125

VISION IAS

www.visionias.in

GENERAL STUDIES (TEST CODE : 1234)

Name of Candidate	APRAJIT		
Medium Eng./Hindi	English	Registration Number	149136
Center	Delhi	Date	2/08/2019

INDEX TABLE

Q. No.	Maximum Marks	Marks Obtained
1	10	
2	10	
3	10	
4	10	
5	10	
6	10	
7	10	
8	10	
9	10	
10	10	
11	15	
12	15	
13	15	
14	15	
15	15	
16	15	
17	15	
18	15	
19	15	
20	15	

Total Marks Obtained:

Remarks:

INSTRUCTIONS

1. Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code).
   उत्तर पुस्तिका में सूचनाएं भरना आवश्यक है (नाम, प्रश्न-पत्र कोड, विद्यार्थी क्रमांक आदि)।
2. There are **TWENTY** questions printed in **ENGLISH & HINDI**
   इसमें बीस प्रश्न हैं अंग्रेजी और हिन्दी में छपे हैं।
3. **All questions are compulsory.**
   सभी प्रश्न अनिवार्य हैं।
4. The number of marks carried by a question/part is indicated against it.
   प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
5. Answers must be written in the medium authorized in the Admission Certificate, which must be stated clearly on the cover of this Question-Cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in medium other that the authorized one.
   प्रश्नों के उत्तर उसी माध्यम में लिखे जाने चाहिए जिसका उल्लेख आपके प्रवेश पत्र में किया गया है और उस माध्यम का स्पष्ट उल्लेख प्रश्न-सह-उत्तर (क्यूसीए) पुस्तिका के मुख्य पृष्ठ पर अंकित निर्दिष्ट स्थान पर किया जाना चाहिए। उल्लिखित माध्यम के अतिरिक्त अन्य किसी माध्यम में लिए गए उत्तर पर कोई अंक नहीं मिलेंगे।
6. Word limit in questions, if specified, should be adhered to.
   प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुसरण किया जाना चाहिए।
7. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.
   उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

16-B, 2nd Floor, Above National Trust Building, Bada Bazar Marg, Old Rajinder Nagar, Delhi-110060

Plot No. 857, 1st Floor, Banda Bahadur Marg (Opp Punjab & Sindh Bank), Dr. Mukherjee Nagar Delhi- 110009

EVALUATION INDICATORS

1. Contextual Competence
2. Content Competence
3. Language Competence
4. Introduction Competence
5. Structure - Presentation Competence
6. Conclusion Competence

Overall Macro Comments / feedback / suggestions on Answer Booklet:

1.

2.

3.

4.

5.

6.

All the Best

1. Explaining the reasons behind India's lower female labour force participation rates (LFPR), list the steps that have been taken to augment it. What more needs to be done? **(150 Words) 10**

भारत की निम्न महिला श्रमबल भागीदारी दर (LFPR) के पीछे उत्तरदायी कारणों को स्पष्ट करते हुए, इसे बढ़ाने हेतु उठाए गए कदमों को सूचीबद्ध कीजिए। साथ ही, बताइए कि इस दिशा में और क्या किए जाने की आवश्यकता है?

The Periodic Labor Force Participation Survey (1st in 2019) by NSSO has stated that India's female labor force participation has been at historic low (~24%).

Reasons for low LFPR :-

① Increase in household income
↳ as the income increased, women were pushed back to the household as their labor was needed only to supplement the low income

②

③ Issues of security and safety at the workplace or on the way to work in general. Eg. women are usually forced to work nearby / face sexual harassment.

(4) Glass Ceiling effect

(5) Higher participation in Higher education

(6) Increased education / skills leads to more expectations and leads to voluntary unemployment

Steps that have been taken:

(1) Women in STEM programme, KIRAN

(2) Legal → Sexual Harassment at Workplace Act
→ Maternity Benefit Act (2016)

(3) Promoting Women SHGs / Cooperatives
→ Eg. GeM, PSUs mandated to buy from them.

Following can be done to enhance LFPR further:

(1) Implementation of laws strictly.

(2) Change in Societal Mindset where women are not considered as "sexual labor" (Kat Millet)

Don't write anything this margin
(इस भाग में कुछ ना लिखें)

2. Parliamentary scrutiny over public finance is an important aspect of governmental accountability. In this context, discuss the role, importance and challenges in establishing a Parliamentary Budget Office (PBO) for effective oversight of budgetary process. **(150 words) 10**

लोक वित्त की संसदीय संवीक्षा सरकारी जवाबदेही का एक महत्वपूर्ण पहलू है। इस संदर्भ में, बजटीय प्रक्रिया की प्रभावी निगरानी हेतु संसदीय बजट कार्यालय (पार्लियामेंट्री बजट ऑफिस: PBO) की भूमिका, महत्व और उसकी स्थापना में आने वाली चुनौतियों पर चर्चा कीजिए।

Article 266 of the Indian constitution mandates that Parliament is the sole custodian of Consolidated Fund of India. This way the legislature can hold the executive accountable over public finances.

However, various issues have emerged in this mechanism such as - executive becoming all powerful / master of legislature post 10th Schedule (Anti-defection), etc.

Thus, experts have proposed Parliamentary Budget Office which has following advantages:

① Inclusion of Experts in BPO
② Technicalities of budget can be discussed more deeply
③ Laymen in Parliament can be guided and made aware of budget provisions and can take well informed decision
④ Opposition - "vital for vibrant democracy" (Nehru) - will get a chance to express itself more thoroughly.

However, following points need to be pondered upon before constituting BPO :
① It should be an independent and autonomous body out of 10th schedule.
② Should not overlap with duties of Parliamentary committees.
③ Efficient functioning and structure so that it does not become just another useless layer.

Don't write anything this margin (इस भाग में कुछ ना लिखें)

3. Highlight the various challenges faced by MSMEs in accessing credit. Also, mention some of the recent steps taken by the government and RBI to address this issue. **(150 words) 10**

ऋण तक पहुँच स्थापित करने में MSMEs द्वारा सामना की जाने वाली विभिन्न चुनौतियों पर प्रकाश डालिए। साथ ही, इस समस्या का समाधान करने के लिए सरकार और RBI द्वारा हाल ही में उठाए गए कुछ कदमों का उल्लेख कीजिए।

MSMEs contribute to about 38% of our GDP, 43% to manufacturing and 40% to exports employing more than 25% of our workforce.

However it faces following challenges in accessing credit:

① Unorganised accounting → no book maintenance

② Risky businesses
→ not enjoying economies of scale

③ Credential of management
→ not very high as most of them do not have any collateral or a high working experience.

To solve the issue, government and RBI have taken following steps:

① RBI's TReDS platform, SAMBANDH

② 59 minute loan portal
↳ upto 10 lakhs loan online.

③ MUDRA Yojana, interest subvention

④ MSME Fund in ~~NABARD~~ SIDBI
↳ worth 2000 crore rupees

⑤ Tax exemptions / Rationalisation
↳ Eg. Composition Scheme in GST

⑥ Priority Sector lending

→ MSMEs form the backbone of inclusive growth and thus, their dilapidated conditions need to be revived as soon as possible by affirmative actions.

Don't write anything this margin (इस भाग में कुछ ना लिखें)

4. By rebalancing project risks between the public and private sectors, the HAM model has encouraged investments in the road infrastructure sector. Discuss. **(150 words) 10**

सार्वजनिक और निजी क्षेत्रकों के मध्य परियोजना जोखिमों को पुनर्संतुलित कर, HAM मॉडल ने सड़क अवसंरचना क्षेत्रक में निवेश को प्रोत्साहित किया है। चर्चा कीजिए।

Since the pockets of government are not infinite, it promoted the PPP model post 1991 liberalisation and privatisation reforms. However, the model was packed with issues which led to the adoption of HAM model.

HAM (Hybrid Annuity) Model is the one in which the government pays 40% of the project cost upfront while the private player pays remaining 60%. which can be returned to him annually in some fixed amounts as per the progress.

Thus, it has solved the issues by

redistributing the risks such as:

① Government becomes a partner in profit or loss. Thus, the environmental clearance / land acquisition risks are with the government (which was all with the private player in PPP).

② Also, the private party pays only 60% of the cost which is also not risky RoI as government pays it rather than depending on performance of the project (eg. in BOT model).

Thus, HAM has given boost to road infrastructure projects - both brownfield / greenfield - eg. the Bharatmala, PM gram Sadak Yojana, green Highways, etc - all of which are being funded by HAM.

5. In view of the growing significance of FinTech innovations, discuss the potential and challenges of mainstreaming FinTech in Indian economy.

(150 words) 10

फिनटेक (FinTech) नवाचारों के बढ़ते महत्व को देखते हुए, भारतीय अर्थव्यवस्था में फिनटेक को मुख्यधारा में लाने की संभावनाओं और चुनौतियों पर चर्चा कीजिए।

FinTech or Financial Technology has become the major discussing point eg. in the Bali FinTech Agenda (2018) due to its significance ~~for~~ Indian economy :-

① Backbone of Industrial Revolution 4.0
↳ IoT, Blockchain, AI → all need FinTech innovations.

② Financial inclusion → inclusive growth

③ decreased transaction cost → increased ease of doing business.

④ Transparency : by the public ledger of Crypto currencies, etc

⑤ Transformation to organised sector from unorganised (currently 92%) becomes easier.

(6) Efficiency of DBT (Direct Benefit Transfer), achievement of Digital India programme, etc will be possible.

(7) India's expertise in software can be the boost for it.

However, various challenges are also present in mainstreaming ~~IT~~ Fin Tech:

(1) Financial and digital literacy very low

(2) Skills (IMF's 'Prepared Talent' Index - India's rank is 113/130 with only 4.5% skilled workforce): would not be able to sustain Fin Tech's rapid innovation

(3) Increasing inequality even more → a divide between haves - have nots

6. With India striving to achieve its development objectives, examine how blue economy can help in pursuing the objectives of economic development and ecological sustainability. **(150 words) 10**

भारत द्वारा अपने विकास उद्देश्यों को प्राप्त करने के प्रयास में, परीक्षण कीजिए कि किस प्रकार नीली अर्थव्यवस्था आर्थिक विकास और पारिस्थितिकीय संधारणीयता के उद्देश्यों को प्राप्त करने में सहायता कर सकती है।

Blue economy can be defined as the "sustainable use of marine / water resources such as (but not limited to) the energy of oceans, fisheries, metals of ocean crust, etc". (UNCLOS)

It can be essential part for the India's development journey in following ways :-

(1) Economic Development

→ India is 2nd largest producer of fisheries.

→ It goal of "doubling incomes of fishermen" and "tripling the export" of the value added agri products by 2022 can be achieved.

→ Poly metallic nodules : increased manufacturing industry

→ Energy security

→ reduced dependence on oil/gas imports from west asia

→ "a 10% of energy in India's EEZ is sufficient for 100 years power supply" (PM Modi)

② Ecological sustainability

→ Port led development - "Sagarmala" can lead to a balance between sustainable use of environment as well as increase the ease of doing business.

→ ban on trawler / exploitative fishing

→ Maintenance of mangroves / coral reefs by making a symbiotic relationship with them.

7. Despite many advantages associated with Electric Vehicles, there are many technical and commercial challenges for mainstreaming them. Discuss.

(150 words) 10

इलेक्ट्रिक वाहनों से संबद्ध कई लाभों बावजूद, उन्हें मुख्यधारा में लाने के मार्ग में कई तकनीकी और व्यावसायिक चुनौतियाँ हैं। चर्चा कीजिए।

Electric Vehicles have become the talk of the town specially after the huge budget push in 2018-19 for them.

They have following advantages:

① Environmental friendly → vehicular emission will reduce which will help the government to control air polution and achieve the Paris Agreements INDC.

② Employment → with a well developed automobile industry, a lead in EV manufacturing can result in huge opportunities for employment, becoming a global exporter, reap the benefits of the demographic dividend by infusing of higher skills.

(3) Translate to a innovation based - knowledge economy.

(4) Energy security of India will be enhanced → decreased oil/gas dependence

However, there are some challenges as well:

(1) Charging infrastructure
→ needs huge investment and can come from government only initially.

(2) Raw material → the Lithium batteries are imported as India has no source of Lit.

(3) Reluctance of automobile industry → it is already under stress due to low sales.

(4) Lack of skills → the human resource is not ready/skilled enough for such innovations

(5) Head start to the Europe/USA.

8. A rapidly changing economic structure and demography require a comprehensive employment policy to address the multitude of challenges that might arise in future. Discuss in the context of India. **(150 words) 10**

तेजी से बदलती आर्थिक संरचना और जनसांख्यिकी को भविष्य में व्युत्पन्न हो सकने वाली अनेक चुनौतियों से निपटने के लिए एक व्यापक रोजगार नीति की आवश्यकता है। भारत के संदर्भ में चर्चा कीजिए।

Periodic Labor Force Survey by NSSO (2019) has shown unemployment rising to 6.1% - an unprecendented level since last 40 years.

This has necessitated to formulate a Comprehensive economic policy becauses:-

① Chaning economic structure has throw challenges such as

- Industrial revolution 4.0 threatening the jobs of low skilled
- A move from informal to formal needs more skills and education.
- Higher incomes of the households have

led to demand of higher wage jobs while the jobs are being created only in the construction sector. This leads to voluntary unemployment due to mismatch of supply and demand.

② Changing demography → with more than 14 states reaching the total fertility rate of less than 2.1, India have a small window (upto 2045) to reap the benefits. Moreover, the distribution of youth/workforce between North-South states create a new challenge to balance it via internal migration.

Thus, after failure of various policies in increasing the job prospects, only a holistic employment policy can transform this "jobless growth"

9. Examine the need for a comprehensive policy on e-commerce in view of its domestic expansion as well as safeguarding India's interests globally.

(150 words) 10

ई-कॉमर्स पर एक व्यापक नीति की आवश्यकता का इसके घरेलू विस्तार के साथ-साथ वैश्विक स्तर पर भारत के हितों की सुरक्षा को देखते हुए परीक्षण कीजिए।

e-Commerce has been expected to grow to about 200 Billion USD sector by 2020. Its rapid expansion has pushed for the need of a comprehensive policy while other factors include:

① Data Colonisation → with the western world MNCs engaging in huge mining of data while earning huge profits and exploiting the powerless citizens.

② Data Privacy → the Cambridge Analytica scandal shows that how big a blow can be received if the financial data of the users is undermined. This could lead to huge safety and security issues for the state itself with rising financial crimes / cyber-security threats

③ USA / European Union pushing for the e-commerce policy at WTO undermine India's interests globally.

④ Grievance Redressal Mechanism for the users that should be quick and dependable.

⑤ The policy is also necessary to save the smaller retailers who do not have deep pockets to give steep discounts but have huge employed workforce.

Thus, the draft e-Commerce (2019) policy must be finalised at the earliest now.

10. Discuss the need for deepening bond markets for Indian economy. Also, identify the reasons behind weak development of bond market in India.

(150 words) 10

भारतीय अर्थव्यवस्था के लिए बॉण्ड बाजारों को व्यापक बनाने की आवश्यकता पर चर्चा कीजिए। साथ ही, भारत में बॉण्ड बाजार के अल्प विकसित होने के कारणों की पहचान कीजिए।

Bond Markets / Capital markets usually engage in long term loans / financing services at the market determined interest rates. Thus, there is huge need for deepening bonds markets in India because:

(1) Banks overdependence must be reduced
- they are already in bad condition
- cushioning effect can be provided by Bond market

(2) Huge investment requirement of the economy. Eg. Economic Survey (2019) stating the required ~~number~~ amount

for infrastructure annually to be at 200 Billion USD.

↳ This huge amount is impossible to be genrated from just one source

(3) ↳ moreover, the loans are needed for long term and at cheaper interest for which bond market is best.

(4) Can increase FDI/FPI → forex

(★) Reasons behind weak development of bond markets:

(1) Low awareness about it and lack of confidence in citizens for corporated
↳ stigmatized capitalism

(2) Low push from the government policies.

(3) Corporate have also become wary as the last few bond issuance were under subscribed.

11. In the context of IL&FS crisis, explain the risks that the economy faces due to laxity in the regulation of the Non Banking Financial Companies (NBFCs).

(250 words) 15

IL&FS संकट के संदर्भ में, गैर-बैंकिंग वित्तीय कंपनियों (NBFCs) के विनियमन में शिथिलता के कारण अर्थव्यवस्था के समक्ष आने वाले जोखिमों की व्याख्या कीजिए।

IL&FS is the "systematically important NBFC" for Indian economy and its recent crisis was called as the "Lehmann Brothers moment" for India.

It had "ripple effect" over whole economy with liquidity crunch, increased outflow of credit from mutual funds and even the capital market (FPIs) as well as a big blow was possible to the Banks and other investors.

NBFCs can be defined as the companies registered under the Companies Act, 1956 and are engaged in businesses of loans and advances, investment, etc. but not in sale/purchase of goods, agriculture or industrial activity."

They have become a crucial part of Indian economy by providing a "cushioning effect" to flow of credit when the Banks are ridden with NPAs (15%).

However, NBFCs' laxity in regulation was also visible in the crisis:

1. Under reporting
   ↳ The control of regulatory bodies was found to weak as balance books were not monitored.
2. Auditing and Credit Rating Agencies
   ↳ none pointed out the deteriorating condition of IL&FS
3. Unethical Corporate governance → huge

paychecks were given to management even when the company was making losses.

(4) Asset Liability Mismatch → short term credit but give long term debt

(5) Overlapping regulatory jurisdiction

↳ not just by RBI but various other bodies such as SEBI, NHB, IRDA, etc are involved in regulating NBFCs

↳ "Everyone's responsibility is no one's responsibility".

→ An overhaul of the regulatory structure with stricter implementation of existing rules such as for Auditors (by NFRA) and SEBI's Credit Rating Agency Rules, etc. is the need of the hour to prevent any further shocks.

12. What do you understand by Universal Basic Income (UBI)? Discuss the advantages that it presents over the existing social protection schemes in India. Also, identify the criticism associated with the idea of UBI for a country like India. **(250 words) 15**

सार्वभौमिक मूलभूत आय (यूनिवर्सल बेसिक इनकम: UBI) से आप क्या समझते हैं? भारत में वर्तमान सामाजिक सुरक्षा योजनाओं की तुलना में इसके द्वारा प्रस्तुत किए जाने वाले लाभों की विवेचना कीजिए। साथ ही, भारत जैसे एक देश के लिए UBI के विचार से संबद्ध आलोचना की पहचान कीजिए।

Universal Basic Income can be defined as the 'basic' income that will be given to all individuals without any discrimination on the basis of caste, sex, age, place of birth, religion, ~~etc.~~ economic status, etc. However the 'basic's definition is a widely contested concept.

Advantages of UBI :-

(1) Inclusive growth → will be able to provide a basic life of dignity for all.

(2) No exclusion errors → such as in the

current subsidy programmes of PDS, MSP, etc. which are cornered by the rich.

③ Decreased human interference → no corruption / red tapism by bureaucrats

④ "Welfare state" → basic structure of the Indian Constitution.

⑤ Right of individual

↳ "untied funds" will give individual the liberty to spend the money when she wants to.

⑥ Insurance against emergency situations as it will act as "cushioning effect"

However there are various criticism associated with UBI also:—

① Regressive: given to those who do not

ever need it. This leads to wastage of resources → bad governance → Fiscal deficit

② Issues in DBT
↳ authentication / connectivity problems
↳ wrong transfers (eg. MGNREGA 38% funds in Jharkhand).

③
↳ Banks / Financial inclusion → still not 100% and even when it reaches, there is no doorstep service possible.

④ Patriarchal society → men can overpower women/children to fulfill his wasteful expenses. ⑤ No motivation to work
↳ 'free money'

Despite of criticism, the concept of UBI must be widely discussed to transform it into a viable option such as the "Minimum Basic Income" (proposed by Arvind Subramaniam)

13. Critically examine the practice of resorting to farm loan waivers as a means to alleviate agricultural distress. **(250 words) 15**

कृषि संकट को कम करने के एक साधन के रूप में कृषि ऋण माफी का सहारा लेने की प्रथा का समालोचनात्मक परीक्षण कीजिए।

Farm loans waivers can be defined as the practice of the government overtaking the debt of farmers in the situation of agricultural distress.

The practice has following advantages :-

① Decreased burden on farmers

- already in huge debt
- growth of agriculture is slowest of all sectors in economy
- land fragmentation (Agriculture Census 2015-2016) has added to the issue of lower production/productivity.

② NPAs of Banks
↳ Currently, Rs. 60000 crores from the ~~banks~~ agriculture can be cleared off in one go.

③ Increased rural consumption
↳ boost to rural economy and starting of the virtuous cycle of consumption-investment.

④ Various tax exemptions / waivers given to huge industrialists as well so why not to the farmers.

However, farm loans waiver have faced huge criticism:

① Populist measure

② Short term effect - long term issues

(3) Moral Hazard → The farmers in future do not pay in anticipation of waiver even they have the capacity to do so.

(4) Decrease in Bank's willingness to lend

(5) Increased Fiscal deficit, decrease macro-economic stability

(6) Benefits only the rich farmers as the small/marginal get loans from money lenders.

⇒ Economists such as Nachiket Mor have suggested to ban loan waivers and rather increase the priority sector lending. Agriculturalist leaders such as Yogendra Yadav and MS Swaminathan too vouch for the overhauling reforms – efficient usage of subsidies, increased MSP, procurement, etc. rather than giving a "dole instead of holding the hand"

14. Highlight the factors responsible for rise in the number of start-ups in India in recent years. Analyzing the challenges in the existing start-up ecosystem, suggest some measures to resolve them. **(250 words) 15**

विगत वर्षों में भारत में स्टार्ट-अप की संख्या में वृद्धि के लिए उत्तरदायी कारकों पर प्रकाश डालिए। वर्तमान स्टार्ट-अप पारितंत्र की चुनौतियों का विश्लेषण करते हुए, उनका समाधान करने हेतु कुछ उपायों का सुझाव दीजिए।

DIPP has defined Start Ups as "the companies engaged in innovative works of production/ providing of services and are not more than 10 years old with annual turnover of less than 50 crores Rupees".

In the recent times there has been an exponential rise of the no. of start ups in India due to following reasons:

1. Higher education → combined with the creative determination of innovators and increased aspiration of youth.
2. Digital world → new avenues; globalisation has opened new doors to prosperity.

③ Tremendous push from the government
↳ Eg. Start Up India, Hackathons,
tax holidays, credit, etc.

④ From employment seekers to job creators

However, they have also faced following
Challenges:
① CII: only "1 out of 100000" start
ups can sustain over a period of 3
years and only "1 in a million" have
become successful.

② Implementation of programmes
↳ bottlenecks due to policy uncertainity eg. the issue of "Angel Tax"
↳ bureaucratic hurdles / red tapism

(3) Lack of funding facilities
(4) Competition from deep pocketed MNCs
(5) Lack of technical/incubation facilities which can provide a complete ecosystem.

→ Following measures can be taken:

(1) Increased academia - Start Up - Corporate linkage programme/conferences where NITI Aayog can play huge role.

(2) Implementation of the programmes such as Start Up India, Stand Up India on ground efficiently is the key as these are holistic in their approach and have capability to transform the start-up ecosystem.

(3) Collaboration with international partners → Eg. India-Netherland (INDUS) for technology transfer, funding, etc

15. Discuss the idea of participatory budgeting and its significance for India. Also, identify the challenges in mainstreaming participatory budgeting in India. **(250 words) 15**

पार्टिसिपेटरी बजटिंग के विचार और भारत के लिए इसके महत्व की विवेचना कीजिए। साथ ही, भारत में पार्टिसिपेटरी बजटिंग को मुख्यधारा में लाने के समक्ष आने वाली चुनौतियों की पहचान कीजिए।

Participatory budgeting is the "bottom up approach" (as opposed to the traditional top down approach) in which the "annual financial statement" (Article 112) is prepared by thorough discussions, deliberation and participation of the citizens.

Its significance for India is as:

1. Participatory democracy → accountability
2. Increased active and well informed citizenry
   ↳ deepening of democracy as well

well as widening of democracy by inclusion of ideas / demands / needs of all the stakeholders.

(3) A balanced budget : "piece meal approach" would be possible by following the principle of subsidiarity.

→ The war of Bharat (Rural India) vs the new India (Urban) can be resolved

→ increased cooperative federalism

(4) Decreased inequality by inclusive growth

→ increased human capital

(5) Growth and development for all sectors will be evenly distributed — regionally (eg. North East) as well as economically (eg. Agriculture).

However, various challenges are faced in it :

① Active citizen participation is needed
↳ citizen are either not interested or not aware/illiterate or too much occupied with personal lives.

② Too big geographically
↳ eg. possible in Switzerland, not India

③ Too vast diversity
↳ eg. might lead to communal tensions and blame) the state to be biased.

④ Satisfaction of all is not possible

⑤ Time constraints make it possible for only the expert views be taken into account for various sectors

A balance between the two approaches ~~the~~ is the need of the hour.

Don't write anything this margin (इस भाग में कुछ ना लिखें)

16. Can the consolidation of banks help in stemming the existing problems in the banking sector? Discuss. (250 words) 15

क्या बैंकों का समेकन बैंकिंग क्षेत्रक में वर्तमान समस्याओं से निपटने में सहायता कर सकता है? चर्चा कीजिए।

Banks form the backbone for any economy. They are "engines of growth" by extending the virtuous cycle of investment savings - growth - productivity - employment - increased income, etc

However, Indian banks have faced challenges such as:

1. Inability to achieve the Basel Norms due to rising NPAs (about 15% in 2018)
2. Corporate governance has degraded : led to corporate - banking nexus and thus huge corruption. eg. PNB scandal
3. Too weak to take risks

(4) High / waste manpower while low on technology → wasteful expenditure.
↳ overtly opening of bank branches leading to higher costs.

(5) Regulatory issues
↳ RBI unable to monitor all of them specially PSBs → too many in number.

⇒ To solve these issues, government has undertaken Bank Consolidation (on the recommendations of Narsimhan Committee II).

Through this,

(1) Overall heath of banks will increase.

(2) Technology can be transferred and utilised more efficiently while the manpower can be trained or off loaded in long term.

(3) PSBs will not eat into each other's business

Don't write anything this margin (इस भाग में कुछ ना लिखें)

(4) Branches can be consolidated to decrease the capital expenditure.

(5) Ability to decrease NPAs, take bigger risks, handle bigger losses will increase

E. recent amalgamation of Bank of Baroda with Dena and Vijaya Bank will lead to fulfillment of CRAR ratios as well as increased geographical reach.

⇒ Thus, consolidation is the good way to achieve the goal of 3-4 global banks in India but it is not the pannacea that can solve all the problems.

It has to be undertaken mindfully considering that weak - strong are not merged in such a way that overall strength is decreased or the financial inclusion is impacted. RBI's leading role would be necessary.

17. There is a high cost of compliance as well as complexities associated with existing labour laws at centre and state levels. Discuss. What steps have recently been taken by the central government to address these challenges? **(250 words) 15**

केंद्र और राज्य स्तरों पर वर्तमान श्रम कानूनों के साथ अनुपालन की उच्च लागत के साथ-साथ जटिलताएँ भी जुड़ी हुई हैं। चर्चा कीजिए। इन चुनौतियों से निपटने के लिए केंद्र सरकार द्वारा हाल में क्या कदम उठाए गए हैं?

Labor laws form a crucial determinant for investors/industrialists and thus determine the growth of the nation as a whole.

Labor laws of India are blamed to be the major reason for its "premature deindustrialisation" by Economic Survey (2019). They are heavily tilted towards the protection of labour rights, show an outdated view of Indian economy and impose huge cost of compliance such as

① Rigidity → still works on the acts that are more than 50 years old. Eg. Industrial Disputes (1948).

② Complexity

→ Labor is a concurrent subject

→ More than 200 laws at both center and state are present.

→ Eg. Minimum Wages Acts of center and state have 700+ and 1300+ provisions as per various sectors

③ Laws such as Trade Union Act, etc. provide a "perverse incentive" for the small to stay small and unorganised to never become organised.

→ Eg. to lay off a worker, permission has to be taken from the state govt.

Steps that have been take :

(1) 4 Code Bills → on wages, health and ocupation conditions, employment, etc. are proposed by center to consolidate the labor laws

(2) Boost to Fixed Term Employment/ Contractual Employment by opening it to all sectors in 2018 Rules.

(3) "Hire and Fire at will" policy relaxed. Eg. now permission to fire a worker or close the operations is to be taken only if the number of worker are more than 300.

The steps taken have been in a right direction but a tight rope walk must be managed by government to maintain rights of labor as well as of the industrialists.

Don't write anything this margin
(इस भाग में कुछ ना लिखें)

18. Why have Special Economic Zones (SEZs) in India not been able to achieve the desired objectives? In this context, suggest some measures to revive SEZs in India. **(250 words) 15**

भारत में विशेष आर्थिक क्षेत्र (SEZs) वांछित उद्देश्यों को प्राप्त करने में सक्षम क्यों नहीं हो पाए हैं? इस संदर्भ में, भारत में SEZs को पुनर्जीवित करने के लिए कुछ उपायों का सुझाव दीजिए।

SEZs can be defined as "the region within the territory of a country but the laws, rules and regulations are different for it in order to provide a favorable ecosystem to grow rapidly." (SEZ Act, 2000)

However, SEZs have not been able to achieve the desired objective as can be seen by the CAG Report (2016) who highlighted huge gap between achievements and expectation (to be more than 90% gap).

This is due to following reasons:-

① Do not enjoy economies of scale: 450+

in India, only 10 in China. But the size of China's SEZ is more than 100 times.

(2) Outside / Peripheral Infrastructure

↳ connectivity to major ports / airports is in dilapidated condition

(3) Unutilised land → as highlighted by the Economic Survey (2017-18).

(4) Policy uncertainty → Eg. the taxes / labour laws prevail in SEZs

(5) Too much focussed on services : not evenly distributed for manufacturing.

(6) Too many models → Eg. Coastal Economic Zones, Mega Food Parks, etc

(7) Unfavorable domestic sales → Eg. they face custom duties when sold in India.

(8) Under too many ministries / dept : overlapping

Baba Kalyani Committee recommendations should be the way forward :-

① Efficient Utilisation of land / resources is must which must be complemented by tax holidays / exemptions.

② Inter - ministerial / department coordination must be improved by setting up an authority specifically for SEZ with members from all departments, headed by the Chief Secretary.

③ Government support is declining and this must be revived.

④ Huge investments of infrastructure to enhance Ease of doing Business and decreasing the cost of logistics (from 14% to 10% by 2022)

19. Why has the contribution of manufacturing sector, as a percentage of the GDP, remained stagnant in the recent years? In this context, analyse the achievements of National Manufacturing Policy, 2011 with regards to its intended objectives. **(250 words) 15**

विगत वर्षों में GDP के प्रतिशत के रूप में विनिर्माण क्षेत्रक का योगदान स्थिर क्यों रहा है? इस संदर्भ में, अपने लक्षित उद्देश्यों के संबंध में राष्ट्रीय विनिर्माण नीति, 2011 की उपलब्धियों का विश्लेषण कीजिए।

Manufacturing sector of India has "prematurely deindustrialised" as mentioned by the Economic Survey (2017-18). It contributes only about 18% to the GDP (constant over the years)

It has faced following challenges:

(1) Twin Balance Sheet problem
→ Banks have become wary of lending as balance sheets of industries have worsened.

(2) Declining domestic demand / Consumption
→ demand have moved to services as the income of citizens have increased

(3) Declining investment / credit growth
→ peaked in 2011 but declined to 28% in 2018 from 37% in 2011.

(4) Industrial sickness due to policy paralysis and global shocks of 2008
↳ during the phase of 2011-2014.

(5) Rigid labor laws and the complicated tax structures give "perverse incentive" for them to not increase in size.

(6) Lack of Human Capital → low skills

→ To solve the issues, National Manufacturing Policy 2011 was formulated by the government with objectives such as

- increasing the contribution of manufacturing to 25% of GDP by 2022
- increasing skills, employment opportunities for the labor intensive industries

However, the successes of NMP, 2011 was far from visible.

Make In India (2015) was thus launched to give a boost but the achievements of it has also been scarce — with unemployment rate increasing to all time high of 6.1% (P L Force Survey (2019)) and GDP contribution still around 19%.

The reforms of 1991 have become outdated and manufacturing needs a complete overhauling so that India can become a "manufacturing hub" specially at times when China is vacating the space due to its decreasing demography and increasing wages.

Don't write anything this margin
(इस भाग में कुछ ना लिखें)

20. One of the goals that a developing economy aspires for is to bring down the Incremental Capital-Output Ratio (ICOR). In this context, what are the constraints that underlie the efficient conversion of savings rate to investments in the Indian economy? Also suggest some measures to improve this efficiency. **(250 words) 15**

एक विकासशील अर्थव्यवस्था जिन लक्ष्यों की आकांक्षा रखती है उनमें से एक वृद्धिशील पूंजी-उत्पादन अनुपात (इंक्रीमेंटल कैपिटल-आउटपुट रेश्यो: ICOR) में कमी लाना है। इस संदर्भ में, भारतीय अर्थव्यवस्था में बचत दर के निवेश में कुशल रूपांतरण के समक्ष आने वाली बाधाएँ क्या हैं? साथ ही, इसकी कुशलता में सुधार हेतु कुछ उपायों का भी सुझाव दीजिए।

Incremental Capital Output Ratio (ICOR) can be defined as the ~~the~~ ratio that determines the percentage increase in the output if the capital invested is increased by one percentage point.

Indian ICOR = 4.1 (very high)

This value of ICOR means huge capital is needed to increase the GDP growth. This is due to the contraints that underlie the efficient conversion of savings rate to investments such as :-

① Inefficient Banking structure → uses the extra saving to fund/balance its NPAs

② Issues in land acquisition / environmental clearances → increases the gestation period and thus the ICOR value.

③ Saving done in physical assets such as gold, property, etc. → non-profit creating assets → money gets blocked.

④ Door step banking services are not efficient and thus people do not save in banks

⑤ Increased consumption and decreased savings rate itself has declined the conversion to investment.

Measures to improve the efficiency :-

(1) Door step banking services
- financial literacy
- internet connectivity
- digital literacy

(2) Recapitalisation of banking assets so that credit flow is without hiccups

(3) Awareness of citizens about various innovative products for savings such as Fixed deposits, mutual funds, etc. must be increased.

The smooth conversion of saving to investment is necessary to achieve the aim of the "5 Trillion USD economy" by 2025.