VISION IAS

www.visionias.in

GENERAL STUDIES (TEST CODE : 1059)

Name of Candidate	Akshat Jain		
Medium Eng./Hindi	English	Registration Number	101322
Center	ORN	Date	3/8/18

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	
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।

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

VISION IAS™

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

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।

As per a study, India's infrastructure needs measure 200 Bn $ per year, out of which only 50% is fulfilled right now.

Issues in PPP Models

BOT refers to Build, Operate, Transfer Model, while EPC refers to Engineering, Procurement and Construction Model.

In BOT, the private player builds structure, operates for a period, and transfers it to government. The payment by government takes place after commercial operation starts.

In EPC, government bears the cost of construction, and utilizes private player for engineering knowledge.

Issues
- Inequitable risk allocation
- No continuous and comprehensive risk management studies
- Clearance and permission delays

Hybrid Annuity Model

HAM is based on government paying 40% project cost in first five years on an annual basis. The rest is paid after asset delivery and based on private player performance.

Advantages
- Risk distribution between private-public player
- No compromise on project quality
- Increased revenue for public agency

Thus Economic Survey 2017-18 has recommended HAM for stalled projects

Don't write anything this margin (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।

As per NSSO 2011 survey, only 15% of the workforce is employed in the formal sector.

The Economic Survey 2017-18 has however pointed of the issues in the measurement of the extent of formal sector -

1. NSSO data is out-dated and there is no system of monthly or annual data collection

2. No standard criteria in measuring 'formal nature' of a sector

3. Absence of robust data management information

system (MIS) with the relevant departments

4. Neglect of the ongoing trend of informalization of formal jobs

Government Steps

1. CSO and Ministry of Labour are engaging in periodic data collection exercises
2. Utilization of GST data
3. Improved data collection at EPFO and EPS level
4. Expanded coverage of social security programmes
5. NITI Aayog tasked to coordinate with states

The above steps will provide a better magnitude of the formal - informal sector, and help take required steps.

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

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।

The Economic survey 2016-17 has traced the roots of the investment slowdown existing presently-

1. Mid 2000s - Economic boom led to huge corporate profits
2. Corporates took huge loans from banks, especially PSBs, to invest in infrastructure projects.
3. But the projects ~~faulted~~ stalled due to-
   - Environmental clearances and land acquisition delays
   - Statutory delays and hurdles
   - Impact of Global Financial crisis 2007
4. This led to multiple defaults, leading to rising Gross Non- ~~Net~~ Performing Assets (GNPAs)
5. GNPAs have led to over-leveraged companies and stressed banks, and thus falling

investment rate, due to the slowdown in credit growth

Steps Needed

1. Addressing the Twin Balance sheet syndrome by 4R approach - ~~Reform~~ Recognition, Recapitalization, Resolution, Reform

2. Stable policy environment and taxation framework to revive investor confidence

3. Review of stalled projects and ~~tt~~ attempt to revive them

4. Policy focus on MSME and household sector

The government has already initiated several steps like IBC, Recapitalization Scheme etc. The efforts must be sustained.

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

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।

As per UNEP, inclusive growth is the process and outcome in which all groups of people participate in growth and benefit equitably from it.

Fourth Industrial Revolution and Inclusive Growth

Fourth I.R. is set to unleash Artificial Intelligence, big data analytics, Internet of Things etc..

Impacts

1. As per World Bank, 69% of jobs in India are threatened by automation
2. Low-skilled workforce to be affected the most
3. MSMEs to find more difficult to compete

4. As per ILO, textile and footwear sector to be significantly impacted

This has led calls for a strengthened policy and institutional ecosystem.

Steps Required
- 1. Skilling and reskilling to focus on technological skills of the future
- 2. Policy steps to protect workers from job losses
- 3. Policy architecture to ensure equitable distribution of benefits of technology
- 4. Specific institutional support to MSMEs and labour-intensive sectors for upgradation of technology

India must lead in the coming 4th I.R., and ensure inclusive growth prospects are enhanced, not regressed.

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।

Human capital refers to the skills of the workforce required for economic productivity

Role

1. Better skill-set translates to higher productivity
2. Leads to diversification of economic activities
3. Leads to innovation and technology development

Challenges

1. Poorly skilled workforce - Only 2.3 % workforce is formally skilled
2. Inadequate health infrastructure inhibits full realization of productivity
3. Disoriented educational system, misaligned

to industrial demands of today

4. Insufficient participation of market in human capital formation (internships, training etc)

5. Above has led to under-employment.

Opportunities

1. Demographic sweet-spot - India has a youthful work-force, expected to last for another 25 years

2. Fourth Industrial Revolution

3. Rise of start-up culture in India

4. Protectionism in West will increase foreign participation in Indian economy.

Thus adequate policy focus is required on improving skilling, educational and health status.

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।

Industrial growth in India has not kept pace with the overall GDP growth rate in the last five years.

$\boxed{\text{Major challenges}}$

1. Twin Balance sheet Syndrome
   - Over-leveraged companies
   - Stressed Banks
   - → Slowdown in Investment rate
2. Demonetisation and GST after-effects
3. Governance Issues
   - Outdated Labour laws
   - Land Acquisition Issues
   - Bureaucratic interference

In the above Context, a new Industrial policy is required that should focus on-

1. Streamlining business procedures involving clearances, permissions etc.

2. Create awareness about existing measures like e-Biz portal, single window clearance facility etc

3. Provide a conducive and stable taxation and policy environment

4. Adopt a sector-specific approach rather than one-size fits all

5. Take steps for better risk-allocation and reduced vulnerability from external shocks

The policy must ultimately provide an enabling environment for promoting job creation, value addition and growth.

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।

In the World Bank's Ease of Doing Business (EoDB) Index 201, India has ranked 100th, a 30-spot improvement.

Reasons for the success
- → Insolvency and Bankruptcy Code (IBC)
- → Improvement in payment of taxes criteria, due to Income Disclosure and Computation Standards
- → Amendments in Arbitration and ~~Recon~~ Conciliation Act, to improve enforcement of contracts

Besides the above, past reforms like e-Biz portal, Investment Promotion cell, reduced number of forms, have also played a part.

Challenges

1. Labour laws
2. Delay in clearances for -
   2.1 Construction permits
   2.2 Starting a business
   2.3 Land acquisition
3. Shortage of skilled labour
4. Slowdown in credit growth
5. Weak arbitration/ADR mechanism
6. Lack of infrastructure in many Tier II - III towns

Thus the steps needed include streamlining existing regulations; stabilizing tax policy; infra-structure investment; and solving the NPA issue.

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 (SPVs) are attached companies of a bigger corporate, that is separated from the latter in terms of management, for the purpose of achieving a specific task.

Use of SPVs

1. In government projects like Sagarmala Project, ~~Duty~~ Dedicated Freight Corridors etc
2. In PPP projects

Benefits

1. Independent focus on the specific project

2. Reduces vulnerability of main corporate from risk of failure of project

3. SPV can generate revenue separately

4. Prevents loss of focus of main organisation from its central tasks

Risks

1. Lack of manpower
2. Insufficient funds
3. SPVs being used as shell companies for tax evasion
4. Lack of guidance or focus from main organisation

The need is to ~~all~~ form a proper framework for SPV creation, defining its role and capacity, along with a monitoring mechanism.

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

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।

The 12th Five Year Plan (FYP) stated protection of workers in the unorganized sector as one of the aims of inclusive growth

Need for social security

1. NSSO 2011 - 85% of workforce employed in unorganized sector
2. Employers in the sector do not provide social security
3. Absence of permanent jobs
4. Employs much of the female, SC/ST and disabled workforce
5. Absence of coverage of government policies like EPF and EPS schemes

The need is thus to ensure

the following -

1. Formal job creation by expanding the organized sector
2. Penetration of existing insurance and pension schemes like Atal Pension Yojana, National Health Protection scheme
3. Financial support to employers to provide security
4. Robust data collection network
5. Enhanced usage of DBT, Aadhaar to increase the social security net

Article 41 (DPSP) has put a duty on the state to provide security of the workforce. The above steps will help implement this in letter and spirit.

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।

Non-Banking Financial Companies (NBFCs) are companies that perform various banking functions, without meeting the legal definition of banks.

Role in economy

1. Size of sector - NBFCs with assets over 100 crore ₹ have a share of around 13% in GDP

2. Infrastructure lending - NBFCs are more ~~to~~ inclined than banks to lend to risky long-term infra projects

3. Credit Growth - At a time

when banks are stressed with bad loans, NBFCs can spur credit growth.

4. Cheaper loans – As their profit margins are higher, they can lend at cheaper rates

5. Diversity of products – NBFCs cater to rural-urban and different types of customers (MSMEs)

[Challenges]

1. Lack of private sector investment
2. Rising Non-Performing Assets (NPAs)
3. Limited reach in rural areas
4. Issues in corporate governance
5. Lack of policy focus on NBCFs vis-a-vis their involvement in government schemes

Thus, the RBI must prepare a regulatory framework to ensure protection from market failures; ethical corporate governance; and incorporation in financial inclusion and ~~po~~ credit expansion programmes

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 RBI, the Gross ~~Net~~ Non-Performing Assets (GNPA) have crossed ₹ 10L crore in 2018. The recent Punjab National Bank (PNB) fraud case is a further blow.

Effect

Effect of NPAs → Twin Balance Sheet Syndrome
- → Over-leveraged companies → Declining production capacity
- → Stressed banks → Credit slowdown

The above has led to slowing investment to GDP ratio, thus leading to decline in Gross

Capital formation.

Insolvency and Bankruptcy Code (IBC)

The IBC is a unified code having following features -

Features

1. IBBI to regulate Insolvency Professionals (IPs)
2. Adjudicating authorities to resolve cases
3. Greater legal clarity of the laws
4. Time-frame of 270 days to resolve cases
5. Comprehensive coverage of all types of defaulters and creditors

Thus the IBC has the potential to -

1. Fasten the resolution of insolvency and bankruptcy cases
2. Improve the recovery

rates from the cases

3. free the locked-up assets of banks and creditors, thereby getting them to lend again

4. Improve the credit culture

5. Lower the costs of such cases for creditors

6. Facilitate a conducive environment promoting investor confidence

7. Create a new sector of Insolvency professionals

Thus the need is to continuously address the teething issues by regular feedback and monitoring. The IBC ~~co~~ must be comprehensively updated periodically, to unleash its true potential

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।

Post-independence, especially after the 2nd Five Year Plan (FYP), the Public sector was identified as the driver of industrial growth.

[Why]

Private sector was under-developed due to lack of market and capital industry

[Role Back Then]

1. Most of the sector were reserved for Public sector Enterprises (PSEs)
2. Responsible for investment in capital formation
3. Welfare-oriented approach
4. Focus on production than productivity for self-sufficiency

But post 1991 reforms, their role has changed.

1. Many sectors have been opened up to private units
2. PSEs are thus competing today with private sector
3. They are given greater autonomy and awarded status of Miniratnas, Maharatnas etc
4. Run as commercial venture with profit-oriented targets
5. Focus on productivity
6. Engaged in global acquisitions e.g. Oil PSUs like ONGC
7. Consolidations and mergers for greater economies of scale

Issues faced

1. Political and bureaucratic interference and rigidity
2. Inability to attract top talent
3. Lack of investment in technology and capital
4. ~~keep~~ Operating even despite heavy losses

Thus a multi-pronged strategy is required that focuses on their ability to –

1. Compete – By offering top salaries, recruiting from top colleges, advertisement
2. Function autonomously – Their boards need to recast for greater professionalism and shielded from interference
3. Invest in capital formation and technology

Thus, an environment of public-private enterprises will lead to true Mixed Economy

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।

Allocation of resources is the most challenging tasks in a developing economy like India.

Reasons

1. Adequate allocation has to be done for core industries to promote industrial growth
2. Meanwhile the primary sector, where majority of workforce lies, cannot be neglected
3. Allocation to health and educational sectors is vital for human development

4. The emergence of technology-driven economy means resources for science and technology

5. Value addition is vital for enhanced productivity, and thus sectors like food processing cannot be ignored

6. The high incidence of poverty means dedicated resources for poverty alleviation and welfare activity

7. The federal structure means allocation must be such that regional imbalances are prevented

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

Thus the need is to –

1. Create a balance in allocation for ~~industrial~~ all the three sectors of economy

2. Adequately focus upon improving health, education and living standards by higher allocation

3. Work upon enhancing resource availability e.g. widening tax nets

4. Equitable regional distribution

5. Maintain fiscal ~~balance~~ prudence and discipline

Thus, a balanced sectoral allocation can help achieve inclusive and sustainable 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।

The MSME sector comprises of micro, small and medium enterprises.

Importance

1. Contribution to economy

1.1 31% of GDP

1.2 45% of exports

2. Provides bulk of employment in manufacturing sector (13 crore employees)

3. Gives maximum opportunities for wage and self-employment outside agriculture

4. Are ancilliaries to the

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

bigger firms

5. Environmentally sustainable products

6. Vulnerable sections like women, SC/ST etc are mostly employed here

Challenges

1. Limitations due to restrictive labour laws, regulatory clearances and taxation policy (e.g. recent GST woes)

2. Nearly 40% are dependent on informal credit sources

3. Lack of technological development

4. Non-availability of skilled labour and managerial expertise

5. Poor execution and unawareness of government schemes

6. Absence of basic infrastructural

facilities like electricity

Way Ahead

1. New models and sources of finance
e.g. NBFCs and fintech firms
2. Digitisation to enhance market access and simplify business procedures
3. Government support in upgradation of technology
4. Focus on lean manufacturing to enhance productivity
5. Streamlined regulatory framework for MSMEs
6. Skilling and organisational management courses exclusively for MSMEs

This will ensure that MSMEs can act as engines of inclusive growth.

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 has been ranked 62nd out of 74 emerging economies on the Inclusive Development Index of WEF.

Reasons for the poor rank

Issues with living standards

- Poor access to health and education
- Poor standards of sanitation
- Ineffective coverage of basic amenities like electricity, water, housing

Environmental Unsustainability

- Developmental model at the cost of natural resources
- Excess pollution in major urban cities, esp metro cities
- Ineffective regulatory framework to protect environment

Indebtedness

- Huge dependence on informal credit
- Lack of financial inclusion in rural areas
- Illiteracy
- Poor penetration of insurance coverage

The Index has highlighted that for inclusive growth, India must -

1. Increase investment in health and education
2. Focus on the agricultural and rural economy
   - Agro-based industries
   - MSMEs
   - Labour-intensive sectors like textile
3. Enhance coverage of social security schemes
4. Low cost, long term financing to vulnerable sections
5. Effective governance for better regulation and reach of policies

Inclusive development is key to unlock our sustainable developmental goals.

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।

The NITI Aayog's Action Agenda has said that under-employment, not unemployment, plagues India. The former exists when people work in low-paying low productive jobs, not matching with their skills.

Reasoning

1. Unemployment rate has never been beyond 8% in last few decades, comparable to even developed countries

2. The current unemployment rate is 4.9%, lower than many countries on similar levels of growth

3. 50% of the workforce is in agriculture sector, whose contribution is only 15% ~~of~~ to GDP.

4. 70% of the manufacturing workforce is working in firms which contribute only 12% to manufacturing GDP

5. 650 largest firms in the service sector, who contribute 38% of its GDP, employ only 2% of service workforce

Issues

1. Labour laws disincentivize organised sector to hire permanent employees

2. Human capital regression - Only 2% workforce skilled

3. Premature deindustrialization

4. The export policy of 20th C, that led to several small domestic firms, none of whom could compete globally

5. Dearth of high-wage, high-productive job creation

Measures Needed

1. Export oriented policy based on Coastal Employment zones
2. Reform of labour laws
3. Focus on labour-intensive sector like textiles and footwear
   3.1 restrictions on imports of inputs to be relaxed
   3.2 enhanced market access
   3.3 low cost long-term financing
4. Skilling at micro level
5. Cluster approach for job generation through MSMEs

The above steps will help convert the demographic dividend of India into a true treasure, rather than a disaster.

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।

As per the Economic Survey 2016-17, India's tax-to-GDP ratio is around 16-17%. This is-

1. Nearly stagnant since the last two decades
2. Lower than around 5% compared to average ratio of Emerging Market Economies

Non-Fruition of Efforts

Several steps have been initiated, such as -

1. Rationalising tax forms
2. Increasing capacity of authorities

3. Media awareness to promote citizenry to pay direct taxes
4. Increasing tax nets
5. Increasing number of indirect taxes (prior to GST)
6. Advanced Pricing Agreements (APAs)
7. Income Disclosure Schemes

However these have failed, largely due to -

1. Bureaucratic rigidities and compliance issues
2. Perception of citizenry of thinking tax as a tribute
3. The structural issues with our economy. These are highlighted ahead.

Structural Issues

1. Low tax-base

High poverty incidence | Low Per-capita income | Concessions to SMEs leading to high tax expenditure

Majority of earning individuals not in tax ambit

2. Service tax imposed late and only on few sectors

3. Parallel economy and unorganised sector

4. Loopholes in tax laws, thereby causing tax avoidance

Way Ahead

The most potent weapon here is to fight poverty and enhance income levels. Tax rates and exceptions must be rationalized. Technology must be leveraged to enhance capacity. The GST regime combined with above steps will help India increase its ratio.

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।

The Budget exercise is one of the defining features of Indian economy.

Current Process

The Budget is prepared by the Ministry of Finance, and is tabled in the Parliament. The discussions and scrutiny by Parliamentary committees only happen after it has been tabled.

Issues

The budget making process leaves a lot to be desired -

1. No mechanism for public

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

and experts to give their expectations and view points

2. The terms of reference of those responsible for its formulation are not open to public

3. Unclear as to who all are consulted from different sectors

4. The Budgetary estimates are often off-the-mark of the actual figures once available

5. The Budgetary allocation approved is often exhausted before the end of fiscal year

6. Complaints of various

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

Ministeries and Departments of scarce allocation
e.g. Ministry of food Processing was allotted only Rs 500 crore, despite a new scheme to be launched ~~(GOBAR DHAN Yojana)~~ (Operation Greens)

7. Ineffective allocation to critical sectors like education, health and Research and Development

Thus the need is to -

1. Make available the terms of reference to public
2. Open up feedback mechanisms for people to give opinions
3. Public sessions with experts
4. Release allocation figures before budget release for one-time consultation

This will bring transparency, accountability and fiscal discipline.

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 discipline refers to prudent expenditure on the state's behalf, that is aligned to its revenue generation.

As a Hallmark of management

- 1 Prevents high public debt-to-GDP ratio
- 2 Prevents inflationary trends
- 3 Does not crowd out private borrowers
- 4 Macro-economic stability attracts investors
- 5 Lowers overseas cost of borrowing

Budget 2018

The Budget has accepted certain recommendations of the NK Singh Panel.

1. Target of lowering public-debt to GDP ratio to 40% (for central government) by 2024-25.

2. Fiscal Deficit to be key operational parameter

However it has also —

1. Set a fiscal deficit target of 3.3% (FD as % of GDP) for 2018-19 ; and 3% for 2020-21. This is not aligned with the Panel's recommendation of 3% target for 2019-20.

2. Abandoned Revenue Deficit (R.D.) targeting

3. Not accepted key recommendations

like setting up a fiscal council to help Government in fiscal discipline

Thus a mixed response is there.

Need

1. Fiscal slippage should now be avoided after the new targets
2. Revenue deficit targeting needs to return. For developmental purposes, a higher tax-to-GDP ratio is needed, not abandoning R.D. target
3. Fiscal Council should be set up
4. A negative precedent must not be established where-in targets are relaxed

Fiscal discipline is equally vital in the developmental process. and must be respected at all times.

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।

The onset of Globalisation has connected world economy like never before. International Trade is now a vital part of almost all economies.

Role

1. Productivity gains from competition
2. Creation of jobs, especially high skilled formal ones
3. To import scarce or non-available internal resources at economic rates
4. To export excess domestic production, and access new markets

5. To create an ecosystem where even small firms become ancillaries of international firms

6. Bring in vital Foreign Exchange and lower Current Account Deficit

Thus there are countless benefits for countries like India -

1. Wider consumer choice
2. Formal sector jobs
3. Macroeconomic stability with healthy forex reserves and lower deficits.

Challenges

India's share of exports in world trade is only 1.7%. This is due to -

1. Infrastructural and logistic issues

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

2. Archaic land and Labour Laws
3. Delayed refunds due to GST
4. Rupee appreciation due to capital inflows
5. Protectionism in West
6. Inverted Duty structure lowering domestic manufacturing
7. Rising competition from Vietnam, Bangladesh etc in low-end manufacturing segment

Way Ahead

The need is for an export-oriented strategy that leads to ease of trading across borders. The competitiveness of our manufacturing sector must be improved. World class infrastructure and logistics must be developed. The WTO must protect globalisation, with support ~~of~~ from India.