would essentially serve as a primarily knowledge partner. It would also help in the promotion of the handicrafts industry. The World Bank team first visited Jammu and Kashmir in September.

Union Tourism Ministry officials said as far as Jammu and Kashmir is concerned, the focus would be on ecological sustainability.

Hidden spots: A tourist taking a pony ride to reach Shaliganga river in Doodhpathri in Budgam district. SPECIAL ARRANGEMENT

- This initiative aims to enhance tourism infrastructure while focusing on ecological sustainability and promoting local handicrafts.
- **Increase in Tourism in J&K:** Jammu and Kashmir has witnessed a rise in tourist footfall, with 1.2 million tourists visiting in the first half of 2024.

- **Development of New Tourist Destinations:** Four new destinations—Kokernag (Anantnag), Baradari (Reasi), Bhadarwah (Doda), and Doodhpathri (Budgam)—have been chosen for development into world-class tourist spots.
- **Partnership for Development:** The projects are a joint venture between the World Bank, the Jammu and Kashmir Government, and the Central Government.

Role of the World Bank:

- Acts as a knowledge partner for development.
- Supports promotion of the handicrafts industry.
- Focuses on ecological sustainability in development plans.
- **Selection Process:** The destinations were finalized following a visit by a World Bank delegation in September 2024.
- **Existing Popular Spots:** Gulmarg, Pahalgam, and Katra Vaishno Devi are already well-known tourist destinations in the region.

World Bank

- **Purpose:** Provides loans and grants to low and middle-income countries to reduce poverty and support economic development.
- **Key Institutions:** Comprises five institutions, with IBRD and IDA being the main funding arms.
- **Focus Areas:** Supports infrastructure, education, healthcare, and environmental projects.
- **Global Impact:** Aims to improve living standards and promote sustainable growth.
- **Funding Mechanism:** Offers financial resources, policy advice, and technical support.
- **Headquarters:** Based in Washington, D.C., USA.

Page 11 : GS 3 : Indian Economy

The article discusses the Reserve Bank of India's (RBI) approach to balancing inflation and economic growth amidst recent disruptions.

No plans for de-dollarisation: Das

RBI Governor says the BRICS currency is just an idea floated by one member of the bloc, and no decision has been taken on it; his remarks assume significance in the context of Donald Trump's threat to slap 100% tariffs for pursuing such plans

Lalatendu Mishra
MUMBAI

India has no plans for de-dollarisation, RBI Governor Shaktikanta Das said in response to a question on U.S. President-elect Donald Trump's threat to slap 100% tariffs on BRICS nations planning a common currency to challenge the hegemony of U.S. dollar in global trade.

"The BRICS currency was an idea raised by one of the members of the BRICS countries and it was discussed," Mr. Das said. "No decision has been taken in the matter. The geographical spread of the countries is a factor which has to be kept in mind unlike the Eurozone which has a single currency and geographical continuity. BRICS countries are spread all over," he added.

Not on the table: De-dollarisation is certainly not our objective. It is not on the table at all, says Das.PTI

"So far as India is concerned, there is no step which we have taken to dedollarise. Allwe have done is we have entered into agreements with a couple of countries to do local currency-denominated trade to de-risk India trade."

"Dependence on one currency can be problematic at times because of appreciation or depreciation. So, as part of de-risking our trade, that is a step which has been taken. De-dollarisation is certainly not our objective. It is not on the table at all. Our effort is basically to de-risk our trade. Nobody is talking or thinking about de-dollarisation," he added.

To a question if the rupee could come under pressure due to possible tariff wars hurting exports, the Governor said, "If the tariff war happens... hypothetically, if it happens, it will not be an isolated event. There will be other events around it, like, for instance, perhaps, China may react by devaluing the currency or there might be retaliatory tariffs."

"So, at this point, it is very difficult to say what will be our unilateral move, and will it affect. Let us wait for the general equilibrium," he added.

He said India's forex reserves were quite robust now and quite adequate.

"We are confident of dealing with any spillovers. As per requirement, we will take action. At the moment we have no concern at all," he said answering to a query on whether the interest rate ceiling on FCNR (B) deposits has been increased to build a buffer.

- It highlights revised GDP growth projections, liquidity challenges, and the impact of inflation on manufacturing and investments.
- The RBI emphasizes using policy tools strategically to stabilize the economy while addressing global and domestic uncertainties.

Monetary Policy and Inflation-Growth Balance

- The Monetary Policy Committee (MPC) is focused on restoring the balance between inflation and growth, which has been disrupted in recent months.
- The Reserve Bank of India (RBI) will utilize its range of policy instruments to create conditions conducive to achieving this balance.
- The credibility of the flexible inflation-targeting framework must be preserved to ensure long-term economic stability.
- Inflation needs to be reduced to sustainable levels to support balanced and sustained economic growth.
- The RBI emphasizes prudence, practicality, and timing in its policy decisions, underscoring that the timing of actions is crucial to their effectiveness.

FY25 Growth Projections Reduced from 7.2% to 6.6%

- The GDP growth rate slowdown in Q2 is attributed to temporary, specific factors rather than a structural trend.
- The earlier 8% growth rate was not a trend but an average derived from 2021-22 to 2023-24, incorporating the pandemic rebound effect.
- Global growth projections for 2024-25 and 2025-26 are similarly adjusted for cyclical corrections post-pandemic, not reflecting long-term trends.
- H2 projections show a recovery with growth rates between 6.9% and 7.3%, signaling a gradual return to higher growth levels by FY25-26.

Liquidity Concerns

- **Tight liquidity conditions are anticipated in the coming months due to several factors:**
  - Tax-related outflows, including direct taxes in December and Goods and Services Tax (GST) collections.
  - Increased currency in circulation driven by the busy agricultural credit season and cash requirements for the harvest season.
  - Significant capital outflows in October and November as Foreign Portfolio Investors (FPIs) exited the market.
  - The recent increase in the Cash Reserve Ratio (CRR) was a temporary measure that has served its purpose and has now been normalized.

Growth and Inflation Dynamics

- **The balance between growth and inflation has been disrupted:**
  - Growth momentum has slowed, with Q2 GDP growth moderating.
  - Inflation surged due to steep increases in food prices, driven by weather-related factors.
  - September and October inflation rates were higher than expected, particularly in food inflation, which exceeded estimates.
  - The RBI's immediate goal is to reduce inflation closer to its target to stabilize the growth-inflation dynamic.

Differences Between RBI's GDP Estimate and Q2 Data

- On the demand side, the primary challenge is reduced investment activity.
- On the supply side, manufacturing is facing a downturn due to weak sales growth and inflation's impact on urban consumer demand.
- Businesses are hesitant to invest in new assets, as moderate demand can be met with existing capacity, further suppressing investment growth.

Secured Overnight Rupee Rate (SORR)

- A new benchmark index developed by Financial Benchmarks India Ltd. (FBIL) will now include all secured transactions, addressing gaps in the existing MIBOR (unsecured transactions) and MROR (market repo) indices.
- This new index will also integrate TREPS (Treasury Bill Repos), which accounts for 60% of market activity, creating a more comprehensive and accurate benchmark.

Potential Tariff War Implications

- A hypothetical tariff war, if triggered, could result in retaliatory measures from affected countries, such as China devaluing its currency or imposing retaliatory tariffs.
- Such events are difficult to predict in isolation, as they would likely be accompanied by broader economic repercussions, making their unilateral impact uncertain.

In News : Prelims Fact

Union Minister of Education Dharmendra Pradhan inaugurated PM e-VIDYA Channel 31, a DTH channel dedicated to Indian Sign Language, marking a significant step toward inclusivity in education for children with special needs.

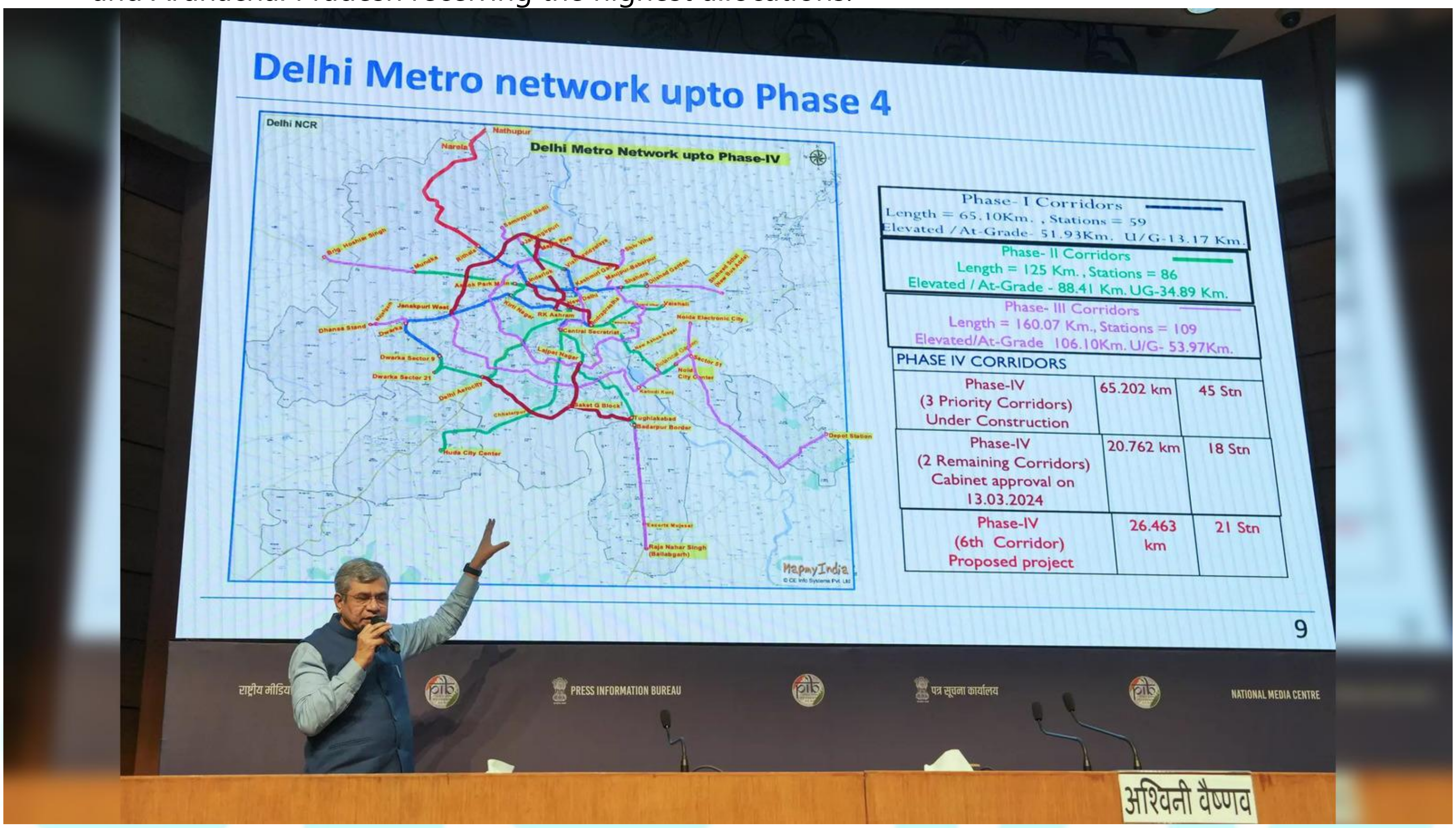
Analysis of News:

- **Focus on Inclusivity Under NEP 2020**
  - The launch aligns with the National Education Policy 2020, which emphasizes inclusive education and the welfare of children with special needs.
  - Pradhan highlighted that the education system is increasingly prioritizing accessibility and inclusivity for differently-abled individuals.
- **Sign Language and Cultural Integration**
  - Pradhan emphasized the cultural relevance of sign language, evident in forms like dance and drama, and stressed its potential to unlock the talents of differently-abled individuals.
  - Noting examples from history, such as Soordas and Stephen Hawking, he underscored the untapped potential within the Divyang community.
- **Broader Impact and Vision**
  - The channel is a step toward creating a more inclusive and progressive society.
  - Indian Sign Language can not only aid education but also generate job opportunities and set international benchmarks.
  - Stakeholders are urged to popularize the channel and ensure its reach across the nation.

In News : Union Cabinet Approves ₹8,231 Crore Plan for Largest Expansion of Central Schools

The Union Cabinet has approved an ₹8,231 crore plan for the largest expansion of Kendriya Vidyalayas (KVs) and Jawahar Navodaya Vidyalayas (JNVs) in the last decade.

- The initiative includes the establishment of 85 new KVs and 28 new JNVs, with Jammu & Kashmir and Arunachal Pradesh receiving the highest allocations.



Analysis of News:

KVs and JNVs: Purpose and Reach

- **Kendriya Vidyalayas (KVs):**
  - Aimed at children of central government and defence personnel, 85 new KVs will cater to urban demand, prioritizing areas with a significant presence of central employees.
- **Jawahar Navodaya Vidyalayas (JNVs):**
  - Residential schools targeting rural talent, 28 new JNVs will focus on border and underserved regions, especially in the Northeast.
  - Currently, India has 1,256 functional KVs and 653 operational JNVs.

Timeline and Capacity Expansion

- **KVs:** To be established over eight years starting in 2025-26.
- **JNVs:** Scheduled over five years (2024-25 to 2028-29).

- **Impact:** These schools will create an additional enrollment capacity for nearly one lakh students and approximately 6,600 new job opportunities.
- **Regional Prioritization**
  - **Jammu & Kashmir:** Largest allocation of 13 KVs, catering to families of CRPF personnel.
  - **Northeast:** 17 JNVs for Arunachal Pradesh (8), Assam (6), and Manipur (3) reflect a strategic focus on border regions.
  - **Other Key States:** Madhya Pradesh (11 KVs), Rajasthan (9 KVs), Andhra Pradesh (8 KVs), and Odisha (8 KVs).

Challenges and Lessons from Past Expansions

- **Previous Approvals:** Similar large-scale expansions in 2014 (54 KVs) and 2019 (50 KVs). While operational, many still function from temporary premises.
- **Implementation Challenges:** Ensuring timely construction of permanent buildings and necessary facilities will be critical to achieving the full impact of this expansion.

Conclusion

- This ambitious expansion underscores the government's commitment to strengthening school education infrastructure, particularly for underserved and border regions.
- Effective execution will be key to maximizing the benefits for students and communities nationwide.

Page : 06 Editorial Analysis

Building on the revival of the manufacturing sector

Chandrajit Banerjee

Director General, The Confederation of Indian Industry

India's journey to becoming a global manufacturing hub has gained momentum with the government's strategic policy initiatives, particularly the Production Linked Incentive (PLI) scheme. This scheme has been instrumental in transforming the manufacturing landscape in sectors such as mobile manufacturing, electronics, pharmaceuticals, automobile, and textiles, among others, through enhanced production, exports and job creation.

The scheme's impressive performance has been mirrored by the results of the Annual Survey of Industries (ASI) for 2022-23, released recently, which reveals a positive correlation between PLI scheme incentives and sectoral performance. In the ASI data, manufacturing output registered a robust growth rate of 21.5%, while gross value added (GVA) grew by 7.3%. This expansion comes on the back of the PLI scheme's success, showcasing that many sectors benefiting from the scheme have performed particularly well. Basic metal manufacturing, coke and refined petroleum products, food products, chemicals and chemical products, and motor vehicles – many of which are covered under the PLI scheme – collectively contributed 58% to the total manufacturing output and registered an output growth of 24.5% in 2022-23.

Recovery of the manufacturing sector

ASI surveys are a vital source of data on the registered, organised manufacturing sector in the economy. They include factories with 10 or more workers using power, and those with 20 or more workers, without power. The results of the ASI 2022-23 show a healthy double-digit expansion in the growth rate of manufacturing sector output – at 21.5% – despite a high base of 2021-22 which saw a sharp rebound as the economy emerged from the COVID-19 pandemic-induced slump. The impressive growth in output and value added in 2022-23, as compared to the pre-pandemic period, indicates that the manufacturing sector is slowly but steadily turning the corner after the disruptions in recent years.

The performance of the manufacturing sector shows that the stage is set for India to become a global manufacturing powerhouse. However, strong reforms are needed to fully capitalise on the manufacturing potential.

The success of the PLI scheme underscores the need to expand its scope beyond the traditional industries where manufacturing activity is concentrated. Extending PLI incentives to labour-intensive sectors such as apparel, leather, footwear and furniture, as well as sunrise industries such as aerospace, space technology and MRO could unlock new growth frontiers. There are also sectors with high import dependency but untapped domestic capabilities such as capital goods. This can help in reducing vulnerability to global demand fluctuations and supply chain disruptions. Promoting green manufacturing and incentivising research and development in advanced manufacturing technologies can further enhance India's manufacturing competitiveness.

The striking gap between manufacturing output growth (21.5%) and GVA growth (7.3%) – as the ASI data show – is largely driven by soaring input prices, which surged by 24.4% in 2022-23. This divergence suggests that while production volumes are rising, industries are grappling with elevated input prices, which have eroded their value addition. With bulk of the inputs being imported, it is pivotal to bring down their landing costs in the country. To bring this to fruition, a more streamlined import regime that simplifies tariffs into a three-tier system, with 0 - 2.5% for raw materials, 2.5% - 5% for intermediates, and 5% - 7.5% for finished goods, could help mitigate these input costs, enhance competitiveness, and improve India's integration into global value chains.

Strong reforms are needed for India to fully capitalise on its manufacturing potential

A concentration of industrial activity

The regional imbalance in manufacturing activity, with Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Uttar Pradesh, collectively accounting for over 54% of total manufacturing GVA and 55% of employment, highlights the concentration of industrial activity in a few States. This regional imbalance not only hinders equitable development across the country but also limits the sector's overall growth potential. For India to fully capitalise on its manufacturing capacity, it is essential for States to be an active participant in India's growth story by implementing the fundamental factor market reforms in areas such as land, labour and power in addition to developing infrastructure, and promoting investments.

Focus must move to MSMEs and women

For manufacturing to serve as a true catalyst for inclusive growth, special attention must be given to micro, small and medium enterprises (MSME) and increasing women's participation in the workforce. MSMEs contribute around 45% of India's manufacturing GDP and employ about 60 million people. Tailoring PLI incentives to accommodate MSMEs, by lowering capital investment thresholds and reducing production targets, would empower these enterprises to scale up, innovate and integrate more effectively into value chains.

Enhancing female workforce participation is an untapped opportunity for boosting manufacturing growth. The World Bank's latest South Asia Development Update estimates that India's manufacturing output could rise by 9% if more women join the workforce. Developing supportive infrastructure such as hostels, dormitories, and childcare facilities near factories could significantly boost women's participation in manufacturing, driving output and inclusive development.

To transform the Indian economy into a developed economy by 2047, the manufacturing sector ought to play a critical role. As in the CII's own estimations, its share in the GVA has a potential to rise from the current 17% to over 25% by 2030-31, and to 27% by 2047-48 if sustained efforts to boost domestic manufacturing capabilities and domestic value addition continue. Apart from boosting its competitiveness by improving ease of doing business and bringing down cost of doing business, seizing the current moment by leveraging on the slew of policy measures will be imperative for the manufacturing sector.

GS Paper 03 : Indian Economy

UPSC Mains Practice Question: "The Production Linked Incentive (PLI) scheme is a significant step toward enhancing India's manufacturing capabilities and achieving self-reliance. Critically evaluate the impact of the PLI scheme on India's economy, with special emphasis on employment generation, export competitiveness, and technological advancement." (250 Words /15 marks)

- India is strategically positioning itself as a global manufacturing hub, leveraging policy measures like the Production Linked Incentive (PLI) scheme. The manufacturing sector, integral to economic growth and job creation, has shown substantial recovery post-pandemic.
- However, to fully realize its potential, challenges such as high input costs, regional disparities, and insufficient support for small enterprises and women need to be addressed.

Impact of the PLI Scheme:

- The PLI scheme has been pivotal in transforming India's manufacturing landscape by boosting production, exports, and employment across key sectors, including electronics, pharmaceuticals, automobiles, and textiles.
- The Annual Survey of Industries (ASI) for 2022-23 reports a 21.5% growth in manufacturing output and a 7.3% increase in gross value added (GVA), indicating a positive correlation between the scheme and sectoral performance.

Sectoral Growth Trends:

- Specific sectors benefiting from the PLI scheme, such as basic metals, petroleum products, food products, chemicals, and motor vehicles, collectively contributed 58% to total manufacturing output.
- These sectors recorded an impressive 24.5% growth in output, demonstrating the scheme's effectiveness in catalyzing manufacturing expansion.

Post-Pandemic Recovery:

- Despite a high base from 2021-22, the manufacturing sector exhibited a robust recovery, achieving double-digit growth (21.5%) in 2022-23.
- This recovery underscores the sector's resilience and its potential to contribute significantly to India's ambitions of becoming a global manufacturing powerhouse.

Expanding the Scope of PLI:

- To unlock new growth frontiers, PLI incentives should be extended to labor-intensive industries like apparel, leather, and furniture, and emerging sectors like aerospace and space technology.
- Reducing import dependency in sectors like capital goods by fostering domestic manufacturing capabilities can enhance resilience against global supply chain disruptions.
- Promoting green manufacturing and investing in advanced technologies will improve long-term competitiveness and sustainability.

Challenges in Input Costs and Value Addition:

- The divergence between output growth (21.5%) and GVA growth (7.3%) is attributed to a 24.4% rise in input costs during 2022-23.
- A streamlined import regime with lower tariffs (0-2.5% for raw materials, 2.5-5% for intermediates, and 5-7.5% for finished goods) could reduce production costs and improve India's integration into global value chains.

Addressing Regional Disparities:

- Over 54% of manufacturing GVA and 55% of employment are concentrated in five states: Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Uttar Pradesh.
- To ensure equitable growth, states need to implement key reforms in land, labor, and power markets, along with infrastructure development and investment promotion.

Focus on MSMEs:

- MSMEs contribute 45% of India's manufacturing GDP and employ 60 million people. Tailored PLI incentives, such as lower capital investment thresholds and reduced production targets, can empower MSMEs to scale up, innovate, and integrate into value chains.

Enhancing Women's Workforce Participation:

- Increasing female workforce participation in manufacturing could boost output by 9%, according to the World Bank.
- Developing supportive infrastructure like hostels, dormitories, and childcare facilities near factories can encourage greater participation, driving inclusive growth.

Future Goals:

- Sustained efforts could raise manufacturing's share in India's GVA from 17% to over 25% by 2030-31 and 27% by 2047-48.
- Improving ease of doing business, reducing operational costs, and leveraging policy measures will be crucial to achieving these targets.

Conclusion

- India's manufacturing sector is on the cusp of transformation, driven by robust policy support and impressive post-pandemic recovery.

- While the PLI scheme has laid a strong foundation, addressing challenges like high input costs, regional imbalances, and the underutilization of MSMEs and female workforce potential is critical.
- With sustained reforms and focused strategies, India can unlock its manufacturing potential, driving economic growth and achieving its vision of becoming a developed economy by 2047.