

UPSC Syllabus Topic : GS Paper 3 Indian Economy – Issues relating to growth, development and employment.

Unveiling the Potential: The Unrecognized Value Contribution of India's Informal Sector

Why Experts Question GDP Estimates: Experts argue that the unreliability of the recently released second-quarter GDP estimates stems from a long-overdue GDP base revision. They contend that the informal sector's decline, particularly post-demonetization and COVID, is not adequately considered, leading to an overestimation of the GDP.

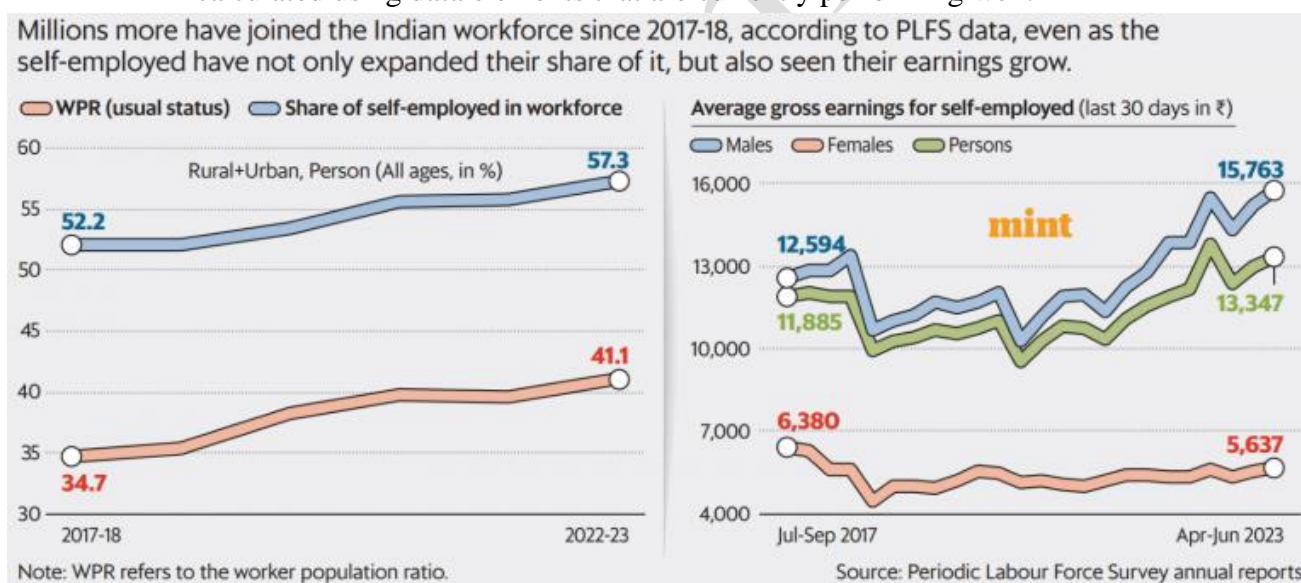
Argument Flaws:

1. Incomplete Indirect Assessment:

- The assessment of the informal sector's GDP contribution is not entirely indirect.
- Components like agriculture (constituting almost 40% of informal sector GVA) are directly estimated based on production.
- The construction sector, a significant informal component, is evaluated through the production of key inputs like cement and steel.
- Trade-related value-added growth is inferred from tax collection data, indicating a multifaceted assessment approach.

2. Positive Performance of Key Components:

- Components crucial to the informal sector, such as agriculture and construction, are calculated using data elements that are currently performing well.



Insights from PLFS Data on Informal Sector:

1. Rise in Worker Population Ratio (WPR):

- WPR for all ages (rural+urban) increased significantly from 34.7% to 41.1% between 2017-18 and 2022-23.
- The rise implies a substantial increase in the number of informal enterprises, contradicting claims of sector decline.

2. Increase in Share of Self-Employed:

- The share of self-employed individuals rose from 52.2% to 57.3%, further challenging the notion of a shrinking informal sector.

3. Growth in Gross Earnings:

- Average gross earnings for self-employed individuals exhibited a growth rate of

almost 6.5% per year post-July 2020.

- Stagnation during GST implementation and COVID-lockdowns was followed by a revival, attributed to momentum in financial inclusion and credit outreach for the informal sector.

Conclusion: Contrary to concerns about the informal sector's decline, insights from PLFS data indicate a rise in worker population, an increased share of self-employed individuals, and growth in earnings. These findings challenge the narrative of a shrinking informal sector, adding nuance to the ongoing discussions about GDP estimates and economic contributions.

UPSC Syllabus Topic : GS Paper 3- Indian Economy- Trade (patent issue)

Madras High Court's Key Decisions in Indian Pharmaceutical Patent Law: A Legal Milestone

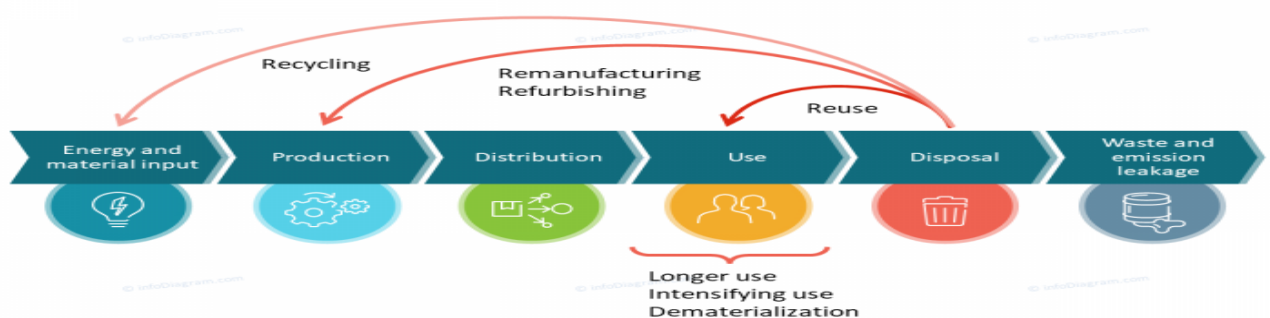
The Circular Economy Framework introduced by the Confederation of Indian Industry (CII) reflects a growing global awareness of the need for sustainable and responsible economic practices. The circular economy is an innovative approach that seeks to reshape traditional linear economic models by prioritizing the longevity and efficiency of resources.

Here are key aspects of the circular economy model:

1. **Sharing:** Encourages collaborative consumption and shared access to goods and services, reducing the overall demand for new production.
2. **Leasing:** Promotes the temporary use of products instead of ownership, allowing for efficient resource utilization and minimizing waste.
3. **Reusing:** Encourages the repeated use of products or components, either in their original form or after refurbishment, to extend their life cycle.
4. **Repairing:** Fosters a culture of repair rather than replacement, emphasizing the importance of fixing products to reduce the need for constant new purchases.
5. **Refurbishing:** Involves restoring products to a like-new condition, contributing to their extended life and reducing the environmental impact associated with manufacturing new items.
6. **Recycling:** Focuses on reclaiming materials from discarded products and integrating them back into the production process, reducing the demand for virgin resources.

By incorporating these principles, the circular economy aims to create a more sustainable and environmentally friendly system. It not only addresses resource depletion and waste but also promotes innovation in product design, manufacturing processes, and business models. The National Circular Economy Framework by CII serves as a roadmap to guide India's transition towards this more sustainable economic paradigm.

Circular Economy vs Linear Approach Diagram



Example of slide after redesign by InfoDiagram.com graphics

The adoption of a Circular Economy in India holds significant importance for various reasons:

1. **Mitigate Environmental Impacts:** As mentioned, the growth in manufacturing and consumption can lead to adverse environmental impacts. The circular economy helps mitigate these impacts by promoting practices such as recycling, reusing, and reducing waste generation.
2. **Offset Lack of Natural Resources:** Given India's limited land area and freshwater resources, a circular economy helps optimize resource use and reduce dependence on virgin materials. This is crucial for sustaining economic growth without overburdening natural resources.
3. **Tackle Poor Waste Management:** India faces challenges in waste management, especially in dealing with plastic waste. The circular economy provides solutions by emphasizing proper waste management practices, recycling, and reducing the overall generation of waste.
4. **Secure Green Investment:** Adopting circular economy principles can attract green investments. Investors are increasingly looking for sustainable practices, and businesses incorporating circularity in their operations are more likely to receive financial support.
5. **Reduce Compliance Costs in Exports:** Circular economy practices can help India reduce compliance costs in the face of mechanisms like the EU's Carbon Border Adjustment Mechanism. By adopting sustainable and resource-efficient practices, Indian businesses can align with global standards and avoid higher tariffs on carbon-intensive products.

The highlights of the National Circular Economy Framework (NCEF) include:

1. **Focus Areas:** The framework addresses key areas such as municipal solid and liquid waste, electronic waste, toxic and hazardous industrial waste, faecal sludge, plastics, and construction materials.
2. **Objectives:** The NCEF aims to reduce reliance on imported resources, decouple economic growth from resource consumption, reduce pollution, enhance resource security, improve competitiveness, and attract investment.
3. **Economic Growth and Job Creation:** CII estimates that by 2050, the circular economy sector in India could contribute \$2 trillion to the domestic economy and create close to 10 million additional jobs.

The way forward should involve:

1. **Collaboration between Companies:** Encourage collaboration across the value chain to exchange byproducts efficiently, promoting their use at different stages of production rather than discarding them as waste.
2. **Investing in Waste-Management Techniques:** Prioritize investments in waste-management techniques, including Extended Producer Responsibility (EPR), to ensure manufacturers are accountable for the entire lifecycle of their products, promoting responsible disposal and recycling practices.

By embracing these strategies, India can work towards a more sustainable and circular economic model, balancing economic growth with environmental responsibility.