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GENERAL STUDIES (TEST CODE : 1147)

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Medium Eng./Hindi	English	Registration Number	58233
Center	N/A	Date	28-Aug-2018

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

- 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)।
- There are **TWENTY** questions printed in **ENGLISH & HINDI** इसमें बीस प्रश्न हैं अंग्रेजी और हिन्दी में छपे हैं।
- All questions are compulsory.
सभी प्रश्न अनिवार्य हैं।
- The number of marks carried by a question/part is indicated against it.
प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
- 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 than 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।
- Word limit in questions, if specified, should be adhered to.
प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुसरण किया जाना चाहिए।
- 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।

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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 ब्याख्या कीजिए कि HAM इनका किस प्रकार समाधान कर सकता है।

BOT (Build Operate & Transfer) ~~and~~,
EPC (Engineering Procurement and Construction)
and HAM (Hybrid Annuity Model) are
3 different forms of Public Private
Partnership models with different
obligations on the public and private
bodies in each.

In BOT, the private body bids for
the contract where design specifications
are laid out. Then they build and
after recuperating costs after operation for
specified time period they transfer ownership
and control back to the govt.

In EPC, the private body bids, then the
engineering part is the responsibility of the
private org but the govt. is involved with
regulation approval; land acquisition;
buying equipment etc. The govt. then
pays the pre decided amount to the body

and takes ownership of the built project.

There were some flaws with ^{both} the BOT ~~and~~ models

BOT

- i) The pvt body may not be able to recoup money
- ii) It's observed by the SC that the toll taxes continue even after all the money is recouped.
- iii) Pvt bodies ~~are~~ find it hard to clear the regulatory hurdles and land acquisition

EPC

- i) The pvt. body has to put in all the money upfront.
- ii) Delays, rising land costs, equipment costs eat into the margins of the bidding party
- iii) The low bids are often found to be too low to make project viable and the project gets stalled and public suffers.

As can be seen ~~HA~~ both BOT & EPC suffer from complementary issues, where in EPC major portion of the risk is on ~~EP~~ ^{private} public and ^{vice versa} in HAM is So HAM is a model where 40% of the funding is through BOT model and 60% through EPC. This is a

best of both worlds deal as ÷

- i) Govt. can help in policy regulations, regulatory ~~clear~~ compliance, land acquisition etc.
- ii) Govt. can provide Viability Gap Funding.
- iii) It doesn't put a sudden strain on the exchequer
- iv) The public can take advantage of private ~~and~~ sector benefits.
- v) The construction of more projects can start together.
- vi) Pvt. sector can recoup some portion of money through tolls or fees and other ~~to~~ via govt. hedging against shortfall in traffic or sudden increase in prices due to say land acquisition cost

2. 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 in the economy is a predictor for the future growth prospects of the economy, in which light it's troubling that the investment rate in Indian economy hasn't touched the peaks it reached in 2000s.

Some of the reasons are:-

- i) The Global Depression which started in 2008, the Sub Prime crisis from which the global economy has barely recovered.
- ii) The sub prime crisis has affected Indian economy too, albeit it was more insulated than others and led to a downdown in growth.
- iii) Rise of NPA (Non Performing Assets) in Indian banks ~~and~~ balance sheets which have made them unwilling to invest in new projects.
- iv) Rising inflation in the early years of this decade.
- v) Complex labour laws in this country inhibiting entrepreneurs and setting up of factories.
- vi) Rising environmentalism has led to scuttling major projects like POSCO plant in Odisha.
- vii) The unwise regulatory tax practice of retrograde

viii) amendment of law in Hutch Case has made investors wary. This has led to many startups being incorporated outside India so that they can be acquired at a later date as India's complex tax laws make the global giant MNC's like Facebook or Google unwilling to deal with it. Recently strengthening of dollar, rise of protectionism and raising of bond rate of US Treasury bonds have led to global investors investing in them to the detriment of India's FPI.

The reforms needed are :-

- i) Reforming India's tax laws and bringing them in line with global best practices.
- ii) Improving India's 'ease of doing business' by making governance more accountable and transparent, reforming the regulatory practices required to be complied with, improving the arbitration mechanism and reducing bureaucratic discretion.
- iii) Reforming labour laws and land laws to make them more practical and less idealistic.
- iv) Improve India's image as a destination for FDI. To these ends, initiatives like Make in India, Start up India, Skill India, automatic FDI, independent Monetary Policy Committee of RBI, inflation targeting are initiatives to directly or indirectly promote growth in investment and consequently the economy.

3. 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।

The definition of Formal and Informal Sectors is a contested arena. The definitions of Formal Workers as those who either pay direct tax at Source or are covered within a welfare benefit programme like Pension or Healthcare (EPFO et al.) by their employers is another.

However both these definitions give contradictory numbers as only a miniscule percentage of people qualify for the tax bracket that pays income tax, while before GST and Demonetisation the extent of the informal economy was unknown.

In the Economic Survey a definition of formal companies was proposed, those who have a GST number and file returns under GSTN. It is hoped that this system can provide a continuous check on the financial dealings of these firms. The problem though is compounded by the lack of timely data, as employment surveys are only conducted

after a long time.

Nevertheless, the govt. drive towards formalisation with its myriad benefits to the economy and society as a whole has picked pace recently with measures like -

- Measures against black money. Investigation into leaks like Parana Papers, actions against 'hawala system', DTAA agreements with tax havens like Mauritius, voluntary tax disclosure scheme (with penalty) and then demonetisation.
- Change in labour code, introducing new schemes where EPFO, NPS etc. have laid obligations upon the employers and govt. to provide social security net. Also unique labour code provided to companies nicknamed 'Address for Companies' will aid formalisation.
- The GST. The structure of having GST number for intra and inter state transport of goods, input tax credit creating a chain of formal employer companies, ~~creating a valid supply chain to~~
According to the Economic Survey, there has been a great increase in number of hitherto informal firms registering in GST network. Even though these firms don't need to pay tax yet they are now a part of the formal economy.

4. 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।

Ans) Industrial growth is sorely needed for India to be able to successfully fulfill the aspirations of its youthful demographics who are now transitioning from a nearly 50% employment share of agriculture to the secondary and tertiary sectors.

However it has been remarked (by the Economic Survey among others) that India's growth has been a 'jobless growth'. The manufacturing sector hasn't been able to advance as much as was hoped for.

The reasons for this are:-

- The archaic labour reform laws. As these laws are more onerous for larger companies (in terms of no. of employees or capital investment) they inhibit the setting up of major large scale industries or the natural growth of MSME's or Startups to a larger company.

- Rising NPA's and flight of capital of FPI and FDI has made banks unwilling to invest.
- Much of the ~~to~~ jobs seekers are unemployable.
- More conducive environment in countries like Vietnam & Bangladesh for more labour intensive industries.
- Dutch disease effect of software exports (Though minor).
- These problems can be solved by the new vision articulated in the Drafts New Industrial Policy of DIPP. Its salient features are:
 - Create Global Brands out of India.
 - Enhance competitiveness of Indian Industry by bringing down cost associated with regulatory compliance, power, cost of capital and loans etc.
 - Focus on labour intensive sectors, textiles; leather; footwear etc.
 - Setting up Digital Infrastructure.
 - Improving India's 'Ease of Doing Business'.
 - Taxation reforms like simplifying GST.
 - Innovation and R&D; Technology transfer; University-Industry linkage, respect for IPR, simplifying the Patents Process, promoting PhD and research etc.
 - Ensuring access to capital.

A comprehensive new industrial policy should be adopted to enable Industry to play its role as the engine of growth and to shoulder the responsibility of adding more value and jobs.

5. 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।

Inclusive Growth is one where equitable opportunities are provided and the benefits of economic growth reach all sections of society. In India (acc. to NSSO data) about 83% of all employed people are working in informal sector and face challenges like :-

- Less than minimum wage
- Poor working conditions with longer working hours
- More incidences of poverty.

These problems highlight the necessity for providing social security, not to those workers else incidents like a medical problem, unemployment, death or injury, retirement etc could lead to them slipping into destitution.

While the govt. has come up with some measures like Atal Pension Yojana, Rashtriya Swasthya Bima Yojana, National Health Protection Scheme and other schemes to cover the pension and healthcare portions of the social security net yet these schemes suffer from shortcomings :-

- Poor designs and implementation.
- Overlap b/w state and central schemes, as social security is in the concurrent list.
- Poor awareness about these schemes.
- Migrants often fall out of coverage.
- These schemes needed bank accounts which earlier most of the targetted beneficiaries lacked.

Some reforms that could be undertaken are →

- Effective implementation of existing laws and schemes.
- Formalisation of the economy.
- Universal Health Insurance Scheme (like NHPS)
- Exploring out of the box solutions like Universal Basic Income.
- Increasing Financial Literacy and targetting financial schemes at the unorganised sector.
- Aadhar and JAM trinity based direct benefit transfer to be incorporated in policy design.

These proposals would require budgetary and political capital to be allocated so that India's growth can truly 'trickle down' to the masses.

6. Assigning infrastructure status to the logistics industry is a good first move, but there are several other problems related to this sector that need to be addressed. Discuss. (150 words) 10

लॉजिस्टिक्स (संभार-तंत्र) उद्योग को अवसंरचना का दर्जा देना एक अच्छी आरंभिक पहल है, लेकिन इस क्षेत्रक से जुड़ी अन्य कई समस्याएं हैं जिनसे निपटने की आवश्यकता है। चर्चा कीजिए।

Logistics sector is tasked with management of flow of goods from point of origin to consumption.

A high performing logistics sector has a knock on effect on the rest of the economy causing a virtuous cycle of bringing down cost of manufacturing and products while enhancing trade. Keeping its importance in mind the govt. has given infrastructure status to this sector :-

- Facilitating Credit Flow to the sector
- Simplifying process of regulatory approval
- Encouraging market accountability and attracting investments from debt, bonds, pension funds etc.

However, these policy changes can't address all the issues faced by logistics sector :-

- Lack of oversight. The industry is highly fragmented and diverse
- Lack of skilled manpower.
- Lopsided priorities. The railways have a huge demand via both freight and passengers. They do cross subsidization. Also the

for goods trains are given lower priority compared to passenger trains. Thus, though railways are cheaper than roadways, they aren't that preferred.

- Poor quality highways, lacking lighting and maintenance coupled with poor storage facilities.
- Port sector issues. High turnaround times, lack of inland waterways, inadequate depth and berth space etc.

Thus, due to these problems the logistics cost of India is around 17% of GDP, compared to an avg. of 8% for developed nations.

Reform measures are :-

- Appropriate Skilling and regulations regarding driver skills, operational times, drug testing etc.
- Adoption of technology like GIS, GPS, RFID ^{tags} etc.
- Coordination amongst govt. agencies.
- Promotion of cheaper modes of transport like developing dedicated freight railways or inland waterways.

In this regard govt. schemes like Bharatmala, GST, Sagarmala are steps in the right direction. Logistics reforms are urgently needed to promote Indian Exports, reduce inflation and CAD deficit (oil costs) and kickstart the economy into a higher gear.

7. In view of the direct link between tenure security and food security, there is need for a conducive legal framework for land rights in India. Discuss. (150 words) 10

पट्टे की सुरक्षा और खाद्य सुरक्षा के बीच प्रत्यक्ष संबंध को ध्यान में रखते हुए, भारत में सूची अधिकारों के लिए एक हितकर कानूनी ढांचे की आवश्यकता है। चर्चा कीजिए।

India's complex land structures and laws are a result of the British Zamindari, Ryotwari and Mahalwari schemes with institutional reforms such as land tenancy right and Abolition of Zamindari attempted post independence.

This has led to a situation of 'land to the tillers' where fragmented land holdings are intensively tilled for subsistence agriculture schemes.

The tenancy laws are also primarily ^{being} in favour of tenants and land ceiling acts have led to a situation where land owners let tenants or sharecroppers informally cultivate the land.

The small land holdings size means that if the crop fail then the tenants neither have access to food from crops, money from selling extra produce or the governmental welfare schemes. ~~So~~ So these are interlinked.

- Tenants do not invest in improving the land and yield like mechanisation, irrigation etc.

- They do not have access to govt. schemes like loans, insurance etc. as they don't have rights to the land. (Informal)
- A failed yield affects the poor tenants disproportionately.
- Strict laws lead to owners preferring to keep land uncultivated reducing food yield overall.
Also the corporatisation of agriculture with many acres being farmed at once to achieve bumper crops isn't possible.

Thus, the land laws reform is a priority for any govt. in India. A transparent and fair land leasing laws is necessary.

The Nitiyog proposed Model Land Leasing Law:-

- Formal lease agreement between owner & cultivator
- Creation of Special Land Tribunals for adjudication.
- Facilitation of credit against the expected output for the tenant.
- Digitisation of Land Records as envisaged by NLRMP.

As this is a state matter, this model law can be adopted by the states with appropriate modifications in order to bring out the full potential of India's Agriculture.

8. Minimum Support Price (MSP) of crops is a short term solution for agricultural distress which creates long term problems. Examine. Suggest measures to overcome the the limitations of the MSP regime.

(150 words) 10

फसलों के लिए न्यूनतम समर्थन मूल्य (MSP) कृषि संकट का एक अल्पकालिक समाधान है जो दीर्घकालीन समस्याएं पैदा करता है। परीक्षण कीजिए। MSP व्यवस्था की कमियों से निजात पाने हेतु उपाय सुझाइए।

MSP is a scheme of the government to :-

- Encourage farmers to grow crops.
- Insure farmers against sudden drop in price or demand.
- Insure customers against sudden rise in price and ensure availability.

To this end the Govt. announces the MSP at which FCI will procure crops from farmers.

However the model has many long term problematic effects :-

- Distorts production as farmers grow crops with high MSP rather than crops suited to the climate. This causes environmental problems, loss of fertility, overproduction of certain crops and shortfall in others which the govt. has to bear the burden of.
- Only the rich and aware landowners (around 6%) get their crops procured, mostly the poorer landless or subsistence farmers (usually in the Eastern states) do not benefit.
- Crops like Rice or Wheat are incentivised so grown in semi-arid regions like Punjab.

- MSP is intended as insurance yet Suaminathan committee recommends increasing it.
- Public Stockholding Programmes are getting tougher to support as per WTO norms.
- Counter Cyclical approach followed by farmers with ~~regard~~ creating glut shortfall cycles in crops.
- The reforms in MSP ~~are~~ could be to increase the scope of procurement both in variety of crops and regional imbalance being corrected; meaningful consultation with state govt. ensuring that environmentally suitable crops are planted; announcing MSP in advance of sowing season etc.

Other schemes are :-

- Price Deficiency Payment where the ^{difference} ~~deficiency~~ in MSP and actual selling price is paid by govt.
- Direct Income Transfer to farmers on basis of land sowed. This will reduce the distortions affect of MSP and subsidies.

9. With women playing an increasingly significant role in the Indian agriculture sector, gender specific interventions can be the key to improving agricultural productivity. Discuss. (150 words) 10

भारतीय कृषि क्षेत्रक में महिलाओं की बढ़ती भूमिका को ध्यान में रखते हुए, कृषि उत्पादकता में सुधार लाने के लिए लिंग विशिष्ट हस्तक्षेप महत्वपूर्ण हो सकते हैं। चर्चा कीजिए।

With growing rural-urban migration of men being observed, now almost 42% of the working force engaged in agricultural and farm activities are women.

This 'feminisation' of the sector though hasn't resulted in appropriate policy changes to address the altered scenario.

The challenges that women face are :-

- Enhanced work burden as they have to deal with domestic and agricultural issues.
- Most (82%) of the land is in name of men, so women have difficulties getting access to formalised or institutionalised credit.
- Limited educational qualifications and lack of skilling.
- Societal constraints.

The gender specific interventions needed are :-

- To leverage the 33% quota for women in Panchayati Raj institutions. They can address ~~raise~~ concerns of women (locally) and ensure govt. schemes are suited for women's needs.

- Access to primary health care, medicines and facilities of creche, children's check ups etc. at Aanganwadi centres or PHC's.
- Encouraging Self Help Groups which have historically been successful in promoting access to credit for members.
- Setting up of cooperatives to increase scale and income.
- Govt. schemes to educate and make women aware of marketing, technology, credit etc.
- Changing inheritance laws denying women access to land.

While govt. schemes like MUDRA have provision of preferential credit to women; LPG schemes and other direct benefit transfer to be to the account of closest female in household; MMREGA to have women centric guidelines etc. demonstrate growing awareness of the more entrepreneurial role of women in the rural economy, the requirement is of an inclusive but transformative gender policy so that women can fulfill their potential.

10. Enumerating the factors that determine a nation's energy-mix, comment on the need for having a diversified fuel basket for meeting India's future energy demands. (150 words) 10

किसी राष्ट्र के ऊर्जा-समिष्ट (एनर्जी-मिक्स) को निर्धारित करने वाले कारकों को सूचीबद्ध करते हुए, भारत की भावी ऊर्जा मांगों को पूरा करने हेतु एक विविधित फ्यूल बास्केट के होने की आवश्यकता पर टिप्पणी कीजिए।

Energy Mix is the combination of various fuels and energy sources that fulfill the varied demands of the nation. They could be conventional like Wood, Coal, Oil, Petrol etc or unconventional like Hydropower, Solar Power, Nuclear, Wind etc.

The factors that affect the composition of this basket are :-

- Availability: Some nations like Saudi Arabia have oil reserves and can cheaply ~~and~~ fulfill their energy demands from them.
- Demand: The manufacturing ~~and~~ ^{industry} is power hungry. Nations with ~~more~~ developed economies generally have higher energy requirement.
- Storage: Conventional sources like coal or petrol can be stored while solar or wind cannot be used as a buffer.
- Technology: Nuclear power plants are advanced tech. ~~So as~~ which constrains their use.
- Environmental Concerns: Conventional sources pollute the earth and lead to climate change.
- Policy Choices: This ^{is} wide ranging reason which could affect the mix.

In India while more than 50% of our energy needs are met via coal on account of cheap price, availability, ability to scale as per demand, transportability, versatility etc

we are trying to increase the share of solar and other renewable forms because:-

- Per Capita Consumption of Energy increases as the economy grows.
- The non renewable sources are imported and India wishes to be self reliant.
- The renewable sources are becoming increasingly competitive in price with improvement in tech.
- Tech. advancement can like battery storage or smart grids can address shortcomings of solar energy with regards to the scaling with demand shortcoming.
- Environmentally better.

As a growing economy India's macroeconomic weaknesses which occur as a cause of importing fuel from the middle east needs to be addressed with diversification of its energy mix.

11. 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 क्षेत्र 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 are those enterprises which have annual turnover of 5 crore (Small), 75 crore (Small) and 250 crore (Medium). Micro These are usually in the sectors of textile, food processing etc.

Importance of MSME :-

- Backbone of industrial sector, almost 70% of industrial units are MSME.
- They provide large scale employment.
- They help industrialise rural & backward areas.
- They promote equitable and inclusive growth.
- 50% of manufacturing exports are from MSME sector.
- Their flexibility means they can quickly innovate and excel (without inertia) due to changing conditions.

Challenges faced by them :

- Credit Crunch.
- Post liberalisation and after FDI norms being relaxed, they face intense competition.
- Skilled workers are unavailable.
- Complex labour, land and regulatory laws to be complied with.

- Unavailability of power, reliable transport and other infrastructural shortcomings.
 - Lack of marketing strategy and access to latest technology.
 - Disruption due to demonetisation and GST.
- Policy recommendations to improve prospects :-
- Availability of Finance by schemes such as MUDRA; private capital; venture capital; P2P lending; Credit Guarantee Scheme etc.
 - Promotion of entrepreneurship by Start up India; Skill India; Stand Up India etc.
 - Promoting indigenous manufacturing with schemes like Make in India and GeM2.0 procuring from MSME's.
 - Skill development and training through ITIs.
 - Infrastructure upgradation.
 - Reforming labour and land laws.

MSME's have the ability to propel India's growth story. The apt environment needs to be provided for them to truly flourish.

12. A near stagnant tax to GDP ratio for the country since decades reflects not only non-fruitation 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।

India's tax to GDP ratio is a measly 16.6%

which is low compared to ~~can~~ developed countries or even emerging economies.

Reasons for this low number are :-

- Low direct tax base. According to an income tax dept. report only 1.6% of the population pays income tax.
- Parallel Economy. A black money led economy which pays no taxes worth almost 1/4th of GDP.
- Informal Sector being the largest source of employment (92%) and infamous for tax evasion.
- Tax avoidance techniques like Swiss banks for keeping money, tax havens etc.
- Tax exemption policies like no tax on agricultural income have created loopholes.
- Understaffed revenue officials without appropriate resources and mandate.
- Legislative sprawl. India's tax code is one of the most complex and a major litigation source

is that of taxmen and assessors which often are decided against the taxmen.

- Poor enforcement of laws, with compliance cost considered higher than non compliance.

While recent policy initiatives such as voluntary disclosure of black money, demonetisation, GST etc. have sought to increase the ratio yet some other reforms are still needed.

Way Forward :-

- GST has helped to increase the prospects of indirect tax increasing by increasing the no. of registered tax payers by almost half. Yet such a reform for direct tax code is still on the cards.
- A cleaner, simpler and more efficient direct tax code needs to be introduced.
- Provision of rewards and protection for whistleblowers revealing black money. This can be publicized and made easier to avail of.

- A predictable, faster and more efficient tribunal or adjudicating mechanism to sort out tax disputes. This will reduce burden of taxpayers, judiciary and even the IRS.
- Increased efforts to formalise the economy.
- Tax exemptions and subsidies to be rationalised.
- Digitisation of economy.
- Increase non compliance cost and decrease compliance cost.
- Laws like GAAR to reduce tax evasion. Also measures like Double Tax avoidance agreement, Transfer Pricing agreement etc. need to be addressed.

India needs to avoid falling (as the Economic Survey put it) into a 'Low Equilibrium Trap' where due to low revenue the govt. doesn't provide services and due to poor performance people don't comply with directives to pay more taxes.

An increase in tax to GDP ratio is must if India is to become a developed country

13. Adhering to fiscal discipline is considered as a hallmark of sound financial management by government. Elaborate. To what extent does the Budget 2018 incorporate 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 can be defined as a govt. adhering to its pre set spending limits (keeping in mind the reserve) for the interests of long term financial health while ensuring smooth operations at present. This discipline is essential to improve and sustain the economic growth, maintain macroeconomic stability and reduce vulnerabilities.

The downfall of not being disciplined are :-

- High budgetary deficit, loans and bailouts pushing burden on future generation.
- High cost of financing growth by borrowing money via loans or bonds at exorbitant rates.
- Downgrade of sovereign bond debt rating increasing borrowing cost.
- Loss in credibility of govt. in domestic and international sectors.

• Depreciation of currency and rise in inflation.

• The 2018 Budget addressed some major reforms aimed at various sectors like -

- Agrarian sector: Increasing MSP to 1.5 times production cost, doubling allocation for food processing sector, schemes promoting horticulture and bamboo cultivation etc.

- Healthcare: The ambitious NHPS: Ayushman Bharat scheme providing insurance to 10 crore families.

- Education: Reforms for educationally deprived sections
- Miscellaneous: Fisheries reform; free gas connection; creating jobs; boosting growth etc.

However financing these schemes can prove to be tricky while maintaining fiscal discipline. While the govt. has adhered (majorly) by Nk Singh Committee recommendations based on the FRBM bill there are some slippage concerns -

- Increase in Revenue Deficit.
- The Fiscal Deficit target has been set higher than 3%. (As per FRBM bill).

- GST and demonetisation have led to slowdown as the economy recovers from these structural shocks. Also the GST revenue realized is lower than expected.
- Rising global oil prices have led to increase in Current Account Deficit.
- Meagre allocation of resources for ambitious schemes such as NHPS which is to cover 10 crore families has only been allocated 2 billion rupees.

Thus, while political populism demands that caution be thrown to the winds yet it is clear that the govt. has broadly tried to balance these 2 competing claims of short term growth and long term stability.

14. 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 विकसितशील 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।

Post 1991 and liberalisation reforms, International Trade has been a major driver in India's growth success story. International Trade accounts for around 20% of India's GDP.

Benefits →

- Enhances competition for the domestic industries making them more efficient, cheaper, better managed etc.
- FDI and FPI are a major source of credit.
- FDI brings with it technological know-how, new skills and machines, ^{new} management and administrative paradigms, promoting R&D etc.
- Export diversification where India can focus on its strengths ~~to~~ and import the products it doesn't have. This makes global trade more efficient at using resources and skills

- Promote access to new markets for India's goods.
- More variety and healthy competition, so that consumers benefit.
- Open trade promotes India's industries to go global.
- Employment Opportunities and increase in quality of living.
- Trade is a good way to increase interdependence between countries and reduce conflicts.
- Worldwide awareness of India's culture through globalisation and tourism promotion.

While WTO and globalisation is considered to be a system which benefits all its participants yet it can't be denied that the benefits are unequal. Some of the challenges are :-

- Developing countries export primary goods like iron ore, minerals, oil and import finished goods like steel, refined petroleum products etc. The former are cheaper than the latter leading to losses

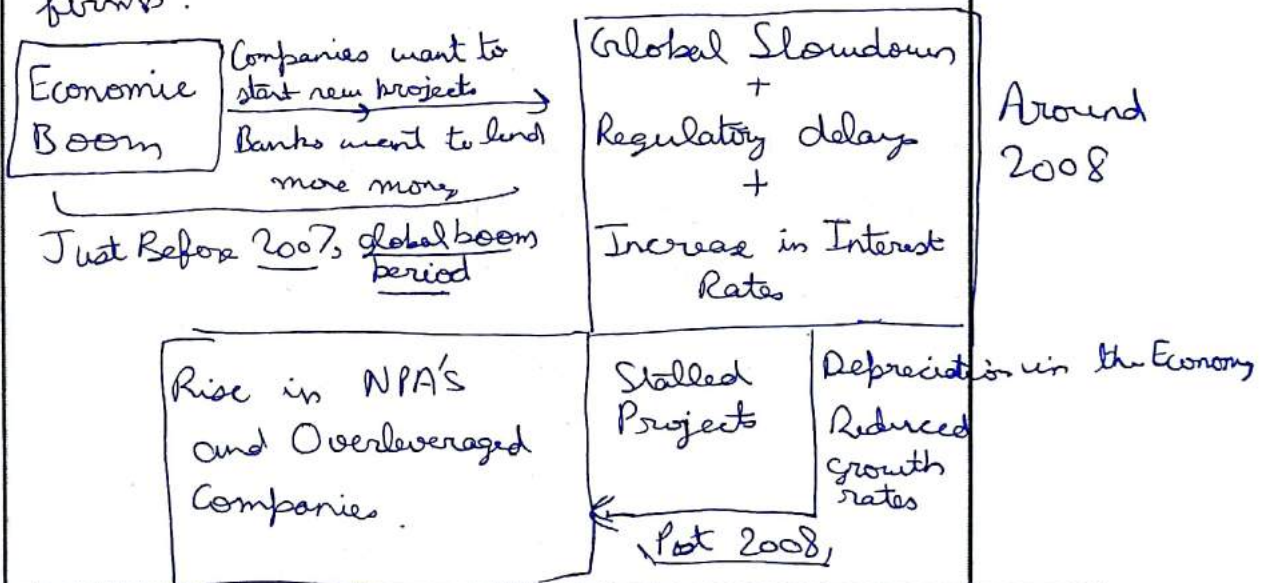
15. In the light of increasing NPAs and frauds, the twin balance sheet problem has grown immensely. Comment on the issue and analyse the potential of the Insolvency and Bankruptcy Code to be a game changer for Indian economy's health and long-term growth. **(250 words) 15**

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 the overstressed and indebted companies and rising NPA's in the Public Sector Banks

The companies have stalled projects and high debts, so can't pay back the loans while the banks can't lend any more money as they have huge liabilities (or non performing assets) on their balance sheets.

This can be traced back to ^{counter} cyclic behaviour of firms.



To resolve this the Insolvency and Bankruptcy Code has been introduced by the govt. It has following benefits :-

- It can resolve the bankruptcies in a systemic and time bound manner.
- Promote confidence in investors
- Provide quick exit to entrepreneurs as statistically most start ups fail. This way they're not stuck in a dead end.
- Cross Border Insolvency is addressed
- Foreign creditor's concerns are addressed
- Transparency in process.
- The staff and other physical assets can be put to productive usage quickly helping the economy.
- It has measures for restarting the company by changing management, restructuring loans etc. This way the savable companies can be salvaged.

However the IRC can only be a success if proactive changes are done where needed and the govt. courts, tribunals.

Insolvency board, creditors etc. and the other stakeholders adhere to the spirit of the law.

The IBC is only one piece of the puzzle, to safeguard the Financial Institutions the govt. has brought in FRDI bill too. This will help to prevent them from bankruptcy.

Further recapitalisation of banks; merges of banks; band bank (PARA); greater checks by RBI etc are proposed to resolve this situation.

16. Enhancing private infrastructure spending and revival of stalled projects is critical to the success of Bharatmala Pariyojana. Discuss. Also enumerate measures taken by the government to revive stalled projects on National Highways. (250 words) 15

निजी अवसंरचना व्यय में वृद्धि एवं अवरुद्ध परियोजनाओं का पुनरुद्धार भारतमाला परियोजना की सफलता हेतु महत्वपूर्ण है। चर्चा कीजिए। साथ ही, राष्ट्रीय राजमार्गों से संबद्ध अवरुद्ध परियोजनाओं के पुनरुद्धार के लिए सरकार द्वारा उठाए गए कदमों को सूचीबद्ध कीजिए।

Bharatmala Pariyojana is an infrastructure project that will focus on optimizing efficiency of transporting goods across the country. It's an umbrella project for development of highways, roads, rail tracks etc to achieve this.

This is an expensive project and to achieve this a lot of the funding (₹1 trillion) has to come through private sources.

In the current scenario of Twin Balance Sheet Problem, Stalled Projects, Overleveraged Companies, Banks unwilling to loan this seems improbable. Also govt. issues with regulatory clearances, environmental clearances, land acquisition etc are also a concern to private companies.

Although the investment in infrastructure has been increasing yet it is still short of the benchmarks. Thus enhancing and expanding private participation as well as revival of stalled projects is critical for the success of the Bharatmala Pariyojana.

Measures taken by govt. to revive stalled projects on the highways are:-

- The NHA I has been monitoring them. Where physical completion has been achieved there has been fund infusion to complete them.
- Steps have been taken for streamlining land acquisition and environment clearances.
- Frequency of reviews has been increased, setting up of dispute resolution mechanisms, exit clauses etc. to make these projects more attractive.
- Recapitalisation of banks to encourage lending.

- IBC promoting quick resolution of insolvency of companies.
- Introduction of Hybrid Annuity Model overcoming shortcomings of Build Operate Transfer and Engineering Procurement Construction model as modes of PPP investment.
- Monetisation of projects through tolls on already operational projects to get fresh capital.
- Floating bonds to get more capital.

To further this renegotiation of stalled projects must be undertaken. A model PPP agreement is being finalised which should be adopted in future agreements.

17. Going forward, the allied sectors will play a critical role in increasing the resilience and improving economic returns in agriculture. Discuss. (250 words) 15

आगामी समय में, संबद्ध क्षेत्रक कृषि में लचीलापन बढ़ाने एवं आर्थिक प्रतिफल में सुधार लाने में एक महत्वपूर्ण भूमिका निभाएंगे। चर्चा कीजिए।

Fisheries, Livestock, Animal Husbandry, Floriculture, Horticulture, Sericulture, Forestry etc. are some of the allied sector activities.

These along with agriculture form the backbone of the rural economy with nearly 49% of ~~labo~~ employment and 20% of GDP production.

The benefits are +

- o Animal husbandry and livestock rearing is a key livelihood and risk mitigation strategies. They can be depended upon if crop fails.
- o Livestock wealth is equitably distributed across India. Even small farmers have access to livestock.
- o Their interlinkage with agriculture as a source of labour, manure and consumer of fodder enhances output and profits.

- Fisheries; India is leading producer in the world.
- Provides access to cheap and healthy protein.
- Self employment opportunities to the coastal villagers.
- India can export fish to other countries and do value enhancement post food processing.
- Supplements the income of farmers
- Horticulture can be a cash crop, if ~~the~~ returns from other crops are low these can be high.
- Different climatic conditions can practice it.
- A form of commercial agriculture, generally practiced near cities providing greater income than average.
- Great scope for value addition via food processing (Like Jams, Pickles etc.)
- Agro forestry can benefit the environment, reduce soil degradation, increase ^{via selling} income of wood etc.

- These activities can diversify the income sources, hedge against bad crops or climatic conditions so in a way they ~~are~~ should be promoted to make India's agriculture truly sustainable and profitable.

To achieve the goal of doubling farmer's income by 2022, these allied activities are essential and should be promoted.

18. Enumerate the factors that determine cropping pattern in an agricultural region. Discuss the need for diversification in context of problems being faced by monoculture regions in India. (250 words) 15

किसी कृषि क्षेत्र में फसल पद्धति को निर्धारित करने वाले कारकों को सूचीबद्ध कीजिए। भारत में एकल फसली क्षेत्रों द्वारा सामना की जा रही समस्याओं के संदर्भ में फसल विविधीकरण की आवश्यकता की चर्चा कीजिए।

Cropping pattern refers to type of crops grown, no. of times grown in an year (Cropping Seasons) and methodology of farming (Mechanised or Manual etc.).

It has both spatial & temporal dimensions.

Some of the factors influencing it in India are:

- Climate: Some crops are suited more to a particular climate.
- ~~Topography~~ Climate is a consequence of geography, topography, latitude, proximity to sea etc.
- Technology: Some seeds are fast growing so more crops can be sown in a year.
- Govt. Policies: MSP promotes growth of rice and wheat as they are directly procured. In general crops that are favoured by govt. policies are grown over the ones that are not.
- Demand

- Farm Size: Plantation crops can't be grown in small landholdings.
- Access to water,
- Access to fertilizers.
- Self Needs: Most of the farming is for self sufficiency.
- Access to Labour and Technology.
- Behavioural Factors: The farmer ultimately decides. So his decision is also based on feeling, history, inertia, comfort zone, price of last years crops etc.

So with these factors in India we have mostly small land holdings, mostly cultivating rice & wheat, with intensive cultivation and depending on region 2 or 3 cropping seasons per year. In regions with availability of irrigation and fertilizers we observe monoculture. Cultivation of one type of crop for many years at a time. The ill effects of this are :-

- Declining fertility of soil as essential nutrients are never replenished.
- Declining productivity.
- Lower fertiliser effectiveness leading to over use and leaching.
- Chances of a pest affecting that crop increases with more exposure to it.

Hence crop diversification needs to be encouraged. High value crops like horticulture can be encouraged. Also govt. policies like MSP need to be reformed to make all crops equally profitable. Farmers need to be sensitised on this issue.

The govt. is taking steps like Crop Diversification Programme, National Horticulture Mission, Price Deficiency Payment etc.

19. It is argued that fertilizer subsidies have a negative impact on promoting Organic farming in India. Comment. Also, critically analyse the advantages of replacing direct benefit transfer in fertilizers with direct income support for farmers. (250 words) 15

यह तर्क दिया जाता है कि भारत में जैविक खेती को बढ़ावा देने में उर्वरक सब्सिडी का एक नकारात्मक प्रभाव रहा है। टिप्पणी कीजिए। साथ ही, उर्वरकों के लिए प्रत्यक्ष लाभ अंतरण के बदले किसानों को प्रत्यक्ष आय सहायता प्रदान करने के फायदों का आलोचनात्मक विश्लेषण कीजिए।

To promote crop yield the government of India has subsidised the potash, nitrogen and potassium based fertilisers in India.

~~However the negative effects of this are →~~
~~Massive drain on the treasury.~~

- o However they hamper organic farming (which is natural, i.e. no fertilisers, GM seeds, herbicides etc) →
- o Make chemical farming inordinately productive.
- o Make chemical farming artificially profitable by reducing input cost relative to organic.
- o Inhibit adoption of organic farming.
- o Overuse of fertilisers leads to seepage or leakage affecting the nearby organic farms.
- o Corporate interests demand subsidies be retained.
- o Reduce interest in manufacturing organic fertilisers.

Moreover the fertiliser programme suffers from leakages and misappropriation of fertilisers.

to be sold in other countries or used for other purposes causing huge loss to the treasury.

Overuse of cheap fertilisers (nitrogen based) has led to soil degradation.

Thus, centre has decided to (on a pilot project basis) replace fertiliser subsidy with direct benefit transfer (DBT).

In this scheme the money (of subsidy) is given to factories and sale is through point of sale (POS) devices to Aadhar identified beneficiaries.

However in direct income support (DIS) monetary assistance is provided to farmer directly (JAM trinity) into their bank accounts and fertilisers sold at market rate. Advantages of DIS over DBT :-

- More transparency.
- Doesn't distort market as companies aren't incentivised to produce more than market demand and compromise on quality.
- Gives freedom of choice to farmer,

- Based on hectares sown so farmer doesn't overuse.
- More equitable ~~as otherwise~~ and crop neutral.
- Disadvantages :-
 - Huge financial commitment.
 - Identification of beneficiaries as informal tenants and sharecroppers may be left out.
Also those outside JAM coverage.
 - Income support may be diverted for other uses.
 - Inflation would increase, ^{no} check on price of fertilisers or supply.
 - Improper land records would hamper actual amount of subsidy calculation.

Hence, both these schemes should be tried as pilot projects and their drawbacks carefully studied before a final decision is made.

20. What do you understand by Seed Replacement Rate? Explaining the concept of breeder, foundation and certified seeds, highlight the major policy initiatives taken in order to address the challenge of quality seed availability to farmers. (250 words) 15

बीज प्रतिस्थापन दर (सीड रिप्लेसमेंट रेट) से आप क्या समझते हैं? ब्रीडर, फाउंडेशन और प्रमाणित बीजों की अवधारणा की व्याख्या करते हुए, किसानों के लिए गुणवत्तापरक बीजों की उपलब्धता की चुनौती का समाधान करने हेतु की गई प्रमुख नीतिगत पहलों पर प्रकाश डालिए।

Seed Replacement Rate is ratio of total
crop area sown with certified/quality
seeds compared to that sown with
farm saved seeds. This tells us the
As certified seeds have higher yield
and better quality yield this tells us
the chances of higher productivity of yield

Breeder seeds are those where the crop
progeny can be used as ~~breeder~~ ^{foundation} seeds ~~themselves~~
as they can reproduce because they
are 100% physically and genetically pure.

Foundation are progeny of breeder seeds.
They though give rise to more foundation
seeds.

Certified seeds are those which come
up to prescribed standards amongst the
progeny of foundation seeds.

Seeds being one of the primary inputs that leads to a successful crop yield the govt. has taken various policy measures to ensure availability of high quality seeds :-

- National mission on oilseeds and palm,
- Setting up of Plant Breeder Institutes.
- Setting up of Agricultural Research Universities.
- Establishing ICAR (Indian Council of Agricultural Research).
- Seed certification agencies to certify seeds.
- National Seeds Programme as a precursor to the Green Revolution.
- Measures to allow safe (environmentally and otherwise) Genetically Modified crops like cotton into India with appropriate IPR rights to protect the interests (legitimate) of these companies.
- Policies like National Seed Policy, Seed Banks, Seed hubs, Seed Summits etc.

The Ashok Dalwai Committee as a means of doubling farmers income by 2022 has suggested to increase SRR; replace old seeds with new to increase yield; promote hybrid technology; strengthen seed testing agencies; promote export of seeds; adopt uniform seed licensing policy and promote public bodies in this sector.

These steps will increase availability of quality seeds and decrease production cost and risk for farmers, adding to their income.