

INDIAN ECONOMY AND INTERNATIONAL ORGANISATIONS

Time Allowed: 3 hrs.

Max. Marks: 250.

Q.	Marks	Instructions to Candidate
1.		<ul style="list-style-type: none"> There are 20 questions. All questions are compulsory The number of marks carried by a question is indicated against it. Answer the questions in NOT MORE THAN 200 words each. Contents of the answer is more important than its length. Answers must be written within the space provided. <p>Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.</p>
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22/8/2017

1. Invigilator Signature

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REMARKS

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Q1. High logistics cost is one of the major reasons for uncompetitive of Indian goods in global markets. In this reference discuss the significance of having multimodal logistic approach in India. What are challenges in present logistics sectors? Also discuss some of the major trans-boundary multimodal projects of India. (12.5 Marks)

need more attention

Ans- Logistics cost in India is very high at about 20% of the value of the goods. Due to such high costs goods produced in India become uncompetitive which reduces the competitiveness of our exports and also increases cheap imported goods from other nations such as China.

In this context

Such a high cost arises from a number of challenges that the logistics sector faces in India:-

- Lack of Port connectivity in the form of ~~to~~ railways and highways that start right from the ports & can provide connectivity to interior regions of India from where goods can be transported to ports for export.
- Railways have the same track for freight and passenger trains due to which freight trains may be held up by passenger trains.
- Majority (more than 85%) of freight in India is carried by roads, not railways. Roads freight is more expensive & trucks get stuck in jams.
- Lack of waterways (less than 1500 km of 15000 km of

4/2

Remarks

- underline all only key words (all)

potential water ways are used in India. Waterway is cheaper
 • Lack of inland dry ports from where railways & waterways
 can carry goods to and fro from the ports.

How multi modal logistics can help

• Ports connected with railways, which can further
 be connected with waterways and roadways
 can provide -

- Last mile reach upto door step of factory.

- Use of rivers and canals can reduce cost of transport
 as waterways are cheapest & can also reduce pollution.

- Waterways can overcome routes that are busy
 & congested: city roads & highways which increase
 time & cost of transport.

Keeping this in mind, the Government is receiving
 an a number of steps

- Demarcating & constructing new waterways
- Dedicated freight corridors
- Bharat mala - project

With nations such as Myanmar, Kaladan Multimodal
 transport, Multimodal logistics with Bangladesh
 (using waterways, railways & roads) & BBIN MVA
 (Bangladesh Bhutan India Nepal) motor vehicle agreement

Remarks has been signed

Q2. What do you understand by the term Industries 4.0? How it is going to impact the employment generation in India? What possible steps can be taken to avoid any adverse effects on employment generation from Industries 4.0? (12.5 Marks)

Ans Industries 4.0 refers to the fourth industrial revolution. ~~The~~ The 1st, 2nd and 3rd revolutions in industry were related to use of steam power for production, use of assembly line for mass production and the proliferation of Information & Communication

Technology. The 4th industrial revolution refers to spread use of

- Artificial intelligence
- Robotics
- Drones
- 3-D printing etc

4

The 4th industrial revolution will affect employment generations as-

- Robots have the capacity to replace humans such as Amazon has started using robots in its warehouses instead of humans as they are more efficient in lifting heavy loads etc.

- Not only can robots replace human effort, they can also replace human brain capacity to think and create things eg - IBM's Watson (artificial intelligence software) works on finding cure to incurable diseases thus endangering

Remarks

Research & development in medicine

- eg News bots have started typing simple news articles.

- eg Robots are used for simple coding thus having the potential to put many software engineers out of work.

• But with every new industrial revolution while some jobs have been lost many more have been created.

eg It was widely thought that coming of computers would make humans worthless, especially in India but it helped Indian service industry prosper.

Steps to avoid adverse effects on employment

• Focus on traditional employment intensive areas

eg Textiles, leather, agro based industries which will remain safe from robots for some time

• Discover new services that the 4th industrial revolution will create & tap them.

eg Repair & manufacture of robots, drone, 3-D ink cartridges

• Update skills of Indian professionals to use the 4th industrial revolution to its advantage.

• Develop areas such as tourism, health & wellness cent India with its large & largely unskilled workforce is vulnerable to industries 4.0. But we reorient it around & use it to our advantage

Remarks

Q3. This Question contain 2 parts and both are compulsory:

- (a) Analyze the recommendations of Bibek Debroy committee. How this would impact the development of Railway infrastructure in India?
- (b) Indian Government recently established the Rail Development Authority. What is the objective of this authority? Will the setting up of the authority will help in tackling the challenges faced by Indian railways? (12.5 Marks)

Ans -

a) The Indian railways is the 5th largest employer in the world. But despite having the 4th largest railway network, the sector constantly runs into losses.

To turn around the health of railways, Bibek Debroy suggested:

- Separation of Railway operations into construction, maintenance & management divisions.

- Private management & service delivery of ^{non core} ~~railways~~ ^{area}

- Set up an independent authority to look after

- Set up of a rail devt development authority.

- Merge rail & general budgets.

accounting
separ.

Implications

- Privatisation of management on railways will improve service delivery, ¹⁷² ~~eg. catering~~ & also increase revenue.

- Private ~~management~~ ^{services} of terminals will make sure

Remarks

- Refer Lit

Trains run on time.

- Merging of rail with general budget will ensure rail portfolio is not politicized & used for personal & political gains.
- Independent authority for setting fares will make sure fares that are artificially low are raised to commercial levels to increase revenues.
- b) Rail development authority is set up with the task
 - To identify loss making areas & suggest improvement measures.
 - To identify underserved areas so more rail lines & trains can attend to the area.
 - Safety measures to be identified & made uniform.
 - Adoption of new technology.

The authority will help by tackling ~~the~~ problems such as

- Frequent rail accidents & increasing safety.
- Increasing fares.
- Increase revenue.

Thus if well implemented, it can improve health of railways while improving social & econ.

Remarks technology.

Q4. What do you understand by Universal Basic income? What is the estimated fiscal impact of this scheme and assess its feasibility in Indian purview? (12.5 Marks)

Ans. Universal basic income (UBI) is the income ~~about~~ ^{rather} that is provided by the government of a nation to each citizen, irrespective of his or her income status. The aim of UBI is to provide everyone with a basic income ^{with}.

- Remove poverty
- Overcome mis-targeting which plagues other subsidy schemes (as it is given to everyone)
- To tackle leakages by middlemen & corrupt officials (as it will be directly provided in bank accounts)

The quantum of UBI if it is taken to be equal to the Rangarajan poverty line, that is about ₹1400 per person will amount to about 14-15% of the GDP.

Feasibility of UBI

- Already all the subsidies of the government amount to about 12% of GDP. Adding another

4/2

Remarks

14% as UBI to people will make it unsustainable.

- It is not possible to give UBI & eliminate all other subsidies such as PDS (Public distribution system), free LPG connections, Kanya Shiksha Abhiyan.
- If all other subsidies are eliminated, how will government make sure that social goals (such as universal immunization, institutional deliveries, food grains to all) are met.
- Government can shed from its duty to provide social services eg cheap housing, free diagnostics at hospitals, subsidized insurance etc.
- UBI money may be used for non-essentials eg for buying alcohol by drunkard husbands.
- UBI deals with income aspect but poverty is an multi-dimensional.
- It increases buying power. Without ^{may increase in} an equal supply, it may increase in UBI thus though well intentioned, has a number of negative consequences that make it unfeasible in India.

Remarks

Q5. Government has in recent launched the Regional Connectivity Scheme. How this is going to transform the civil aviation sector? What are the likely challenges it is going to face? (12.5 Marks)

Ans-

The regional connectivity scheme aims to connect under served and unserved airports in Tier-2 and Tier 3 cities with metro cities and state capitals.

How it will transform civil aviation sector.

- It will greatly expand aviation sector by increasing domestic flyers.
- By subsidizing ^{cap} the air fare, it will bring it within the reach of every common man.
- It will revitalize unused airports & along with increasing number of flights, it will provide increased employment.
- Viability gap funding means that develops 2 air lines won't have to bear burden of un economic routes as government will bear it.
- New domestic air lines can come up.

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Remarks

Challenges

- Metro airports are already saturated with numbers of flights landing exceeding capacity of runways.
- Thus new 2nd airports in cities such as Delhi, Mumbai & Kolkata are needed.
- Number of passengers to Tier 2 & 3 cities may be too low at first & thus air lines may not have enough incentive to join it.
- States may refuse to provide concessions to air lines such as subsidized airport & hangar charges, cheaper Aviation turbine fuel.

and ↗

The scheme thus has the potential to help domestic aviation sector grow but only once the challenges are addressed.

Remarks

Q6. This Question contain 2 parts and both are compulsory:

(a) Indian service sector, especially IT sector, has been the main anchor of growth and employment in the 21st century. However, in recent past, the Indian IT sector has been in news for lay-offs and not for job creation. What are the reasons for this? What corrective steps needs to be taken in this regard?

(b) Indian IT sector has been beneficiary of H1B visa allowances and liberal visa policy of USA in case of highly skilled employees. Examine how Indian IT industry is going to be affected following the strict visa policy under Trump regime.

(12.5 Marks)

a) Indian service sector contributes about 65% of the Indian GDP and the IT sector is a big part of this. But recently many Multinational companies such as Infosys has laid off professional.

Reasons

- Growing role of automation and AI (artificial intelligence) in IT sector.
eg Robots have started writing simple lines of code doing away with the need for humans.
- World economy has not yet fully recovered from 2008 slowdown. Thus global demand remains low.

Indian IT industry caters mostly to global clients.

- Over supply in Indian IT sector with more IT professional than are needed. Lacks of IT engineers are supplied every year but growth in this sector has been slow.

• Lack of on job training due to which skill set of

Remarks

IT workers grows old & obsolete & doesn't meet need of the time

• Donald Trump's policy of 'Make American' & reduction of H1B visas → explain?
Cooperative steps

- Increase domestic demand by generating more jobs here eg Digital India can create thousands of jobs
- Increase Research & development in domestic IT sector
- On job skill training

b) With coming of Donald Trump as USA President & his 'America first' policy, H1B visa regime has become stricter with ~~less~~ lesser H1B visas given.

- This will hurt ^{Indian} IT professionals, thousands of whom depended on H1B visas to work in USA
- Indian IT firms like Wipro, Infosys, working in USA used to hire cheaper Indian IT workers in H1B visas thus their profitability will now decrease.

Thus Indian IT industry faces a troubled time but as an industrialist said, this can be a blessing

Remarks in disguise to help strengthen domestic demand?

Q7. In recent there has been a spurt in digitization. Can digitization help in bringing inclusive growth in India? What steps should be taken to realize the goal of inclusive growth in digital economy? (12.5 Marks)

Ans- Digitization is the use of Information & Communication Technology to access products and services. eg Use of mobiles & internet to access government services.

Digitization has received a boost under the Government's Digital India Mission, demonetization & move to a less cash economy.

Digitization can help bring inclusive growth:

• It can help reduce leakages & mistargeting in government subsidies eg PDS grains will now be delivered only against fingerprint match of the Aadhar card holder.

• Digital India & expansion of apps & digital services has helped generate mass employment

• Digital India through Jan Dhan has helped increase financial inclusion which is necessary for inclusive growth.

• It can help backward groups eg women can

Remarks

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sell handicraft products online.
 eg Poor handloom weavers can sell their traditional products online.

But it has a number of challenges.

- Not everyone is technologically equipped to use computers & internet.
- Penetration of internet is still poor in India.
- Finger print verification for PDS grains doesn't work most of the time due to lack of connectivity, poor finger prints of labourers etc.

→ To realize inclusive growth in digital economy

- Spread of internet everywhere eg As being done by government under Bharatnet to all Gram Panchayats.

• Making common service centers available in all villages.

• Teaching people how to use internet

• Making all government services available online.

Remarks

Q8. A decision of merging five associate state banks to State Bank of India was taken recently. Discuss the prudence of this move and critically analyze the need of bank consolidation for Indian financial sector. (12.5 Marks)

Ans Recently SBI (State Bank of India) was merged with the 5 associate banks

- State Bank of Patiala
- " " Bikaner & Jaipur
- " " Hyderabad etc.

Benefits :

- Creation of a big bank in terms of asset size & number of customers which will be one of the biggest in the world.
- Merging will ensure uniform practices & standards.
- ~~More~~ risk taking ability
- Better ability to deal with NPA's (Non Performing assets).
- Increased return on assets and profitability.

end

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Remarks

Disadvantages

- The banks have been merged without adequate preparation of streamlining their systems & software. eg Online banking facilities of the associate banks is not working till now, even months after merges.
- Different standards, practices; ~~employee~~ work environment in different banks may create friction.
- The bigger the bank, the more adverse the effects on the economy are if it fails.

Need for bank consolidation.

- Too small or too unviable banks ~~meeting~~ with NPA's need to be ~~in~~ merged to increase profitability.
- But banks with an average reach that are doing fine need not be merged.

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Remarks

Q9. RBI has been issuing banking licenses under differentiated bank system Wholesale and Long-Term Finance (WLTF) banks. What is the need of such specialized banks? Discuss the scope and benefits of having WLTF banks. (12.5 Marks)

Ans. Recently RBI has started providing differentiated bank licenses. The Payments banks and Small Finance banks are examples of this.

The latest among these, Wholesale and long term Finance banks (WLTF) are needed because

- ~~Long~~ projects with long gestation periods such as highways etc were being funded by banks till now

- But bank deposits have a ~~short~~ time period of 5-7 years whereas ~~long~~ gestation projects need to be financed for 15-20 years. This caused asset-liability mismatch.

- Projects needing big amount loans (eg Telecom) & long Term Finance (eg Highways) are the major contributors of NPA's (Non performing assets)

Remarks

If only the WLTB banks funded such projects, other commercial banks could have NPA's in the tolerable range (2-3%).

- Government banks can then focus on financial inclusion & if WLTB banks focus on infrastructure & other sectors

Scope & benefits of WLTB banks

- ~~It can~~ They can focus on infrastructure and industry only & thus banks can focus on individual customers & small business.

- It will reduce NPA's of government banks.

No asset-liability mismatch problem with WLTB banks.

- By raising funds abroad WLTB can attract foreign capital for Indian infrastructure & industrial sector.

- Can better deal with nonperforming projects so they don't turn into NPA's. Thus WLTB can improve banking sector health & increase lending to infra industry.

Remarks

Q10. Government launched Pradhan Mantri Fasal Bima Yojana (PMFBY) to reduce the vulnerability of farmers from natural calamities and ensure sustainable farm income. While highlighting its major provisions, also discuss the performance and challenges it is facing while implementation. (12.5 Marks)

Ans -

Refer Lt

Indian agriculture has become an increasingly risky operation keeping in mind the frequent ^{pest attacks} droughts, hailstorms, floods & other extreme weather events as a result of climate change. As a result standing fields of crops get destroyed & farmer stress is rising.

To reduce losses that accrue to farmers as a result of ruin of crops, Government launched the Fasal Bima Yojana -

It offers a fixed interest rate of 2% for Kharif crops, 1.5% for Rabi crops & 5% for horticulture crops.

• There is no capping of premium amount & government will pay subsidy on it even to extent of 90%

• Nearly all crops are covered under the scheme

• In addition to weather & pest attack related risks, the government also covers pre-monsoon & post harvest loss

• Use of science & technology such as mobile phone images & drones to capture images of crops

Remarks

Refer Lt
Japan
Vocab

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- Reduction of insured area to village level and individual farm level in stead of block level earlier.
- Timely payment of insurance amount.

Performance and challenges.

- The spread of agricultural crop insurance has increased many times since the previous Modified National Agriculture Insurance (MNAIS) but coverage is still less than 40%.
- Also farmers are not aware of this scheme.
- Some farmers (such as marginal ones) are too poor to pay "interest".
- Timely payment of insurance amount has not been done & there are delays.
- No use of drones & aerial photography actually taken place.

Thus the insurance scheme is a great step to relieve farm stress but only with timely payment, instead of arrears & the of delays with it.

Remarks achieve 20% coverage.

Q11. India is progressing on path of cashless economy. In this reference what are the major initiatives by the government to facilitate cashless economy? Also discuss the critical challenges, Indian economy is facing to adopt cashless transactions. (12.5 Marks)

Ans-

The demonetisation drive, along with the objectives of reducing corruption & black money, was also aimed to transform India into a less cash economy.

Besides, the government has taken a number of initiatives to go cashless. — Refer list —

- Increase in network of POS (Point of Sale) machines such as ATM and card swiping machines have made use of credit & debit cards easily available.
- Linkage of Aadhar card with Bank account & JAN

(Aadhar → Aadhar mobile) enables citizens to avail government subsidies directly to their bank accounts. 3

- A ~~single~~ single e-wallet in the form of UPI (Unified Payments interface) & BHIM (Bharat interface for money) does away with using multiple e-wallets.

- Aadhar Pay app can be used to receive and send money using finger print only.

- Increased awareness through advertisement & campaigns

Remarks

- Reduction in MDR (Merchant discount rate) and transaction charge for online transactions has made online payment cheaper.
- Internet availability in villages through Bharat NET

⇒ Challenges faced

- A large part of the population does not know how to use ATM's, computers & mobiles to send & receive money - Technological illiteracy
- Internet penetration is still low and rural areas are disconnected.
- Poverty - Not everyone has a smart phone or a computer.
- People are more comfortable with using cash.
- Threat of fraud or online stealing of data
eg 3 lakh credit cards' data was stolen in India in 2016

Thus less cash economy is very much a possibility but for that the security infrastructure needs to be improved, internet penetration & awareness needs to spread further.

Remarks

Q12. Tourism is the one of the major economic activity in many advanced nations, though India is catching up in the sector, however, it's potential is still untapped. Discuss why India's tourism potential still largely untapped? (12.5 Marks)

Ans-
Tourism is visiting a place temporarily be it for any purpose - education, recreation, medical, cultural, religious etc.

Should write skn of P in GDP, employed

Despite having large tourist potential, Indian tourism industry is still small.

Tourism potential

- Recreational tourism - to metropolitan cities, beaches, resorts, Islands etc.
- Medical tourism - India has to offer cheap & quality medical facilities eg Chennai is capital for medical tourism
- Educational tourism - Indian colleges and universities can offer world class education at affordable rates eg IIT's
- Health & wellness tourism - eg Meditation & yoga centres in the the serenity of Himalayas
- Religious & cultural tourism - eg Buddhist circuit including Bodhi Gaya, Sanchi, Pataliputra etc

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Remarks

- conclude it with efforts govt.

• Eco tourism - To tribal villages, several India & North Eastern hills.

Reasons for underdevelopment of tourism industry

• Poor quality in infrastructure at for eg. to Bodhi

Gaya is mis managed & world class infrastructure is not available.

• Crimes such as assault on women while they visit India put India in a bad light.

• No online packages available for medical facilities that foreigners can pre-book online.

• Lack of advertisement eg. Foreigners don't know India can offer world class medical facilities.

Many still believe India is the nation of snake charmers.

• Connecting transport such as roads & railways is of poor quality.

• Lack of skilled professionals such as tour guides, hospitality.

India's immense tourism potential is waiting to be exploited. It can also provide widespread employment & ~~bring~~ ~~income~~ ~~to~~ ~~foreign~~ ~~reserves~~.

Remarks

Q13. Niti Aayog recently projected a compound annual growth of about 8% of Indian Economy and its transformation by 2031-32. In this light discuss, what policy actions are required for attain and sustaining this level of growth? (12.5 Marks)

Ans. The Indian economy is the fastest growing major economy in the world while other economies such as China & USA have lost momentum.

However to keep this pace going and increase it further, a number of policy steps need to be taken.

• Increase availability of jobs

India adds a whopping 10 lakh youth to its working population every month but according to the Labour Ministry's survey only 56,000 jobs were created in the last quarter of 2015-16.

→ As our demographic dividend does not change into demographic disaster jobs in tourism sector, health care, industries needs to increase.

• Reduce agricultural stress

Agricultural area is seeing under stress and increased farmer suicides have compounded the issue. This needs to be tackled by

- Reviving co-operatives for marketing

Remarks

- broader perspective missing

- Refer list

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- Wise selection of crops & assured MSP on those crops
- Assured irrigation through tanks, ponds & rain harvesting
- 100% insurance coverage - Agri. based industries
- Development of climate resistant crops

◦ Woman & child

- Increase in status of girl child
- Assured health of children through immunization, supplementary nutrition
- Increase women participation in work force. India has one of the lowest work force participation rates for women at 23%
- Empower women through education, financial inclusion, skill training jobs
- Improve access, quality & affordability of healthcare

◦ Education & skills

- Skill at least 75% of work force. On job skilling
- Education quality & cost comes to be improved
- Increase employability of graduates which is 25% at present.

Thus to keep up with the growth rate, India needs to focus on educating & skilling its youth, increase jobs for them & improve status of women

Remarks & returns from agriculture

Q14. "Sabka Saath, Sabka Vikas" is not possible without sustainable development of agriculture sector of economy. In this reference government's Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) is flagship scheme to reduce vulnerability of Indian agriculture toward failure of monsoon. While highlighting its major objective, discuss the performance of the scheme since its launch. (12.5 Marks)

Ans - Refer link
India has the distinction of having largest percentage of its land area (about 45%) under agriculture. But 60% of this agriculture area is dependent on monsoon for irrigation due to which crops often get ruined as due to lack of water. eg Marathwada area of Maharashtra:

To improve water availability - Government launched the Pradhan Mantri Krishi Sinchayee Yojana with the objectives -

- Do deep more crop
Increase utility and efficiency of present water availability to land through micro irrigation, drip irrigation etc.
- Har khet ko pani
Increase coverage of irrigation of fields which were uncovered by assured irrigation
- Water shed in the command area to be developed

4

Remarks

Performance of scheme -

- Adoption of drip irrigation has increased substantially as a result of government subsidy and awareness program.
- Farm ponds are being built such as in Bundelkhand to provide for irrigation to atleast 1 crop of pulses.
- Increase in network of tanks & canals.
- But
- Not many farmers are aware of this scheme because of which its success is low.
- Farmers don't know benefits of drip irrigation.
- Marginal or small farmers don't have money or extra land for building ponds.
- Command area development has lagged.

Thus potential of the scheme can only be tapped when water utilization plans made are well implemented & farmers are educated.

Remarks

Q15. Indian manufacturing products are uncompetitive in global market due to their low quality and standards, especially the exports from MSME sector. Discuss the issues pertaining to low quality of Indian manufacturing. Also discuss the significance of Zero Defect - Zero Effect (ZED) scheme in this regard. What else can be done to improve the quality and standards? (12.5 Marks)

Ans -

Indian secondary sector contributes to only 20% of GDP. Manufacturing has been stagnating due to poor quality of products & uncompetitive rates.

Issues regarding poor quality

- MSMEs which contribute to 50% of Indian manufacturing & 45% exports are small scale. Because of this their ability to avail bank credit & thus buy modern machinery is limited.
- MSMEs also don't want to expand as restrictive labour laws will apply to them once they cross a certain threshold.
- Majority of Indian workers are semi-skilled or unskilled resulting in poor work.
- Use of obsolete machinery
- Because of absence of R&D (Research & development) new machinery is seldom developed in India.

2 + 1/2 + 1/2

Remarks

It is only imported from countries such as China which develop new machinery due to vibrant R&D.

~~date~~ In such a scenario Zero Effect & Zero Defect can ensure quality of products increases as the government focuses on standardisation. Also pollution due to secondary sector will decrease.

Other steps

- Draw industry wide standards for products & enforce them through trade associations.
- Ease down labour laws.
- Tie along with bank credit can help MSME's expand.
- Encourage R&D: Currently only 0.9% of GDP is spent on R&D. Increase it to 2.5%.

Government can provide grants.

- Copy & indigenize foreign machinery. Chinese did the same in 1990's & then developed their own.

Indian skills & innovation can ensure success of Indian manufacturing since it is nurtured.

Remarks

Q16. India has been facing twin balance sheet problem with Indian characteristics. What are Indian characteristics and what steps should be taken to find out the solution? How the recently passed ordinance, empowering RBI, is going to tackle the situation?

(12.5 Marks)

Ans-

India faces the twin balance sheet problem where banks are facing under NPA's (Non Performing Assets) as loans have turned bad while corporate profits are declining. Both the conditions feed each other which ends up worsening the situation.

Indian characteristics of the problem:

- Indian Public sector banks are mainly burdened by NPA's as these banks mainly funded the ^{big} infra structure and telecom projects that have turned bad.
- Big infra structure projects have reduced profitability even though Indian economy has been growing as a whole.
- Other secondary sector industries such as textile, cement, telecom & construction have slumped despite service sector growth.

Steps to tackle it -

Remarks

- Creation of a long term financing bank to finance big projects with a long gestation period.
- Creation of a bad bank to take over NPA's from banks.
- Increase in provisioning for risky projects.
- Enable corporates to raise more funds abroad eg Masala bonds.

- Easing norms for winding up of companies eg Bankruptcy & insolvency act.
- Time limits to resolution of NPA's at Debt Recovery Tribunals.
- Clear red tape & policy paralysis that lead to delays.
- Harsh steps against wild default eg Renning stream.

⇒ The recent ordinance empowering RBI to facilitate & guide banks to initiate bankruptcy proceedings will help in earlier resolution of some debts.

But this needs to be accompanied with more drastic measure to help both banks & corporates overcome & help Indian economy avoid a slowdown.

Remarks

Q17. This Question contain 2 parts; both are compulsory:

- (a) World Bank has been changing its spending pattern from infrastructure to healthcare. How does this change augment the efforts toward achievement of SDG and improved welfare?
- (b) The funding available with the international humanitarian spending agencies, like World Bank, UNCTAD, etc. is far less than optimum. Examine the reasons for such shortfall and suggest how spending deficit can be overcome.

(12.5 Marks)

Ans- a)

World Bank, an international lender has lent to a number of developing countries & number of projects in such countries.

But its recent change of funding from infrastructure to healthcare can have results such as

- Achievement of SDG's (Sustainable development goals) which have a list of targets concerning health & welfare of individuals will receive a boost.
 - Healthy populations of countries can often better help in economic development as health comes first.
 - It will help break vicious cycle of poverty & diseases. 1 1/2 + 2
- But at the same time
- Infrastructure like hospitals, roads is needed to ensure health outcomes.

Remarks

• By making countries self sufficient in infrastructure, health can be improved automatically.

Thus both are needed, health & infrastructure but healthier population is more important & can help attain SDG.

• Development aid & funding of agencies such as World Bank & UNICEF always falls short because -

• Often developed countries contribute less than their ability. eg. Donald Trump of USA wants to reduce funding further.

• Increasing conflict in world means more aid is needed. eg. Civil war in Syria, ISIS terrorism, Boko Haram in Nigeria.

• Wastage & leakage of funds by countries responsible for using them

Spending deficit can be overcome by

• More contributions by both developed & developing nations

• Strict monitoring

• Decreasing & lessening conflicts such as civil wars

Remarks

Q18. The emergence of China-led Globalization is the biggest challenge to the uni-polar world, that is in existence for almost 25 years. Elucidate. (12.5 Marks)

Ans. After the end of the Cold War in 1991 & the break up of the USSR, the bi-polar world became unipolar with USA the only supreme power. It had the largest economy, largest defence expenditure & the most allies in the world.

However this situation has been gradually changing over the years. China has threatened USA's hegemony as -

- China has become the manufacturing powerhouse of the world; exporting to every nation & every country is now dependent on Chinese goods.
- China is writing rules for global trade and commerce through OBOR (One belt one road) project.
- It is acquiring overseas bases eg Djibouti.
- Through its checkbook diplomacy, it is developing ports, industrial regions, pipelines & having presence in all Asian nations.

Remarks ✓

conclude with impact on India.

- It has ~~not~~ produced its own substitutes of IMF & World Bank in the form of AIIB & BoX Bank (NDB).

As a result -

- USA's hegemony seems threatened.
- China also looks to lead climate change & globalization initiatives & as Donald Trump backs out of Paris Pact & Trans Pacific Partnership.
- Conflict between USA & USSR is being replaced by an economic tussle between USA & China.
- China is expanding territory resulting in conflicts with neighbours of South China Sea. ~~China is~~ ~~territorial~~ ~~off~~ -

The Unipolar world is no more. The Chinese dragon threatens it as it is an aggressive superpower.

Remarks

Q19. IMF faces legitimacy crisis, if it can't solve the grievances of the developing countries regarding unequal representation and lack of leadership role. Critically analyze. (12.5 Marks)

Ans.

IMF was the result of destruction caused by the second world war. It has been guiding international economic co-operation since 1945.

Its work

tender of last resort. Solving BOP (Balance of Payment) crisis

- Increasing international economic co-operation.
- Reducing exchange rate restrictions etc.

In a changed world, to give more representation to developing countries -

• It has ~~included~~ included Yuan in its basket

of currencies that make up SDR's

- Increased voting weightage of developing countries of China, India & Brazil feature in top 10

Remarks

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But.

- Its head is still selected from Europe.
- Bay of developing countries is still insufficient.
- It gives loans with conditions that might not be suited to local conditions.
- Western nations dominate it.

Thus to counter it BRICS nations came up with NDB (New Development bank) & China.

Came up with AIIB (Asian Infrastructure Investment bank) to fund developing countries.

IMF must reform its structure & working to remain relevant today.

Remarks

Q20. BRICS and AIIB has been two emergent institutions, which can challenge the hegemony of Bretton Woods institutions. However, for that to happen, China requires cooperation of the other developing countries rather than establishing hegemony over the new institutions. Critically analyze. (12.5 Marks)

Ans- Due to failure of World Bank & IMF to give enough representation to developing nations in ~~septs~~ leadership & decision making roles, BRICS came up with NDBs & China with AIIB.

These banks aim to fund developing nations.

But China with the largest economy among these ~~aim~~ looks to dominate these banks.

This will have the danger of

- Instating China as developing nations boycott it to get rid of dominance.
- Developing countries diverting back to WB & IMF
- Opposition from other BRICS Nations.

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- An. Jankal

Remarks

If China wants its OBR to be successful and it to become a superpower, it needs, first to be a super power in Asia & for that it needs allies.

To get allies, it needs to co-operate with developing nations ~~not~~ dominate them.

Remarks