



# VISION IAS

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## GENERAL STUDIES (TEST CODE : 1405)

Name of Candidate	UTKARSH UJJWAL		
Medium Eng./Hindi	ENGLISH	Registration Number	389463
Center	HOME	Date	10.07.2021

### 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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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 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।
6. Word limit in questions, if specified, should be adhered to.  
प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुरक्षण किया जाना चाहिए।
7. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.  
उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

16-B, 2<sup>nd</sup> Floor, Above National Trust Building, Bada Bazar Marg, Old Rajinder Nagar, Delhi-110060

Plot No. 857, 1st Floor, Banda Bahadur Marg (Opp Punjab & Sindh Bank), Dr. Mukherjee Nagar  
Delhi- 110009

## 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.

1. The effectiveness of microcredit has come under question in recent times due to multiple reasons: Discuss in the context of India. (150 words) 10
- विविध कारणों से हाल के दिनों में सूक्ष्म-वित्त की प्रभावकारिता सवालों के घेरे में आ गई है। भारत के संदर्भ में चर्चा कीजिए।

Microcredit, started in India in 1970s was aimed at providing short term credit to rural population at concessional rates and relaxed collateral burden.

### EARLY SUCCESS

Combined with rise of self help groups and establishment of credit institutions (RRB-1976, NABARD-1982), microcredit penetration in initial decades

led to

- i) women empowerment via financial inclusion
- ii) creates bargaining power to rural people and a culture of entrepreneurship.
- iii) KUDUMBASHREE SHY in Karnataka

### RECENT CONCERNS

Recent data shows that share of

institutional credit remains stagnant ~25%.  
Also, benefits of microcredit are often  
concentrated by affluent sections of  
society as revealed through PMJAY audit.

### REASONS

- ① Institutional
  - Poor monitoring of the use of microcredit
  - Lack of awareness generation due to inefficient civil society and NGOs.
- ② Social
  - Patriarchy and women discrimination doesn't allow access to credit for women
- ③ Economic
  - microcredit often DIVERTED to other non productive uses (Marriage etc)
- ④ Corruption, Inclusion exclusion crisis

There is a need to incorporate  
IT in microcredit dissemination to  
ensure identification of beneficiaries and  
monitoring.

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

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

Lack of a stable and cost effective power supply is often attributed to high Aggregate transmission and distribution losses (ATC loss)  $\sim$  20%).

This leads to a) frequent power outages b) poor productivity of industries, power plants c) sub-optimal renewable energy base, d) iniquitable distribution

### HOW TO MINIMISE

#### ① Public-private partnership model

1.1) will bring a fusion of  
 $\Rightarrow$  Accountability, expertise [Public]  
 $\Rightarrow$  Professionalism, customer centricity, service delivery [Private]

1.2) will allow equitable risk and responsibility sharing  $\rightarrow$  better EFFICIENCY

10) will bring better surveillance technology for power theft, advanced cable technology to reduce environmental loss, etc

## ① input based distribution models

2.1) will ensure no overallocation of power and discourage diversion

2.2) will encourage customers to set up smart meters, net metering and rooftop solar panels  
(SHIFT TO RENEWABLE ENERGY)

2.3) will ensure equitable distribution of power and discourage unethical thefts in areas of shortage.

Apart from above, Section 135 of Electricity Act 2003 must be enforced to ensure punishment for power theft.

In long run, awareness generation and technological upgradation through orientation training is needed

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

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

Gender budgeting (started in 2005) is the allocation of budgetary resources for gender specific policies, aiming to expedite gender equality.

↳ Includes → Gender specific policies (100%)  
↳ Pro women policies (30%)

It has failed to deliver upto its potential as is seen in continued instances of women violence; dowry harassment, declining female labour force participation.

ISSUES

↳ has become just an accounting formality without

- inter-ministerial coordination
- monitoring and audit of outcomes
- any bottom up feedback.

- ↳ multiplicity of schemes without proper convergence
- ↳ poor awareness in grass root administration → diversion of funds
- ↳ poor focus on
  - i) attitudinal change
  - ii) sensitisation on ground

### MEASURES REQUIRED

- i) Broaden the domain to include transgender
- ii) Set up a separate road department within HOWES to southrise performance of schemes
- iii) Ensure feedback mechanism from citizens, civil society
- iv) Yearly CAG audit (incl. propriety) to ensure just implementation.

Apart from that, police and administration must be motivated towards importance of these schemes to ensure pro-active implementation.

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

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

Corporate bond market is the economic market where private players raise funds by issuing bonds.

Shallow penetration of corporate bond market is due to

↓  
**ISSUES**

- i) High government borrowing leading to CROWDING OUT.
- ii) Limited investor base and buyers
- iii) Lack of e-trading platform like e-Rupee
- iv) Poor trust in corporate bonds
- v) Rigid FEMA guidelines

This leads to poor private participation in infrastructure projects (failure of PPP) and increased government burden.

REFORMS

↳ undertaken → set up credit enhancement  
guarantee corporation  
 → can of doiy business

↳ needed → H.R. Khan panel recommended to  
 ↓  
 amend FEMA guidelines      strengthen PPP mechanism

Thus, there is a need to strengthen  
 corporate bond market to ensure  
 more productive investments and service  
delivery.

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

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

Governments enhanced disinvestment target of ₹ 2.1 lakh crore (2021-22) highlights the renewed push on strategic disinvestment which includes government offloading its shares in PSUs ~~without~~ along with managerial powers.

### RATIONALE

- (i) Increased fiscal space in wake of COVID 19 is essential to push economy (allows more capital expend.)
- (ii) High PSUs were acting as a drag to government resources.
- (iii) Government involvement in business
  - discourages private players
  - prevents competition and better service delivery.

g] Disinvestment in telecom sector (1998)  
allowed large private investment and  
telecom boom in India

(iv) Private players will bring professionalism,  
domain expertise, healthy and  
dynamic work culture.

### CONCERNS

(i) Disinvestment alone can't ensure  
better productivity without  
supplementary reforms like  
→ Labour law reforms  
→ thrust on manufacturing base

(ii) it may be used to finance  
revenue deficits and adhere to  
FRBM targets

(iii) Since private players are profit  
motivated, it may lead to  
a) Degradation of service to poor  
b) monopoly in market

Thus, disinvestment must adhere to specified  
guidelines. NITI Aayog recommended classifying

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

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

Gig workers include part time, contractual employees who are kept out of the social security net and other employee benefits by the company

(eg) delivery partners in DLA, Uber

without social security, they are subjected to

- i) unregulated working conditions
- ii) low and delayed wages
- iii) exploitation without grievance redressal.

### NEED FOR Social Security

- i) translates to income and food security due to decreased burden of health expenditures
- ii) ensures regulated working environment, adherence to labour laws and payment of MINIMUM WAGE

iii) Reduces out of pocket expenditures and encourages saving and investment in education.

### CHALLENGES

i) NO enumeration of these numbers due to

i) largely employed in unorganised sector (90% of labour force)

ii) lack of a STATUTORILY defined definition

ii) Constrained financial capacity of government

iii) Potential of large inclusion - exclusion errors, corruption and misappropriation due to contracted nature → UHOST Beneficiaries

The need is to expedite the

National database of unorganised workers'

and roll out a policy for gig workers

mandatory insurance for contract period

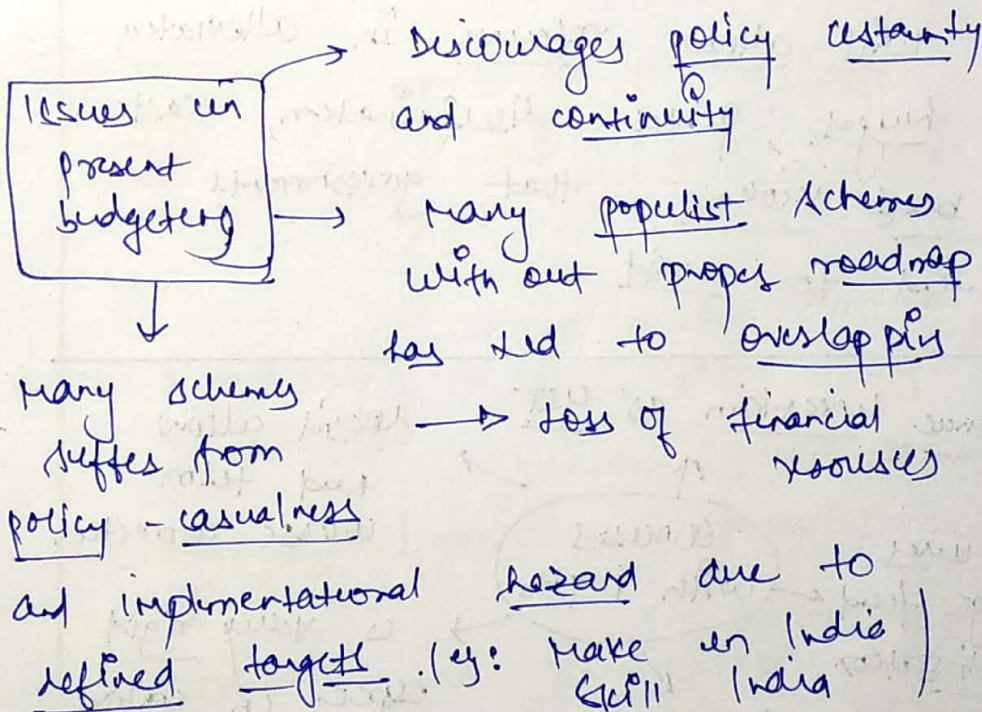
by employers and adherence to guidelines

7. Do you think that multi-year budgeting is the need of the hour in India?

(150 words) 10

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

Multi-year budgeting (MYB) is the allocation of budgetary resources for 7 yrs at a time. India currently follows an YEARLY budgetary cycle.

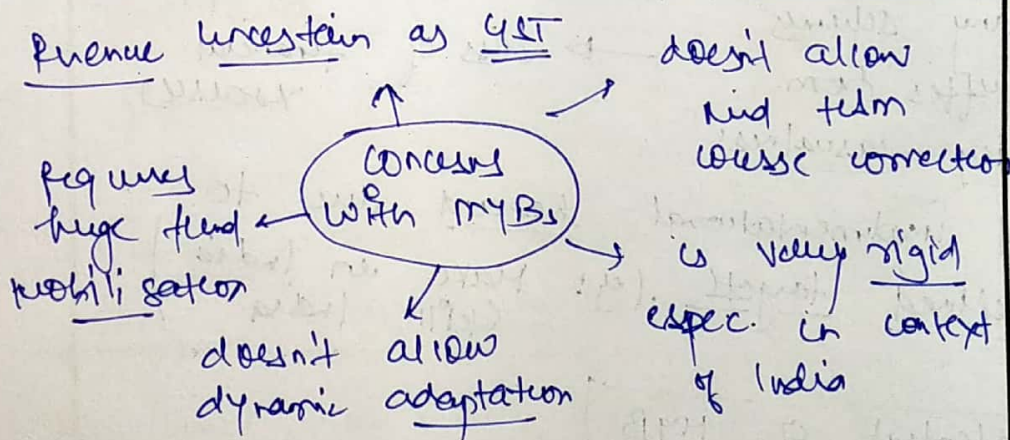


Potential of MYB

1) Allows government to initiate policies with long gestation period to bring

→ long lasting social change

- i) Allows citizens to monitor against stated targets — bottom up accountability
- ii) Allows government to take bold steps rising above political exigencies
- iii) will allow reforms in alienating issues, gender discrimination, caste based violence that governments tend to avoid



The need is to strengthen present yeasty cycle through enforced commitment to manifesto, policy certainty through vigilant citizens and civil society.

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

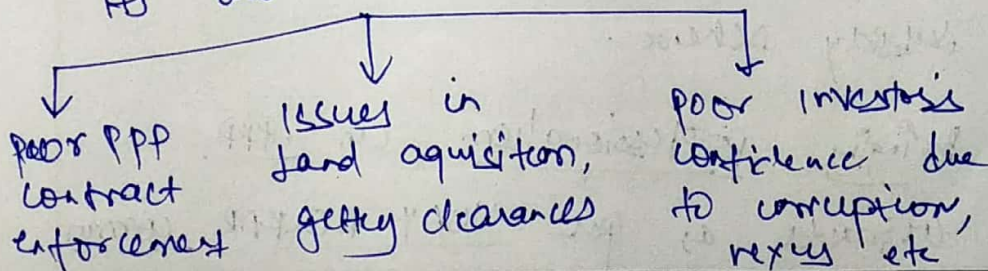
भारत में अवसंरचना के वित्त-पोषण में आड़े आनी वाली समस्याएं क्या हैं? हाल के दिनों में इनका समाधान करने के लिए सरकार द्वारा उठाए गए कदमों का विवरण दीजिए।

Infrastructure acts as the lifeline of economy through employment generation, contribution to GDP, enhance ease of doing etc.

Infrastructure depends on a reliable financing mechanism which faces many issues in India

XIV Financial Institutions → risk averse due to heavy NPA's, long gestational period of projects (part. ILPs uses)

XV lack of private participation forces government to mobilise funds on its own. This is due to



2111 supplemental performance of REITs, InvITs

2112 disputes among contracting parties  
also risk sharing

2113 lock of a deepened corporate  
bond market due to crowding  
out by government

### STEPS TAKEN

2114 National infrastructure pipeline with  
 ↓  
unambiguous real time class roadmap  
funding sharing monitoring and consensus  
mechanism and flexibility based contract.  
 (39:39:22) to monetise

2115 Real estate investment trails & InvITs  
to allow new sources of raising funds

2116 PM Awas Yojana → credit linked  
subsidy scheme.

2117 Bringing professionalism in PPP  
contracts as per VIAY REKAR comm.

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

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

Social infrastructure includes schools, hospitals, markets etc and all other institutions that enhance social capital.

Today, investments in health (~1.5%) against NHP-2017 recommendation of 2.5%, education (~3.4%) are below many comparable countries.

Need for Investment

⇒ Inclusive growth

⇒ More allocation to schemes focusing on

# Hunger - Mid day meal, NFSA, PDS

# Poverty - Mudra scheme, PM Kisan

# Education - enhance GER

# women empowerment → BBBP,  
focus on SHGs, women security

⇒ enhanced focus on vulnerable sections

eg - MGNREGA, Scholarships to SC/ST, providing social security benefits etc.

⇒ sustainable growth

⇒ focus on climate resilient agricultural practices (eg - multicropping)

⇒ Investment on using technology and innovation to ensure less pollution, thus ensuring intergenerational

EQUITY

eg - Happy seeders for stubble burning  
- water harvesting, micro irrigation

Thus, SDG 1 (poverty), 2 (Hunger), 3 (Good health), 4 (Quality education), 5 (Gender equality), 16 & 17 (Sustainability)

all demand a greater focus on social investment to ensure an inclusive and sustainable ecosystem.

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

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

Present public finance management has overemphasized on demand side (allocation, exactly centre state coordination) but ignoring the implementational lacunas

### EXAMPLES

- poor financial autonomy of Panchayats despite FC grants and constitutional backing leads to poor outcomes
- Many allocations are not materialised due to lack of monitoring  
eg - Nibhaya fund ; Poshan Abhiyaan (30% unspent in 2019)
- lack of mid course correction due to no provisions of stakeholder's inputs leads to reduced accountability and loss of exchequer's money.

Outcome Budgeting that mandates a detailed outcome along with targets for every allocation is a healthy step to

- i) bring financial prudence
- ii) increase citizen participation
- iii) hold government accountable by comparing outcomes with targets

It also allows policy certainty due to a clear roadmap.

Thus, effective finance management can be made possible by incorporating outcome budgeting along with

- a) vigilant and empowered citizens
- b) political will to bring meaningful changes.

Outcomes must be placed in public domain and people must be made answer to enhance the accountability.

11. There have been indications of sluggish growth in labour intensive industries in India in recent times. Analyse the reasons behind this trend. What can be done to reverse the trend? (250 words) 15

हाल के दिनों में भारत के श्रम गहन उद्योगों में मंद वृद्धि के संकेत मिले हैं। इस प्रवृत्ति के लिए उत्तरदायी कारणों का विश्लेषण कीजिए। इस प्रवृत्ति को व्युत्क्रमित करने हेतु क्या किया जा सकता है?

India's manufacturing sector growth has remained stagnant (~14% contribution to GDP). Among that, capital intensive manufacturing (cement, construction etc) have been more focused.

Small scale LABOUR INTENSIVE industries have been facing sluggish growth, accentuated by COVID. This is visible in indicators like

- ① low IIP of small scale industries
- ② rising disguised unemployment and diseconomies of scale in MSEs (DWARF industries - Economic survey)

### REASONS

①

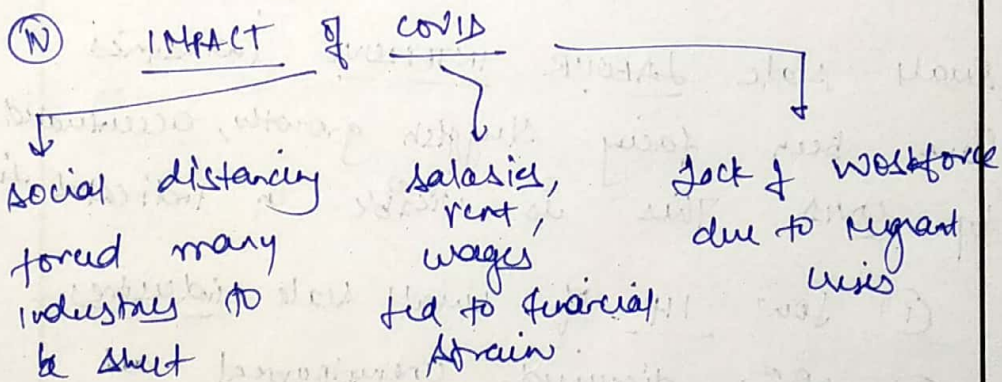
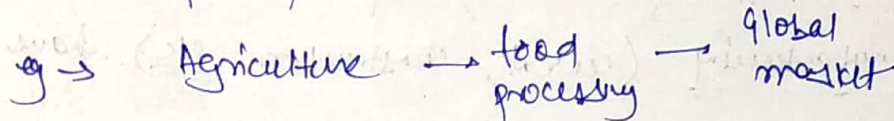
Poor financial autonomy

→ Lack of avenues to raise credit due to

- no collateral
- poor credit history
- uncertain productivity

① Sub-optimal investment in mechanisation, technologies leads to poor productivity

③ poor forward linkages to large industries and backward linkages to primary industries



### WAY FORWARD

① focus on industries that can absorb out-migrants of agriculture  
e.g. leather, food processing, construction industries

- (ii) focus on skill upgradation by  
 → linking with IITs  
 → enabling employment under Skill  
 India, PMKVY etc
- (iii) enabling enhanced market access  
through marketing and government support
- (iv) ensuring adherence to labour law,  
labour act to prevent exploitation  
 of workers
- (v) A one time debt restructuring of  
 financially viable industries can be  
undertaken
- (vi) Increasing investment on technology,  
machines and ICT
- Thus, labour intensive industries have  
 potential to reduce unemployment,  
 poverty and hunger through assured  
payment.

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

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

Increasing technological penetration and rise of capital intensive industries is ~~not~~ often considered as a contributor to inequality (e.g. income, digital divide, lack of social mobility, subjugation of marginalised)

INEQUALITY in India, as highlighted by

① Oxfam report → top 1% population owns same as bottom ~73%.

② WEF's social mobility index - It'd take poor in India 7 generations to earn same as rich

③ Gender gap index - lack of opportunities in political representation

TECHNOLOGY

creates a divide where only a few are able to access and get benefitted.

**COUNTER** It has enabled bridging inequality by reducing corruption, better service delivery and speedy grievance redressal.  
e.g. - e-governance, e-NAM, PDS Monitoring

**INDUSTRIALIZATION** has led to closure down of many labour intensive small industries due to poor competitiveness of their product

**COUNTER** Industries have enabled agricultural self sufficiency (pesticides, HY seeds) and also provide jobs to millions of poor.  
e.g. - Many MSME involved in small scale manufacturing

### REASONS FOR INEQUALITY

① **SOCIAL** → bias, prejudices and stereotypes against women, SC/ST, minorities act as damper on governmental efforts.

eg - SARPAOCHI Pati in villages,  
denial of opportunities to women (Lawyer)

(I) Economic → poorly skilled workforce  
+ sub standard education

decrease EMPLOYABILITY leading to

a) poor income      b) perpetuation of  
inequality

(II) POLITICAL → lack of political will  
eg - 105th CAB (women reservation)  
→ poor forum on integral vote bank

(III) HISTORICAL → subjugation by British  
of certain groups continues till today

(IV) ADMINISTRATIVE → improper implementation  
of laws against untouchability, manual  
slavery, domestic violence

This need us to address the holistic  
aspect of inequality while utilising the  
potential of technology and rising industrial  
base.

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

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

COVID induced lockdown has waded into a financial shock for Indian economy which has suffered

① Increased expenditures → Health infrastructure, R&D, vaccination

② Reduced revenues → GST shortfall, lack of consumption, reduced demand

GDP growth rate was -23.4% (2020) and fiscal deficit too breached the FRBM ceiling forcing government to invoke escape clause

### FISCAL STIMULUS

includes

- I) expansionary fiscal policy
- II) tax cuts, increased rebates
- III) Credit demand in economy
- IV) ensuring liquidity with interest.

Potential

- ↳ can enhance consumption expenditure
- ↳ corporate tax rebates can attract foreign investors
- ↳ create new jobs in labour intensive sectors like construction, MSMEs can reduce unemployment.
- ↳ can increase food security for poor who are left out of work.
- ↳ increased allocation on wage employment schemes (eg - MGNREGS) can create local demand
- ↳ will encourage investment rather than saving, thus preventing STAGFLATION

CHALLENGES

- 1) will require huge allocations
- at a time government is already short

of funds.

- i) can increase inflation if government refuses liquidity through deficit monetisation
- ii) can enhance government's debt and interest obligations

### NEED

A combination of prudent monetary policy is also needed to increase liquidity to people by

- reduce repo rate
- ensure monetary policy transmission
- GST tax cut on household items

focus must be on creating employment through proactive investment. It is essential in order for India to reach ₹5tn economy goal by 2024-25

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

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

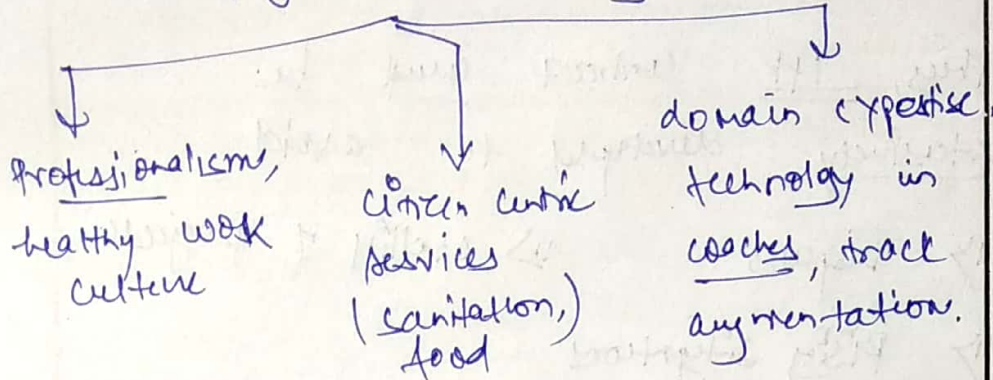
PPP models involve risk and responsibility shared among govt and private entities in order to efficient and quality service delivery.

e.g. - TPVs GFPRs

### Need in RAILWAYS

- i) operating ratio (amount earned per ₹ spent) is among all time lowest ~98%.
- ii) poor adherence to timetable, lack of sanitary measures
- iii) non fare revenues ~ 1% of total revenues → discourages capacity and service standard augmentation
- iv) poor modal mix (in 30% freight by rail)

PRIVATE players will bring



### TRANSITION

Bisul Debroy committee (2015) recommended a shift to increased participation, but cautioned against hasty privatisation as it may lead to

1/14 rise in fees outside capacity of poor

2/14 Profit seeking → now focus on tracks with higher revenue and not based on demand

3/14 Monopoly → diminishes accountability

4/14 Denial of responsibility in case of

accidents

Thus, PPP contract must be  
extensively developed to avoid

- ↳ Disputes
- ↳ Stalling of projects
- ↳ Prolonged litigation
- ↳ Unavoidable risk sharing

WAY AHEAD

- ① Establish an PPP review tribunal  
to resolve disputes (N. Jaisankar comm.)
- ② Government must retain aspects  
relating to SAFETY to itself  
while allowing private players to  
ensure standards.
- ③ Unambiguous sharing of financial  
burden (HAM, BOT, annuity model)

To conclude, PPP must be encouraged  
to ensure better services and not  
as a means to make profit.

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

(250 words) 15

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

Private investment, measured as Gross fixed capital formation (GFCF) as % of GDP is an important parameter for economic growth in a developing country like India.

The decline of GFCF in pre-COVID from (33% @ 2010) → 30% (2019)

highlight

i) less private investment in infrastructure, capital intensive sectors,

ii) declining household consumption

**MAJOR REASONS**

- ① Stagnant manufacturing sector ~14% of GDP
- ② Risk averse financial institutions to large infrastructure projects due to

- a) long gestational projects period
- b) rising NPAs
- c) past failures (ILF&S crisis)
- d) disputes in PPP models leading to uncertain repayment

(iii) Decline in household investment in real estate due to stalled projects

(iv) Lack of a deepened CORPORATE BOND market

(v) Lack of investment in R&D  
(GERD = 0.6% of GDP)

(vi) excess regulatory compliance burden

(vii) poor enforcement of contracts and funding litigation in courts

Steps like

- i) GST
- ii) Insolvency and Bankruptcy
- iii) Make in India
- iv) Invest in India
- v) recapitalisation of AIFs

PSBs (Mission Indradhanush), PERA etc

have enhanced investor sentiments along  
with increasingly investment friendly  
atmosphere

- low corporate tax (~23%)
- Alternate dispute resolution Act - 2019
- push to strategic disinvestment
- regulatory CERTAINTY.

### FURTHER STEPS NEEDED

- (i) Disinvestment in non strategic sectors
- (ii) settlement of stalled projects
- (iii) easy infrastructure financing through  
REITs, INVIT, credit default swap
- (iv) clearly formulated PPP contracts
- (v) generosity in consumption expenditure  
via fiscal stimulus.

economic survey (2019-20) also  
emphasized ETHICAL WEALTH CREATION  
with an INVISIBLE HANDS OF TRUST  
over private players

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

(250 words) 15

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

UCBs are a form of scheduled commercial banks catering mainly to small urban customers. There are ~1500 UCBs in India providing services like savings, transfers, insurance

### NEED OF REFORMS

- ① Too many UCBs (~1500) exist but contribute only 2.6% of credit of UCBs

### ② REGULATORY

→ RBI regulations are not as stringent as other UCBs leading to poor monitoring, risky credit offtakes

### ③ STRUCTURAL

→ Co-related asset risk due to large number of small UCBs

→ poor capitalisation of UCBs have  
put many with high NPA

### (iv) OPERATIONAL

→ many UCBs suffers from favouritism  
in appointments and credit delivery

eg - PMC bank same

→ conflict of interest as investors  
are same as beneficiaries

### STEPS TAKEN

i) supervisory action framework by  
RBI → grades monitoring for UCBs  
with NPA > 6%, CAR > 9%, losses for  
≥ 2 consecutive years

ii) system based asset classification of  
UCBs → to ensure responsible  
credit delivery [for UCBs > 2000 Cr]

- (iii) Stringent regulations of new licensing by RBI + margin small UCB
- (iv) Recapitalisation of Jas making UCBs

### STEPS REQUIRED

- (i) Create technological infusion to banks assess borrowers credit history
- (ii) A centralised management for monitoring (Malgam committee)
- (iii) Awareness of citizens before investing
- (iv) Ensuring no regional disparity in setting up UCBs
- (v) Assessment based on LCMERS (capital, assets, management, liabilities, systems)

They, UCBs cater to a large population due to their flexibility and lower compliance burden. Thus, they must be strengthened.

17. Identify the <sup>2</sup> factors that <sup>2</sup> have <sup>1</sup> facilitated digital financial inclusion in India. Mention the <sup>3</sup> steps that have been <sup>3</sup> taken by the government in this regard. What are the <sup>3</sup> challenges that remain going forward? (250 words) 15

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

Digital financial inclusion is the increased accessibility of financial services (savings, insurance, mutual fund) via digital mean. It serves to "bank the unbanked" leveraging the digital revolution.

### STATUS IN INDIA

Indigenous payment method (UPI), RBI regulated RTGS, NEFT and initiatives by NPCI have increased digital transactions to ~100mn (month)

### FACTORS RESPONSIBLE

① Policy Thrust

1.1 Digital India → to enhance digital infrastructure

1.2 National fibre optical network (NFON)

1.3 Incentives to digital payments  
and disincentives to CASH  
transactions in form of TDS

(i) Picky Demographic dividend → young,  
tech enabled population has  
enhanced easy acceptability

(ii) Disruptive initiatives like direct to consumer,

(iv) Enabling digital service delivery

```

graph TD
    A[Enabling digital service delivery] --> B[DBT in social security schemes, PM Kisan]
    A --> C[awareness generation]
    A --> D[Real time wage payments without intermediaries]
  
```

Steps taken

- i) 24x7 NEFT, RTGS
- ii) waiving of merchant discount rate
- iii) differentiated banks - y-payment bank
- iv) on tap licensing of FBI to convert to payment banks
- v) UPI, RuPay cards, BHIM portal.

## CHALLENGES

i) Digital penetration still ~15% in rural areas → woman accessibility as even lower

ii) frequent electricity outages, lack of pol resilience at local levels

iii) misinformation → eg: using digital means would bring one into tax net

iv) trust deficit in rural areas

Digital financial transactions enhance TRACEABILITY, thus preventing corruption and fund misappropriation. They also create INCLUSIVE DEVELOPMENT

by servicing the underserved

Thus, the coordination of civil society and bureaucracy must create this last mile penetration.

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

(250 words) 15

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

Global Value chains are the element  
of international manufacturing where different parts  
goods are produced in different regions  
based on their REGION SPECIFIC  
COMPETENCY

eg - Semiconductors China in south east  
Asia  
- APIs in China, USA

### IMPORTANCE

The fragmentation of supply chains  
during COVID revealed the importance  
of a resilient value chain.

### FOR INDIA

→ to ensure job opportunities for  
rising unemployed youth.

iii) to enable better utilisation of  
labour supply, demographic dividend.

iii) to build manufacturing base in  
India (stagnant ~14% of GDP)

iv) to minimise stress on agriculture  
and reduce DISGUISED UNEMPLOYMENT  
(~50% employed but ~16% to GDP)

### CONCERNS

i) exposure of small scale manufacturers  
to global market

ii) will require India to sign  
FTAs like CEPT which can  
lead to

→ dumping of goods from China

→ lifting of import restrictions  
to protect our industries

iii) CNGCs often benefit developed

Countries at the cost of CHEAP  
LABOUR from developing countries  
(India, Bangladesh etc)

ii) Premature Globalisation of industrial  
sector without CAPACITY BUILDING  
may further lead to loss of jobs

### READING THE BENEFITS

i) Strengthen regional multilateral organisations  
(ASEAN, BIMSTEC) to

⇒ create collective voice

⇒ build social value chain  
more suited to each other

iii) Only involving in GVCs that  
enable COMPLEMENTARITIES

g- JAPAN ⇒ old population, industrial  
superpower  
↓  
India ⇒ young population,  
lack of manufacturing

They, GVCs are essential to ensure  
not being left behind.

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

(250 words) 15

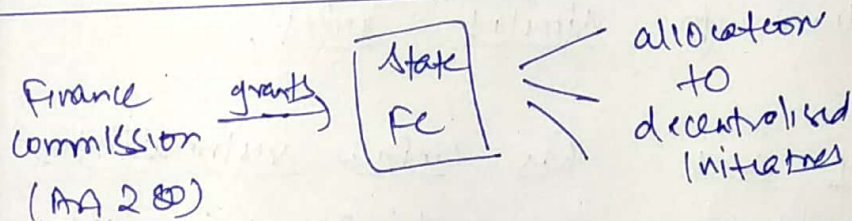
भारत में समष्टि-आर्थिक स्थिरता के लिए राज्य वित्त का क्या महत्व है? साथ ही, भारत में राज्यों के राजकोपीय प्रबंधन से संबंधित मुद्दों को भी रेखांकित कीजिए।

73<sup>rd</sup> CAA 1992 added Art 243-243D

which established State Finance Commission

to ensure financial viability and

macro-economic stability



### SIGNIFICANCE

- (i) enables allocation based on region specific issues (bottom up)
- (ii) prevents REGIONAL DISPARITIES  
y - 49 gets maximum FC grant despite low contribution to tax revenue
- (iii) prevents state specific economic instabilities (y - High inflation)

- (iv) Allows states to ensure allocation to agriculture, labour ways (state subjects)
- (v) prevents separatism and sub-nationalism  
eg - North East grants
- (vi) Allows smooth inter-state trade due to similar prices.

Every state has unique vulnerabilities  
(eg - Disasters, caste discrimination, poor agricultural growth)

↓  
State finances enable NEED based interventions

### ISSUES WITH STATE FISCAL MANAGEMENT

- 1) Populist measures - eg: Farm loan waivers before elections
- 2) Many states have not set up SFCs

(ii) Introduction of GST has reduced States fiscal autonomy and has increased uncertainties

(iii) Lack of clarity of cesses and surcharges with states

(iv) Focus is on short term (income sensitivity) and not long term (creating infrastructure, job creation etc)

They, NK Singh review committee (2018) recommended to establish an "INDEPENDENT FISCAL COUNCIL" to set a roadmap for fiscal stability of States. Also,

parameters of FE grants must be kept in line with clarity dynamic.

20. Though Code on Industrial Relations, 2019 is aimed at reducing labour dispute as well as ease of doing business, it also restricts the collective bargaining power of the workers. Comment. (250 words) 15

यद्यपि औद्योगिक संबंध संहिता, 2019 श्रम विवादों को कम करने और साथ ही ईज ऑफ डूइंग बिजनेस पर लक्षित है, तथापि यह श्रमिकों की सामूहिक सौदेबाजी की शक्ति को सीमित भी करती है। टिप्पणी कीजिए।

Code on Industrial Relations - 2019 (CIR)  
aims to harmonise existing labours  
codes and ensure

- i) regulated work environment
- ii) harmonious relations of workers  
and industry
- iii) Allowing workers to raise  
their collective demands.
- iv) Reduce litigations, disputes  
leading to strikes
- v) Enhance ease of doing business

### REDUCING DISPUTE

- Allows for formation of trade  
unions to raise grievances
- ensure accountability of employers
- sets up dispute resolution tribunal.

Creating EODB

→ allows fixed term employment (FTE)  
to allow ease in hiring and firing

→ gives more power to employers  
to decide work environment, hours,  
numbers of employees

CONCERNS

i) Restricts the formation of TRADE  
unions by enhancing limit ~~from 100~~  
to ~~200~~ 75% of employees' approval

ii) Allows employers to violate  
rules if employ < 300 employees

iii) Regulates strikes (> 149 mandatory)  
approval

iv) Encourages income insecurity through  
Hire and fire.

The need is to ensure workers  
rights are not violated in course  
of achieving GoDB. Skill development  
of employees through RESKILLING FUND  
must be ensured on a well footing