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GENERAL STUDIES (TEST CODE : 1234)

Name of Candidate	AISHWARYA SHEORAN		
Medium Eng./Hindi	ENG	Registration Number	506755
Center		Date	27/02/19

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	
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16	15	
17	15	
18	15	
19	15	
20	15	
Total Marks Obtained:		
Remarks:		

INSTRUCTIONS	
1.	Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code). उत्तर पुस्तिका में सूचनाएं भरना आवश्यक है (नाम, प्रश्न-पत्र कोड, विद्यार्थी क्रमांक आदि)।
2.	There are TWENTY questions printed in ENGLISH & HINDI इसमें बीस प्रश्न हैं अंग्रेजी और हिन्दी में छपे हैं।
3.	All questions are compulsory. सभी प्रश्न अनिवार्य हैं।
4.	The number of marks carried by a question/part is indicated against it. प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
5.	Answers must be written in the medium authorized in the Admission Certificate, which must be stated clearly on the cover of this Question-Cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in medium other 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 अनुसरण किया जाना चाहिए।
7.	Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off. उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

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

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.

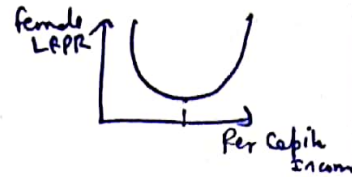
6.

All the Best

1. Explaining the reasons behind India's lower female labour force participation rates (LFPR), list the steps that have been taken to augment it. What more needs to be done? (150 Words) 10

भारत की निम्न महिला श्रमबल भागीदारी दर (LFPR) के पीछे उत्तरदायी कारणों को स्पष्ट करते हुए, इसे बढ़ाने हेतु उठाए गए कदमों को सूचीबद्ध कीजिए। साथ ही, बताइए कि इस दिशा में और क्या किए जाने की आवश्यकता है?

Female LFPR in India remains low (~23%) as compared to 61% in China and 56% in USA due to - usually, the graph goes like



1) Political reasons -

- Lack of political will to encourage
- non conducive environment
- labour laws (rigid)

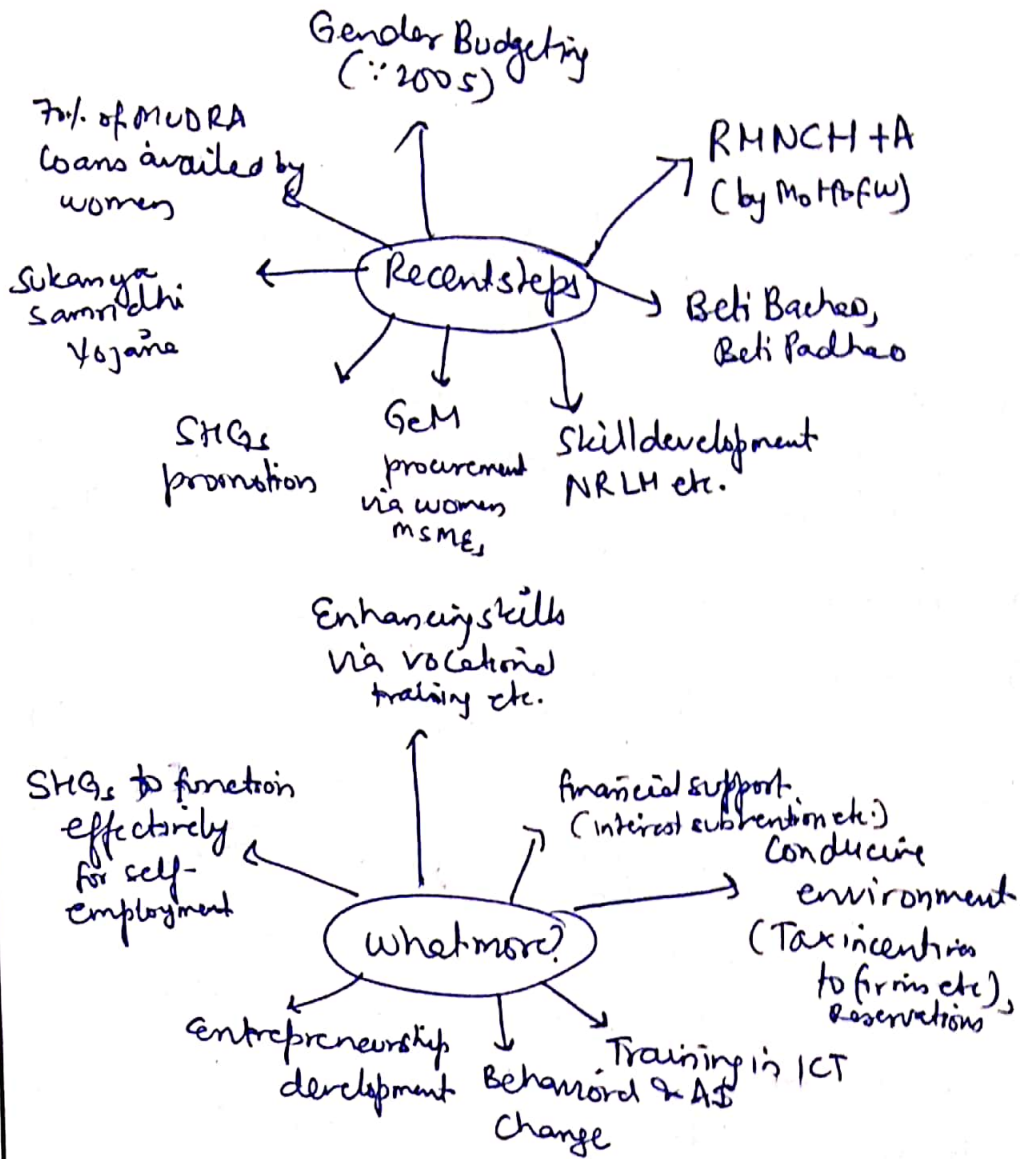
2) Economic

- with enhanced incomes, females withdraw of family
- usually females are mostly subsidiary workers, therefore, distortions in labour market lead to job losses.
- firms reluctant to employ (discriminating)
- lack of adequate skills (especially in AI etc.)

3) Socio-cultural -

- Higher education → India has almost ~~gto~~ closed gap in higher education (as per GPI 2018)
- Norms and customs → family values etc.
- Early marriages, patriarchal society.

Steps taken



These measures will ensure that lost potential of women is realised and their contribution to progress becomes valuable.

2. Parliamentary scrutiny over public finance is an important aspect of governmental accountability. In this context, discuss the role, importance and challenges in establishing a Parliamentary Budget Office (PBO) for effective oversight of budgetary process. (150 words) 10

लोक वित्त की संसदीय संवीक्षा सरकारी जवाबदेही का एक महत्वपूर्ण पहलू है। इस संदर्भ में, बजटीय प्रक्रिया की प्रभावी निगरानी हेतु संसदीय बजट कार्यालय (पार्लियामेंट्री बजट ऑफिस: PBO) की भूमिका, महत्व और उसकी स्थापना में आने वाली चुनौतियों पर चर्चा कीजिए।

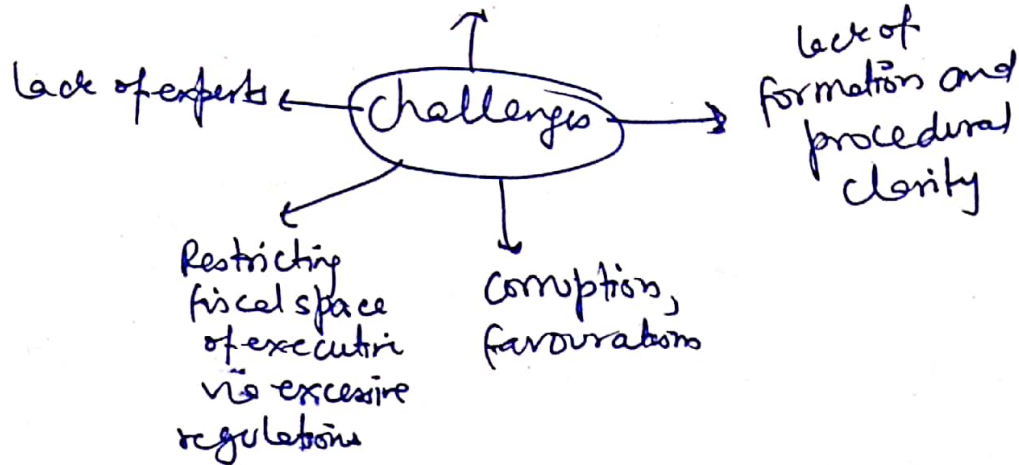
The constitution of India provides that no money, demand for grant, ^{change in} taxes etc.

Can be taken out of consolidated fund without parliament's permission. However, due to majority of ruling party, the budget (Art 112) gets easily passed without much ado and PAC etc. do post-mortem analysis only.

- PBO → role :-
- scrutinise budgetary proposals by executive a priori
 - effective review mechanisms to ~~ensure~~ monitor progress
 - Encourage good governance and progress
 - adequate ~~est~~ demand for grants and estimates.

- Importance →
- Increase legislature control → checks and balances
 - Incentive to improve performance and results
 - Periodic review will keep Dept. on toes

- 4) Efficiency, transparency, Accountability
 5) Fiscal discipline → FRBM 2003.
 Lack of Political will

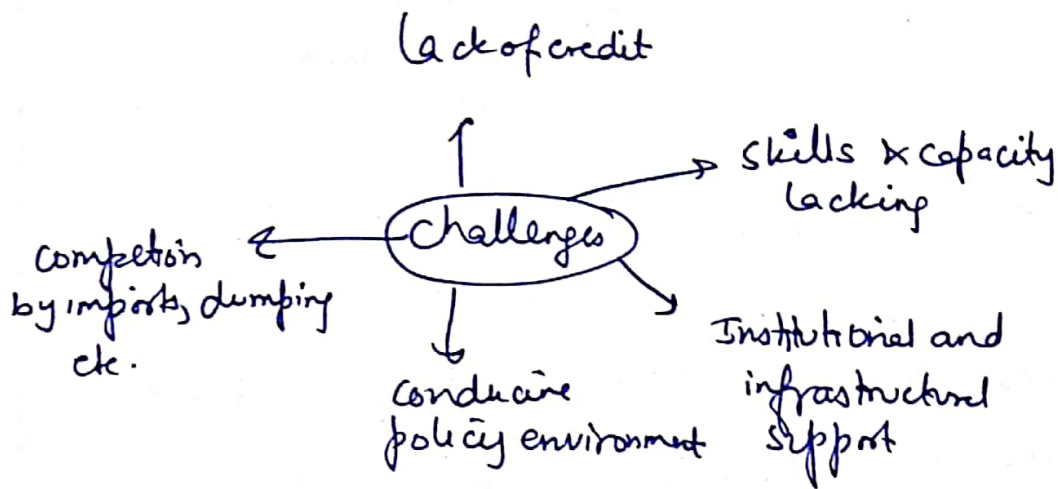


There needs to be an effective monitoring and evaluating mechanisms via PBO, with adequate skilled expertise to guide its functions and ensure greater accountability and discipline.

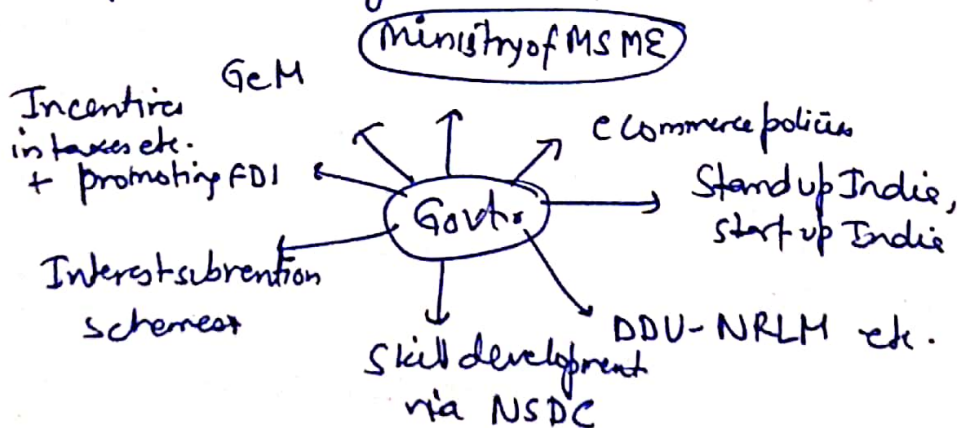
3. Highlight the various challenges faced by MSMEs in accessing credit. Also, mention some of the recent steps taken by the government and RBI to address this issue. (150 words) 10

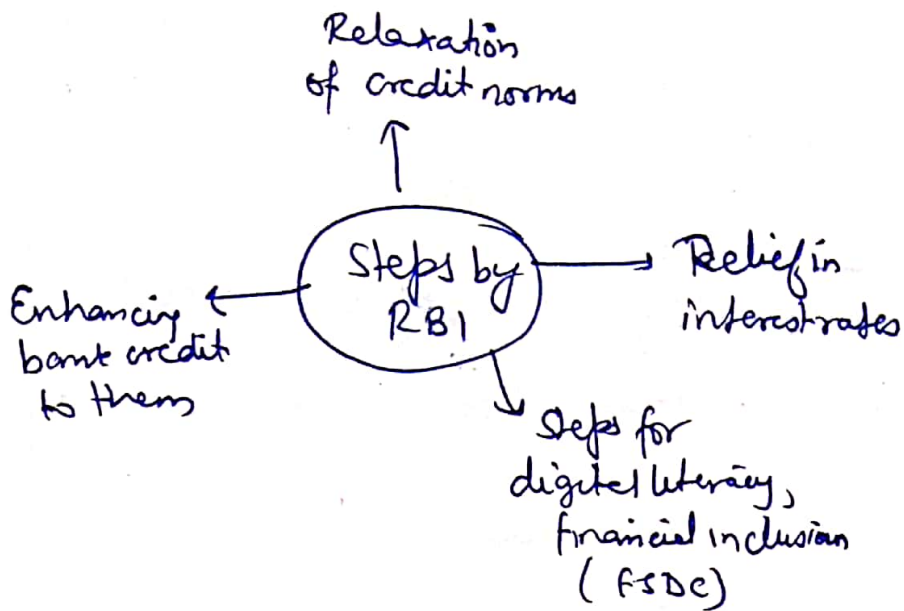
ऋण तक पहुँच स्थापित करने में MSMEs द्वारा सामना की जाने वाली विभिन्न चुनौतियों पर प्रकाश डालिए। साथ ही, इस समस्या का समाधान करने के लिए सरकार और RBI द्वारा हाल ही में उठाए गए कुछ कदमों का उल्लेख कीजिए।

MSMEs are defined as firms with turnover less than 5cr, 25cr and 250 cr.



Steps taken by :-





These measure will ensure boost in MSME development providing self-employment and empowerment to millions of vulnerables and poor.

4. By rebalancing project risks between the public and private sectors, the HAM model has encouraged investments in the road infrastructure sector. Discuss. (150 words) 10

सार्वजनिक और निजी क्षेत्रों के मध्य परियोजना जोखिमों को पुनर्संतुलित कर, HAM मॉडल ने सड़क अवसंरचना क्षेत्र में निवेश को प्रोत्साहित किया है। चर्चा कीजिए।

HAM model provides the right balance between risk allocation between public and private entities.

40% Investment by Government
60% by private
↑

Land acquisition, env. clearance by Government ← features → Opt. operation & mgt. by Private

Rebalancing of Risks :-

Private sector

- 1) Only has to pay Govt + operation and mgt. cost
- 2) No issue of land acquisition etc.
- 3) Willingness of private sector increases
- 4) for longer period

Public sector

- Reduces upfront expenditure (only 40%). Hence can divert resources elsewhere.
- Considerable risk transferred to private
- Long term nature favourable

Recently used by NHAI, HAM proved to be significant in promoting investments in infrastructure (avg 27km/day highways being built) and reducing risks for both parties \Rightarrow win-win situation.

5. In view of the growing significance of FinTech innovations, discuss the potential and challenges of mainstreaming FinTech in Indian economy.

(150 words) 10

फिनटेक (FinTech) नवाचारों के बढ़ते महत्व को देखते हुए, भारतीय अर्थव्यवस्था में फिनटेक को मुख्यधारा में लाने की संभावनाओं और चुनौतियों पर चर्चा कीजिए।

FinTech innovations are innovations in ~~financial~~ financial instruments driven by ICT to boost service sector growth like computerised trading etc.

Significance:-

- 1) Boosting growth
- 2) Employment generation
- 3) FDI and technology transfer
- 4) ~~It~~ Increase private investment
- 5) Improving finance market

Potential:-

- 1) Skilled workforce
- 2) ICT capabilities
- 3) Liberalised policy environment
- 4) Tech. drives innovations and support to R&D

Challenges

Challenges:-

- 1) financial illiteracy
- 2) Need to enhance skills
- 3) Need to boost domestic investment and infrastructure
- 4) Incentives and concessions to these need to be given
- 5) Restricted market and multiple regulators
(RBI, SEBI etc)
- 6) Restricted insurance market

Solution lies in realising these gaps and streamlining and promoting their development via ICT boost and skill development.

6. With India striving to achieve its development objectives, examine how blue economy can help in pursuing the objectives of economic development and ecological sustainability. (150 words) 10

भारत द्वारा अपने विकास उद्देश्यों को प्राप्त करने के प्रयास में, परीक्षण कीजिए, कि किय प्रकार नीली अर्थव्यवस्था आर्थिक विकास और पारिस्थितिकीय संधारणीयता के उद्देश्यों को प्राप्त करने में सहायता कर सकती है।

Being the fastest major developing economy in world, India's progress is on the right track, however certain gaps remain like:-

- 1) Inequality (social & economic)
- 2) regional differences (backwash effect)
- 3) Resource scarcity and financial gaps
- 4) Infrastructural issues etc.

Blue Economy :- based on harnessing potential of India's vast coastline (7500km) and territorial waters.

Benefits :-

1) Economic development :-

- a) employment generation → in CEZs, coastal areas, fisheries
- b) Investment → in coastal regions for their development (both public & private)
- c) Resources → enhanced access and availability of oil, polymetallic nodules, aquaculture (energy security)
- d) ~~Aquaculture~~ Aquaculture, pisciculture improved

- e) H.R.D and social security; enhanced living standard in backward coastal regions -
f) Projects like Saparamala for connectivity -

2) Ecological sustainability

- a) Proper E.I.As to ensure sustainable development
b) focus on eco-friendly techniques
c) R&D on ecosystem and its needs
d) Strategic protection to fragile biodiversity and resources.
c) Ecotourism

These measures focussing on blue economy will ensure employment + development holistically and give boost to coastal economy and its sustainability.

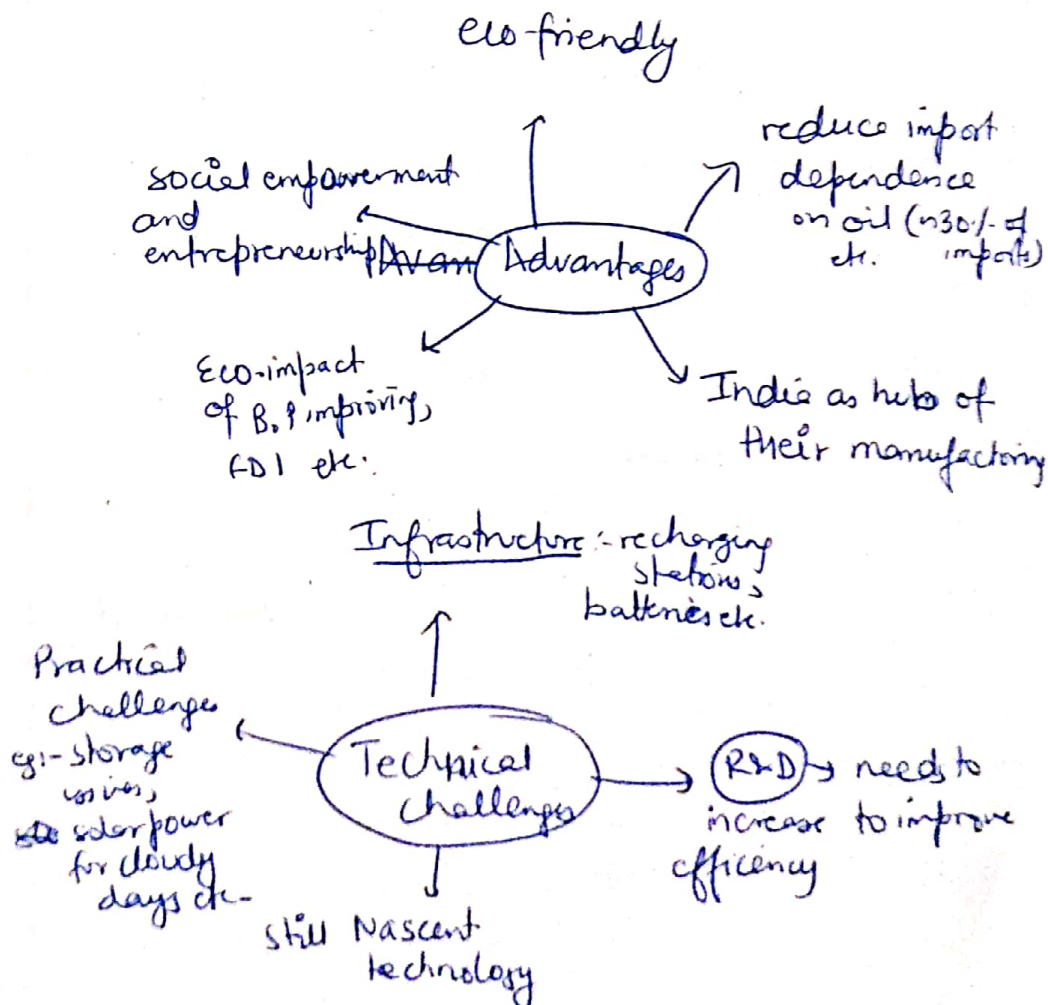
However they have to be cautiously applied and carefully studied in view of impact on ecosystem and marine life -

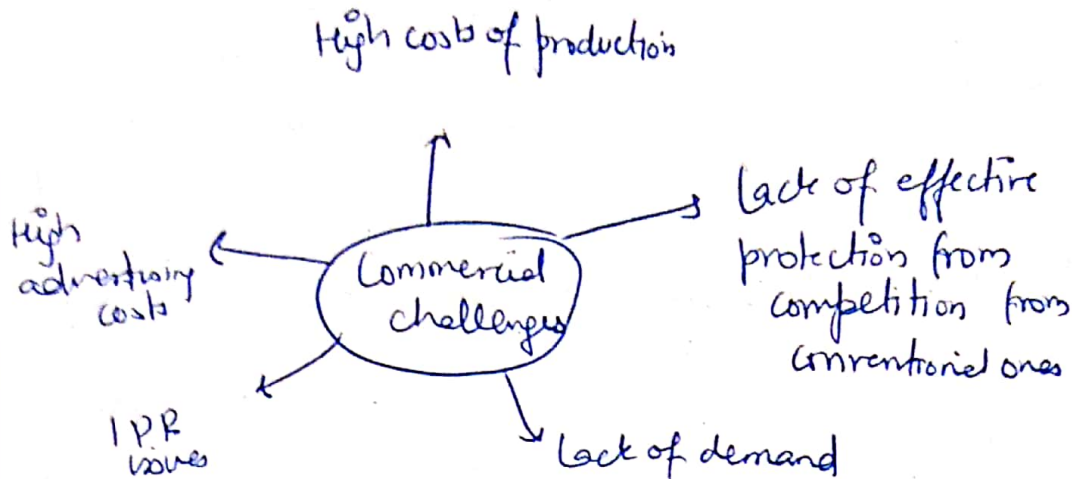
7. Despite many advantages associated with Electric Vehicles, there are many technical and commercial challenges for mainstreaming them. Discuss.

(150 words) 10

इलेक्ट्रिक वाहनों से संबद्ध कई लाभों बावजूद, उन्हें मुख्यधारा में लाने के मार्ग में कई तकनीकी और व्यावसायिक चुनौतियाँ हैं। चर्चा कीजिए।

With increasing global warming, address climate changes, temperature rising (by 1.2°C in India as per IPCC report), there is an enhanced awareness on the urgent need to switch to e-vehicles





Hence, these challenges need to be met by

- ensuring -
- a) adequate tax/fiscal incentives
 - b) Enhanced R&D
 - c) FDI and private investment
 - d) Awareness generation

Schemes like FAME etc. are steps in right direction

8. A rapidly changing economic structure and demography require a comprehensive employment policy to address the multitude of challenges that might arise in future. Discuss in the context of India. (150 words) 10

तेजी से बदलती आर्थिक संरचना और जनसांख्यिकी को भविष्य में व्युत्पन्न हो सकने वाली अनेक चुनौतियों से निपटने के लिए एक व्यापक रोजगार नीति की आवश्यकता है। भारत के संदर्भ में चर्चा कीजिए।

Over the past decade, India has witnessed tremendous changes in

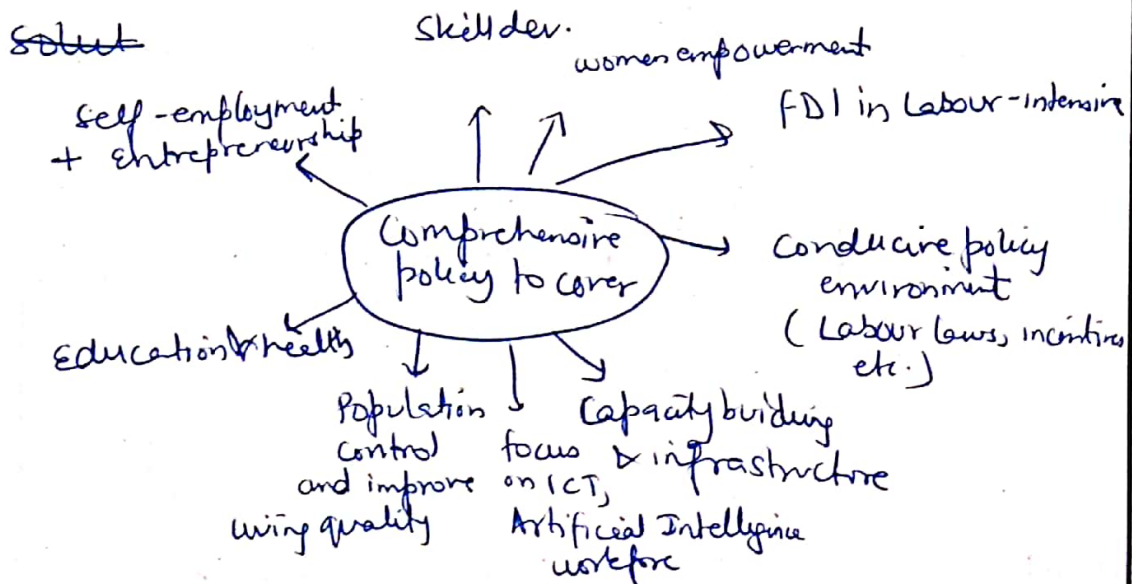
- a) Economic structure →
- 1) changes in share of GDP
(in 60% by service sector now)
 - 2) changes in export composition
(mostly service and merchandising)
 - 3) changes in employment
(though slow, but transition to non agricultural sector)
etc.

- b) Demography → presently the opportunity of demographic dividend
(majority = working population 15-59 yr)
+ ↓ decrease in TFR and BR.

Need for comprehensive policy:- Challenges:-

- 1) Jobless growth → service sector largely capital & skill intensive; ~~disguised~~ poor labour absorptive capacity of growth
- 2) Disguised unemployment → in agriculture
- 3) High unemployment rate → ~3.5% (mostly educated, post graduates etc)

- d) Lack of skills and vocational training → need to change curriculum + align all training centres to NSDF (by NSDC)
- e) Enhance saving and investment rate → currently prior $\frac{\text{Investment}}{\text{GDP rate}}$ (29%)
- f) Women empowerment → LFPR_{female} → 23% (compared to 61% in China)
- g) future enhanced dependency ratio → demographic dividend only till 2055 (WB report), post which ageing population (already in south states)



Steps like 'Skill India', Start Up India, DDU-NRLM, Digital India etc. are steps in right direction to avail the demog bonus for high growth.

9. Examine the need for a comprehensive policy on e-commerce in view of its domestic expansion as well as safeguarding India's interests globally.

(150 words) 10

ई-कॉमर्स पर एक व्यापक नीति की आवश्यकता का इसके घरेलू विस्तार के साथ-साथ वैश्विक स्तर पर भारत के हितों की सुरक्षा को देखते हुए परीक्षण कीजिए।

With increasing role of ICT in modern economy e-commerce has seen tremendous growth (service sector ~ 60% of GDP → mostly in IT), yet the regulatory mechanism remained opaque.

Need :-

- 1) Clarity :- in definition of e-commerce and its policies (two types → marketing & inventory)
- 2) Data protection & safeguards to right to privacy (in line with SC judgement & Srikrishna Committee)
- 3) Protection to MSME → from predatory practices & dumping via e-commerce route
- 4) FDI regulation → Since it's not allowed in automatic route in multibrand, many firms like Walmart were trying to escape via e-commerce
- 5) Data localisation → sovereignty of data of India & its citizens
- c) Regulatory oversight → over their functions via central agency

7) Grievance redressal → for effective protection to consumer.

The new e-commerce policy is a welcome step in protecting interests of small traders, MSMEs and safeguarding data of our citizens.

However, there needs to be a balanced approach so as to ~~ensure~~ ^{still} attract enough FDI and investment in ~~its~~ ^{this} dynamic sector providing employment and choices to millions.

10. Discuss the need for deepening bond markets for Indian economy. Also, identify the reasons behind weak development of bond market in India.

(150 words) 10

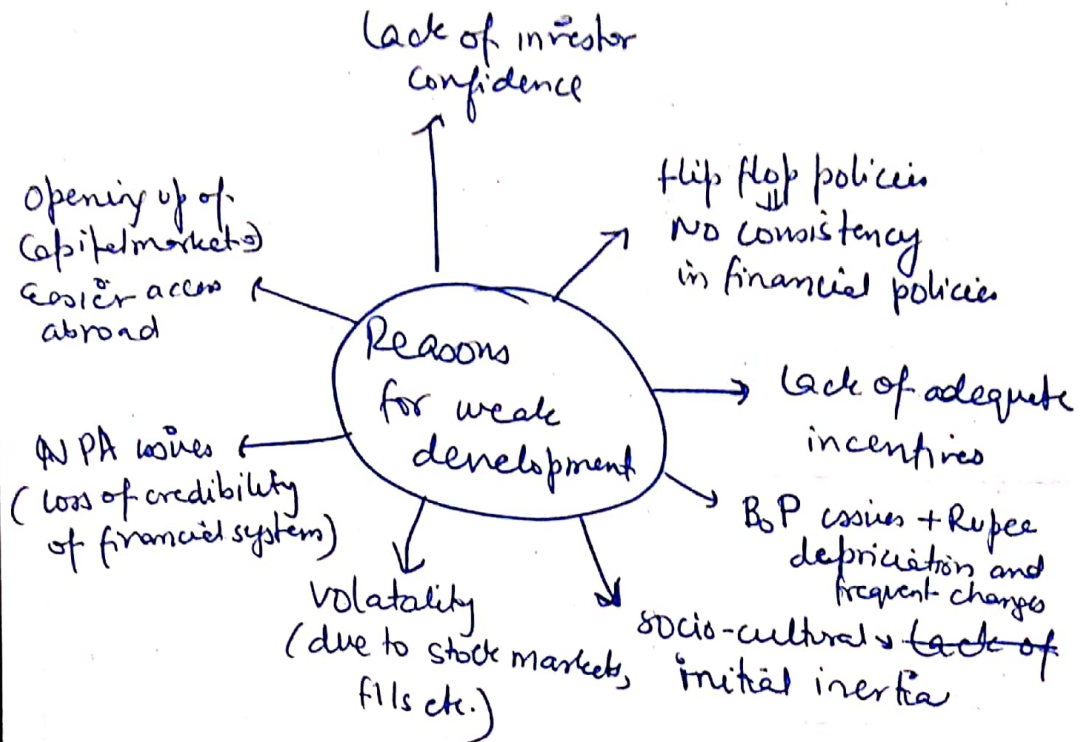
भारतीय अर्थव्यवस्था के लिए बॉण्ड बाजारों को व्यापक बनाने की आवश्यकता पर चर्चा कीजिए। साथ ही, भारत में बॉण्ड बाजार के अल्प विकसित होने के कारणों की पहचान कीजिए।

A poorly functioning bond market in India not only hampers growth, but also investments and ~~is~~ much needed capital formation.

Need for corporate bond markets

- 1) Resource gap → Can complement resources needed for development
- 2) Low Investment ratio $\frac{\text{GDP}}$ → need to increase pvt. investment rate to boost growth
- 3) Infrastructure development → and gap filling (via PPP, VGF etc.)
- 4) Burdened banking sector → NPAs + credit crunch + IL&FS crisis
Hence need fresh infusion of funds & credit
- 5) Competitiveness → needs to be enhanced to make financial systems resilient and globally competitive and efficient

- c) Reduce external dependence → will help reduce dependence on external borrowings and improve BoP and CAD.



There needs to be an effective financial and monetary strategy to infuse confidence in investors along with adequate incentives to build a credible bond market.

11. In the context of IL&FS crisis, explain the risks that the economy faces due to laxity in the regulation of the Non Banking Financial Companies (NBFCs).

(250 words) 15

IL&FS संकट के संदर्भ में, गैर-बैंकिंग वित्तीय कंपनियों (NBFCs) के विनियमन में शिथिलता के कारण अर्थव्यवस्था के समक्ष आने वाले जोखिमों की व्याख्या कीजिए।

NBFCs are financial intermediaries involved in lending big infrastructural projects at (long-term) and sourcing funds by raising in short term money markets and rolling it over.

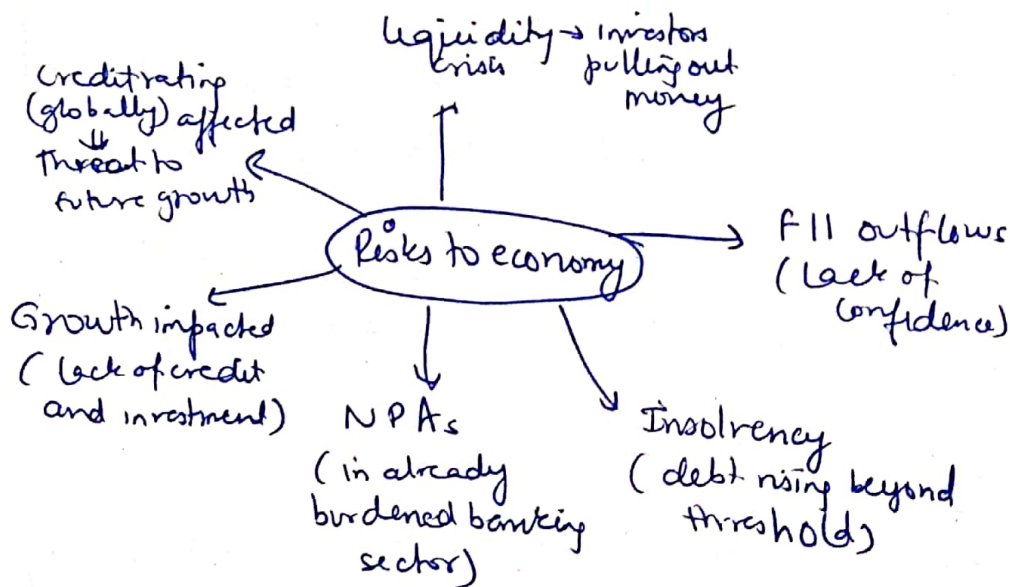
IL&FS crisis happened due to 1-

- 1) Mismatch in short term loans liabilities and long term nature of its investments
- 2) Liquidity crisis (cash crunch) due to global tightening (high interest rates) and tightened monetary policy turned into an insolvency crisis.
- 3) IL&FS had in turn, lent to many NBFCs, thus disrupting the entire financial market
- 4) ~~front~~ ~~friendly~~ government ~~to~~
Lax regulation → though NBFCs are under RBI, their regulatory oversight is opaque to due to

Lack of representative offices in India and non transparent functioning

5) management issues → ill functioning board and management of assets- liabilities

finally the government had to give assurance of bail in and replace the board (2nd time in history of India) to ensure the investors and creditors.



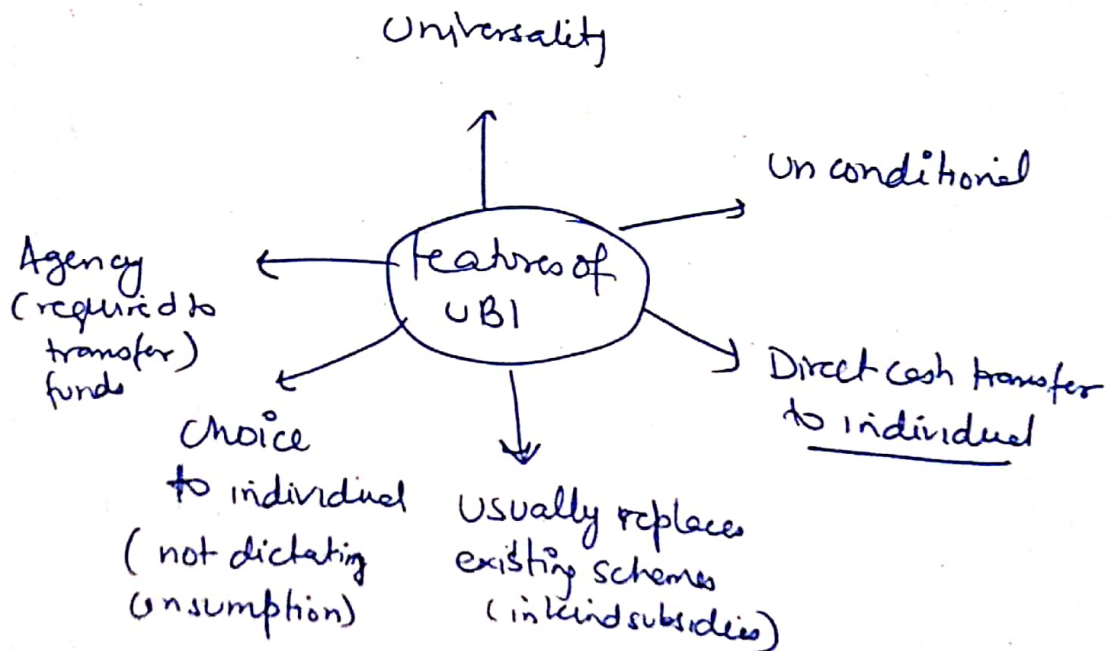
~~There~~ Besides support provided by government,
there needs to be fresh infusion of liquidity,
capital and confidence in investors

- + need for structural reforms in bank
banking and financial sector
 - + Effect risk management by NBFCs
 - + Regulatory powers to RBI need to increase
to oversee their board's functioning etc.
- in order to ensure continuous and dynamic
functioning of financial market and economy.

12. What do you understand by Universal Basic Income (UBI)? Discuss the advantages that it presents over the existing social protection schemes in India. Also, identify the criticism associated with the idea of UBI for a country like India. (250 words) 15

सार्वभौमिक मूलभूत आय (यूनिवर्सल बेसिक इनकम: UBI) से आप क्या समझते हैं? भारत में वर्तमान सामाजिक सुरक्षा योजनाओं की तुलना में इसके द्वारा प्रस्तुत किए जाने वाले लाभों की विवेचना कीजिए। साथ ही, भारत जैसे एक देश के लिए UBI के विचार से संबद्ध आलोचना की पहचान कीजिए।

Universal basic income :- means providing a basic cash transfer to all citizens irrespective of caste, economic status, race etc. in order to ensure minimum standard of dignified life.



Advantages over others~~1) Identifi~~Issues in earlier schemesPros of UBI

1) Identification issues -
in correctly targeting
and defining

Universal,
hence no
issue

2) Leakages and corruption

access by
everyone
individually
and directly
∴ No leakages

3) Often undue advantage
taken by richer sections
subsidising the poor

unconditional
and via DBT
so no subsidising
+ Rich may be
given option to opt
out

4) Wastage of resources and
funds
(subsidies ~ 4.8% of GDP
in India)

NO wastage and
direct allocation

5) In total ~ 5.5% of GDP
due to CSS like MNREGA etc.

As per ES estimates,
will cost around ~ 4.4%
(Other CSS removed)

Criticism:-

- 1) Removing CSS → like MNREGA etc. could prove to be disruptive as these are highly essential for social welfare
- 2) Infrastructure → required is enormous (in ICT etc.) hence, can only be done gradually
- 3) Inflation → can reduce living std. if cash amount is fixed (like NPS for past 12 yrs).
- 4) Exclusion → of SC/STs, vulnerable due to lack of bank accounts, Aadhaar etc.
- 5) Intra-household distribution → male dominant society, therefore necessary expenditure on food etc. may reduce and spending on alcohol etc. may increase → malnutrition.

Recent steps like PM KISAN, Rythu Banelw etc. are in direction of phased introduction of UBI, ~~so~~ but there needs to be a gradual shift and phased withdrawal of other subsidies along with awareness generation to ensure adequate protection to poor and vulnerable while enhancing efficiency.

13. Critically examine the practice of resorting to farm loan waivers as a means to alleviate agricultural distress. (250 words) 15

कृषि संकट को कम करने के एक साधन के रूप में कृषि ऋण माफी का सहारा लेने की प्रथा का समालोचनात्मक परीक्षण कीजिए।

Due to the dynamically changing political scenario with emergence of multi-party politics and populist tendencies to win the electoral majority, farm loan waivers seem to be the easiest approach to attract voters leading resulting in serious socio-economic implications.

few benefits:-

- 1) Immediate relief to farmers → from indebtedness and unpredictable monsoonal losses.
- 2) short term political gains
- 3) short lived enhanced standard of living for poor farmers.

However, these myopic waivers have certain serious consequences on economic health like

- a) Short term → don't solve deep structural issues
core to the agrarian distress like linkage
problem, poor infra, lack of public investment,
marketing etc.
- b) Moral hazard → encourage NPAs, wilful defaults,
non repayment
- c) Expectations → of future waivers prevents even
others from paying + pressure on future governments
- d) Banks reluctant → to lend in future → further
shrinkage of formal lending in rural areas; as
increased informal lending → cycle of indebtedness
- e) Shifts focus → from actual public investment
and diverts resources
- f) Landless, tenants etc. ignored
- g) Identification problem → targeting and identifying beneficiaries.

Therefore, loan waivers don't provide
long term solution to the growing agrarian
distress ~~due to~~ and we need :-

- 1) Public investment in irrigation etc. (like PMKSY etc)
- 2) Increase credit access and availability
(bank correspondents
etc)
- 3) Insurance → for crop losses to hedge risk (PMFBY
etc)

- 4) fixing loopholes in implementation and tax administration, timely completion of projects.
- 5) ~~In~~ Attract FDI, contract farming, pvt. investment
- 6) Amend APMC Act to increase direct access to ~~market~~ market and global supply chain
- 7) Schemes like Rythu Banelhu, KALIA etc. can be applied instead. (direct cash transfers)

in budget 2019

~~Reser~~ Recently announced PM-KISAN[^] could prove to be a game changer in alleviating rural distress.

14. Highlight the factors responsible for rise in the number of start-ups in India in recent years. Analyzing the challenges in the existing start-up ecosystem, suggest some measures to resolve them. (250 words) 15

विगत वर्षों में भारत में स्टार्ट-अप की संख्या में वृद्धि के लिए उत्तरदायी कारकों पर प्रकाश डालिए। वर्तमान स्टार्ट-अप पारिस्थिति की चुनौतियों का विश्लेषण करते हुए, उनका समाधान करने हेतु कुछ उपायों का सुझाव दीजिए।

Start-ups are new entrepreneurial initiatives utilizing the ICT potential available in India towards achieving self-employment and growth. (> 20,000 in India).

factors responsible:-

Political:-

- Tax incentives → angel tax exemptions, tax exemptions for loans etc.
- Schemes like Start-up India, SVET etc.
- Interest subvention schemes + Capital grants +
- Training (by MSDE) + various programmes like iPrism etc. by MoS&T
- Budgetary support to boost their growth - Atal Tinkering Labs etc. to boost Innovation

Economic:-

- FDI → boost in foreign investment
- Global demand for information tech. intensive products
- Robust ICT infrastructure + internet connectivity
- Adequate skills + AI workforce

e) ECB norms relaxed.

Social

- a) Highly skilled workforce suitable for these
- b) New spirit of entrepreneurship (especially in wake of jobless growth).

Environmentals- with climate change impacts, boost to renewable energy, waste treatment initiatives and solutions.

International → TRIPS and conducive IPR policies
+ Enhanced demand.
+ FDI for inflow of tech. support and collaboration.

Challenges

- 1) Tax structure - compliance cost; angel tax norms still burdening.
- 2) Infrastructural links missing - especially in rural areas (digital divide)
- 3) Majority of population still lacks skills required (to boost AI, machine learning etc.)
- 4) Volatility of FDI, EII ('hot money')
- 5) ~ 42% of new start-ups become unprofitable due to lack of demand
- 6) Cut throat competition
- 7) IPR issues

Measures:-

- 1) Innovation → boosting creativity and scientific
tech. temper at grassroots level (AIM in right
direction)
- 2) HRD → public Investment in skill development,
~~edu~~ education, enhancing productivity etc.
- 3) Catching up on AI → national mission on AI
is right step (by NITI
Aayog)
- 4) Tax reforms → reducing burdens; concessions;
streamlining; single window compliance etc.
- 5) Reducing digital divide → for balanced growth
in all regions + conducive policies (presently
Guj. dominates)
- 6) Attracting FDI and domestic investment → support via
angel funds; VGF etc.
- 7) Cooperative and competitive federalism → like Start-up
Index by NITI
Aayog.

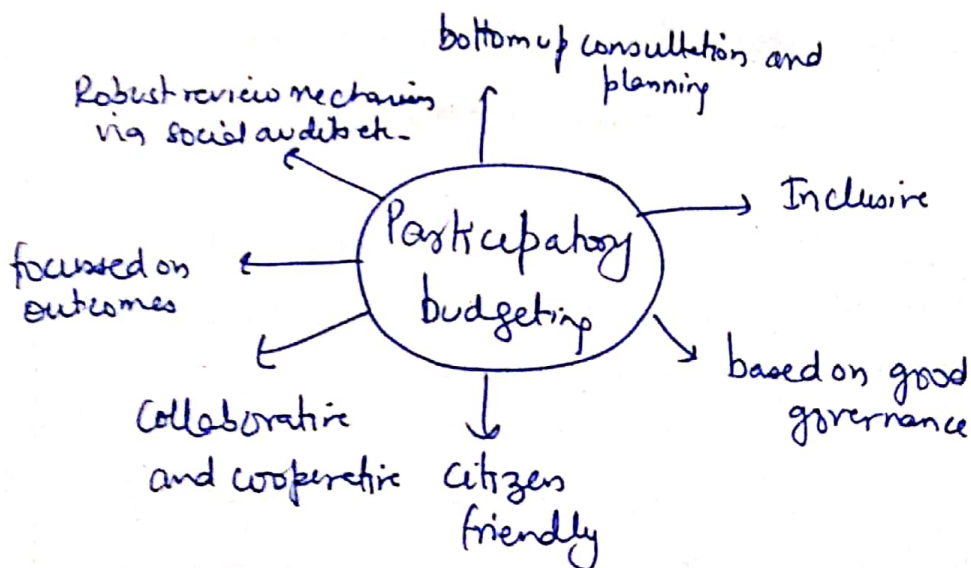
To harness the immense start-up potential,
these measures need to be implemented
with regular review mechanisms to monitor
their progress.

15. Discuss the idea of participatory budgeting and its significance for India. Also, identify the challenges in mainstreaming participatory budgeting in India.

(250 words) 15

पार्टिसिपेटरी बजटिंग के विचार और भारत के लिए इसके महत्व की विवेचना कीजिए। साथ ही, भारत में पार्टिसिपेटरी बजटिंग को मुख्यधारा में लाने के समक्ष आने वाली चुनौतियों की पहचान कीजिए।

Participatory budgeting refers to the practice of estimation of the fiscal (tax, expenditure etc.) and financial policies of the government ~~via~~ through an inclusive ~~and~~ approach i.e. taking views of all stakeholders (civil society, local government etc.) into account.



Significance for India:-

- 1) Need for wider consultation:- budget making is ~~highly~~ highly centralised and secretive

- 2) Enhanced scrutiny :- prior to implementation
by a) legislature and standing committees
b) civil society, media
- 3) Promote welfare :- via local participation and
citizen friendly approach
- 4) PRI, ULB :- need to involve them in making
sub-plans, local area development strategies,
fund devolution (spirit of constitutional (A) 73^m, 74^m)
- 5) Bottlenecks → reduce leakages of funds, corruption,
tax administration and implementation by
regular social audits and review.
- 6) Federalism → cooperative and collaborative by
taking state's view (∵ their budgets are also
impacted by centre's budget & grants).
- 7) Outcome based :- on real time analysis of
performance ; also use of outcome budgeting, ZBB etc.
- 8) Empowerment :- of communities, regional bodies etc.
- 9) Efficiency, transparency and accountability

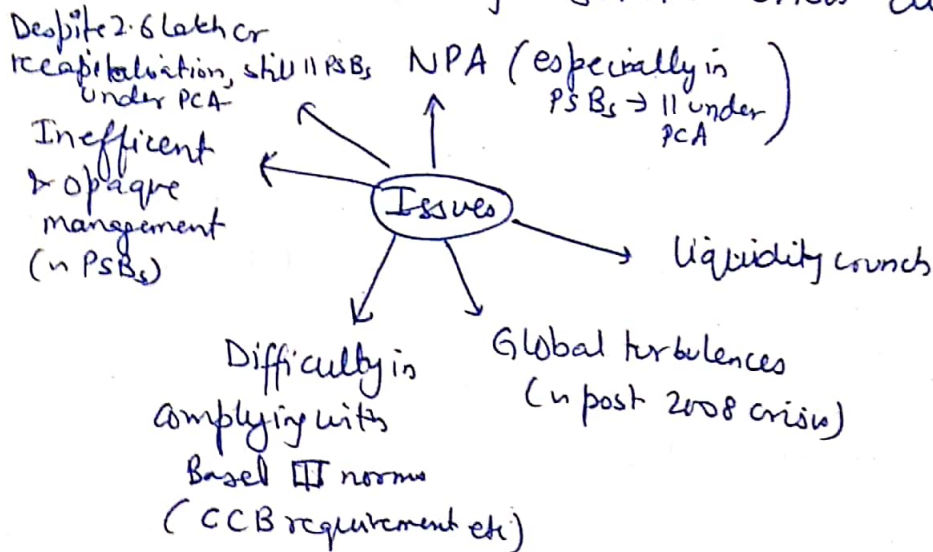
Challenges:-

- 1) Lack of linkages → between heads and their uses
 - 2) Capacity issues → lack of adequate skills, institutional capabilities
 - 3) Lack of awareness → of the technicalities to general population
 - 4) Populism:- leading to skewed policy allocation etc. and avoiding any meaningful discourse
 - 5) Monitoring mechanisms → almost absent due to Incremental budgeting and short term (1yr) nature
 - 6) Delays and lax implementation → States ignorant; various politico-social issues
 - 7) Political will → lacking
 - 8) Bottom-up approach of budgeting → enhanced costs etc. + inefficiency
- To mainstream participatory budgeting requires political will + capacity + increased role of civil society and media to pressurise the government into and shifting focus on 'outcomes' rather than 'outlays'.

16. Can the consolidation of banks help in stemming the existing problems in the banking sector? Discuss. (250 words) 15

क्या बैंकों का समेकन बैंकिंग क्षेत्रक में वर्तमान समस्याओं से निपटने में सहायता कर सकता है? चर्चा कीजिए।

Over the last few years, banking sector in India has been facing severe crisis due to:-



Recently, first 3-way merger of

- Vijaya Bank (transferors)
- Dena bank
- Bank of Baroda (transferee) was conducted

for:-

- 1) Efficiency enhancement
- 2) Increase global standing, standards, quality (2nd largest ent entity now in India)
- 3) Economies of scale → by merger, synergy
- 4) Reduce costs and unproductive assets → improve overall balance sheet and lending capacity

- 5) Capacity building → Skill enhancement; knowledge dissemination; best practices adopted
- 6) Expansion of network :- Area wise and consumer wise
- 7) NPA issue → better positioned in terms of capital norms and efficiency in management.

However, there are still constraints :-

- 1) Pulling down :- due to high NPAs of poor performing bank, it may reduce profit of merged entity
- 2) Doesn't solve core issue → amalgamation of poor performing banks ~~does~~ doesn't necessary leads to increasing returns as structural issues remain unaddressed.
- 3) Impact of on staff :- disincentives for poor bank's staff and demoralisation of better one
- 4) RBI's regulatory powers less for PSBs (not under RBI Act 1934)

Hence, despite vigorous efforts of govt government to infuse fresh capital and energy ^{by merger etc.} into banking sector, some structural issues remain to be tackled to utilise their full potential.

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

17. There is a high cost of compliance as well as complexities associated with existing labour laws at centre and state levels. Discuss. What steps have recently been taken by the central government to address these challenges? (250 words) 15

केंद्र और राज्य स्तरों पर वर्तमान श्रम कानूनों के साथ अनुपालन की उच्च लागत के साथ-साथ जटिलताएँ भी जुड़ी हुई हैं। चर्चा कीजिए। इन चुनौतियों से निपटने के लिए केंद्र सरकार द्वारा हाल में क्या कदम उठाए गए हैं?

With more than 100 overarching and overlapping state and central labour laws, their very purpose for ensuring protection and employment security to labourers stand defeated due to:-

- 1) Complexity and Confusion :- Various laws like Min. Wages Act, Industrial Disputes Act etc. often overlap with state/local laws \Rightarrow Chaos
- 2) Hindering investment :- in labour intensive manufacturing due to increased compliance cost.
- 3) Missing middle :- ~~the~~ ~~6~~ - most industries have either a) ≤ 6 labourers or b) ≥ 100 labourers as middle ones can't bear the brunt of compliances.
- 4) Rigid and biased \rightarrow against the employees; Labour tribunals often in favour of labourers; provisions restricting hiring/firing even for legit reasons.

- 5) Trade Unions → with enhanced bargaining powers often leading to undue enhancement of wages (at mercy of other labourers); encourages unrest.
- 6) Increased contractualisation → to evade them ⇒ increase vulnerability and informality (n85%).

Steps taken:-

- 1) Trade Unions Act 2018 → to register and regulate trade unions and activities.
- 2) Promotion of arbitration and conciliation → to reduce disputes
- 3) Cooperative federalism:- streamlining various laws under ~~umbrella~~ and undoing unnecessary ones.
- 4) Enhancing flexibility → especially in SEZs, CEZs, NIMZs etc.
- 5) Minimum Wages Act → by centre government to guide the states for fixing it.
- 6) Reducing paperwork, e-biz portal, simplification of tax procedures, GST etc.

In a developing nation like India, it is essential to ensure adequate balance of interests of all stakeholders by streamlining and converging various laws to ensure

effective implementation + compliance and
at the same time attracting pvt. investment
to make India a global manufacturing hub
by 2025.

18. Why have Special Economic Zones (SEZs) in India not been able to achieve the desired objectives? In this context, suggest some measures to revive SEZs in India. (250 words) 15

भारत में विशेष आर्थिक क्षेत्र (SEZs) वांछित उद्देश्यों को प्राप्त करने में सक्षम क्यों नहीं हो पाए हैं? इस संदर्भ में, भारत में SEZs को पुनर्जीवित करने के लिए कुछ उपायों का सुझाव दीजिए।

SEZs are special zones with differential tariff and trade policies, created to boost industrial production, ~~and~~ employment and attract FDI via tax incentives and favourable environment (SEZ Act 2005).

Reasons for non performance :- Out of 572 p SEZs approved, less than half have been operational due to :-

1) Political reasons

a) Rigid labour laws → investors unwilling due to increased cost

b) Delays → in clearances, land acquisition etc.

c) Policy paralysis and crony capitalism.

d) Burdening regulatory compliances

e) Complex tax procedures + cascading duties

2) Economic :-

a) Infrastructural gaps → Lack of ICT support, Lack of linkages to ports, logistics etc.

b) Low Investment ratio → Lack of investor confidence
GDP

- c) Competition from foreign markets especially Vietnam, China etc.
- d) Limited economies of scale achieved
- e) Concentration only in few regions (Backwash effect)
- 3) Social:-
- a) Land acquisition issues → agricultural land taken, displacement; incomplete compensation
- b) Lack of skills, training, poor quality education.
- c) Jobless growth → most SEZs focusing on services (skill intensive) and not labour intensive manuf-
-cturing.

Measures suggested:-

- 1) Labour laws → need to be amended to balance social security with flexibility to employer + implementation.
- 2) Conducive policy environment :- Attract FDI; tax/fiscal concessions; faster clearances; single window online portal etc.
- 3) Infrastructure gap filling :- + building linkages via PPP etc.

- 4) Cooperative federalism → focus on balanced and inclusive growth with participation of States and ULBs, PRIs etc.
- 5) Collaboration and Cooperation → to boost competitiveness globally (merge SEZs, CEZs, NITMs under one regulatory authority).
- 6) focus on Labour intensive activities and services.

The recent suggestions by Baba Kalyani Committee to make SEZs into 3Es → Economic and employment enclaves need to be followed.

19. Why has the contribution of manufacturing sector, as a percentage of the GDP, remained stagnant in the recent years? In this context, analyse the achievements of National Manufacturing Policy, 2011 with regards to its intended objectives. (250 words) 15

विगत वर्षों में GDP के प्रतिशत के रूप में विनिर्माण क्षेत्रक का योगदान स्थिर क्यों रहा है? इस संदर्भ में, अपने लक्षित उद्देश्यों के संबंध में राष्ट्रीय विनिर्माण नीति, 2011 की उपलब्धियों का विश्लेषण कीजिए।

Manufacturing sector has remained the missing link in India's growth transition with GDP share of ~22% and employment share of 34%.

Reasons:-

1.) Economic:-

- Missing middle → either very large or very small industries.
- Resource constraints funding gaps, lack of investments.
- Lesser FDI → FDI mainly in service sector
- Poor infrastructural and logistical support

2.) Political:-

- Labour laws → multiplicity of various laws ^{like} Min. wages Act etc. + Rigidity
- Distorted tax and fiscal incentives → doesn't promote upward mobility & vertical expansion.

c) Earlier policy of command economy and excessive protectionism → less efficiency and competence

B) International factors:-

- a) Increasing demand for services and reduction in manufacturing demand.
- b) Oil price shocks etc.
- c) Cut throat competition (especially post 1991) in labour intensive manufacturing with Vietnam, China etc.
- d) Increasing protectionism in developed nations.

4) Social →

- a) Lack of skills
- b) Low public investment in HRD and inequality
- c) Lack of entrepreneurship
- d) Disguised unemployment in agriculture
- e) Increasing labour unrest (trade unionism) putting off investors.

National Manufacturing Policy 2011

Objective:-

- 1) TO increase share of manufacturing in GDP and employment
- 2) TO increase the growth rate of manufacturing
- 3) TO make India a global manufacturing hub (via SEZs, etc.)
- 4) focus on Labour-intensive manufacturing (textiles etc.)
- 5) Skill and capacity development
- 6) Enabling environment and conducive policies to increase FDI, investor confidence etc.
- 7) Employment generation and social security.

Achievements

- 1) Share of manufacturing has increased since 2011 (~20%).
- 2) Employment creation
- 3) Consumer goods and capital goods growing at stable pace despite global turbidity
- 4) enhanced productivity.

Failure

- 1) Share still lower as compared to China etc.
- 2) SEZs not quite helpful (land lying vacant etc.)
- 3) Informalisation of labour
- 4) Labour laws still rigid + improper implementation
- 5) Service sector = Growth driver

Despite its achievements, a lot more needs to be done. Recent steps like Make in India, Start up India etc. will give a boost to this sector to achieve target of 25% of GDP by 2022.

20. One of the goals that a developing economy aspires for is to bring down the Incremental Capital-Output Ratio (ICOR). In this context, what are the constraints that underlie the efficient conversion of savings rate to investments in the Indian economy? Also suggest some measures to improve this efficiency.

(250 words) 15

एक विकासशील अर्थव्यवस्था जिन लक्ष्यों की आकांक्षा रखती है उनमें से एक वृद्धिशील पूंजी-उत्पादन अनुपात (इंक्रिमेंटल कैपिटल-आउटपुट रेश्यो: ICOR) में कमी लाना है। इस संदर्भ में, भारतीय अर्थव्यवस्था में बचत दर के निवेश में कुशल रूपांतरण के समक्ष आने वाली बाधाएँ क्या हैं? साथ ही, इसकी कुशलता में सुधार हेतु कुछ उपायों का भी सुझाव दीजिए।

ICOR is defined as the ^{ratio of} the change in Capital stock to the change in output of the country ($\frac{\Delta k}{\Delta y}$). A lower value of it indicates:-

- 1) Increase in productivity and efficiency
- 2) Increase in output for a given value of Capital Stock.

Developing economy suffers from lack of productivity, infrastructural inefficiencies, ^{inflation} etc. and hence it's important to bring ICOR down.

Constraints:-

1) Economic

- 1) Resource gap :- lack of capital etc.
- 2) funding gap → especially in larger projects due to low Investment-output ratio (in India)
- 3) Banking issues → NPAs etc.
- 4) Lack of well developed corporate bond market

5) Efficiency issues → firms operating at lower output capacity (n70% in India).

2) Political and Administrative :-

a) Procedural issues and delays in implementation

b) lax regulatory supervision or performance of PSUs etc.

c) Lack of pub. investment due to policy paralysis

d) Distorted tax/incentives structure

e) Tariff policies unfavorable.

f) Large inflation due to deficit financing

3) International :-

a) High cost of technology and capital goods (imports)

b) Poor FDI (due to turbulence in world affairs, trade wars etc.)

4) Socio-cultural :-

a) Lack of Household financial investment (instead more in gold etc.)

b) financial illiteracy

Measures :-

1) Political :-

a) Tax incentives on capital goods (reduce import & increase savings/profit. duties)

b) SEZ policy overhaul (as per Baba kalyani committee)

c) Public investment in infrastructure, logistics etc.

d) Capacity building + increase R&D

2) Economic :-

- a) Well functioning financial market with gradual capital account convertibility (as per Tarapore Committee)
- b) Increasing productivity of inputs via technology etc.
- c) Attractive more FDI to boost Investment + balance BoP
- d) Controlling inflation

Socio-cultural

- 1) Financial inclusion & literacy (expand Jan Dhan further + small savings)
- 2) Behavioural change towards productive savings (will help to reduce imports of gold \Rightarrow CAD will decrease)

These measures + focus on macroeconomic stability and boosting exports will enhance the conversion of savings to investment to boost growth.