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04 AUG 2018

GENERAL STUDIES (TEST CODE : 1059)

Name of Candidate	Dhruv Mittal		
Medium Eng./Hindi	English	Registration Number	8010
Center	DL (Karol Bagh)	Date	04/08/18

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	
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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।

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. 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 (Build operate transfer) and
EPC (Engineering Procurement Construction)
are two of the models of PPP based infrastructure development.

BOT :- It involves private sector in Building and Operating the infrastructure for some time and then returning the same to government.

Issues :- ① All investment comes from private sector which puts burden on them

② Time and Cost overruns lead to creation of NPAs. Eg. Road sector has about 18% of total NPAs due to land or environment clearance

③ Burden to collect toll in BOT (toll) model falls on Private sector.

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

In EPC model,
Private sector is concerned only with Engineering and Construction of the project where as entire financial burden comes on govt.
Private sector is paid after the completion based on performance.
Issue :- ① Too much financial burden on government.
② Lack of funds

Hybrid annuity model is a hybrid of above two (BOT : EPC = 40:60) where government invest 40% of project cost where as rest comes from private sector. Private sector is paid rest via annuity after completion.
Benefits :- ① Better risk sharing
② Doesn't put much financial burden on both.
③ Faster land and environment clearances.

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(इस भाग में कुछ ना लिखें)

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।

Formal sector refers to a sector which may have following features one or more of
i) Not taxed ii) Doesn't come under social security iii) Not part of GDP / GNP (iv) Doesn't come under government regulations.

A number of studies have given different estimates of extent of formality in India. Even Economic Survey 2017-18 noted that informality is exaggerated in India.

① Based on social security net, almost 31% of non-farm jobs are in formal sector

② Based on GST tax net the number goes upto 50%.

Based on Firms

- Completely Formal (0.6% of total firms)
- Come under social security / Under tax net — 13% of firms
- Don't come under both — 85% of firms

Steps taken :-

1. Demonetization and Digital India to improve digitization and tax compliance
2. GST reform has led to increased formalization
3. Make in India and other programmes for job creation like Start up India to create more jobs
4. Wage Code Bill to bring organisations under government labour laws.
5. Measures to improve social security cover like EPFO, ESIC etc.
6. Ensuring credit availability through schemes like PM Mudra Yojana

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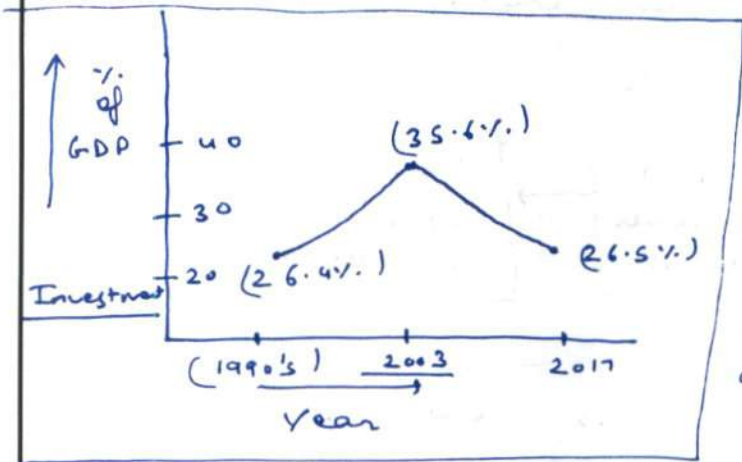
3. The investment rate in India has gradually declined after a historic high in the mid 2000s. Examine the reasons behind this trend. Discuss the steps required to revive investment for a sustained growth. **(150 words) 10**

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।



Trend of investment

Economic Survey 2017-18 pointed towards prolonged decline of investment rate in the country due to various reasons.

① Twin balance sheet problem :-

Our investment decline has been related to balance sheet issues

Stress in banks → NPAs → Less Credit → Low investment by Corporates

Most of the decline has been in private investment [about 5 percentage points since 2007-08.

(2) Shift of household investment towards financial assets

(3) Decline in govt. investment due to high revenue deficit and interest payments

High interest Payments → High Revenue deficit → Low Capital expenditure → Low revenue → High interest Payments

Steps taken :- Steps have been taken to resolve twin balance sheet issue

(1) Recapitalization of about 2.1 lakh crores.

(2) Resolution has been speeded up by introduction of Insolvency and bankruptcy Code

(3) Recognition via proper Asset quality review

(4) Reduction in Corporate tax to 25%.

(5) Reforms in banking via introduction of Bank board bureau, merger of SBI and disinvestment.

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।

4th Industrial revolution, a term coined by World economic Forum refers to revolution which is characterized to technologies blurring the lines between physical, biological and digital spheres. Eg. Artificial intelligence, Internet of things etc.

4th Industrial revolution while having immense potential of growth can lead to
(i) Hightened socio-economic divide
(ii) digital divide
(iii) Rural urban divide etc.

Even Economic forum stated that it may lead to loss of 5 million jobs in India in next 5 years as low skills job become redundant.

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

Need :- ① There is a need to promote innovation and start up ecosystem in India to promote adoption and utilization of new technologies for socio-economic benefits

Eg. Microsoft - ICRISAT app for sowing seeds. uses Artificial intelligence

② Reforms in FDI and ensuring Ease of doing business for greater investments

③ Focus on Make in India especially in labour intensive sectors like apparel, footwear and leather to create jobs

④ Promoting Skill India and digital India to create necessary skills as well as digitization to ensure smooth transition

4th IR is a reality which we cannot afford to miss and hence an integrated approach is needed

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

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।

Joseph stiglitz had put immense thrust on importance of human capital apart from natural capital for human and economic development

Role :- ① Human capital is the one which converts natural capital to utilizable capital.

② Skilled human capital leads to greater innovation which propels country on path of development.

③ It improves efficiency and total factor productivity of any economy. Even Economic Survey 2017-18 has noted that lack of human capital may put India into a Middle income trap

Challenges :-

① Poor education :- As ASER report noted that 40-50% of children in 3-8 class standard lack basic learning standards

② 4th IR :- It is leading to rendering traditional skills redundant - This will be a challenge as already only 2% of population gets formal training

③ Health issues :- High IMR, MMR, disease burden etc.

④ Social issues :- Stigma against women labour force participation.

Opportunities :- ① Demographic transition of India has led to,

Low dependency ratio | High young population

which can be harnessed.

② Women labour force participation can boost GDP by 27% - IMF chief

③ Rising labour wages in China is an added advantage

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।

Secondary sector in India accounts for about only 18% of the GDP

Even Economic survey has talked about fear of "Premature deindustriali-zation" in India.

Challenges :-

(1) By passing of manufacturing sector to become service oriented economy (Premature deindustrialization)

(2) Threats from competition from Bangladesh, Vietnam etc. to make in India due to labour advantage

(3) Issues with Ease of doing business

(4) Lack of skills (only 2% of population is formally skilled)

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

(5) Poor infastructure
→ Access to electricity
→ Fragmented Logistics
→ Outdate machinery

(6) Challenges to exports due to 'Protectionism' and 'quality issues'

All these issues demand a new industrial Policy which should focus on –

(1) Labour intensive sectors like Textiles, Leather etc. where India has traditional advantage.

(2) Promoting MSMEs to achieve higher jobs as well as balanced regional growth

(3) Inter sectoral convergence between Agriculture, Industry and services to get better forward and backward linkages

(4) Improving infrastructure and $\boxed{\text{logistics}}$ to achieve competitiveness

(5) Adopting Indian National Strategy on Standardisation to improve quality and standards

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

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।

Recently in 2018 report of World Bank on Ease of doing business ranked India on 100th position, a 30 place jump, for the first time ever

Reforms :-

① Starting a business was improved by introduction of SPICe forms which merged PAN, TAN forms

② Insolvency and Bankruptcy code improved resolution process

③ Tax filing was improved by adoption of Income computation and disclosure standards (2016) and e-filing of tax

④ Improved infrastructure at Nhava Sheva port and reduce compliance

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

time at Delhi and Mumbai airport

(5) Measures taken by SEBI to protect minority investors.

(6) National Judicial data grid etc.

However the report also noted the much needed areas of reforms like
i) Starting a business (ii) Contract Enforcement (iii) Construction Permits etc.
(iv) Cross border trading

Measures :-
(1) Proper implementation of Arbitration and Conciliation Act 2015 and promotion of ADRs
(2) Improving efficiency of judicial process to reduce pendency of commercial cases (Eco Survey 2017-18)
(3) Implementation of Startup India to improve startup ecosystem
(4) Proper implementation of GST act
(5) Expediting Municipal permits to speed up Construction permits

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

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।

Special purpose Vehicles are basically legal entities formed for a specific purpose with defined goals and objectives. Examples (i) SPVs for Smart cities mission

Benefits :- ① Focus on specific area leads to higher efficiency

② Better allocation of resources without putting entire firm at risk

③ High specialization leads to reduced time and Cost overruns

④ It ensures ease of doing business

for private sector

(5) Dual benefits
- → Govt. gets access to resources
- → Private sector gets easy regulatory environment

Challenges :- (1) SPV in smart city mission is said to be eroding authority of local bodies

(2) Issues of fixing accountability

(3) Broad and unclear objectives

(4) Risks of crony capitalism

(5) Risk of misuse of Public resources for private gains

Measures :- (1) Involvement of local bodies in smart city mission

(2) Clear definition of roles, objectives and risk allocation

(3) Plug and play model to ease regulatory environment.

(4) Having a clear policy regarding SPV model
→ long term

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।

Unorganized sector of India is defined as work places which employ less than 10 people and lack access to social security benefits etc.

Need for social security

(1) Unorganized sector account for about 90% of total economy of the country

(2) Bringing them under social security net will help in getting better data about their functions

(3) Women will benefit the most as a large contribution of them goes unnoticed

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

(4) It can add up to the tax collection of the govt.
Eg. Govt. can bring sex workers and prostitution under its ambit to better regulate it

(5) Reduced exploitation of the workers and better access to wages by bringing them under Wage Code Bill 2017

(6) It will help in bridging rural - urban gap as well as balanced regional development.

(7) It will also boost insurance and pension sector.

Hence govt. should try to formulate a policy for universal social security coverage on the lines of Ayushman Bharat scheme through Atal Pension scheme, etc.

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

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।

NBFCs are defined under Companies Act 1956 and are those companies mainly dealing with business of loans, advances, stock exchanges, mutual funds etc. but whose primary business is not of agriculture etc.

Role :- ① NBFCs like Chit funds, Mutual Funds etc. have played a crucial role in mobilizing small savings of the poors

② Access to credit for MSMEs where banking sector has been absent. Eg: $\boxed{\text{MUDRA}}$ is established as NBFC

③ Investment in startups via Venture Capital funds

(4) Access to social security through insurance and Pension schemes

(5) Development of Secondary market ie Stock markets

(6) Development of infrastructure. Eg: SEBI approved InvITs

Need for regulation

(1) Lack of grievance redressal mechanism (∴ RBI approved ombudsman scheme for NBFCs)

(2) Lack of insurance for depositors as they are not part of Payment and settlement system

(3) Scams like Ponzi schemes, Saradha Chit fund scam etc. further stress the need for regulations.

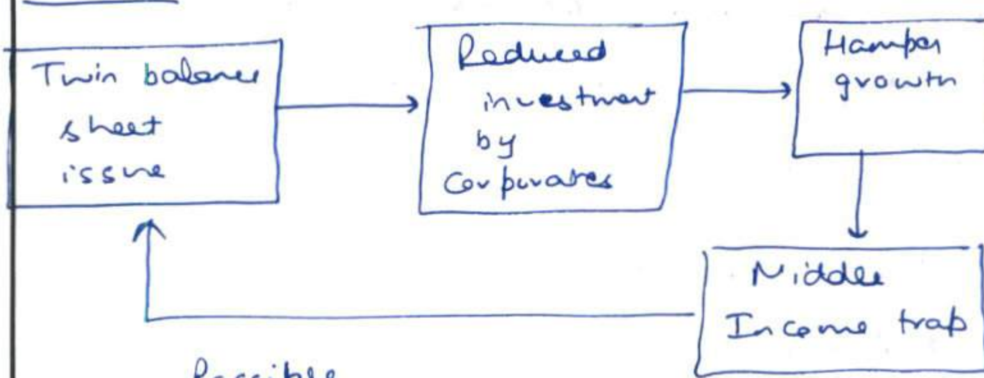
(4) High market volatility puts investors on risk

(5) Lack of awareness among people and lack of penetration of products offered

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।

As per the latest RBI bimonthly report, NPAs have grown upto over 10% of total advances and may rise upto 11% by end of 2018



Possible scenario noted by Eco survey 2017-18

It basically refers to worsening of balance sheet of banks as well as Corporates and has led to reduced investment in the country.

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Potential of IBC : IBC was introduced to provide early detection of stress as well as comprehensive resolution of bankruptcy to resolve the Chakravyuha challenge i.e. impeded exit of economy.

1. It reduces the time taken for resolution process which currently is about 4.3 years (270 days mandated)
2. Makes resolution from judicially driven to commercially driven (led by Insolvency professionals) process.
3. Unlocks the locked capital in the insolvent firms
4. Improved ease of doing business as noted by World

Bank which leads to higher investment.

High EODB → High investor Sentiment → Improved credit ratings by Moody

Hence IBC makes the Ease of doing business throughout the lifecycle of a business.

(5) Resolution of problems of NPA via IBC will also boost growth further

Hence the need of the hour is faster implementation of IBC within the given timeframe.

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।

PSEs were envisaged in India right before the independence and was established after independence for following purposes

(i) Self-dependence for critical goods like Capital and basic goods

(ii) Import substitution

(iii) Balanced regional development

(iv) To propel India on high growth path via rapid industrialization.

Example :- Bhilai steel Industries was established for balanced regional growth

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

Changing role :-

① With emerging LPG era, the role of self-dependence and import substitution have blurred

② Their major role is to lead R&D and production in major strategic sectors like Defence, Space, Atomic Energy etc. to ensure "Make in India" in these areas

③ To improve efficiency to enhance quality of service delivery has become greater emphasis
Eg. Performance of railways has been poor

④ Incorporate corporate governance standards.

Issues :- ① Inefficiencies and bureaucratic structures

② Poor use of technology

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

(3) Heavy loss making which put pressure on public exchequer
Eg: $\boxed{\text{Air India}}$

(4) Excessive labour force due to redundant labour laws.

Steps needed :-

(1) As government and NITI Aayog has noted, govt should disinvest in loss making PSUs like Air India and in non-strategic PSUs

(2) Bringing standards of corporate governance in PSUs. and ensuring proper accountability

(3) Reforms in railways based on report of Bibek Debroy Committee

(4) Performance based funding

(5) Improvement in technology and overall infrastructure.

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।

Ever since independence, India has followed a "imbalanced growth model" ie Mahalnobi's strategy which entailed different allocation of resources to different sectors based on priority and competitive advantage.

Since 2nd Plan, the major aim was to improve (i) Self reliance

Mahalnobis Model

(ii) Import substitution

(iii) Industrial development.

which led to greater allocation to industrial sector. while it led to industrial growth, it also hampered agriculture

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

Similarly our low allocation in social sector (only about 3.5% of GDP in education and 1.2% in health) has led to adverse social indicators. Eg: India rank 93/128 in Social Progress Index.

Poor allocation to R&D (0.7% of GDP) has hampered innovation in the country.

Hence it is clear that sectoral allocation of resources has critical importance in determining pace and quality of development.

In this light following steps should be taken,

(1) Fascilitating particpation of private sector and improving Ease of doing business

(2) Focus on core areas like Social sector etc. to focus on redistribution and human capital formation

(3) Efficient utilization of scarce resources is critical
Eg: Water use efficiency in irrigation must be improved which account for 80% of ground water use

Not merely sectoral planning, government should also focus on regional planning to ensure balanced and equitable utilization of resources

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।

MSMEs in India are defined under MSME Act 2006 as follows

MSMEs

Manufacturing			Services		
Micro	Small	medium	Micro	Small	medium
<50 lakh	50 lakh - 5crores	5-10 crores	<10 lakh	10 lakh -2 crores	2-5 crores
Investment in Plant and machinery			Investment in machinery		

Role :- (1) Employment :- About 110 million jobs are in MSMEs

(2) Social benefits

(i) Balanced regional growth

(ii) Women employment.

(iii) Bridge rural - urban gap.

(3) MSMEs make up for about 40% of total exports of the

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

Country

(4) They help in generating employment and reducing burden of disguised unemployment in agriculture

(5) MSMEs can lead to innovation ecosystem of the country

Challenges :-

(1) Unable to compete with big firms due to globalization

(2) Poor infrastructure, outdated technology etc. hamper their work

(3) Lack of access to credit facilities

(4) Stringent labour and environmental laws increase their compliance costs

(5) Poor marketing facilities

(6) Overall business ecosystem of the country remains poor

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

Suggestions

1. Digitization of MSMEs through schemes like Digital India

2. Access to Funds
   - MUDRA Yojana
   - PM Employment generation programme for credit linked subsidy

3. Improving marketing facilities through schemes like "Market Assistance scheme"

4. Skill development and improving competitiveness through National manufacturing Competitiveness scheme, ASPIRE etc.

5. Equitable & regional development through promoting MSMEs in North East in areas like Food processing, BPOs, handicrafts etc.

6. Access to latest technology through international exposure

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।

India was ranked 62 among the 74 emerging countries in the WEF inclusive development Index

Issues :

① Living standards :-

(i) Rising inequalities despite high growth as Oxfam report noted that 1% of population garnered 73% of total wealth

(ii) Poor living standards of women due to
- Falling labour force Participation rate (≈ 22%)
- Poor social status

(iii) High poverty and hunger

Environmental Sustainability

(1) India still relies on Fossil fuel (about 90%) for its primary energy needs.

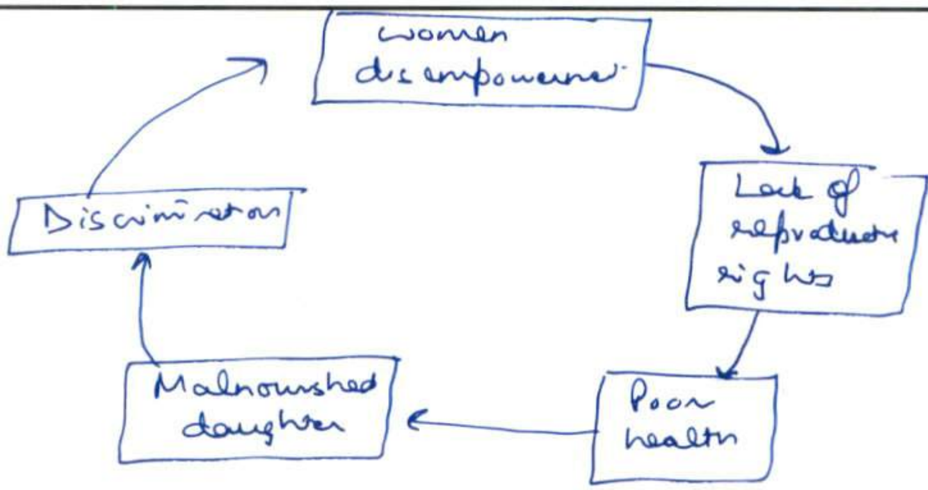
(2) India has the largest deaths in the world which are pollution related (≈ 2.5 million)

(3) 3rd largest GHG emitter.

Future generations :-

(1) Rising inequalities lead to inequitable access to resources which perpetrates to next generation as well

(2) Lack of women empowerment sustains the lifecycle of women disempowerment



(3) Unplanned exploitation of resources are leading to intergenerational imbalances in resource access

Even though India was one among the "advancing" category countries, the report has cautioned India to not solely focus on GDP as an indicator of development and focus on inclusive growth

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।

Underemployment basically refers to a person working for below his / her potential and sitting idle for most of the time due to (i) over qualification
(ii) Poor quality of jobs etc.

Underemployment in India can be seen in various ways

1. Disguised unemployment in agriculture
2. Women pulling out of labourforce due to domestic and social compulsions
3. High qualified engineer's applying for jobs like Peons, Drivers in a number of states

(4) This mainly happens due to inability of the economic system to provide adequate jobs to the youth based on their skill set

(5) 4th Industrial revolution will further lead to erosion of low and middle class jobs causing people to work below their potential

(6) Further high rate of urbanisation (rural → urban migration) and inability of cities to create jobs will push rural workers to $\boxed{\text{low paid contractual jobs}}$

(7) Stringent labour laws also prevent laying off of redundant labour.

Measures :- (1) Promote job growth by improving Ease of doing

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

business and investment.

(2) 'Make in India' is crucial for India to create 1 million jobs per month by boosting manufacturing

(3) Streamlining labour laws as is done via Wage Code Bill 2017

(4) Women labour force participation must be encouraged through platforms like SHG so that their skills are not wasted

(5) Improving startup ecosystem and digitization to create self employment.

All these will be crucial for checking Middle Income trap for the country as well as tackling issues of disguised unemployment and boosting productivity of the economy

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

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।

Economic survey 2017-18 noted that India's tax to GDP ratio has been stagnant since 2-3 decades to about 16.6% of GDP.

Over the years govt. took a number of measures like :-

(1) Rationalization of tax rates

(2) Simplification of tax filing procedures.

(3) Stringent laws to ensure compliance. like Black money Act 2015, Benami transaction Act 2016 etc.

(4) Double tax avoidance treaty and implementation of GAAR

(5) Minimum alternate tax

(6) Co-operation with OECD, G-20 to tackle Base Erosion and profit shifting etc.

Despite these efforts, the tax to GDP ratio has remain stagnant due to issues with tax regime like

(1) Complexity :- Multiple taxes especially indirect taxes (Pre-GST) leads to increase complexity and reduced compliance

(2) High dependence on indirect taxes, impact poors the most (over 50%.) which further deter compliance

(3) Lack of use of technology and poor service delivery

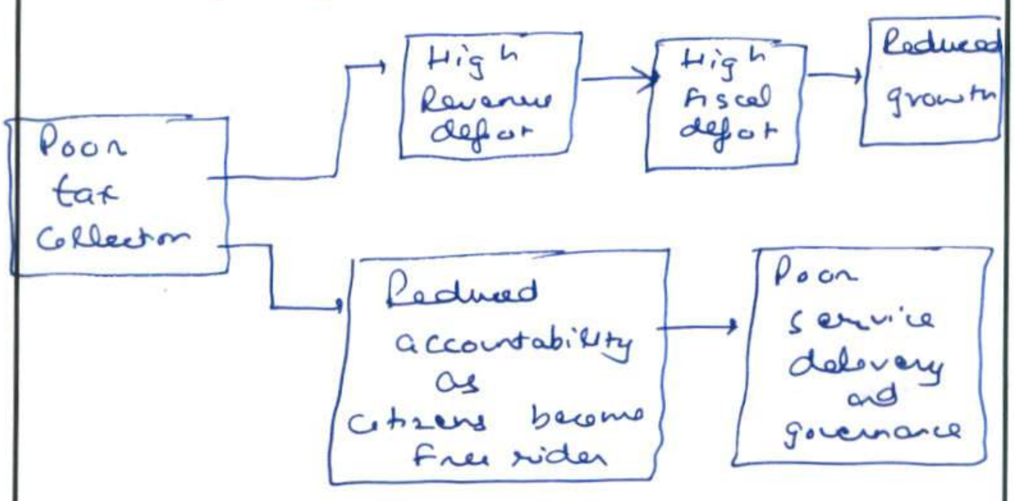
(4) Inability of 2nd and 3rd tier of government to generate resources

via taxation.

(5) Loopholes in the laws which enable companies to avoid taxes (BEPS, transfer pricing issues etc.)

Eco Survey 2017-18
• PRIs generate only 6% of funds from own resources.
• Aid curse
• Low collection of Property taxes due to archaic base value

(6) Poor tax administration, high pendency of cases etc.



The need of the hour is to improve direct tax collection and implementation of GST, which has already improved our tax base, along with digitization to reduce evasion

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।

Budget refers to the Annual financial statement of the government mentioned in Article 112 of the constitution

Issues :-

(1) Lack of broad based consultations especially with stakeholders like SC/ST, women, industry, farmers, social scientists etc.

(2) Issue of transparency

(i) Many a times, budget announcements and allocation are not given proper followup.

Eg. Funds in Nirbhaya fund remain unutilized as per

CAG report.

(3) Issues of accountability

Govt. has not followed up on N.K. Singh Committee report to set up fiscal Council to keep check on govt. fiscal committment

(ii) Unilateral shifting of Fiscal deficit targets by amending FRBM Act 2003

(4) Poor estimations and allocations

(i) Lack of allocations to Local bodies

(ii) Lack of consultations with states regarding their needs on Central sponsored schemes

(iii) Gender budgetting has not been taken up properly

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

(iv) Lack of inter-ministerial Co-ordination regarding need of allocations

(v) Estimates on Agriculture are hampered by untimely unavailability of data

(5) There is also not much followup on recommendations of Committees like Estimate Committee, Public account Committee etc.

The need of the hour is to reform the budgeting process to ensure all stakeholder participation, gender budgeting and ensuring accountability through institutions like Fiscal Council

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?

A number of committees including N.K. Singh Committee as well as institutions like World Bank have put emphasis on sound fiscal management.

① Without fiscal management, there may be situation of debt trap eg. Greece Crisis

High fiscal deficit → High borrowing → High debt and interest payments → High fiscal deficit

② Prudent fiscal management leads to higher credit ratings which reduces cost of borrowing and improve business sentiment.

Eg. India's credit rating improved by Moody's to BAA2 recently.

(3) Prudent fiscal management keeps inflation in check and hence is critical for monetary policy as well

(4) It pushes govt. to reduce Revenue deficits and move towards higher Capital expenditure

High Capital expenditure → ↑↑ Asset creation → High Revenue and growth

Pros :-

Budget 2018 :- It has talked about bringing Fiscal deficit to about 3.3% from 3.5% in 2017-18

(2) This is a good sign of government committment to reduce fiscal deficit despite rising oil prices

(3) Government has committed to focus on debt to GDP ratio as recommended by NK Singh Committee

(4) Reforms in subsidy through ensuring Direct benefit transfer

Issues :- (1) Govt. did not establish fiscal council as mandated by NK Singh Committee

(2) Government also did away with Revenue deficit targeting which may lead to imprudent planning

(3) Government also missed out on target of reducing fiscal deficit to 3.2% in 2017-18

With the implementation of GST, it is expected that revenues will improve and with that government should stick to path of fiscal consolidation

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

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।

LPG reforms in India since 1980's has led to increased trade of India globally

Benefits :-

(1) Boost growth as can be seen from the fact that India has achieved on average 6.5% growth since 1991

(2) Improved competition and hence overall increase in efficiency of domestic firms.

(3) Increased trade also leads to creation of job opportunities in various sectors like production, logistics, ports etc..

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

(4) It creates a "Brand India" all over the world which enhance our image and our soft power as well

(5) Improved service delivery as well as greater quality of products for the citizens.
Example :- Penetration of smartphones in India

(6) Fusion of cultures lead to destruction of orthodoxy which can benefit downtrodden sections like SC/ ST, women the most.

Challenges :-
(1) Poor quality of products due to lack of standardization and testing facilities
Eg. Indian products face maximum SPS and TBS barriers

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

(2) High Competition from China, Bangladesh, Vietnam etc.

(3) Poor supply chain and logistics
Eg: (i) Poor material handling and warehousing
(ii) High turnaround time at Ports etc.

(4) Rising protectionism

(5) Lack of development of manufacturing industries

(6) Lack of awareness among MSMEs and exporters regarding global norms and standards.

(7) Poor Ease of doing business

(8) Inverted duty structure as in Electronics industries

Govt. should boost overall ecosystem of doing business and improve efficiency by logistics improvement and standardization to boost share in exports to 3.5% as noted in FTP 2015-20