260

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GENERAL STUDIES (TEST CODE : 1059)

Name of Candidate	Pratibha Verma		
Medium Eng./Hindi	English	Registration Number	37460
Center	ORN	Date	28/08/18

ECONOMY I

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

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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. Highlighting the issues faced in BOT and EPC models of infrastructure investment, explain how HAM can address these. **(150 words) 10**

अवसंरचना निवेश के BOT एवं EPC मॉडल के समक्ष आने वाली समस्याओं पर प्रकाश डालते हुए व्याख्या कीजिए कि HAM इनका किस प्रकार समाधान कर सकता है।

~~BOT refers~~

BOT, EPC & HAM, all three are different models of PPP investment in infrastructure

(1) Built-Operate-transfer:

(A) Operation risk solely on contractor

(B) Issues in design → collapse of structures.

(C) Financial risks.

(2) Engineering-Procurement-Construction:

(A) Resource procurement issue

(B) Clearances issues

(C) lack of finances.

(D) faulty & weak designs.

Hybrid Annuity Model (HAM):

→ Finances sharing by government and contractor.

→ Performance based Annual

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payment.

(c) Sharing of operational risk.
e.g. traffic flow.

(d) availability of finances.

(e) clear & transparent agreement in revenue sharing.

2. The measurement of the extent of formal sector and formal employment is yet an unsettled matter in our economy. Comment. Also, mention the steps which the government has taken to improve its extent.

(150 words) 10

औपचारिक क्षेत्रक और औपचारिक रोजगार के विस्तार का मापन हमारी अर्थव्यवस्था में अभी भी एक अनसुलझा मामला है। टिप्पणी कीजिए। साथ ही, इसके विस्तार में सुधार हेतु सरकार द्वारा उठाए गए कदमों का उल्लेख कीजिए।

Data availability on extent of formal employment has been a controversial issue. With different government, using different statistics, it has been difficult to ascertain status of formal employment

Methods

Institutional survey
1. NSSO (employment - Unemployment survey)
2. Labour Ministry (Company & Firm level employment)

Census
Household survey

Social Security Net
- EPFO
- ESIC

Tax Net
1. GST registered companies

What are the issues -
1. Unreliability of any one set of data
2. Does not capture new job creation in formal sector
3. lack of integration between different data

~~set~~

(4) Different estimates by different methods.

(5) Non transparency in method of data collection.

(6) Lack of integrated approach and framework.

(7) Manipulation of data sets

Steps taken by government –

(1) NSSO to collect employment - unemployment data every year.

(2) Launch of shram suvidha portal for companies to register about their labour force.

(3) LIN – labour Identification Number → Unique

(4) Integration of PAN with Aadhar to streamline data set.

(5) GSTN as source of ~~do~~ big data and employment details.

(6) Digitization of salary payment will lead to further improvement in collection of reliable data.

3. The investment rate in India has gradually declined after a historic high in the mid 2000s. Examine the reasons behind this trend. Discuss the steps required to revive investment for a sustained growth. **(150 words) 10**

भारत में निवेश दर, 21वीं सदी के प्रथम दशक के मध्य में एक ऐतिहासिक उछाल के उपरांत निरंतर घटती रही है। इस प्रवृत्ति के पीछे निहित कारणों का परीक्षण कीजिए। निरंतर वृद्धि हेतु निवेश को पुनर्जीवित करने के लिए आवश्यक कदमों पर चर्चा कीजिए।

Investment rate refers to Gross capital formation ~~to~~ GDP ratio (GFC/GDP), which has declined about 10% point since 2000.

Public ← Component of Investment → Private

Reasons -

1. Post economic boom of LPG effect, global crisis such as
   - (A) global financial crisis of 2008
   - (B) USA & EU → policy of Federal tapering of rates.
   - (C) Decrease in Foreign investment as profitability in USA & ~~UK~~ ~~to~~ EU increases.
2. Fiscal consolidation measures.
3. NPA issues in banks.
4. ~~A~~. Incomplete utilization of bond market

5. Reduction in profitability of infrastructure companies.
6. Retail investment moving to crypto currency at large scale.
7. Savings rate decline

Steps Required

1. Stable monetary policy
2. ~~Ease~~ Ease of Doing Business for foreign investor.
3. Banking sector Reform
   - 1. Resolve NPAs e.g. IBC Code & Joint lender Forums.
   - 2. Management Reform.
   - 3. Build expertise in extending loans.
   - 4. Public credit Registry.
4. Spur capital markets.
5. Incentives for Make In India, Startup India.

To increase investment, movement to innovation led economy is crucial.

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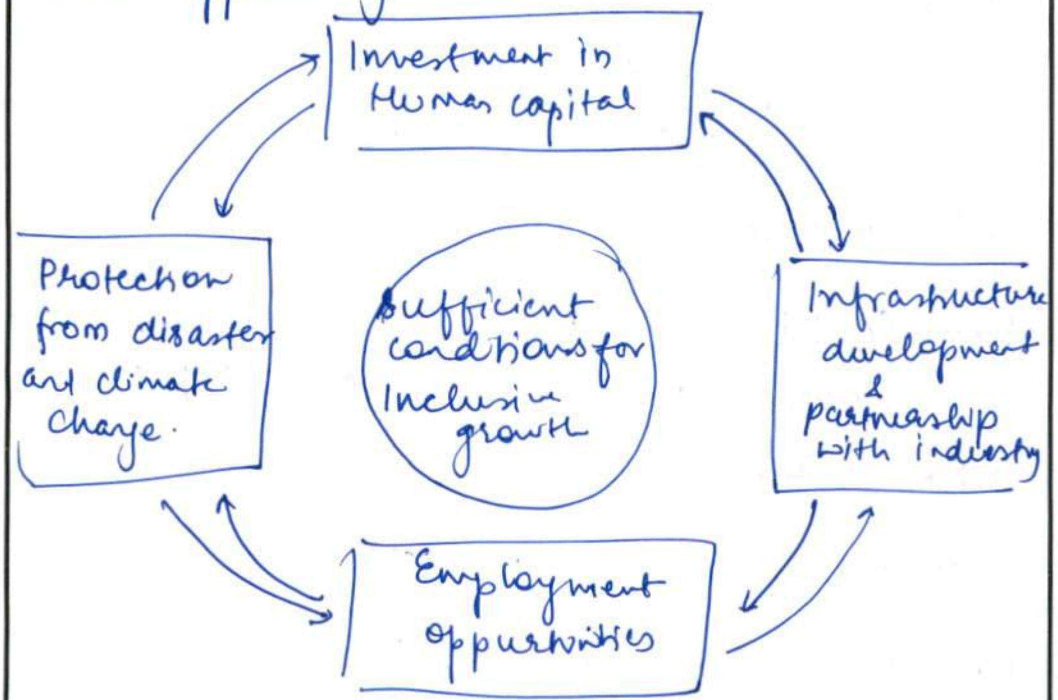
4. Strengthening the policy and institutional ecosystem supporting inclusive growth needs to be a top policy priority to thrive in the Fourth Industrial Revolution. Discuss. **(150 words) 10**

चौथी औद्योगिक क्रांति में सफल होने के लिए समावेशी विकास को प्रोत्साहित करने वाली नीति एवं संस्थागत परिवेश के सुदृढ़ीकरण को शीर्ष नीतिगत प्राथमिकता बनाये जाने की आवश्यकता है। चर्चा कीजिए।

Inclusive growth refers to equitable and sustainable growth in order to reduce inequality in terms of income and oppurtunity.



Sustainable development goals clearly highlight the targets and dimensions of Inclusive growth.

Fourth Industrial Revolution for India →

→ ICT led economy

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→ innovation & knowledge economy
→ Automation of energy, transport and communication

Policy and institutional ecosystem should focus on →

(I) Improve human capital
(II) Provide finances for innovation in agriculture, manufacturing and services.
(III) ~~Also~~ Social harmony and end religious dogma to increase acceptance
(IV) IPR protection
(V) Marketing and commercial use.
(VI) Building universities as hub of innovation

Thus Inclusive growth is required to make benefits of Industry 4.0 available to all

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5. Explaining the role of human capital in economic development of a country, highlight the challenges and opportunities related to human capital formation in India. **(150 words) 10**

किसी देश के आर्थिक विकास में मानव पूंजी की भूमिका की व्याख्या करते हुए, भारत में मानव पूंजी निर्माण से संबंधित चुनौतियों एवं अवसरों पर प्रकाश डलिए।

Role of human Capital →

(I) knowledge and creativity fuels innovation.

(II) Skill and training raises productivity

(III) Experiences lead to better decision making with regards to business, and employment.

(IV) social attributes lead to equitable distribution

Thus human capital is important for raising income and fuel growth of economy

Challenges

(I) ~~the~~ Poor quality primary education

(II) Inadequate health infrastructure

(III) skill building is limited.

(4) Nature of employment e.g. disguised inhibit any innovation or creation
(5) Weak IPR protection
(6) Universities not equipped with labs.
(7) Lack of finances for improving basic infrastructure

Oppurtunities

(I) Demographic dividend.
(II) Liberalisation and ageing population of other countries
(III) Make in India, Digital India, Swacch Bharat Mission etc
(IV) Increased tele density in rural and urban areas
(5) .

Utilizing above oppurtunities, India could integrate human capital formation in development process.

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(इस भाग में कुछ ना लिखें)

6. In the context of major challenges that have restricted industrial growth, there is need for a new industrial policy to enable the industry to fulfill its role as the engine of growth and shoulder the responsibility of adding more value and jobs. Comment. **(150 words) 10**

औद्योगिक संवृद्धि को बाधित करने वाली प्रमुख चुनौतियों के संदर्भ में, उद्योग को संवृद्धि के वाहक के रूप में अपनी भूमिका के निर्वहन एवं अधिक मूल्यवर्धन और रोजगार में वृद्धि का उत्तरदायित्व संभालने में सक्षम बनाने हेतु एक नई औद्योगिक नीति की आवश्यकता है। टिप्पणी कीजिए।

Challenges in Industrial growth

(1) Multiple policies, incoherent targets
(2) ~~text~~ Inadequate infrastructure.
(3) labour laws.
(4) Slowdown in investment.
(5) NPA & Twin Balance sheet problem.
(6) ~~Governm~~ ~~AE~~ Over reliance on public expenditure
(7) Issue of land, environmental clearances. delays in dispute resolution.
(8) Stalled projects driving up the cost.

Need of New Industrial Policy

(1) To synchronize government targets and industry requirements.

(2) To boost PPP involvement.

(3) To reap benefits out of SEZ and NIMZ model

(4) to speed up coastal economic zone development.

(5) To create tangible assets and ~~provide~~ create jobs.

(6) To harness ~~raw~~ market potential & boost export

(7) To take advantage of vacuum created by China in manufacturing sector

(8) To reap demographic dividend

~~India~~
New Industrial Policy should focus on private sector participation, ~~and~~ create institutional mechanism for investment and harmonize all efforts of public and private sector.

Draft industrial policy is a positive step in this direction.

7. Discussing the reforms that contributed in improving India's ranking in the World Bank's 'Ease of Doing Business' index, identify the challenges that still remain in the overall environment of doing business. Suggest some concrete steps that India can take to further improve its performance on the index. **(150 words) 10**

विश्व बैंक के 'इज ऑफ़ डूइंग बिज़नस' सूचकांक में भारत की रैंकिंग को बेहतर बनाने में योगदान करने वाले सुधारों पर चर्चा करते हुए, व्यवसाय करने के समग्र वातावरण में अब भी विद्यमान चुनौतियों की पहचान कीजिए। भारत द्वारा इस सूचकांक पर अपने प्रदर्शन को और अधिक सुधारने के लिए उठाए जा सकने वाले कुछ ठोस कदम सुझाइए।

Reforms ~~prior~~

(1) Single window clearance of all applications at custom
(2) logistics tracking & improvement.
(3) easier electricity access.
(4) Reduction in number of days in starting a business.
(5) Relaxed laborer laws and Shram Suvidha Portal → LIN & UIN
(6) Relaxed ~~inse~~ labour inspection regime
(7) definition of start ups ~~[illegible]~~ amended. → tax incentives and easier labour laws requirement for start ups..
(8) Relaxed FDI Norms.

Challenges that remain

(1) Environmental clearances → delay project

(2) Exit mechanism
(3) Contract enforcement
(4) Multiplicity of labour laws
(5) Still Bureaucratic hurdles → multiple ministries
(6)

More Reforms

(1) GST & IBC will help in improving business ecosystem.
(2) Reduce litigation & ~~(?)~~
(3) Need of Arbitration & conciliation mechanism.
(4) Electricity access.
(5) Speed up clearances.
(6) Enact 4 labour codes.
(7) Uniform legislation across states.

Further reforms should be taken asap to make India a fully innovation economy.

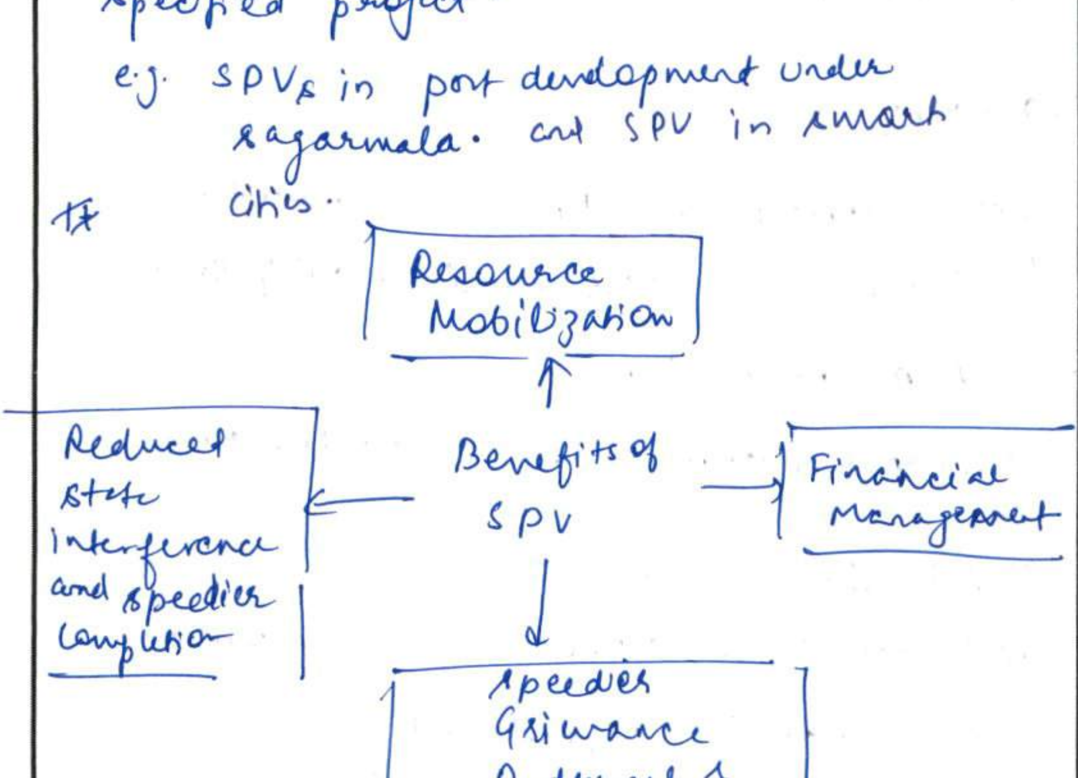
8. Special Purpose Vehicles (SPVs) are fast becoming an important avenue for channelising funds for projects in infrastructure sector. Explaining the concept of SPVs, highlight some of the benefits and risks associated with them. Also, suggest measures to manage the risks identified.

(150 words) 10

विशेष प्रयोजन वाहन (स्पेशल पर्पज व्हीकल्स: SPVs) तेजी से अवसंरचना क्षेत्रक में परियोजनाओं हेतु निधियों (फंड्स) को दिशा प्रदान करने वाले महत्वपूर्ण मार्ग बनते जा रहे हैं। SPVs की अवधारणा की व्याख्या करते हुए उनसे संबंधित कुछ लाभों एवं जोखिमों पर प्रकाश डालिए। साथ ही, चिन्हित जोखिमों को प्रबंधित करने हेतु उपाय सुझाइए।

SPVs are dedicated joint venture by government and private company for a specified project.

e.g. SPVs in port development under sagarmala. and SPV in smart cities.



Risks associated with SPVs —

(1) Lack of integrated approach in terms

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of social dimension of project.
e.g. ignorance towards replaced communities.

(2) Beaurocratization of SPVs.

(3) Risk of corruption & leakage of funds.

(4) Favouritism in hiring contractors.

(5) Risk of delaying projects to gain monetary benefits.

Measures:

(1) Implementation of FAT framework
- (1) Fairness through public participation
- (2) Accountability
- (3) Transparency through disclosure

(2) Strict timelines.

(3) Guidelines in operation and procedure.

(4) Transparency in appointment.

(5) Audit & Reporting mechanism.

Though SPV is a novel experiment, there should be ~~set~~ checks & balances to convert it into success stories

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9. Providing social security, especially to those working in unorganised sector, is an important requirement to achieve the goal of inclusive growth. Discuss. **(150 words) 10**

सामाजिक सुरक्षा प्रदान करना, विशेषकर उन लोगों को जो असंगठित क्षेत्र में कार्यरत हैं, समावेशी विकास के लक्ष्य को प्राप्त करने के लिए एक महत्वपूर्ण आवश्यकता है। चर्चा कीजिए।

India is witnessing jobless growth with ~~only~~ 45%-50% workforce employed in agriculture and only 31% of non-farm employees covered under any social security nets.

Dismal State of Affairs

(1) Increasing disease burden and cost of health care.
(2) Lack of health benefit /insurance (such as ESICs), increases out of pocket expenditure, further increasing poverty
(3) Lack of life insurance, makes families vulnerable to accident/ death of breadwinner
(4) lack of Pension in Informal Sector
(5) No Retirement saving makes

Vulnerable ~~to~~ in old age.

Need of social security nets:

→ To ensure healthy workforce

→ To ensure well being in old age

→ To decrease burden of saving out of meagre wages.

→ To ensure that families invest in education and skill creation of children.

government initiatives

(1) Atal Pension Yojana

(2) PM Jeevan Jyoti Beema Yojana

(3) PM Suraksha Beema Yojana

(4) National Pension Scheme (NPS)

(5) ~~to~~ NSCs, etc

(6) Post office saving schemes.

(7) Ayushman Bharat.

(8) ~~for~~ support of 8.33% EPFO in textile sector

10. NBFCs can play a critical role in strengthening our SME ecosystem and contributing to economic development. Comment. Also, discuss the need to build a regulatory framework to address the challenges that NBFCs face.

(150 words) 10

NBFCs हमारे SME परिवेश को सुदृढ़ करने एवं आर्थिक विकास में योगदान करने में एक महत्वपूर्ण भूमिका निभा सकती हैं। टिप्पणी कीजिए। साथ ही, NBFCs द्वारा सामना की जाने वाली चुनौतियों का समाधान करने हेतु एक नियामक ढांचा तैयार करने की आवश्यकता पर चर्चा कीजिए।

Since NBFCs do not conduct business in deposit and cash withdrawal ~~trate~~ like conventional banks, they focus more on specialised products and services for their target markets. e.g. MFIs, P2P lending. ~~etc~~, infrastructure finance etc.

Role of NBFC in SME ecosystem & development

(1) Increase access to credit.
(2) Can create specialised products for various segments.
(3) Since capital requirement is less for NBFC, even in small towns NBFCs can be started by local bankers.
(4) More geographical spread & reach
(5) Can source capital from individual investors e.g. Peer to Peer lending

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Challengs

1. lack of credit information of borrowers.
2. fragmented market → various models operating at different scales.
3. High interest rates.
4. low debt servicing.
5. since NBFC catering to SMEs are small in nature → no economies of scale → high cost of operation and hence high interest rate
6. Unlike banks, NBFC not allowed to access Aadhaar data for KYC.

Need of Regulation

1. Recent example from China where Peer to Peer platform declared bankruptcy → loss to investors.
2. Data security
3. NBFC Ombudsman for grievance redressal
4. SIDBI for operational regulation & source of credit provision.
5. To drive down interest rate

11. In the light of increasing NPAs and frauds, the twin balance sheet problem has grown immensely. Comment on the issue and analyse the potential of the Insolvency and Bankruptcy Code to be a game changer for Indian economy's health and long-term growth. **(250 words) 15**

NPAs एवं धोखाधड़ी की बढ़ती घटनाओं के चलते, दोहरे तुलन पत्र (ट्विन बैलेंस शीट) की समस्या में अत्यधिक वृद्धि हुई है। इस मुद्दे पर टिप्पणी कीजिए तथा भारतीय अर्थव्यवस्था की दशा और दीर्घकालिक संवृद्धि के लिए दिवाला एवं दिवालियापन संहिता में एक गेम चेंजर होने की क्षमता का विश्लेषण कीजिए।

Twin Balance sheet problem refers to a situation where both company and bank suffer due to non servicing of loan and interest payment.

Issues

① Bank's ~~bet~~ NPA increases impacting its ability in credit provider role. currently about 11.2% of assets are NPA and its increasing.

② company → Its health suffers and so does credit rating of company. Therefore both upstream and downstream sector suffers. Overall negative impact on growth.

③ Employment → slows down. Due to non payment of salary and closure of company, overall demand goes down.

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(4) government → has to provide recapitalisation and infuse money into banks → increasing fiscal deficit.

(5) Citizen → Fiscal deficit is ultimately serviced by increasing taxes. Also Future generation suffers due to high tax incidences. Other sector of economy such as MSME & Agriculture suffer due to poor health of banks.

Recently several frauds such as PNB scam, ICICI scam ~~due~~ has put the focus on poor discipline and audit mechanism on bank also.

Potential of Insolvency & Bankruptcy Code (IBC) →

(1) Provides time bound resolution of ~~both~~ insolvency procedures.

(2) Empowers both creditors ~~& depto~~ & debtors to initiate proceedings

(3) Two separate tribunals, NCLT & DRT for separate categories of company & individuals respectively.

(4) Appointment of Insolvency professional and Regulatory body to oversee performance of IPs.

Thus IBC has provided a path for tackling delays and increasing overall returns ~~out of Inso~~ to all stakeholders.

Yet focus should be broadened with →

(1) Increasing audit discipline and monitoring.
e.g. National financial Reporting Authority should be operationalized.

(2) Bank ~~repatriation~~ Recapitalisation bonds should be initiated asap.

(3) RBI should be strengthened.

(4) Corporate governance should be given adequate focus.

Overall, IBC, NFRA & Joint lenders forum is positive step in right direction

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

12. Public Sector Enterprises formed the backbone of industrial development after independence, but with changing times, their role has also changed. Discuss. Also, comment on the need to adopt a multi-pronged strategy to deal with the issues that they are facing. **(250 words) 15**

स्वतंत्रता के उपरांत सार्वजनिक क्षेत्रक के उद्यम औद्योगिक विकास की रीढ़ बने, लेकिन बदलते समय के साथ उनकी भूमिका भी बदल गई है। चर्चा कीजिए। साथ ही, उनके द्वारा सामना की जाने वाली समस्याओं से निपटने के लिए एक बहु-आयामी रणनीति अपनाये जाने की आवश्यकता पर टिप्पणी कीजिए।

Public sector enterprises (PSEs) initiated ~~the~~ the Industrial development of economy and were successful upto some extent in achieving its objective.

Role: Post Independence –

1. Development of heavy industry
2. Provide skill & build human capital
3. Support downstream & upstream sectors.
4. Boost manufacturing and provide employment

Role: Post LPG

1. Complement Private sector.
2. Focus on inclusive growth and sustainable development.

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

(3) Compete with private sector in providing quality service to last man.

(4) Increase global footprint of Indian Industry e.g. ONGC taking up oil exploration abroad

(5) Source of formal employment.

With changing time Role of PSE ~~has~~ shrunk but still it continues to be ~~a~~ driver of growth.
e.g. Navratna & Maharatna companies.
SAIL, GAIL, ONGC, IOC etc

Issues

(1) Beaurocratic delay in project

(2) Cap on foreign investment by PSEs and also by FIIs.

(3) Unprofitable status of multiple companies → burden on state resources.

(4) No competition

(5) No incentives for technology upgradation.

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

Need of multi pronged strategy

(1) Disinvestment of unprofitable company in following way →
 (A) Bring private management to improve efficiency
 (B) closure
 (C) Sale to private sector

(2) Raise investment from capital market. e.g. BHARAT-22 exchange traded fund.

(3) Strengthen audit & monitoring through CAG & third party auditors.

(4) Include performance appraisal of employees

(5) Allow PSEs to set operations (such as, explorations) abroad.

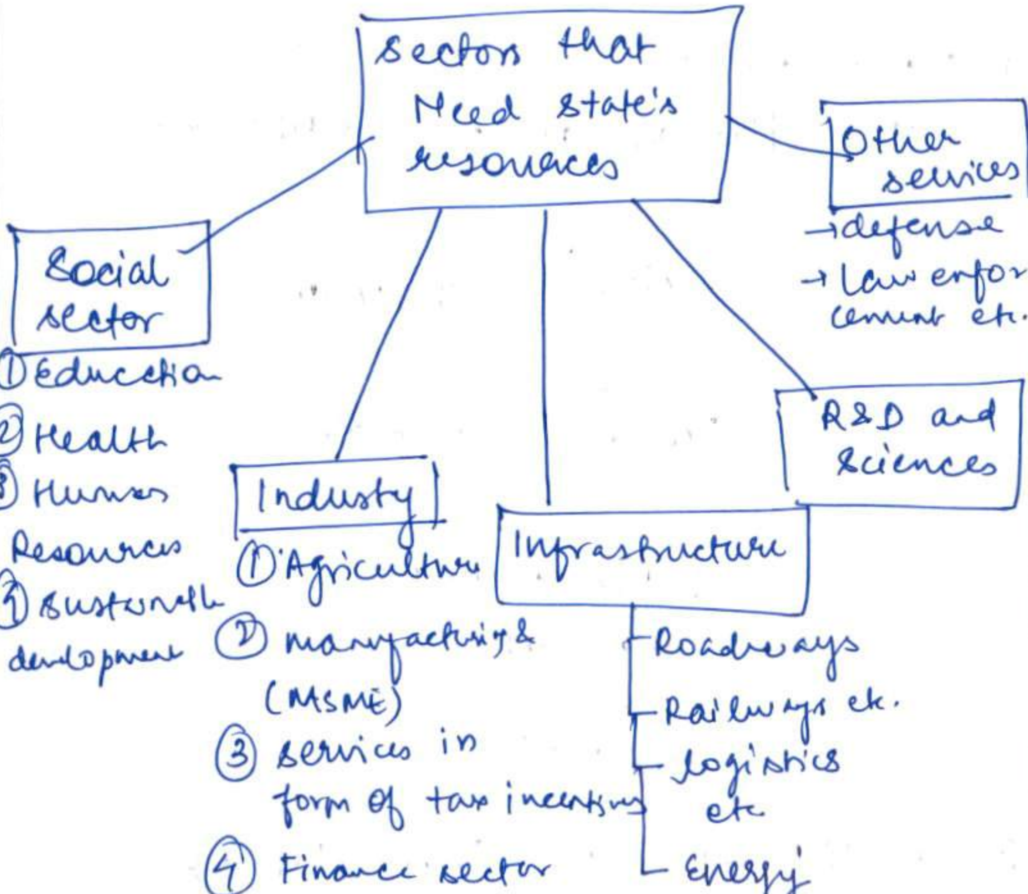
In a nutshell, government has initiated reform process, which is a step in right direction.

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

13. For a developing country like India, the sectoral allocation of scarce resources is a critical factor determining pace and quality of development. Discuss. **(250 words) 15**

भारत जैसे विकासशील राष्ट्र के लिए, दुर्लभ संसाधनों का क्षेत्रकों को आबंटन वस्तुतः विकास की गति और गुणवत्ता का निर्धारण करने वाला एक महत्वपूर्ण कारक है। चर्चा कीजिए।

In developing countries, needs are immense and resources are limited which leads to intersectoral competition.



Therefore we see that all of the above sectors require state's support to continue their role.

Importance of sectoral Allocation

1. Maintaining equilibrium of development along all dimension
2. Support the supply chain & value creation in economy.
3. Management of life cycle —
   e.g. Human capital creation
   ↓
   gainful employment
   ↓
   Economic growth
   ↓
   Infrastructure development
   ↓
   Innovation
4. To fulfill goal of SDGs, INDCs, knowledge economy.
5. To create new venues and opportunity of employment.

Therefore, adequate allocation of resources to all sectors becomes necessary to reap benefits of Demographic dividend, Industry 4.0 and achieve Inclusive growth.

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

14. Highlight the importance of MSME sector in India's economy. Also, identifying the challenges, suggest some policy recommendations to ensure their sustenance and competitive growth. **(250 words) 15**

भारत की अर्थव्यवस्था में MSME क्षेत्रक के महत्व पर प्रकाश डालिए। साथ ही, चुनौतियों की पहचान करते हुए उन्हें संपोषित करने और उनके प्रतिस्पर्धात्मक वृद्धि को सुनिश्चित करने के लिए कुछ नीतिगत अनुशंसाओं का सुझाव दीजिए।

MSME sector is the backbone of Indian economy. It provides

(1) Highest employment after agriculture.

(2) Adds to GDP growth. second only to services (IT) sector.

(3) ~~Export~~ sizeable portion of export comes from MSMEs.

Challenges

(1) Small size ⇒ can't reap benefits of economies of scale

(2) Competition from large corporates

(3) No R&D. and decay in modernization.

(4) lack of financial resources

⑤ Formal credit rating not available therefore loans at higher interest rate

⑥ Export network not well established.

⑦ Expansion is difficult due to rigid labour laws.

Policy Recommendations -

① simplify labour laws.
② Provide tax and export incentives.
③ handholding is required for financial access.
④ ease environmental clearances.
⑤ Build export infrastructure for connectivity.
⑥ Protection from excessive competition due to cheaper imports.

Steps taken by government

① Startup India, Standup India, MUDRA Yojana

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

(2) SEIS & MEIS are export ~~to~~ infra-structure scheme in form of duty scrips

(3) Priority sector lending. and SIDBI for financial access.

(4) Countervailing and Anti dumping duty.

(5) 4 labour codes.

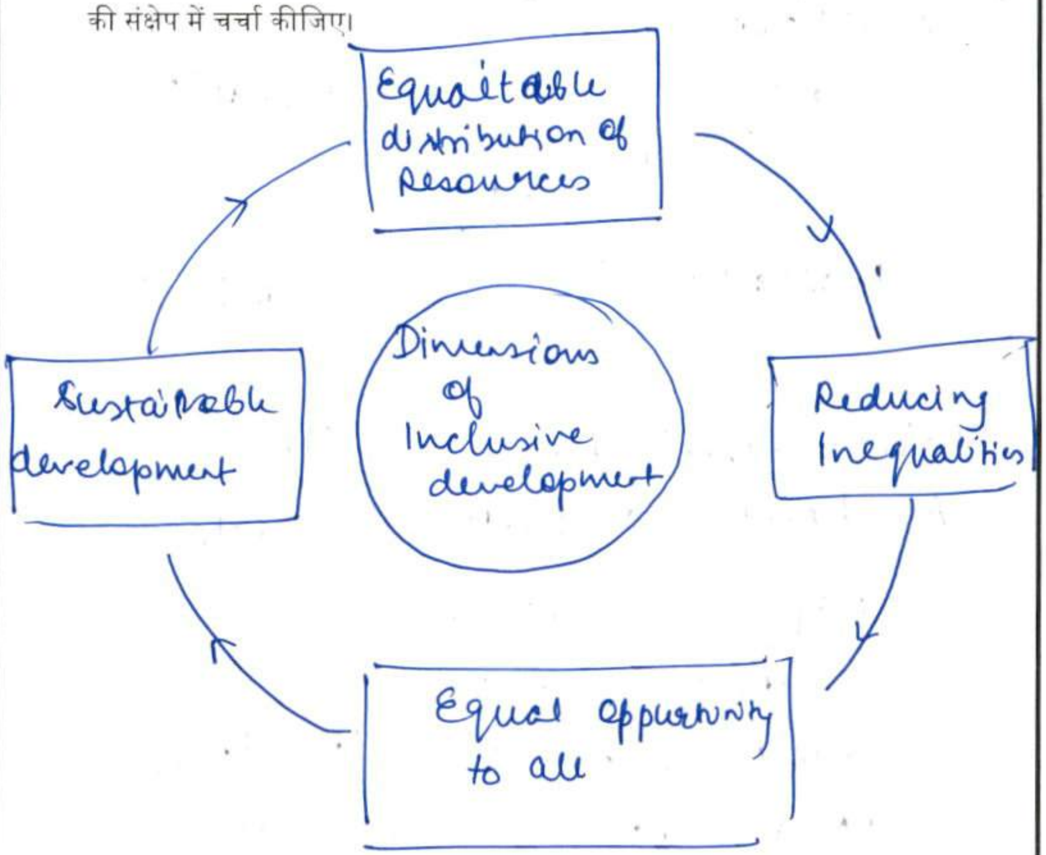
(6) Incentives in form of insurance coverage

(7) Contribution of EPFO as an incentive to expand.

Though government has given ~~state~~ support in terms of incentives and credit, it should also focus on technology upgradation and modernisation along with skill development which is need of hour.

15. In the inclusive development index of World Economic Forum (WEF), India stands very low. Discuss briefly the issues associated with living standard, environmental sustainability and protection of future generations from further indebtedness in India, on which the ranking is done. **(250 words) 15**

विश्व आर्थिक मंच (WEF) के समावेशी विकास सूचकांक में, भारत अत्यंत निचले पायदान पर है। भारत में जीवन स्तर, पर्यावरणीय संधारणीयता एवं भावी पीढ़ियों को और अधिक ऋणग्रस्तता से संरक्षित करने से संबंधित मुद्दों, जिनके आधार पर यह रैंकिंग की जाती है, की संक्षेप में चर्चा कीजिए।



Reasons for low Ranking

① Living standards

(A) low expenditure in social sector compared to advanced economies

(B) Low Retention Rate & ~~quat~~ dismal quality of education

(C) High out of pocket expenditure on health
(D) lack of gainful employment
(E) lack of safe drinking water, sanitation & housing.

Quality → Issues ← Affordability
Availability → Issues ← Accessibility

(2) Environmental sustainability
(A) faulty agricultural practices
(B) Rapid urbanization & industrialization
(C) loss of the wildlife habitats, Replacement of people due to big projects.
(D) Increasing environmental pollution

(3) Future Generation –
(A) A. Excess use of natural resources e.g. water, fuel, forest etc
(B) Increasing Pollution

(C) lack of proper fiscal consolidation.
(D) Inadequate investment in human capital.

What should be done -

1. Integrated program on health, education & human resources.
   - → Sarva Shiksha Abhiyan
   - → Universal health coverage
   - → Skill India mission
2. Infrastructure should be a sustainable
   - → Housing for All
   - → Clean India Mission
3. Integration of technology & AI
4. Adopt decentralised & Renewable energy production
5. Reuse, Reduce & Recycle approach in responsible consumption of resources

Green economy is the way forward for India to ensure sustainable growth.

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

16. Under-employment rather than unemployment is the key problem facing India today. Elaborate. Also, suggest measures to counter this problem.

(250 words) 15

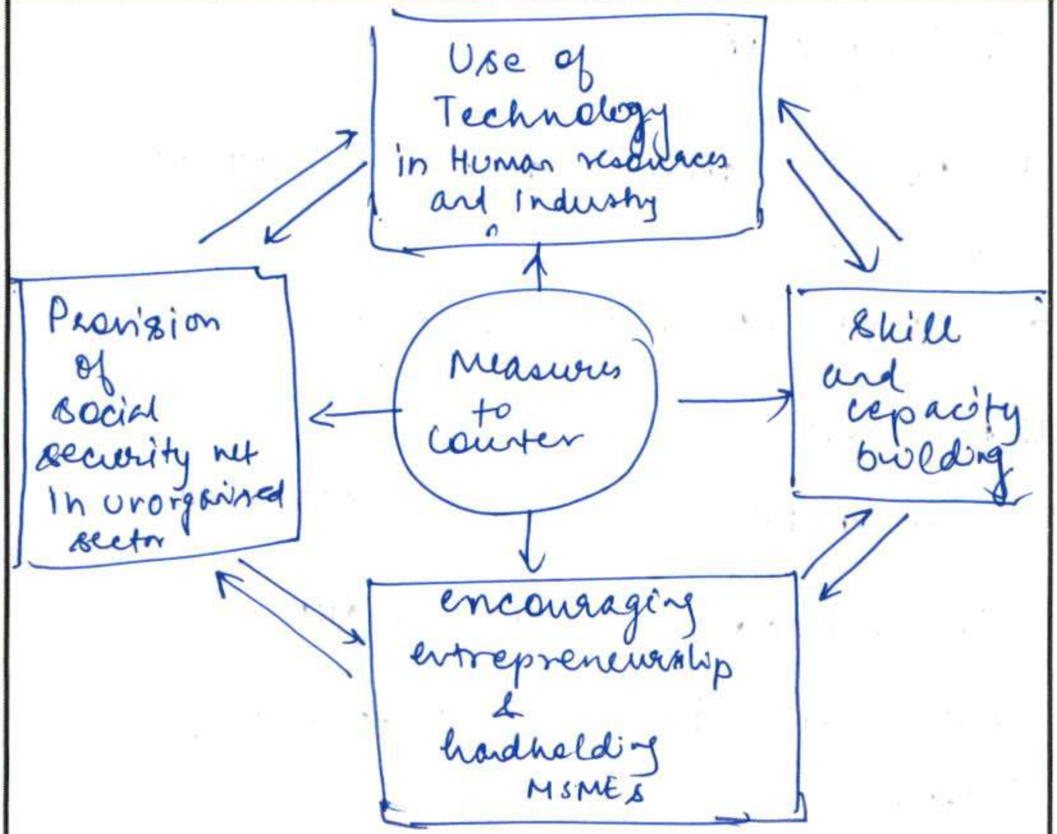
वर्तमान में भारत के समक्ष मुख्य समस्या बेरोजगारी नहीं अपितु अल्प-रोजगार है। सविस्तार वर्णन कीजिए। साथ ही, इस समस्या के प्रत्युत्तर हेतु कुछ उपाय सुझाइए।

Under-employment is often categorised in three forms →

(I) Disguised employment
(II) seasonal employment & voluntary unemployment
(III) low wage employment

Though unemployment is an issue, but under-employment presents graver challenges →

(1) Over reporting of employment → disguised
(2) Reduces productivity per capita
(3) No platform for skill upgradation
(4) low wages leads to inequality and poor investment in health and education of children.
(5) ~~Burd~~ Over burdened agriculture and MSMEs ⇒ Reduced profitability.



What government has done

(1) Make in India & Start up India
(2) Recognition of prior learning
(3) National Career Portal
(4) Boost and Incentives to labour intensive sectors e.g. Apparel & leather
(5) Measures to boost export →
   (1) Rebate on state levies
   (2) MEIS & SEIS.

(3) Duty scrips

(6) Relaxed labour laws to support expansion of MSMEs

(7) Coastal economic zones.

<u>What more</u>

(1) <u>Industry 4.0</u> → Leverage technology in education & job creation.

(2) Skill building should be the focus.

(3) Use of AI and ICT

(4) Extend social security net to unorganised sector.

(5) Boost manufacturing in North-east area.

All projects & schemes such as NIMZ, CEZ, SEZ should be given further incentives to quickly provide employment.

17. A near stagnant tax to gdp ratio for the country since decades reflects not only non-fruition of efforts to increase it but also underlying structural issues with tax regime. Comment. **(250 words) 15**

राष्ट्र के लिए कई दशकों से कर-GDP अनुपात का लगभग स्थिर रहना, न केवल इसको बढ़ाने हेतु किए जाने के प्रयासों के फलीभूत न होने, अपितु कर व्यवस्था में अंतर्निहित संरचनागत समस्याओं को भी प्रतिबिंबित करता है। टिप्पणी कीजिए।

Tax to GDP ratio refers to total tax revenue (both direct & Indirect) to the size of economy.

State of tax Revenues in India –

1. Stagnant union tax revenues at about 10% to GDP.
2. Direct taxes stagnant at about 6%..
3. lower share of direct taxes in overall tax revenues which
4. leads to regressive tax system.
5. State goverment and local bodies are highly inefficient in collecting taxes.
6. Power of taxation not devolved to local governments.

Inadequacy of laws

Compliance Issue ← Structural Issues → Institutional

Compliance Issue
- moral Hazard
- tax evasion (Black money)
- tax avoidance by companies - e.g. Transfer Pricing

Institutional
- Administrative
- collection inefficient
- verification process out dated.

Structural Issues → Excessive tax litigation → tax terrorism

Recent changes -

1. PAN - Aadhar linkage
2. Demonetisation
3. Income declaration schemes.
4. Roll out of GST
5. Double tax Avoidance Agreement
6. Safe haven Process
8. Advance agreement on transfer pricing.

(8) Bilateral agreement on information sharing.

(9) GAAR

(10) Universal e-filing ~~of~~ of ITR and complete digitisation of process.

Above efforts have led to 50% increase in ~~GST~~ unique indirect tax payers and also sufficient increase in ITR filing.

18. The need to overhaul the current budget making process can be gauged from the fact that it neither undertakes broad-based consultations, nor is adequately transparent nor effective in estimating and allocating the demands of various stakeholders. Examine. **(250 words) 15**

वर्तमान बजट निर्माण प्रक्रिया में आमूल परिवर्तन करने की आवश्यकता का अनुमान इस तथ्य से लगाया जा सकता है कि न तो इसका परामर्श का आधार व्यापक है, न ही पर्याप्त पारदर्शी है एवं न ही यह विभिन्न हितधारकों की मांगों का आकलन और आबंटन करने में ही प्रभावी है। परीक्षण कीजिए।

Current budget making process follows ~~bottoms~~ bottom-up approach.

Department & various ministry submit annual requirement to Finance Ministry

Finance ministry subsumes all details of ongoing schemes and new schemes

decisions to reduce allocation takes at Finance ministry level

Budget Presentation

Therefore we see that no consultations are made.

Also other issues with Budget making process -

① Unscientific approach in estimates

② Lack of data for sectoral allocation [lag in data collection]

③ No inputs from state government & local governments.

④ Populist measures are promoted without sufficient outcomes.

⑤ No outcome mentioned against budget allocation

⑥ Overlapping schemes are allotted money.

Need -

① Engage experts and stakeholders.

② Utilize digital India & Big data to gather ground level information

③ Restrain from populist allocations

(4) Scientific analysis of resources and its impacts.

(5) Transparent process. → invite inputs at all levels of Budget process.

(6) More power to Estimates committee in recommending changes.

(7) Enough time should be given for budget discussion in Parliament.

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19. Adhering to fiscal discipline is considered as a hallmark of sound financial management by government. Elaborate. To what extent does the Budget 2018 incorporates fiscal discipline vis-a-vis competing targets of the government? **(250 words) 15**

राजकोषीय अनुशासन के पालन को सरकार द्वारा स्वस्थ वित्तीय प्रबंधन की एक कसौटी माना जाता है। सविस्तार वर्णन कीजिए। 2018 का बजट किस सीमा तक सरकार के प्रतिस्पर्धी लक्ष्यों एवं राजकोषीय अनुशासन को समाविष्ट करता है?

Fiscal desciplime refers to sound management of financial resource in order to reduce Fiscal deficit. It can be achieved by —

1. Raising more tax revenues
2. Reducing wasteful expenditure and fiscal profligacy.

Features of sound management of finances

1. Proper sectoral allocation
2. Balance between horizontal & vertical distribution.
3. ~~Raisi~~ Mobilising sufficient resources through sustainable means.
4. Reducing & minimising debt on future generation.

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

~~Too~~

~~Components of fiscal discipline~~

~~(1) Reducing deficit throw~~

Impact of fiscal discipline

(1) Inclusive growth
(2) sustainable development.
(3) Stability in economy
(4) Increased competitiveness.

~~Financial~~

Fiscal Responsibility and Budget Management Act, 2003 provided for—

(1) limiting fiscal deficit to $\boxed{3\%}$
(2) Reducing Revenue deficit to Zero.

Further amendments have asked for limiting $\boxed{\text{Debt to GDP}}$ ratio also to 60%.

Provisions of Budget 2018 —

→ Projects 3.3% as Fiscal deficit targets.

→ To limit central government's Debt

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

to GDP ratio to 60%.

→ In order to achieve this →

(A) Raising Health and education cess to 4%.

(B) Long term capital gain tax of 10%.

(C) Reduced defence expenditure as % of GDP.

(D) No reduction in income tax.

(E) Improving GST implementation framework.

However, Reduction in MSME taxation to 25% ~~tax~~, foregoing taxation of FPOs, new schemes & projects such as Bank ~~repo~~ recapitalisation bond, AYUSHMAN Bharat, Bharatmala are set to increase expenditure

20. The role of international trade in achieving a quicker pace of economic development is well recognized. What are the benefits of international trade for a developing country like India? Highlight the challenges that India faces in improving its share in world trade. **(250 words) 15**

आर्थिक विकास की द्रुत गति को हासिल करने में अंतरराष्ट्रीय व्यापार की भूमिका को बखूबी मान्यता प्राप्त है। भारत जैसे विकासशील राष्ट्र के लिए अंतरराष्ट्रीय व्यापार के क्या लाभ हैं? विश्व व्यापार में अपनी भागीदारी बढ़ाने में भारत द्वारा सामना की जाने वाली चुनौतियों पर प्रकाश डालिए।

International trade refers to both export and import in goods and services

Transfer of Technology & Expertise

↑

Improvement in bilateral relations, hence tool of foreign policy ← Benefits → Access to vast global market, increases production, employment and profits.

↓

Global Competition improves quality and standards

Other Benefits
- → Comparative Advantage
- → best use of available resources and expertise
- → high level of productivity

→ sharing of knowledge
→ fulfilment of requirements where production is not possible e.g. [oil and energy]

→ MNCs invest and establish branches.
→ global integration.

Challenges.

① Poor Industrial base
② Uncompetitive manufacturing
→ price & quality
③ Increasing protectionism.
④ Non technical & Technical barriers to trade e.g. SPS measures against agriculture products.
⑤ Inconsistent government policies.
⑥ Outdated technology
⑦ lack of innovation in product & services.
⑧ Poor logistics.
⑨ Neighborhood issues.

Measures to Improve—

(1) FTAs is both multilateral & bilateral e.g. RCEP

(2) Export promotion schemes —

(A) SEIS & MEIS

(B) SEZ & CEZ (coastal economic zones)

(C) logistics → infrastructure status.

(D) Rebate on state levies.

(3) Manufacturing Policy —

(A) Zero defect, Zero effect

(B) focus on Make in India

(C) Liberalised FDI

But more needs to be done in agriculture and manufacturing sector so both can complete services sector in terms of exports.