



TOPIC - SME IPO - PAPER - III

What is SME IPO?

(Small and Medium Enterprises Initial Public Offering) allows small and mid-sized companies to raise capital by offering shares to the public, enabling investors to participate in their early growth stages.

What is its objective?

SME IPOs aim to provide small and medium enterprises with a platform to raise funding through the capital markets, facilitating their growth and development.

How does it function?

SME IPOs function by allowing SMEs to offer shares to the public, which investors can buy. Companies must meet specific criteria and comply with regulatory requirements, including filing offer documents and financial statements.

What are the recent regulations?

Recent regulations include limiting the stock price gain in the pre-open session on listing day to 90% to curb speculative activity and considering increasing the minimum subscription amount in SME IPOs to ₹5 lakh.

What is the significance?

SME IPOs are significant as they enable small and mid-sized companies to access capital for growth, contribute significantly to GDP and exports, and offer investors the opportunity for high returns by investing in early-stage companies.

1. With reference to the recent regulations on SME IPOs, consider the following statements:

1. The NSE has capped the stock price gain in the pre-open session on the listing day to 90%.
2. The minimum subscription amount for SME IPOs is proposed to be increased to ₹5 lakh to protect smaller investors.
3. The regulations apply only to the NSE Emerge platform and not to the BSE SME platform.

Select the correct statements using the code given below:

- a) 1 and 2 b) 2 and 3 c) 1 and 3 d) 1, 2, and 3

Answer: a) 1 and 2



2. Which recent regulation has the NSE implemented to curb speculative activity in SME IPOs?

- a) Limiting stock price gain in the pre-open session on listing day to 90%.
- b) Reducing the minimum subscription amount to ₹50,000.
- c) Increasing the minimum subscription amount to ₹10 lakh.
- d) Allowing only institutional investors to participate in SME IPOs.

Answer: a) Limiting stock price gain in the pre-open session on listing day to 90%.

3. What percentage of India's GDP is contributed by the SME sector?

- a) 20% b) 25% c) 30% d) 35%

Answer: c) 30%

FOR MAIN – TOPIC – JOB CREATION IN INDIA

Job Creation in India: A Comprehensive Analysis

As the Modi 3.0 government prepares for its first full-fledged Budget on July 23, the issue of job creation has become a focal point of intense debate. Economists are deeply divided over the interpretation of available data on employment, leading to varied conclusions about the effectiveness of the country's strategies to tackle unemployment. While some argue that India has made significant strides in job creation over the past decade, others contend that these numbers are misleading, primarily reflecting increased opportunities in agriculture rather than the creation of formal jobs with regular wages.

The Debate on Job Creation

Economists and policymakers use different data sources and methodologies to assess job creation in India, leading to divergent views. Some economists, citing government and Reserve Bank of India (RBI) data, argue that India has performed well in job creation over the last decade. They point to the rising employment numbers and increased participation in the workforce as indicators of progress.

According to the RBI, employment in the economy for the fiscal year ending March 31, 2024, rose by 46.7 million to a total of 643.3 million, up from 596.7 million a year ago. This significant increase is seen as a positive development, reflecting the government's efforts to boost employment.



Skepticism and Criticism

Despite these optimistic figures, critics remain skeptical. They argue that the official employment data largely reflects increased opportunities in low-productivity sectors such as agriculture, construction, and trade, rather than in formal, high-wage jobs.

The Issue of "Jobless Growth"

The term "jobless growth" has been frequently used to describe India's economic trajectory. This phrase implies that while the economy is growing, this growth is not translating into adequate job creation. Critics argue that the growth in employment figures is not reflective of the quality of jobs being created. They highlight the discrepancy between the rising employment numbers and the stagnation in the creation of formal, high-quality jobs.

Government Data vs. Private Estimates

The debate is further complicated by the differences between government data and private agency estimates. While the government and RBI data suggest significant job creation, private agencies often present a more pessimistic picture. For example, a Citibank report indicated that only 8.8 million jobs were added each year since 2012, contrasting sharply with the Labour Department's figures, which showed 20 million new employment opportunities generated each year since 2017/18. This stark difference in estimates underscores the challenges in accurately assessing job creation in India.

The Quality of Jobs

One of the critical issues in the job creation debate is the quality of jobs being generated. While employment numbers have increased, many of these jobs are in low-productivity sectors that do not offer regular wages or job security. The lack of good-quality data on job quality prior to 2016-17 makes it challenging to assess the long-term trends and impacts accurately. Nonetheless, there is a consensus that there is a need for better policies focusing on education and skill development to enable people to move into higher-productivity, formal jobs.

Government Policies and Future Prospects

The government has implemented various policies aimed at boosting job creation and improving employment quality. These include initiatives to enhance skill development, promote entrepreneurship, and support sectors with high employment potential. The effectiveness of these policies is crucial for addressing the employment challenges and ensuring sustainable economic growth.

The future prospects for job creation in India depend on several factors, including economic growth, policy effectiveness, and structural changes in the economy. The shift towards a more digital and technology-driven economy offers new opportunities for job creation in high-productivity sectors. However, this shift also requires significant investments in education and training to equip the workforce with the necessary skills.



Conclusion

The debate on job creation in India highlights the complexities and challenges in assessing employment trends and the effectiveness of policies. While there has been significant progress in increasing employment numbers, the quality and sustainability of the jobs created remain critical issues. Addressing these challenges requires a multifaceted approach, including improving data quality, enhancing skill development, and implementing effective policies to promote formal, high-wage job creation.

As the Modi 3.0 government prepares for its Budget, the focus on job creation will continue to be a critical area of discussion and analysis. Ensuring that economic growth translates into meaningful employment opportunities for all segments of the population is essential for achieving sustainable and inclusive development.

MODEL QUESTION FOR MAIN EXAM

1. Discuss the divergent views on job creation in India and analyze the factors contributing to the debate. (250 words / 15 marks)
2. Evaluate the role of government policies in addressing the challenges of job creation in India, considering the impact on employment quality and future prospects. (250 words / 15 marks)

ANSWERS

Question 1:

Discuss the divergent views on job creation in India and analyze the factors contributing to the debate.

Introduction : The debate surrounding job creation in India is multifaceted, with economists and policymakers offering contrasting perspectives based on different data sources and methodologies.

On one hand, proponents of India's job creation success cite government and RBI data showing a significant rise in employment numbers, reaching 643.3 million by March 2024. This increase is often seen as a positive outcome of government efforts to boost sectors like agriculture, construction, and trade.

Core : The critics argue that these gains primarily reflect growth in low-productivity sectors, raising concerns about the quality and sustainability of these jobs. They use terms like "jobless



growth" to describe the situation where economic expansion fails to translate into adequate formal job opportunities with stable wages.

Key factors contributing to the debate include the quality of available data and its interpretation. While government statistics indicate robust job growth, private estimates, such as those from Citibank, suggest a more tempered view, highlighting discrepancies in annual job additions. These discrepancies underscore challenges in accurately assessing employment trends and the effectiveness of policies aimed at job creation.

Moreover, the quality of jobs created is a significant concern. Many newly generated jobs lack regular wages and job security, posing challenges to sustainable economic development. Addressing these issues requires policies focused on enhancing education, skill development, and promoting sectors with high potential for employment growth in formal, high-wage positions.

Conclusion : Ultimately, resolving the debate on job creation necessitates a nuanced understanding of economic data, coupled with targeted policy interventions to ensure inclusive and sustainable development across India's diverse economic landscape.

Question 2:

Evaluate the role of government policies in addressing the challenges of job creation in India, considering the impact on employment quality and future prospects.

Introduction : Government policies play a pivotal role in shaping India's job creation landscape, influencing both employment quantity and quality. Over the years, the government has implemented various initiatives aimed at enhancing skill development, promoting entrepreneurship, and supporting sectors with high employment potential. These efforts are crucial in addressing the challenge of "jobless growth," where economic expansion does not translate into sufficient formal job opportunities.

Core : Policies focusing on skill development are particularly significant, aiming to equip the workforce with the capabilities needed for high-productivity sectors in a digital and technology-driven economy. By investing in education and training, the government seeks to bridge the gap between available skills and market demands, thereby fostering sustainable employment growth.

However, the effectiveness of these policies remains a subject of debate. Critics argue that while policies may boost overall employment numbers, they often fail to create enough formal, high-wage jobs with adequate benefits and job security. This disparity underscores the need for policy reforms that prioritize job quality alongside quantity.

Looking ahead, future prospects for job creation in India hinge on several factors, including continued economic growth, policy effectiveness, and structural reforms. The shift towards digitalization presents new opportunities in sectors such as IT, e-commerce, and advanced manufacturing, which require skilled labor.



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To leverage these opportunities effectively, policymakers must ensure that educational curricula align with industry needs and that supportive frameworks are in place for entrepreneurial ventures.

Conclusion : While government policies have made strides in addressing employment challenges, sustained efforts are needed to ensure that economic growth translates into meaningful and sustainable job opportunities for all segments of the population. This approach is crucial for achieving inclusive development and reducing disparities in India's diverse employment landscape.



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