

## Mfg sector

\* 'China plus one' strategy

- #6 economy  
#3 GDP PPP  
yet only 2% of world mfg  
of p.

✓ Since the IR, no country has become a major economy w/o becoming an industrial power - Lee Kuan Yew

stagnated at 16% for past 30 yrs bcoz:

1. Infra & logistics - transport, power, warehousing
2. Restrictive labour laws → informal sector (~90%)
3. Skill mismatch
4. Domination of small firms & low prod<sup>y</sup> (MSME dwarfism)
5. Complicated business envt.
6. Inadequate exp. on R&D & innov<sup>r</sup> (0.7% of GDP)
  - pvt sector AICs for only 35% compared to 70% in China.
7. Slow tech. adoption (Tech fatigue)
8. Export challenges - operates at low end of mfg value chain + stiff competition. (Bangladesh / Vietnam - apparels  
→ Indonesia / " - leather).
9. Tax & tariff
10. Ltd. capital access. - NPA, ECB limits, FDI in big firms only.

So?

- ↳ Equal focus on FODB & cost of Doing Business.
- ↳ 4th IR - digital infra ] → Innov<sup>r</sup> ecosystem ⇒ smart mfg
- ↳ R&D ↑
- ↳ focus on high value sunrise industry + MSME
- ↳ strategic integ<sup>r</sup> with GVCs.
- ↳ skilling & gainful emp<sup>t</sup>.

## MSMEs

Issues:

1. policy envt not conducive to growth

dwarfism due to perverse incentives (99% are micro)

- = difficult entry (12 procedures / 27 days)
- = exit norms (insolvency in 7-9 yrs - WB)
- = complex compliances etc

2. small size, 40 Infra & outdated tech.  
⇒ no economies of scale  
- low op<sup>t</sup>, quality

- = inadequate collateral
- = low asset recovery rate (14%)
- = complex loan procedures

3. 40 adequate credit & capital - only 4% have access to formal credit due