



# VISION IAS

www.visionias.in

## GENERAL STUDIES (TEST CODE : 1826)

Name of Candidate	WASEEM AHMAD BHAT		
Medium Eng./Hindi	ENGLISH	Registration Number	664505
Center	ONLINE	Date	16-02-2022

### 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।

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.

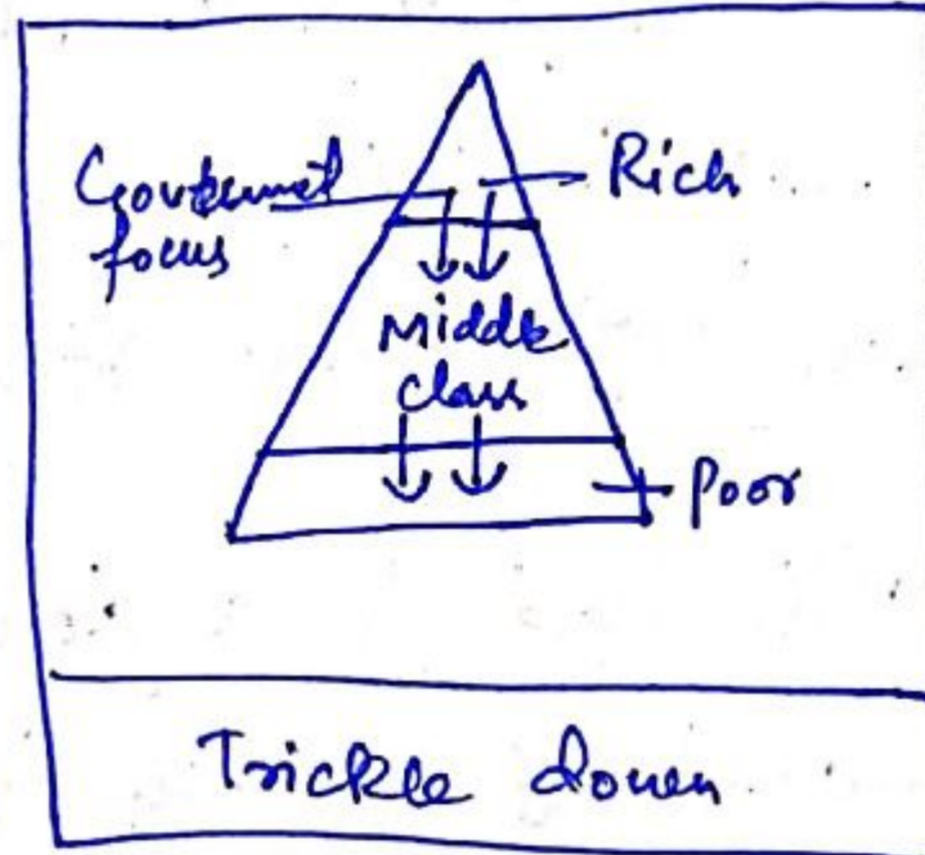
5.

6.

1. Given the limitations of trickle-down economics, discuss the relevance of capability approach to development for a country like India. (150 words) 10  
ट्रिकल-डाउन इकोनॉमिक्स की सीमाओं को ध्यान में रखते हुए, भारत जैसे एक देश के विकास के लिए क्षमता उपागम की प्रासंगिकता पर चर्चा कीजिए।

Traditional economics has focused on trickle down from rich to the poor sections based on free market economics.

⇒ limitations



- ① Mixed experience from developed as well as developing countries where it was adopted.

e.g: USA under Ronald Reagan adopted but led to pauperisation of poor

- ② Doesnot lead to human capital formation as no focus on education, skills, etc

- ③ leads to inequality in wealth

e.g: The Great Divergence in USA.

⇒ Importance of capability approach to India

As given by Amartya Sen, it has  
the following significance:

① will lead to increase in human capital formation which is lacking in India.

e.g: A child born in India can only reach 44% of her potential in India (UNDP)

② will lead to a down-top economic development which is long lasting.

③ will help in reaping the demographic dividend (59% by 2041)

④ will lead to inclusive growth.

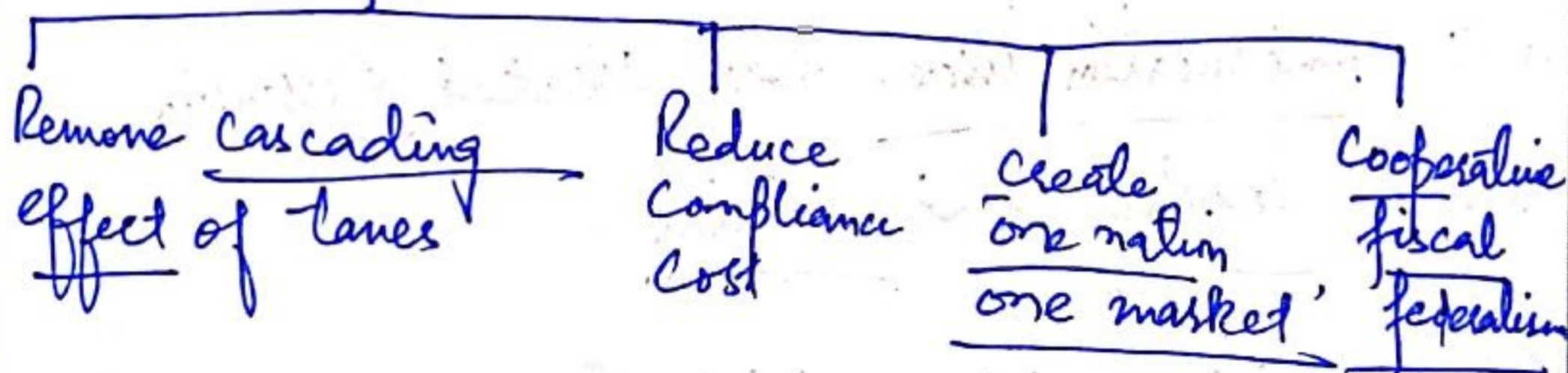
As Prof. Amartya Sen says capability approach will lead to development and development to freedom.

2. Recently, India marked the fourth anniversary of introduction of the Goods and Services Tax (GST). Given its envisaged objectives, evaluate whether it has been a successful reform. (150 words) 10

हाल ही में, भारत ने वस्तु और सेवा कर (GST) के शुरूआत की चौथी वर्षगांठ मनाई। इसके परिकल्पित उद्देश्यों के आलोक में, मूल्यांकन कीजिए कि क्या यह एक सफल सुधार रहा है।

Goods and Services Tax (GST) was  
launched in 2017 as a reform in the indirect tax regime.

⇒ Objectives



⇒ Achievements

- ① led to creation of a national market  
e.g: E-way bills are needed to cross states → More productivity
- ① led to one tax ⇒ lesser understanding issue now
- ① Increase in tax buoyancy

e.g: In most of the months, tax collections have been above ₹ 1 lakh crore

① GST Council created under Article 279A has led to cooperative fiscal federalism

⇒ Challenges

① Multiple tax slabs have led to proliferation of guidelines and no single tax

② GST compensation issue has created dissension between centre and states.

③ Many articles still outside GST  
e.g: Petroleum products, electricity, etc

④ High compliance cost due to quarterly returns, etc.

The issues need to be solved based on cooperative federalism. A single slab can be formed to reduce compliance cost.

3. Investment in infrastructure is pivotal for accelerated and inclusive socio-economic development of a country. In this context, discuss the significance of the National Monetisation Pipeline. (150 words) 10  
 किसी देश के त्वरित और समावेशी सामाजिक-आर्थिक विकास के लिए बुनियादी ढांचे में निवेश महत्वपूर्ण है। इस संदर्भ में, राष्ट्रीय मुद्राकरण पाइपलाइन के महत्व की विवेचना कीजिए।

Infrastructure is the structure on which the modern industrial nations form their economy. It is necessary for socio-economic development.

⇒ Pivotal for socio-economic development

① Creates huge employment due to multiplier effect.

↳ 2-3 jobs upstream and downstream.

② Huge effect on economic growth by increasing productivity (currently only  $\frac{1}{3}$ rd of China)

③ Reduction in logistics cost (currently 14% of GDP)

④ Increased mobility of factors of production like labour

## ⇒ Significance of National Monetisation Pipeline

It was recently brought by government to tap into unutilised & underutilised assets by leasing to ~~government~~ private sector.

- ① Will create a revenue system/stream for government ⇒ use in welfare activities.
- ② will bring efficiency & technology of private sector.
- ③ will reduce burden on public exchequer.
- ④ will lead to better PPP structures.
- ⑤ will help in attracting private sector as brownfield investments.

The National Monetisation Pipeline is to be integrated to National Infrastructure Pipeline to develop a \$ 5 trillion economy by 2024.

4. Skill development through e-learning has gained increased importance and acceptance in view of the challenges posed by the COVID-19 pandemic. Discuss.

कोविड-19 महामारी से उत्पन्न चुनौतियों के मद्देनजर ई-लर्निंग के माध्यम से कौशल विकास को अधिक महत्व और स्वीकृति प्राप्त हुई है। विवेचना कीजिए।

(150 words) 10

Covid-19 pandemic has not only created health issues but also for skill development due to distancing, fear, etc

⇒ Issues in Skilling: Challenges of Covid-19

① Covid-19 has increased the fear of spread and hence lesser number attend skill development institutes.

② Due to lockdowns, etc, skill institutes were closed down in some circumstances also.

③ Opportunity cost for many who have to work to feed their family & cannot attend skill courses.

④ Lack of latest skills → obsolete technology

⇒ e-learning has increased in importance  
and acceptance in such times.

⇒ Potential & importance of e-learning

① can lead to 3A's — Accessibility, affordability  
& Quality of skill development initiatives

② can link industry & skill institutes to  
grant new skills.

③ e-learning reduces the opportunity cost  
hence leading to 'Earn while you learn'

④ can also be used to provide awareness  
about employment opportunities

⑤ can gather data about employability,  
prior learning, etc

e-learning is important as only  
4% of workforce in India is skilled (PLFS)  
& to reap demographic dividend.

5. It has been argued that the Industrial Policy of 1991 did not achieve the desired results due to multiple reasons. Discuss in context of India's manufacturing sector. Also, highlight the need for a new industrial policy in this regard.

(150 words) 10

यह तर्क दिया गया है कि 1991 की औद्योगिक नीति कई कारणों से वांछित परिणाम प्राप्त नहीं कर पाई। भारत के विनिर्माण क्षेत्र के संदर्भ में विवेचना कीजिए। साथ ही, इस संबंध में एक नई औद्योगिक नीति की आवश्यकता पर प्रकाश डालिए।

Industrial Policy, 1991 was brought

in the background of liberalisation reforms to provide more avenues to private sector.

⇒ What it entailed?

- ① Dereservation of products for MSMEs
- ② Only few sectors were reserved for public sector which is now only 2 (Atomic energy, railways)

③ licence-quota-raj was dismantled.

④ More FDI allowed on automatic route.

⇒ Didnot achieve desired results

- ① MSMEs are still extremely small & only employ 2 people on average

This has led to dwarfism.

① India share in merchandise exports is only 1.67%.

② Private investment has been sluggish (only around 50% in infrastructure)

⇒ Reasons & need for new industrial policy

① Regulatory hurdles to ease of doing business like construction permits, environmental clearances, etc

② No focus on increasing size of MSMEs

③ Focus in exports should be on comparative advantage & champion sectors

④ Need of focus on Fourth Industrial Revolution

India thus needs a holistic industrial policy to fulfill its aim of \$ 5 trillion economy

6. State the need for circular economy in India and the challenges associated with it. Also, discuss the measures that are required to build a circular economy in India. (150 words) 10

भारत में चक्रीय अर्थव्यवस्था की आवश्यकता और इससे जुड़ी चुनौतियों का उल्लेख कीजिए। साथ ही, भारत में एक चक्रीय अर्थव्यवस्था के निर्माण के लिए आवश्यक उपायों पर चर्चा कीजिए।

Circular Economy is a type of economy that utilises the maximum number of wastes that it generates in different sectors.

Example: Steel mills use scrap metal to develop new products.

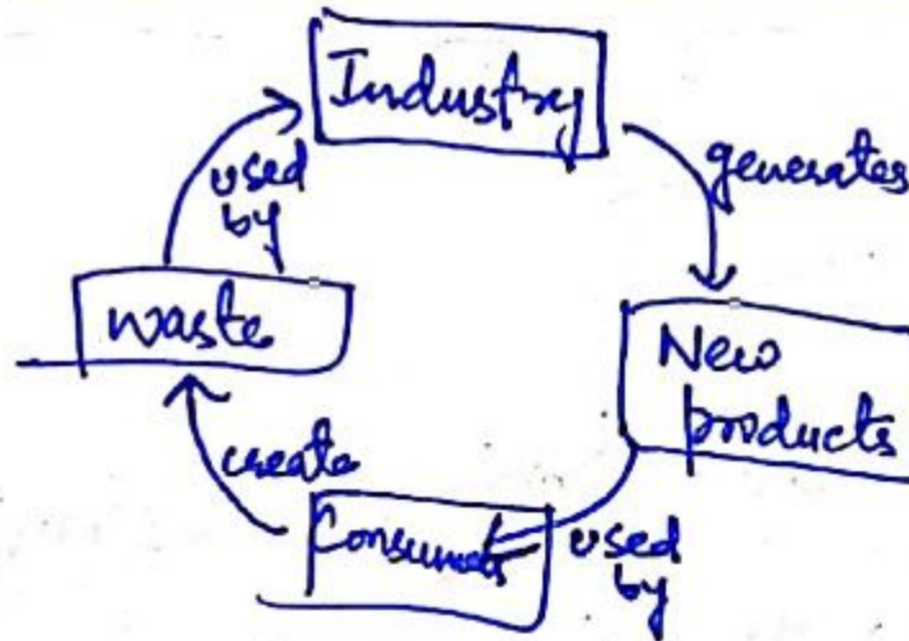
⇒ Need of circular economy in India

① Huge pressure on natural resources

e.g: Coal, Iron ore, etc

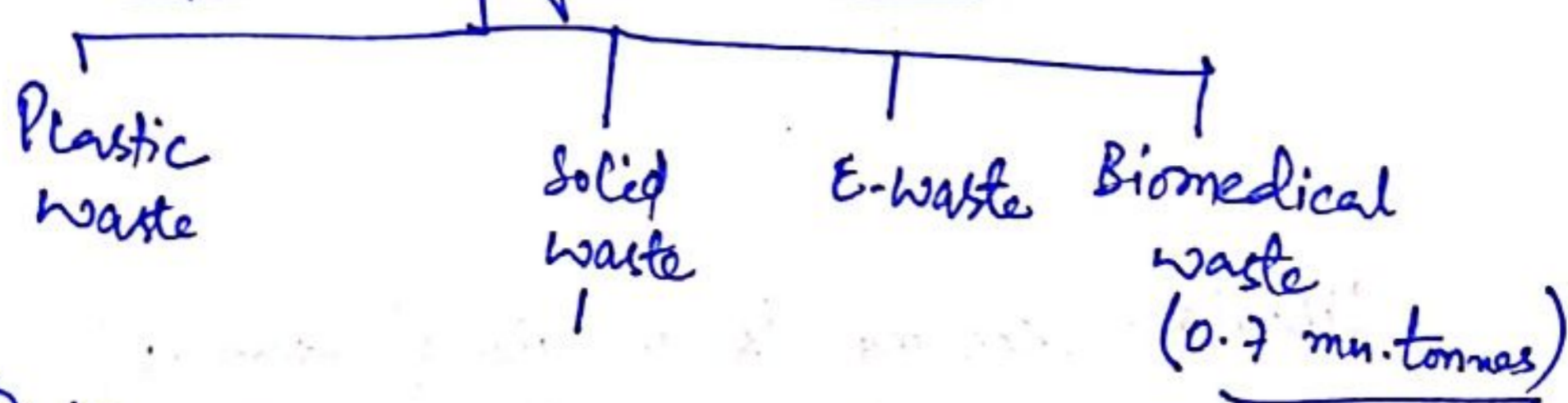
② Lack of some natural resources ⇒ Huge imports

e.g: Coking coal imports from outside and oil (80%) creates huge import bill



Circular economy

① Huge waste generation



② Huge population and rising aspirations can be met.

③ Circular economy will lead to regeneration of ecosystems like wetlands, etc

⇒ Measures

④ Extended producer responsibility  
↳ as given under e-waste rules

⑤ Responsible waste generation 
 ↙ Segregation  
 ↘ Proper disposal

⑥ Integrate formal & informal waste collection

Circular economy will fulfil

SDG 13, SDG 14 & 15.

7. Discuss the need for a National Employment Policy in India. What should be taken into account while formulating such a policy? **(150 words) 10**  
 भारत में एक राष्ट्रीय रोजगार नीति की आवश्यकता की विवेचना कीजिए। ऐसी नीति के निर्माण में किन विषयों का ध्यान रखा जाना चाहिए?

India has a huge 'employment problem' that has burgeoned in the recent years due to multiple factors.

⇒ Need of a National employment policy

① Huge demographic dividend :

↳ Working age population will reach its peak (59%) around 2041.

② Jobless growth problem :

↳ While GDP has grown at  $> 5\%$  rate in the last decade, employment growth was  $< 2\%$  per year.

③ Structural unemployment issue :

↳ Only around 4% of workforce is skilled ⇒  $\frac{1}{3}$  rd of productivity of China (PLFS)

- ① National Employment Policy will provide a holistic outlook with convergence of different skilling schemes, industry-academia linkage, vocational training, etc
- ② Structure of employment in agriculture creates disguised & seasonal unemployment.

⇒ Things to keep in mind while formulating it

- ① Convergent approach regarding multiple reasons of unemployment
- Social
    - Caste
    - Gender
  - Economic
    - Seasonal
  - Individual
    - lack of skills

- ② Focus on aspirational districts and BIMARU states where employment is highest

- ③ Gender perspective in employment using Gender budgeting, etc.  
This will fulfill Article 38, 39

8. An effective approach to green budgeting is underpinned by strong strategic framework, tools for evidence generation and an enabling budgetary governance framework. Discuss. (150 words) 10

हरित बजट के लिए एक प्रभावी दृष्टिकोण को सुदृढ़ रणनीतिक ढांचे, साक्ष्य निर्माण हेतु उपकरण और एक सक्षम बजटीय शासन ढांचे द्वारा सुदृढ़ता प्रदान की जाती है। विवेचना कीजिए।

Green budgeting is a form of budget formulation that takes into consideration the externalities of the fiscal policy with regarding to environment & tries to mitigate the same.

⇒ Underpinnings of green budgeting

1. Strong strategic framework

① Need of effective legal backing to the concept.

e.g: In Bhutan, Green GDP has a legal backing.

② Institutional mechanisms to implement are needed.

e.g: Cross Environment Product in

Uttarakhand2. Tools for evidence generation

- ① Data collection is important to understand effects on environment.

e.g: National Air Quality Framework.

- ① Local level data needed.

3. Enabling budgetary governance framework

- ① Parliamentary scrutiny of budget.

- ① Audits by CAG → Taking green growth into consideration.

Green Budgeting has been

incorporated in Gross Environment Product and Green GDP concept and will help in fulfilling SDG 13, 14 & 15.

9. The key to sustaining private investments in infrastructure requires a concerted effort to resolve long-standing issues. Discuss in context of India's PPP framework. (150 words) 10

बुनियादी ढांचे में निजी निवेश को बनाए रखने के लिए लंबे समय से चले आ रहे मुद्दों के समाधान हेतु एक ठोस प्रयास की आवश्यकता है। भारत के पी.पी.पी. ढांचे के संदर्भ में विवेचना कीजिए।

In the last few years, private investment in India has remained sluggish at around 29% of GDP especially in infrastructure (50% of investment by government)

⇒ Long standing issues ~~hesitation~~ in PPP

① Problematic risk allocation in the PPPs leads to problems like stalling of projects in the midway.

② Lack of sufficient tariff hikes in the projects leads to uneven revenue generation.

③ Lack of a strong corporate bond market  
↳ only 16% of GDP (73% in South Korea).

① long time for clearances in environmental  
and land acquisition issues.

② Time and cost overruns due to over-  
estimations of capabilities of the private  
sector.

⇒ Measures needed

Vijay Kelkar committee has suggested:

① proper risk allocation between public &  
private spheres

② Development of a deep bond market

③ Use of new investment models like  
HAM, PFI, BOT, etc

④ Clear pathways for legal dispute  
resolution.

In this context, government's National  
Infrastructure Pipeline is a step in the right  
direction.

10. There is a need for revisiting India's approach to gender responsive budgeting. Discuss in the context of limitations faced in implementing gender budgeting in India.

(150 words) 10

जेंडर रिस्पॉन्सिव बजटिंग के प्रति भारत के दृष्टिकोण पर पुनर्विचार की आवश्यकता है। भारत में जेंडर बजटिंग के कार्यान्वयन में आने वाली रुकावटों के संदर्भ में चर्चा कीजिए।

Gender budgeting is the proactive  
adoption of gender sensitiveness & perspective  
in the budgetary process. It was adopted  
since 2004-05 with gender budget  
statement, gender budget cells, etc.

⇒ Issues

① Inufficient budgetary allocation :

↳ only < 1% of GDP.

② Underutilisation of funds :

↳ Around 90% of Nisbhaya fund  
is still unused.

③ Concentration of funds :

↳ 90% or more funds to only four

ministries — Family welfare, Rural, Health & Education.

① Problems at state level:

↳ Only 16 States have adopted gender budgeting (They are responsible for 60% of total expenditure)

=> Measures needed

① Clear delineation of budgetary amount in the budget.

② Follow the models of successful states at centre e.g: Kerala, Rajasthan, etc

③ Focus on pro-women development schemes e.g: womenomics plan of Japan is a good case.

Gender budgeting is needed to fulfill the gender egalitarian outcome budgeting (SDG 5)

11. The Indian Budget 2021-22 has identified the development of physical & financial capital and infrastructure as one of its key pillars for sustained growth. Highlight the measures taken by the government in this regard.

(250 words) 15

2021-22 के भारतीय बजट में स्थिर वृद्धि के लिए भौतिक एवं वित्तीय पूंजी और बुनियादी ढांचे के विकास को इसके प्रमुख स्तंभों में से एक के रूप में चिन्हित किया गया है। इस संबंध में सरकार द्वारा किए गए उपायों पर प्रकाश डालिए।

The development of physical and financial capital and infrastructure is the backbone of economy of modern industrial nations like India. The Budget 2021-22 has identified the same.

⇒ Physical and financial capital & infrastructure as key for sustained growth

① Multipplier effect :

They create 2-3 jobs in the upstream and downstream and lead to employment generation

② Economic productivity

Currently Indian workers are just

$\frac{1}{3}$ rd <sup>as</sup> productive as Chinese workers.  
Good infrastructure and capital will  
remedy that.

① Reduction in mobility cost of factors of production:

↳ Currently logistics cost is at 14% of GDP (To be reduced to 10%)

② Will reduce wastage in agricultural sector:

↳ Currently at 40% in post-harvest

③ Will attract investment (Both domestic and foreign) and technology.

⇒ Government steps

④ National Infrastructure Pipeline (NIP): ₹ 102-billion investment plan in both physical & social infrastructure.

- ① Crati Shakti: Platform for the integration of components of NIP
- ② National Bank for financial development to finance the long term investment plans.
- ③ National Monetisation pipeline (NMP): To lease out the unutilised and underutilised assets to the private sector to generate a revenue stream.
- ④ PPP models like BOT, Boo, etc.

⇒ Other steps needed

- ⑤ Reinvigoration of new PPP models like PFI (used in UK for social sector)
- ⑥ Implement recommendations of Vijay Kelkar regarding PPPs, Baba Kalyani committee regarding SEZs, etc.

This will fulfill \$ .10 trillion economy by 2032.

12. To capitalize on its demographic dividend, India must create well-paying, high productivity jobs. In view of this, discuss the challenges in creation of such jobs in India. What policy measures can help in addressing these challenges? (250 words) 15

अपने जनसांख्यिकीय लाभांश का दोहन करने के लिए, भारत को अनिवार्यतः बेहतर भुगतान करने वाली व उच्च उत्पादकता वाली नौकरियों का सृजन करना चाहिए। इसे दृष्टिगत रखते हुए, भारत में ऐसी नौकरियों के सृजन में आने वाली चुनौतियों पर चर्चा कीजिए। इन चुनौतियों से निपटने में कौन-से नीतिगत उपाय सहायक हो सकते हैं?

India has a huge demographic dividend with its working age population (20-59 years) going to peak at 59% of the total population in 2041.

⇒ Capitalisation of demographic dividend :  
well paying & productive jobs

① will ensure the productivity of the workers increases.

↳ currently only  $\frac{1}{3}$ rd of china.

② will reduce poverty from current 22% to below 5% (fulfill SDG 1 - No extreme poverty)

① Will reduce regional inequality between North-South and Rural-Urban.  
↳ low skilled migrant workers in UP, Bihar, etc vs. High skilled tech workers in South India

② Will reduce economic inequality.  
↳ currently 1% own 33% of national wealth (World Inequality Report 2022)

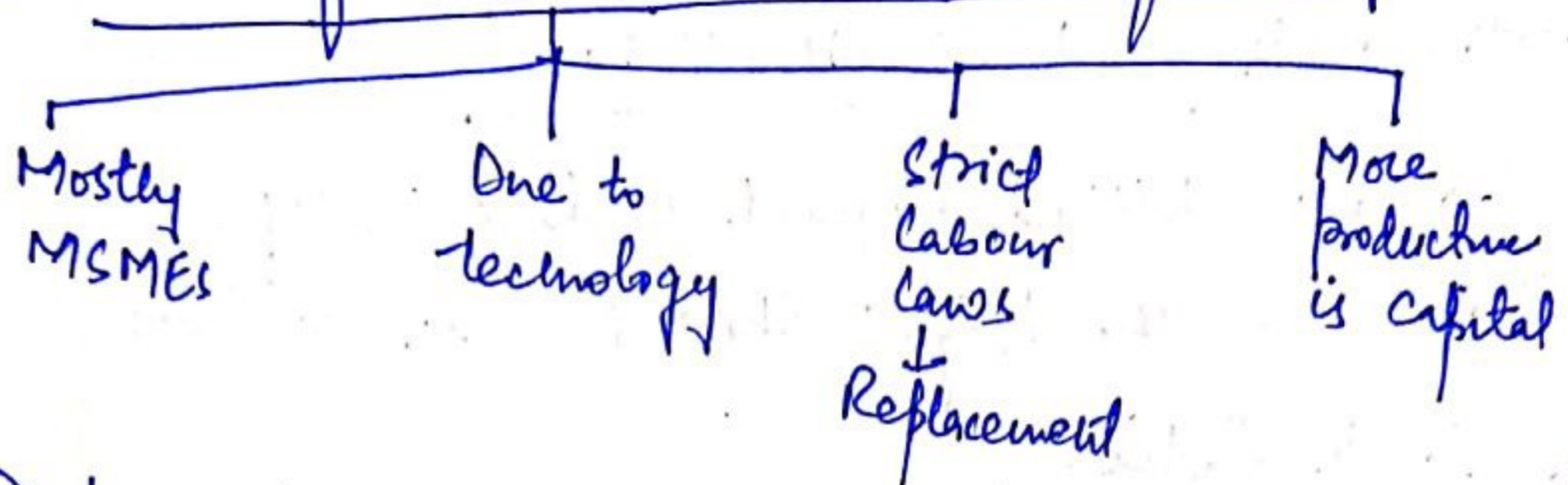
③ Will ensure that demographic dividend doesn't turn into a demographic burden or disaster

⇒ Challenges in creation of such jobs

① Structure of economy:  
↳ Most of employment in agriculture (around 40%) while it only contributes around 18% to GDP.

↳ Most of economic growth by service sector but only employs around 30%.

① Lack of labour intensive manufacturing



② Lack of skilled workforce ⇒ Informal economy  
 ↳ Only around 4% are skilled (PLFS)  
 & 90% in informal economy.

⇒ Measures needed

③ Integrate into global value chains (GVCs)

④ Skill the workers ← Skill India

Earn while learn

⑤ Create non-farm jobs → labour intensive sectors e.g: leather

⑥ Focus on networked products — Integrate  
Assemble in India & Make in India

Employment generation will

lead to a productive nation → \$ 60-billion  
 by 2032

13. The Indian experience provides several lessons of an inclusive digital economy model that enables formal digital governance structure at a low cost and with easier access. Discuss. (250 words) 15

भारतीय अनुभव एक समावेशी डिजिटल अर्थव्यवस्था मॉडल के कई सबक प्रदान करता है जो कम लागत पर और आसान पहुंच के साथ औपचारिक डिजिटल शासन संरचना को सक्षम बनाता है। विवेचना कीजिए।

India in the recent past has successfully experimented with a low cost digital financial governance structure which has led to digital financial inclusion.

⇒ Indian experience & Positive lessons

As government came up with schemes like Jan Dhan Yojana, Aadhar, etc, the same were integrated under Pradhan Mantri Jan Dhan - Aadhar - Mobile trinity (JAM trinity).

It has led to following benefits:

- ① 80% of the Indians have a bank account (World Bank).

① Operativeness : 86% of these accounts are operative i.e., were used in the last year.

② Inclusion : of different sections of society.  
 ↳ 58% of accounts are women.  
 ↳ 60% accounts are of rural people.

③ New technologies : led to integration of financial systems e.g. : UPI created by National Payment Corporation of India (NPCI)

↳ Today India has 30 UPI providers.

↳ 140 banks integrated to UPI.

④ Governance → Good governance  
 e.g. : CPCGRAMS, DBT for 433 schemes like MGNREGA

⇒ Challenges and lessons

⑤ Digital divide has created accessibility problems for rural and women people  
 ↳ Only 17% rural people have access to internet.

↳ Only 29% of internet users are women.

- ① Accounts are rarely used by people as found by multiple surveys.
- ② Other problems with respect to access of disabled, minorities, etc.
- ③ Security issues with the infrastructure.  
e.g: UPI providers are only few non-government companies e.g: PhonePe, CoPay, etc
- ④ Privacy: Use of data for targetting, etc

⇒ Way forward

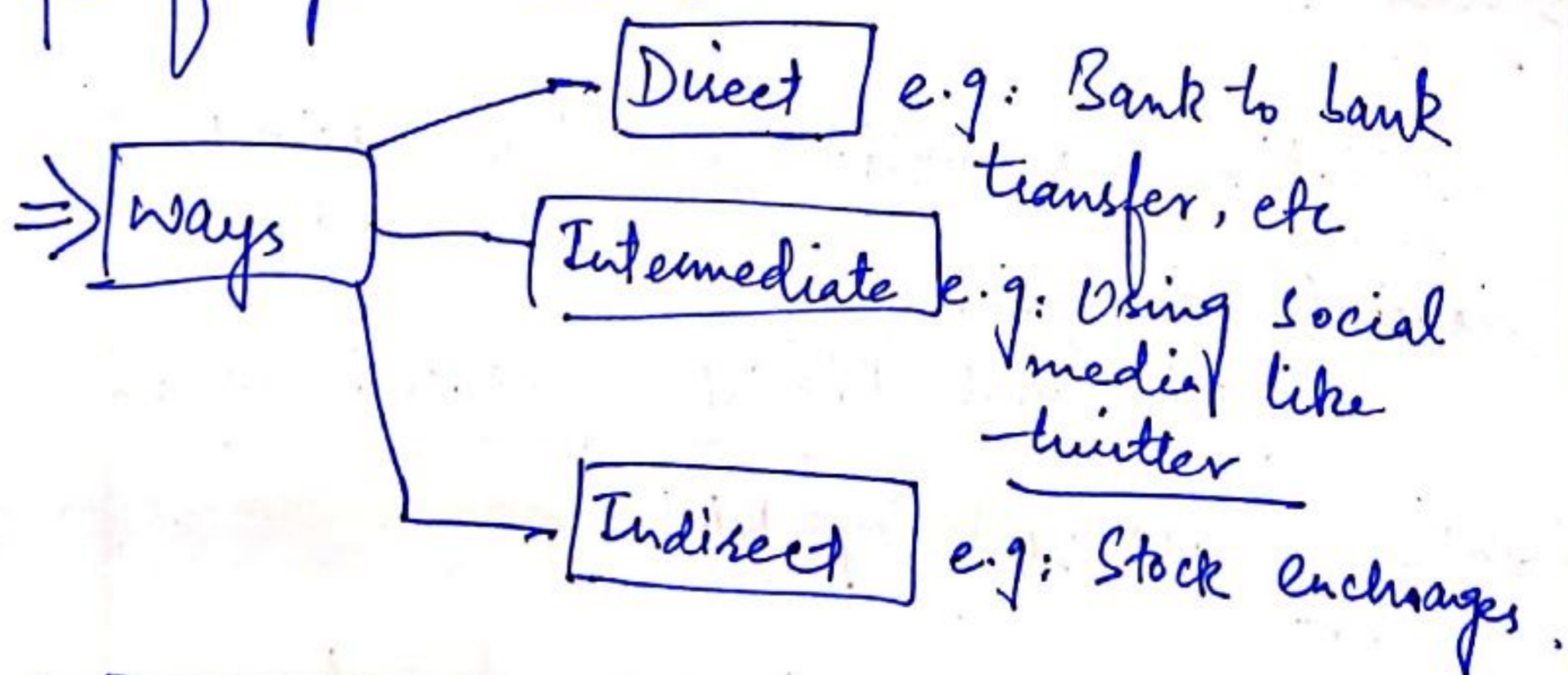
- ① Consultative frameworks for the digital financial inclusion.  
e.g: National Digital financial inclusion Strategy (2019-24) by RBI...
- ② Provide more access to new technologies and raise awareness (e.g: Digi Shala)

14. What do you understand by crowdfunding? Discuss the benefits and risks associated with the crowdfunding model to raise capital. Also, highlight the current regulatory scenario related to it in India. (250 words) 15

क्राउडफंडिंग से आप क्या समझते हैं? पूंजी जुटाने के लिए क्राउडफंडिंग मॉडल से जुड़े लाभों और जोखिमों की विवेचना कीजिए। साथ ही, भारत में इससे संबंधित वर्तमान नियामकीय परिदृश्य पर प्रकाश डालिए।

Crowd-funding as is evident from the etymology is a method of capital raising through use of open public investment through direct transfers or indirect means.

Example: Recently education of many students was crowdfunded through Twitter for foreign universities.



⇒ Benefits

- ① Provides a wider source of public

funding  $\Rightarrow$  More resources available

① More impact investing by people who  
vet the people and organisation involved  
before funding

② Access to investors and funders to a lot  
of different avenues.  
e.g: Health, education, etc.

③ Decentralised and democratic funding  
pattern

$\Rightarrow$  Risks

① Financial irregularities from the organisation  
raising funds cannot be checked

② Lack of accountability from every  
side leads to problems for investors

① Frauds in recent times

e.g: Recently many alleged that money raised for children was used in some rackets.

⇒ Regulatory scenario

currently legal space is not converging & there is division between different departments although normal laws of transfers and funding apply.

e.g: FEMA laws applies to foreign crowdfunding, etc.

There need to be initiatives like social stock exchange (SSE) to raise investment for social causes along with regulatory framework to improve impact.

15. An urban employment guarantee programme will need to be tailored to the specific needs and problems of the urban labour market. Discuss while keeping in view the lessons learned from MGNREGA. (250 words) 15

एक शहरी रोजगार गारंटी कार्यक्रम को शहरी श्रम बाजार की विशिष्ट ज़रूरतों और समस्याओं के अनुरूप तैयार करने की आवश्यकता होगी। मनरेगा से सीखे गए सबक को ध्यान में रखते हुए विवेचना कीजिए।

Recently, it was seen that while MGNREGA received its highest ever devolution of ₹ > 1,00,000 crore, urban poor were the worst sufferers as they lack access to it.

⇒ Lessons of MGNREGA

Positive	Challenges
<ul style="list-style-type: none"> <li>① Increased <u>rural</u> employment and <u>reduced</u> poverty.</li> <li>② Increase in <u>rural</u> durable assets e.g. <u>Canals</u>, ponds, etc.</li> <li>③ Reduction in <u>malnutrition</u>, etc.</li> </ul>	<ul style="list-style-type: none"> <li>① <u>Delay</u> in payments e.g. 70% failed to come in 7 days.</li> <li>② No <u>unemployment</u> allowance (although <u>mandated</u>)</li> <li>③ Demand was not registered in <u>MIS</u></li> </ul>

⇒ Need of an urban employment guarantee programme

① Huge urban poverty :

↳ Around 20% of urban are poor

② Huge degree of slum development :

↳ Around 17% live in slums in urban areas .

③ Lack of any urban employment guarantee scheme on the lines of NREGA has created huge problems

e.g: Migration of rural migrants during Conid-19 but urban poor stayed in slums and had no jobs .

④ Need of durable housing assets — can be built using this scheme .

⇒ Tailoring to specific needs : Measures needed

- ① Number of days provided under MGNREGA (100 days) need to be increased to 200 days as urban poor lack even agricultural employment.
- ② Focus on social infrastructure like sanitation, access to drinking water rather than irrigation, etc assets.
- ③ Focus on affordable housing units (PM Awas Yojana) for poor.
- ④ Unemployment allowance to be provided by using PFMS & DBT.

Urban poor are the worst sufferers of inequality & need to be supported to improve their livelihoods.

16. State finances in India present a worrying picture, with debt sustainability being a major concern. Discuss in context of the recent RBI report on state finances. (250 words) 15

भारत में राज्य वित्त एक चिंताजनक स्थिति प्रस्तुत करता है, जिसमें ऋण संधारणीयता एक प्रमुख चिंता का विषय है। राज्य वित्त पर आर.बी.आई. की हालिया रिपोर्ट के संदर्भ में विवेचना कीजिए।

Recently RBI published a report on state finances where it analysed the state budgets of 2020-21 and presented worrying finds.

⇒ Key trends

① Increase in fiscal deficit to around 4.1% now from around 3% earlier (FRBM limit = 3%)

② Debts have increased and crossed the FRBM Committee mark of 20% and reached 25% mark. ⇒ Debt unsustainability

③ Market borrowings have increased

and reached to 63% of all borrowings.

### ⇒ Issues & Concerns

① Whatever decrease in fiscal deficit has happened is because of reduction in development/capital expenditure & increase in revenue expenditure.

↳ 9 out of 13 states have done less capital expenditure than provided in budgets.

② Increase in populist tendencies

e.g: loan wainess, Discom problems, etc.

③ less revenue receipts

↳ Around 10% less revenue expenditure than budgeted.

## ⇒ Measures needed

- ① Strict implementation of State FRBM Acts
- ② Build an independent fiscal council (N.K. Singh Committee) to keep them accountable.
- ③ Provide more untied grants (currently only at ≈ 30% of cross tax revenue) as given in 15th finance commission from centre.
- ④ Focus on debt sustainability.
- ⑤ As Tarapore Committee has provided, focus on provision of public sector financial resources (PSFRs) rather than fiscal deficit.

State finances are important as they do 60% of the expenditure & employ 5 times as many as centre. Hence, they need to be made sustainable.

17. Do you agree with the view that the mixed results of economic reforms in the last three decades can be attributed to the reforms being half-baked and incomplete? Discuss.

(250 words) 15

क्या आप इस विचार से सहमत हैं कि पिछले तीन दशकों में आर्थिक सुधारों के मिश्रित परिणामों का श्रेय अनियोजित और आधे-अधूरे सुधारों को दिया जा सकता है? विवेचना कीजिए।

Economic reforms as done in 1991

as liberalisation, privatisation & Globalisation

have been centre of economic debates as

they have had both positive and negative

consequences.

⇒ Mixed Results

1. Positive results

① Increase in economic growth from a sluggish 3% (Hindu rate of growth) to around 8% (among the highest in the world)

② Huge reduction in poverty

↳ e.g: Recent Multidimensional Poverty

Inden Report 2021 reports that India reduced its poverty from 55% to 28% between 2000 - 2015.

① Increase in trade volume from a miniscule amount to 3.5% of globe in services & 1.67% in Merchandise.

② Increase in number of software and hitech companies e.g: Infosys, etc

## 2. Negatives/Challenges

① Huge inequality :

↳ Top 1% own 33% of national wealth now (World Inequality Report 2022)

② Low reduction of poverty :

↳ currently still at 22% (According to Tendulkar Committee)

① Trade percentage only at around 2% in Merchandise.

⇒ Half baked nature & Need for further reforms

① land acquisition issues under LARR, 2013 where companies still face a lot of clearance issues.

① Clearances like construction permits, environmental etc take a lot of time.

① Rigid labour laws → lead to loss of jobs and capital intensive manufacturing

① Taxation has been very rigid.  
↳ only recently government has brought faceless assessment, etc

Recent government steps like labour codes, tax reforms, etc are the 2nd generation reforms are steps in right direction.

18. It is argued that Pradhan Mantri Jan Dhan Yojana (PMJDY) has produced both transformational and directional change in financial inclusion in India. Do you agree? Elaborate with logical arguments. **(250 words) 15**

यह तर्क दिया जाता है कि प्रधान मंत्री जन धन योजना (PMJDY) ने भारत में वित्तीय समावेशन हेतु परिवर्तनकारी और निर्देशात्मक दोनों परिवर्तन किए हैं। क्या आप सहमत हैं? उचित तर्कों के साथ सविस्तार वर्णन कीजिए।

Pradhan Mantri Jan Dhan Yojana

(PMJDY) is a central government scheme to engender financial inclusion through banking system by including all the hitherto untouched sections by opening accounts, provide insurance, etc.

⇒ What was done?

Opening of free bank accounts

Provision of financial products  
 e.g.: Insurance, Pension, etc

Awareness about finance — financial literacy & education

This has created both Transformational & directional change.

## ⇒ Transformational change

- ① Number of bank have increased immensely to reach 80 crore adult Indians (World Bank)
- ① Operativeness of accounts has increased.
- ① Increase in savings — Around 5 times increase since 2015.
- ① Insurance coverage — More than 10 crore have taken life insurance & accident insurance
- ① Inclusion of marginalised
  - ↳ 58% accounts opened by women.
  - ↳ 60% are of rural people.

## ⇒ Directional change & challenges

- ① Operativeness of the accounts has been only increased slightly to 86% of

accounts

- ① Only a marginal increase in use of financial products like insurance, etc. as insurance penetration remains low.
- ② Lack of social security measures for the most with accounts.
- ③ Use is infrequent - only about once a year

⇒ Measures needed

- ① Use of digital technology to further financial inclusion  
e.g.: UPI model, etc
- ② Focus on marginalised sections and areas  
e.g.: Aspirational districts, etc
- ③ Use of Fintech revolution to reach all the people.  
This will help in achieving inclusion growth

19. Though Special Economic Zones (SEZs) can play a significant role in export promotion in India, they are struggling with multiple challenges. Discuss.

(250 words) 15

हालांकि विशेष आर्थिक क्षेत्र (SEZs) भारत में निर्यात को बढ़ावा देने में महत्वपूर्ण भूमिका निभा सकते हैं, लेकिन ये कई चुनौतियों से जूझ रहे हैं। विवेचना कीजिए।

India has allowed & incentivised  
building of Special Economic Zones (SEZs)  
under SEZ Act, 2006

Currently there are around more  
than 335 — SEZs in India

⇒ Significant role in Exports

- ① Huge potential as currently India has low percentage of world trade access.  
e.g: Only around 1.67% of merchandise exports of world are Indian and only around 3.5% of service exports are Indian.

- ② Agglomeration economies of the SEZs can lead to huge productivity increase

and quality goods & services

↳ currently Indian productivity is only  $\frac{1}{3}$  of China's

① Free & reduced taxation and other laws  
provide for more room for innovation  
& more exports.

② Zero export taxes — to incentivise them.

⇒ Issues

① Reduction of loss of benefits:

Most benefits under IT Act, 1961 have been taken back. Similarly other benefits have been taken back.

② Most of them are in services (Around 70% are IT/ITES based) → less employment.

① Huge unutilised land → currently at around 25,000 hectares.

② They are small in India (even < 500 ha) as compared to China (> even 50,000 ha)

③ Regulatory issues as government has created a developmental model based on partnerships which private sector is not keen on.

④ Confusion of nomenclature e.g: Coastal SEZs, NIMZs, etc

⇒ Measures needed Baba Kalyani Committee

has provided the following:

① Transition from focus on Exports to focus on 3Es — Employment, Exports & Economic growth

② Provide free partnership model

③ Separate the rules of Service SEZs & manufacturing ones

④ Clarity of nomenclature needed.

→ This way they can transform Indian economy into a developed one.

20. Much of the export growth of manufactured goods in India since the 1990s can be attributed to expansion of world trade and improved competitiveness. However, the potential of product and market diversification are yet to be fully exploited. Discuss. (250 words) 15

1990 के दशक से भारत में विनिर्मित वस्तुओं के निर्यात में वृद्धि का श्रेय विश्व व्यापार के विस्तार और बेहतर प्रतिस्पर्धात्मकता को दिया जा सकता है। हालांकि, उत्पाद और बाजार विविधीकरण की क्षमता का पूर्ण दोहन अभी भी बाकी है। विवेचना कीजिए।

The liberalisation, privatisation and globalisation reforms of 1991 saw an increase of manufactured exports from a miniscule to current 1.67% of world exports.

⇒ Increase in manufactured exports: Expansion of world trade & improved competitiveness

① Reduction of import & export tariffs in India increased the integration into world economy to a level that led to export growth.

② Potential of some sectors such as automobile manufacturing which was

untapped was tapped  $\Rightarrow$  led to increase  
in export of vehicles

- ① Development of global value chains helped  
in integrating in the world economy to  
an extent.

$\Rightarrow$  Issues that remain

- ① Still the export level is low as compared  
to China (or BRICS nations)

e.g.: India's manufactured are only 1.67%  
of world's manufactured exports

- ① Deficient in hyperspecialisation  
e.g.: 'Button town' in China produces

60% of world's buttons

- ① Manufactured goods are only from a  
few sectors e.g.: Automobile, Pharmaceuticals,  
etc

- ① lack of improved access to many western

nations due to non-tariff barriers  
e.g.: sanitary & phytosanitary barriers:

- ① Exports from labour intensive sectors like cotton textiles, jute, etc face competition from Vietnam, Bangladesh, etc

⇒ Potential of product & market diversification

- ① Focus should move from prima and automobile to 'champion sectors' & labour intensive sectors with comparative advantage (as recommended by High level committee on trade) e.g.: Textiles, Toys, Electronics.

- ① Focus should diversify to markets in other countries like African, South American etc with improved incomes

- ① Integrate 'Assemble in India' with 'Make in India' ⇒ Integrate in Global Value chains & focus on hyperspecialisation → will lead to transformation to an export led economy