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GENERAL STUDIES (TEST CODE : 1405)

Name of Candidate	BENJO · P · JOSE		
Medium Eng./Hindi	English	**Registration Number**	625124
Center	Online	**Date** 10/2020	

INDEX TABLE

Q. No.	Maximum Marks	Marks Obtained
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18	15	
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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।

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

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1. The effectiveness of microcredit has come under question in recent times due to multiple reasons. Discuss in the context of India. **(150 words) 10**

विविध कारणों से हाल के दिनों में सूक्ष्म-वित्त की प्रभावकारिता सवालों के घेरे में आ गई है। भारत के संदर्भ में चर्चा कीजिए।

Microcredit refers to providing loans to small farmers, and merchants without collaterals or elaborate demands.

Are microcredits effective?

YES

→ agricultural sector had boomed although marginally till recently, was the only sector that had positive growth rate amid COVID-19

→ Increased financial inclusion

→ credit now available to previously uneligible citizens.

NO

→ collateral free ⇒ risky loans

→ lack of financial literacy

→ lack of trust in financial system to avail credit

→ Digital divide

→ No surplus to save or invest even after credit availability

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

→ land records and property records often unavailiable → loan process difficult.

→ Usually microcredits have highee rate of interest,

→ microfinance institutions eg. Cashpor in UP cannot usually accept deposits.

↳ lack of capitalization requirements or ineffative implementation

Hence India should aim to optimize the merits of microcredit which included expanding the financial inclusion net with the many issues arising out of it to become a fiscally strong welfare state

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(इस भाग में कुछ ना लिखें)

2. For minimising distribution losses in the power sector, public private partnership (PPP) and input-based distribution franchisee models can provide the solution. Discuss. **(150 words) 10**

विद्युत क्षेत्रक में वितरण घाटा कम करने के लिए, सार्वजनिक निजी भागीदारी (PPP) और आगत-आधारित वितरण फ्रेंचाइजी मॉडल समाधान प्रदान कर सकते हैं। चर्चा कीजिए।

The electricity that is generated have to distributed to consumers. This is done by companies called 'DISCOMs'. The loses mounting in these companies are termed distribution losses.

The losses are generally termed as AT&C losses or Aggregate Technical and Commercial losses.

PPP model can minimise the loss by

1. Reducing initial capital outlay by govt.
2. Brownfield projects can be taken up and upgraded, to cover for losses.
3. private partnership along BOT - Build operate Transfer can be used for new projects.
4. Private players bring
   - technical expertise
   - professionalism and
   - management skills, which are often lacking in traditional bureaucratic apparatus

In input distribution franchise model (IBDF) DISCOMs own the distribution apparatus but Operating and marketing (O&M) is transferred to Distribution franchisees (DF)

Merits

1. technical expertise of DF
2. DF pay rent to DISCOMS for leasing thus less chance of risk of loss.
3. DISCOM can act as regulators
4. auctions can be kept for leases, and DISCOMS can be assured of profit.

Thus along with schemes like UDAY PPP participation and IBDF is required to minimize power losses.

3. What is gender budgeting? Give an account of the issues due to which gender budgeting has not been a fruitful exercise in India. Also, suggest measures required to address these issues. **(150 words) 10**

जेंडर बजटिंग क्या है? उन समस्याओं का विवरण दीजिए जिनके कारण जेंडर बजटिंग भारत में लाभदायक नहीं रही है। साथ ही, इन समस्याओं का समाधान करने के लिए आवश्यक उपायों का भी सुझाव दीजिए।

Gender Budgeting is an exercise in the genral budget where a sepeeate expenditure document is kept for women specific schemes, commitments and targets. These are kept in two parts

① Women specific schemes - where 100% fund of the scheme is allocated to women eg. Nai Roshni scheme by Minority affairs ministry

② Pro-women schemes - where more than 30% of fund is allocated for women. eg. Samagra shiksha, by Ministry of Education.

Gender Budgeting has not been fruitful due to -

(P.T.O)

① implementation paralysis
② underutilization of funds
③ Lack of pre-budgeting surveys and appraisals
④ Presense of other schemes (from states) for women with similar mandates

Measures to counteract the issues

① Advisory committe consisting of eminent women to the Dept. of economic affairs which prepaes the budget
② mechanism for monitoring, implementation of schemes like the e-Samiksha portal
③ A grievance redressal portal on lines of CPGRAMS for citizens to raise issues pertaining to allocating funds and their utilization.

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(इस भाग में कुछ ना लिखें)

4. Highlight the issues faced by the corporate bond market in India and suggest reforms required in this regard. **(150 words) 10**

भारत में कॉर्पोरेट बॉण्ड बाजार द्वारा सामना किए जाने वाले मुद्दों को रेखांकित कीजिए और इस संबंध में आवश्यक सुधारों का सुझाव दीजिए।

Corporate bonds are bonds issued by companies to raise capital for a range of reasons including expansion, international collaboration etc.

Issues faced by corporate bond Market

① High interest rates for corporate bonds translates to lence profit for the issuing company.

② Lower credit ratings for the country translate to ~~lower~~ higher G-sec bond interest, corporates hence forced to increase interest further to attract investors

③ High NPAs as seen from IL&FS and companies also shooting up the potential interest rates for bonds

④ Companies unable to serve loan due to prevalance of NPA and insolvency.

⑤ Inflation has been increasing also increasing the Corporate Bond rate.

⑥ Deposit interest rate of Banks increasing which also increases interest rate.

Measures to address the issue

Operation Twist
was conducted by the RBI where it simultaneosly bought and sold G-Secs of varying maturities to help reduce the interest rates on corporate bonds.
↳ Since longterm bond yield of G-Sec is low, people turn to corporate bonds.

5. In light of the renewed focus on strategic disinvestment in recent times, examine the rationale behind it and also discuss the concerns raised against it. **(150 words) 10**

हाल के दिनों में रणनीतिक विनिवेश पर नए सिरे से ध्यान केंद्रित किए जाने के आलोक में, इसमें निहित औचित्य का परीक्षण कीजिए तथा साथ ही इसके विरुद्ध व्यक्त चिंताओं की भी विवेचना कीजिए।

Strategic disinvestment refers to the govt. selling it shares from CPSEs, so that it is not the majority shareholder anymore after the sale.

The govt. engages in this because of

① Loss making CPSEs - Air India, Pawan-Hans, HMT were all in tremendous losses.

② To foster private participation - Post 1991, govt. has systematically reduced its shares from PSEs, which had turned out to be inviting private participation.

③ Success for Privatization during 'LPG' reforms - The 'Hindu rate' of growth of the pre-1991 India shot up only after opening up the economy for private investment. This step is following that lead.

④ Corporate governance and effective management are pillars of private investment often lacking in govt. undertakings.

⑤ profit-motive absent in govt. undertakings

⑥ corruption and License / Inspector Raj prevalent in CPSEs under the govt.

Concerns against strategic disinvestment

① Crony capitalism, a few companies controlling the entire economy.

② Family-owned enterprise, like 'Chaebols' in South Korea that will weed out any new competition

③ Hand-holding and welfare activities undertaken by govt. for certain sectors wont be done by profit motivated companies

④ Negative externalities - pollution, inequality might not be checked properly under private ownership

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(इस भाग में कुछ ना लिखें)

6. While identifying the need for providing social security to gig workers, highlight the challenges that exist in this regard. (150 words) 10

गिग श्रमिकों को सामाजिक सुरक्षा प्रदान करने की आवश्यकता की पहचान करते हुए, इस संबंध में विद्यमान चुनौतियों पर प्रकाश डालिए।

Social Security is envisaged in the Constitution under Directive Principles of State Policy (Article 41, 42). It is a system of payments / assistance by govt. to underprivileged or the needy.

Gig workers - are workers who are employed on a contractual basis for a pre-agreed wage. Gig works are not permanent nor seasonal, but depends on the employer, the market and the employee.

eg. a Plumber, an electrician etc.

Gig workers should be provided social security

① Constitutional requirement (DPSP)

② Lack of permanent job / salary.

③ subject to social inequality arising out of economic inequality.

④ They are not covered under other social security schemes like Insurance or Pension (eg. EPFO ; ESIC, etc.)

⑤ Debt burden and debt trap from availing credit from unauthorised / illegal loan sharks.

Challenges in this regard

① Identification of gig workers - no present criteria set up.

② Problem of overlapping schemes and funds, when some gig workers are covered under a scheme, while some are not.

③ gig workers belong to the unorganised and informal sector. Monitoring their activities ~~are~~ is perilous.

④ Lack of grievance redressal mechanism.

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

7. Do you think that multi-year budgeting is the need of the hour in India? (150 words) 10

क्या आप मानते हैं कि भारत में बहु-वर्षीय बजटिंग समय की मांग है?

Multiyear Budgeting refers to budgeting for a period of two or more years as opposed to annual budgets, which have expenditures and revenue targets for one year.

Merits of Multi-year Budgeting

① Rolling plans - targets in the budget can now be flexible / rolling and hence can accomodate crises and shocks.

② coherent with the NITI Aayog's working. The Three Year Action agenda, India @ 75 strategy of NITI Aayog plans for years ahead, the budget reflecting this can improve implementation of the plans.

③ many governments elsewhere in the world are mulling to shift to multi-year budgeting.

④ The Medium-Term Expenditure Framework (MTEF) under the FRBM Act sets off a rolling target of three years, it will be beneficial to channelize the budget also along these lines.

Demerits

① Lacuna in reaching targets due to extended time
② watering down acheivable targets in the middle of the budgeting year citing 'rolling' plan provisions.
③ Annual Financial year which is followed by Companies, banks and RBI will have to adjust itself.

Multi-year budgeting comes up with its own charms and challenges, an informed citizenary, along with participation from various stake holders including the RBI, NBFCs, banks and others sections are prerequisite to its implementation.

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(इस भाग में कुछ ना लिखें)

8. What are the Issues faced in financing of infrastructure in India? Give an account of the steps taken by the government to resolve these in recent times. **(150 words) 10**

भारत में अवसंरचना के वित्त-पोषण में आड़े आनी वाली समस्याएं क्या हैं? हाल के दिनों में इनका समाधान करने के लिए सरकार द्वारा उठाए गए कदमों का विवरण दीजिए।

The NPA crisis, Twin balance sheet problem, and global trade war have all impacted the infrastructure sector in India, in the following ways.

① Availiability of credit - The IL&FS bust and other NBFCs becoming NPAs have been detrimental to credit availiability for infrastructure sector.

② Lack of Foreign investment - The dip in soveeign credit ratings of India, the NPAs and international absonders like Vijay mallya have brought confidence of foreign investors down.

③ High rates for corporate bonds issued by these companies, brings down their profit.

Steps to resolve the issue

① Reduced ~~repo rate~~ ~~and~~ corporation tax in Budget 2019-20

② Insolvency and Bankruptcy code strengthened for fast recovery of principal incase of ~~a bust~~. insolvency.

③ SEZ & GIFT city provides special provisions for infrastructure companies.

④ GOCO model, proposed.

⑤ Infrastructure & Investment Fund (NIIF)

⑥ National Infrastructure Pipeline (NIP)

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

9. Investment in social infrastructure is key to engineer an inclusive and sustainable growth in India. Discuss. (150 words) 10

सामाजिक अवसंरचना में निवेश भारत में समावेशी और संधारणीय विकास की योजना बनाने के लिए अत्यंत आवश्यक है। चर्चा कीजिए।

Social infrastrutre are infrastructre amenities available for public benefit, but which have beyond necessicity of utility, a social welfare goal.

examples include - schools, colleges, Hospitals, stadiums and Amphitheatres.

Why invest in social infrastrutre

① social welfare objective part of the Constitution, and its ethos (DPSP, Article 41, 42)

② private companies, often profit motivated and not welfare oriented

③ PPP models are unviable for small scale projects like schools → which deprives citizen of quality education

④ Negative externalities of corporate are ignored, which might increase vices like pollution, hence investment in sustainable projects - need of the hour.

(5) Brings much needed facilities of hospitals for the poor. eg. Primary ~~Healthcare facilities~~ Healthcare ~~facilities~~ Centres

(6) Akshaya Centres (Govt. of Kerala) provide facilities of enrollment to schemes, Aadhar registration, and other digital requirements for a large population.

(7) one-stop centres for women provide grievance redressal opportunities among others.

(8) schools built under Sarva Shiksha Abhiyan and mid-day meals provided are inevitable to rural development.

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

10. It is imperative that the present system is re-engineered and a transition towards Outcome Budgeting is made for effective Public Finance Management in India. Discuss. **(150 words) 10**

यह आवश्यक है कि भारत में प्रभावी लोक वित्त प्रबंधन के लिए वर्तमान प्रणाली को पुनर्व्यवस्थित किया जाए और परिणाम बजट की दिशा में संक्रमण किया जाए। चर्चा कीजिए।

Outcome based budgeting as opposed to traditional ~~based~~ budgeting allocates funds for a particular sector / scheme / state ~~on~~ based on outcomes of the previous year. Hence it is also called performance - based budgeting. eg. output Outcome Framework by NITI Aayog

Need for Outcome based budgeting

- to have effective Public Finance Management; outcome based budget -> imperative
- outcome based budgeting acheives this in the following way

① Monitoring schemes and their implementation

② Coming up with targets / thresholds for completion of schemes

③ Reduced funds for a scheme that fails to acheive targets

④ encourage front-runner sectors to spend effectively by incentivising with more funds.

Problems with Present System

① "Fixe and forget" attitude

② "March Rush" and "No-Rush" for lapsable and non-lapsable fund utilization

③ Bottom performers are not chastised or penalised for non-utilisation.

④ Front-runners will fall back in performance once they see "poor performance" by other departments ~~and~~

Effective public finance management is a no-brainer for an economy like ours which has a mounting fiscal deficit, moreover it was stressed by the 15th Finance Commission. Performance based / output based budgeting will take us closer to this goal.

12. While some associate increased penetration of technology and industrialization with increase in inequality in India, the reasons for the same lie somewhere else. Discuss. **(250 words) 15**

यद्यपि कुछ लोग प्रौद्योगिकी और औद्योगीकरण की पैठ में वृद्धि को भारत में असमानता में वृद्धि के साथ संबद्ध करते हैं, तथापि इसके कारण कहीं और निहित हैं। चर्चा कीजिए।

Inequality in India is multifaceted. The increasing inequality can be understood as the widening gap in financial, social, educational, technological and other factors amongst the citizenary.

However penetration of technology and industrialization didnot widen this gap, it has actually helped narrow it.

Heres' how :-

① Access to internet opened a plethora of govt. service to common people including BHIM-UPI, JAM Trinity etc.

② Telecom penetration in India has allowed seamless communication and transport

③ Income-tax filing, GSTN compliance and MCA-21 filing has all been proven to increase ease of access to services and contributed to valuable hours saved from long ques and corruption

④ Fast-track grievance redressal portals like CP-GRAMS has made citizens even of lowest rung to trust the govt.

⑤ Startup India scheme aimed at entrepreneurship and industries have brought to the foray, thousands of earlier deposed youth. (due to lack of support)

⑥ Assemble in India scheme - has created new employmet oppurtunitis availiable to skilled and semi skilled workers of the country.

⑦ Digital literacy programs like the National Strategy for financial education (NSFE) has created awarness about investments, insurance and pensions amongst the common man.

⑧ cheapest mobile data in the world is provided by India, this has created a a whooping. 450 million daily internet users in India.

(9) Direct Benefit Transfers (DBT) with the aid of technology provides much required social security transcations to the needy

Why is then, an increasing inequality present in India?

(1) Poor targeting of social schemes
(2) schemes availed by unworthy beneficiaries
(3) Corruption in disbursing funds.
(4) Red-tapism for new and inclusive development projects.
(5) Lobbyism against progressive policies.
(6) Tax-evasion and avoidance by rich.
(7) parallel economy and black money

Thus we see that technology and industry by allowing equitable access to resources reduced the inequality, while it has been increased by other factors.

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(इस भाग में कुछ ना लिखें)

13. It has been argued that a fiscal stimulus can help revive the Indian economy and deal with the current slowdown. Discuss in context of prevalent situation. **(250 words) 15**

यह तर्क दिया जाता है कि राजकोषीय प्रोत्साहन भारतीय अर्थव्यवस्था को पुनर्जीवित करने और वर्तमान स्लोडाउन (गिरावट) से निपटने में सहायता कर सकता है। वर्तमान स्थिति के संदर्भ में चर्चा कीजिए।

Fiscal stimulus refers to the govt. bolstering the economy by reducing taxes and/or increasing public expenditure to boost demand and growth.

Why the talk of a fiscal stimulus?

Prevalent slowdown in the world economy has reflected in the Indian economy as well along with other reasons like:

- Global trade wars
- protectionism and 'de-globalisation' sentiment
- rise of crude oil prices
- loss of confidence in due to inter-alia
  - NPA crisis
  - Money-laundering and black money
  - Shell-Companies investing in India
  - Auto-mobile industry tanking
  - High capital-output ratio

↳ lower credit ratings
↳ COVID - 19 pandemic and subsequent lockdown.

How will the fiscal stimulus help ?

① improve consumption demand
② Reducing interest - rates will help disburse more credit
③ Instill confidence in foreign investors by relaxing FDI norms
④ Increase exports and imports by relaxing customs duty and excise duty.
⑤ Higher demand will drive up MSP and render revenue for farmers.
⑥ credit availiability to corporates will

Caveats for Fiscal stimulus

- Economic Survey 2019 - 20 noted ~~that~~ that ~~created~~ exacerbated fiscal deficit
- fiscal profligacy

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

- High rate of inflation
- leakages and failed delivery
- wasteful expaditures eg. travel, food etc.
- Political gimmicks and increased subsidies.

The fiscal stimulus post-subprime crisis had helped India shake off the slowdown, however as noted it also increased fiscal deficit. Hence fiscal stimulation should be followed keeping deficit targets in mind.

14. While public private partnership (PPP) in Indian Railways should be encouraged, there is a need to manage the transition to PPP model carefully. Discuss. **(250 words) 15**

यद्यपि भारतीय रेलवे में सार्वजनिक निजी भागीदारी (PPP) को प्रोत्साहित किया जाना चाहिए, तथापि PPP मॉडल की दिशा में संक्रमण को सावधानीपूर्वक प्रबंधित किए जाने की आवश्यकता है। चर्चा कीजिए।

Public Private Partnership (PPP) in Railways ~~are~~ is suggested by the NITI Aayog document 'India @ 75' to maximise its' profits

Why should PPP be encouraged?

① Reduce the fiscal burden of the govt.

② PPP model brings the technical expertise of the private partner.

③ management skills and professionalism accompanies private investment.

④ Poor quality of infrastructure of Railway stations can be improved

⑤ public perception about Railways as 'freebie', which makes them use it carelessly, can be changed.

⑥ Profits can be maximised by cost-benefit analysis.

(7) UK, Japan which have some of the best trains and Railways stations had long encouraged private participation

(8) Better tender-allotment process, which might earlier be compromised because of politician-bureaucrat-businessman nexus.

Need for caution

(1) Profit hungry corporates can charge exhorbitant fee
↳ deprive impoverished classes

(2) substandard infrastructure ~~can~~ might be provided.

(3) environment regulations might not be followed.

(4) inclusiveness and social welfare might be lacking.

(5) crony-capitalism and anti-competition if private players become "Too big to fail".

Way Ahead

For PPP model in Railways to succeed the following can be done

① Hybrid annuity model

② Regular performance and quality audits

③ govt. can put "caps" on fares, tickets and concessions can be mandatory

④ Establish an independent grievance redressal portal with Ministry of Railways

with 8.5 billion passengers in a year, the Railways is a humongous entity providing service to the poorest of the poor too, hence any modernisation must be judiciously implemented

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

15. A worrying trend for Indian economy has been the decline in private investment in the past few years. Highlight the reasons behind it. What steps should be taken to revive private investment in the economy?

(250 words) 15

विगत कुछ वर्षों में निजी निवेश में गिरावट, भारतीय अर्थव्यवस्था के लिए एक चिंताजनक प्रवृत्ति रही है। इसके लिए उत्तरदायी कारणों पर प्रकाश डालिए। अर्थव्यवस्था में निजी निवेश को पुनर्जीवित करने के लिए क्या कदम उठाए जाने चाहिए?

The LPG reforms which opened up the economy for private investment interalia other things skyrocketed our growth rate which had languished at 2-3% (GDP)

world economies that still follow excessive socialist / communist principles in economies have also find themselves grappling amidst crises eg. Cuba, Venezeula.

Private investment in India has increased post-1991, however, there has been a decline due to

① Stringent FDI norms
② lack of confidence of international investors
③ poor sovereign credit ratings
④ mounting NPAs of private companies.

5. lack of labor reforms and land reforms
6. 40 permissions required to open a hotel in Delhi, 4 in Beijing → excessive scrutiny and regulations.
7. currency convertibility problems turning foreign investors away.
8. 'Dwarfism' in Indian corporates
9. scams and corruption scandals eg. 2G, coal, and prevalent 'inspector raj'.
10. Tax-terrorism on private investors.

Measures to revive private investment

- Relax FDI norms
- Relax regulations and allow Ease of Doing Business
- Instill confidence by improving credit ratings
- strict imposition of Insolvency & Bankruptcy

Code, and SARFAES Acts.

- consider full currency convertibility (as per S.S Tarapore recommendations)
- Corporate tax cuts
- credit availability through "Tripacty" - repo' and reduced bank interest rate
- Lower interest for corporate bonds to be ensured.

The government and RBI realizing the need for private investment had done various measures including → Automatic approval of FDI in certain sectors, "Operation Twist" for corporate bonds, NCLAT tribunals etc.

16. Urban Cooperative Banks (UCBs) in India are in need of urgent reforms addressing their regulatory, structural and operational issues. Discuss.

(250 words) 15

भारत में शहरी सहकारी बैंकों (UCBs) हेतु उनकी नियामकीय, संरचनात्मक और परिचालन संबंधी समस्याओं को दूर करने वाले तत्काल सुधारों की आवश्यकता है। चर्चा कीजिए।

Urban Cooperative Banks (UCBs) are banks that are 'member-owned' banks that prioritises members when disbursing loans.

They are governed under the following:

Laws
- Banking Regulation Act, 1949
- Banking Laws Cooperative Societies Act, 1955
- State Cooperative Societies Act,
- Multi-State Cooperative Societies Act, 2002.

Entities
- RBI, NABARD and state Registrar for Cooperative Societies

Issues that mandate urgent reforms

1). Regulatory
- Lesser regulatory ambit for the RBI
- RBI has no power for moratorium
- loan recovery mechanisms - poor
- multiple bodies regulating — tensions

- inter-regulator cooperation lacking
- RBI can keep 'different norms' for CRR, SLR quota
- BASEL-III norms for recapitalization can be relaxed if needed.

2. Structural

- Voting power in cooperative banks based on members, and not on shareholding as in commercial banks.
- lack of profit-zeal as commercial banks
- proper loan recovery mechanisms absent
- members can collude and provide potentially bad loans.

3. Operational

- Political interference
- Casteism - often seen in loan disbursal
- money laundering of rich members
- scams → because of which UCBs weren't allowed to accept demonetized ₹.500, ₹.1000 notes,

- No mechanisms for restructuring bad loans.
- political - criminal - member nexus

Keeping the above problems in mind, the govt. of India had introduced the Banking Regulations (Amendment) Act, which seeks to put UCBs under direct supervision of the RBI.

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

17. Identify the factors that have facilitated digital financial inclusion in India. Mention the steps that have been taken by the government in this regard. What are the challenges that remain going forward? **(250 words) 15**

उन कारकों की पहचान कीजिए जिन्होंने भारत में डिजिटल वित्तीय समावेशन को सुगम बनाया है। इस संबंध में सरकार द्वारा उठाए गए कदमों का उल्लेख कीजिए। ऐसी कौन-सी चुनौतियाँ हैं जो लगातार बनी हुई हैं?

Financial inclusion aims at including all citizens into the financial system by providing them access to Banking, credit, Investment, Insurance, Pension.

Digital financial inclusion is a subset of financial inclusion and aims to acheive it by providing access to the above mentioned components via digital means viz. the internet, mobile, core-banking solutions etc.

Factors that facilitated digital financial inclusion (DFI) :

1. cheap rate of internet (India has the cheapest data available in the world)
2. penetration of telecom towers to villages
3. increasing digital & financial literacy through campaigns like "Vittiya Saksharata Abhiyan", by MoHRD

(4) Increasing youth population - and their exposure to internet and social-media

Steps by the govt. for DFI :

(1) BHIM-UPI by NPCI
(2) Reduced customs duty for ATM related services
(3) Tax incentives for companies that uses digital transations
~~(4) withradwal of more than ₹ 1 crore from a single acount~~
(4) Digital Transactions Ombudsman
(5) Direct Benefit Transfer of PM-KISAN
(6) microfinancing institutions for loans without collaterals
(7) Priority-Sector Lending norms
(8) Kisan-Credit Card - was extended to animal husbandary recently
(9) Credit guarantee funds (CGTSME)

challenges moving fowaed

① 5G issue – national security can adversly affect broadband penetration

② poor-bandwidth of the avaible internet

③ Loan-sharks and debt traps disallowing citizens to avail govt. facilities.

④ lack of adequate financial literacy.

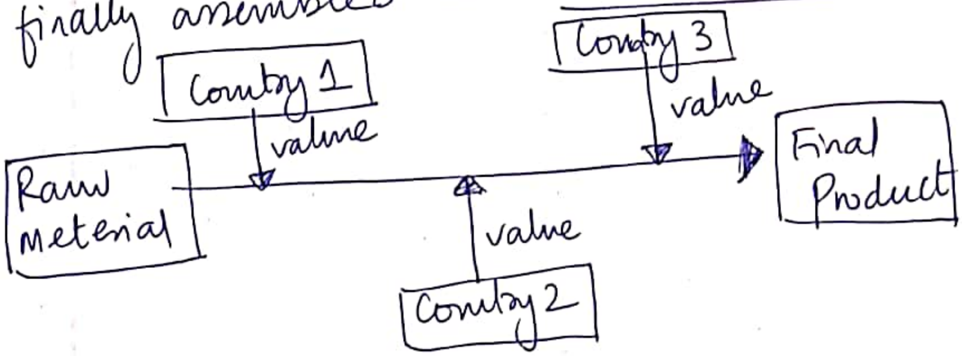
Digital financial inclusion interalia is the most vital aspect of reaching our goal of a $5trillion economy; increasing it can also allows us to maximise the demographic dividend

18. Why is participation in Global Value Chains (GVCs) important for India? Highlighting some of the concerns associated with GVCs, suggest some measures for India to reap benefits from participating in them.

(250 words) 15

वैश्विक मूल्य श्रृंखलाओं (GVCs) में भागीदारी भारत के लिए क्यों महत्वपूर्ण है? GVCs से संबद्ध कुछ चिंताओं को रेखांकित करते हुए, भारत के लिए इनमें भागीदारी से लाभ प्राप्त करने के कुछ उपायों का सुझाव दीजिए।

Global value chains are supply chains that add value to a product globally at each subsequent stage. Eg. an iPhone is designed in the US, its parts made from South Korea or Vietnam, and finally assembled at China or India.



Why participate in global value chain (GVC)

① Flying goose model rewards

② Tiger economies (Asian Tigers) participated in GVC and became developed and industrialized countries in fifty years.

(3) Promotes specialization

(4) India can be an 'assembling hub' and reap benefits.

(5) China's predominance in GVCs declining due to covid-19 and its after-effects.

(6) Promotes an interlinked and interdependent world.

Concerns with GVCs

(1.) Overdependence on imports

(2) Scarcity of resorces if the GVC fails even at one point before in itself.

(3) Lack of quality products from local market.

(4) lack of innovation and design for better products.

(5) susceptible to extenal shocks

(6) BOP crisis can arise due to curreny ~~flucation~~ fluctuations internationally.

Measures to reap benefits of GVCs

① Increase foreign investment
② Relax norms of external borrowing
③ full convertibility of rupees.
④ SEZ and GIFT-city proposals
⑤ 'Assemble in India' scheme - other similar 'themes' to be identified

World Development Report by World Bank had its theme in 2020 relating to GVC, and it points to their growing importance India must adopt cautious measures for increased participation.

19. What is the significance of state finances for macro-economic stability in India? Also, highlight the issues with states' fiscal management in India.
(250 words) 15

भारत में समष्टि-आर्थिक स्थिरता के लिए राज्य वित्त का क्या महत्व है? साथ ही, भारत में राज्यों के राजकोषीय प्रबंधन से संबद्ध मुद्दों को भी रेखांकित कीजिए।

India is a union of 'states' and the Constitution has ushered the concept of 'cooperative fedaralism' for effective power-sharing and income-sharing, inter alia, between the center and the states.

From Independence, therefore states have had considerable discretionary powers with regards to

- $\boxed{\text{planning}}$ — NDC of FYP had chief ministers
  - NITI Aayog -Council involves CMs.
  - State Planning Boards inspite of central PC.

- $\boxed{\text{Budgeting}}$
  ↳ Though Centre earmark funds for various schemes, state have their own budget and targets.

- Taxation
  Before GST, a plethora of taxes were levied by GST even after GST, states

levy VAT on some products. GST compensation is also provided to states. GST is divided amongst states as per prescribed formula.

Social Security → Central Sector schemes
→ Central sponsored schemes
→ state schemes
- where states have autonomy to provide schemes.

Credit

- The state along with the centre have provision for maintaining amounts with RBI and also availing credit.
- They can also issue bonds (post norms) to raise funds (eg. masala bonds issued by KIFB of Kerala in London Stock Ex.)

Issues with state fiscal management

① Lack of cooperation with centre when non-elected party at state is at centre
② GST compensation and devolution of taxes - not done by Centre, this has increased outcry (Recently West Bengal)

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

③ appeasement - politics for short term political gains

④ state specific problems that prevent implementation of prospective budgeting frameworks eg. Naxalism and Maoism, Extremist movements, lack of literacy etc.

Thus while fiscal management for Centre is important, it is also vital to rope in states. Fiscal Responsibility legislations (FRL) as prescribed under the 12th Finance Commission, have added fiscal discipline, but there's still a long way to go.