

INDIAN ECONOMY

Time Allowed: 3 hr.

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/part 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 in 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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1. Invigilator Signature

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Name Digvijay Bodke

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Mobile No. _____

Date 15/11/2015

Signature _____

REMARKS

GIS SCORE
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Q1. What is tax terrorism and why this term has been used, while referring to Indian taxation practices? Critically analyze its impact on business and investment environment. (12.5 Marks)

Tax terrorism refers to unpredictable, unfavourable, non-stable tax policies & rates coupled with unfavourable tax laws which have the effect of hurting business sentiment within an economy.

This term has been used while referring to Indian taxation practices because of following incidents:

- Retrospective taxation laws to tax deals done by Vodafone. Government subsequently lost the case in court of law.
- Proposed implementation of general Anti-Avoidance Rules (GAAR) which seek to curb practices which find "legal" ways to avoid taxes.
- Tax notices sent by IT department on FII's for Minimum Alternate Tax (MAT) despite these FII's not having a permanent establishment in India.

Such tax policies have following impact on business & investment environment:

- India is seen as unfavourable investment destination, resulting in low foreign flows of capital.

Remarks

• Indian firms become uncompetitive on a global scale due to ^{such} adverse tax policies, which give little time to adapt, further discouraging investor sentiment.

• Such negative sentiment coupled with shutting of businesses would increase cost of doing business, ~~making~~ ^{for ranks} India lower on Ease of doing business.

However such tax measures are due to pressure on IT department to increase tax revenues to bridge fiscal deficit. Hence they cannot be solely faulted to improve such apprehension of tax terrorism, we must draft decent guidelines and laws which are seen as investor friendly, clamp down on tax evasion so that revenues don't suffer & demonstrate such changed attitudes to invoke confidence.

(5)

Remarks

Q2. What is the stipulated role of MUDRA bank; how it has addressed the issues of microfinance industry and users in India? (12.5 Marks)

MUDRA bank (Micro Units Development & Refinancing Agency) has the ^{following} role of ~~most~~ to play:

- To promote entrepreneurship by ensuring easy refinancing for micro financial institutions who would lend to upcoming enterprises.
- To lay down guidelines of conduct of business for such financing institutions.
- To accredit & rate such micro finance institutions based on their performance.
- Ensure social inclusion within financial inclusion by ensuring 50% of the credit outlay goes to SC/ST ^{led} enterprises.
- To ensure regulation of micro finance business in India.

Microfinance industry in India today faces the problem of shortage of capital, problems of refinancing, KYC norms for end users among others.

MUDRA bank seeks to address the above issues by:

- Ensuring refinancing by providing loans in 3 types:- Shishu, Kishor & Tarun depending

Remarks

upon the amount.

- By regulating the industry, it tries to bring about uniformity in the industry.

However MUDRA bank should ideally be one of the strategies to address the issue of microfinance in industry users. It should take up all such measures like:

- JAN trinity (Janakam, Janakam-Mobile) to ensure easy KYC identification.
- Awareness measures about availability of such microfinance.
- Financial literacy of citizens, especially in rural areas so as they become regular users.

Microfinance has potential to uplift masses out of poverty & its targeted use can help us realise the benefit to the fullest.



Remarks

Q3. Why entrepreneurship is considered as one of the most important focus area for employment generation and development. Discuss the recent measures taken by government? (12.5 Marks)

Entrepreneurship has been promoted for economic growth & development because of its employment generation potential & other benefits like:

- Entrepreneurship assembles other factors of production into work like labour, raw material, land etc. as a result many connected stakeholders stand to gain when a business is setup.
- The employment generation potential of entrepreneurship is high, hence raising average incomes & aggregate demand within the economy. This sets up a virtuous cycle of development.
- Entrepreneurship gives a boost to human resource development, hence investment in human capital increases, improving productivity & efficiency of an economy.
- Entrepreneurship has benefit of attracting resources from all 2 sectors of the economy.
eg: food processing firm would need raw material from agricultural sector, transport services for marketing from tertiary sector.
Hence development is inclusive.

Remarks

In this backdrop, the government has taken following measures to promote entrepreneurship:

- MUDRA bank to enable easier credit availability from microfinance institutions.
- Atal Innovation Mission to promote technological entrepreneurs.
- Startup India Mission to boost startups. SEBI has also made it easier for startups to raise capital on stock exchanges.
- Self Employment Talent Utilisation (SETU) Mission to promote self employment on a small scale.
- Make in India to promote manufacturing & related businesses.
- Collaboration with foreign nations universities by signing MoUs for cooperation in ~~developing~~ entrepreneurship related matters during bilateral visits.

6

Good effort

Remarks

Q4. Why PPP has not been successful in case of development of railway infrastructure, while the same model did well for highways? Analyze with suitable examples? (12.5 Marks)

Public Private Partnership (PPP) model of investment has not been successful in case of development of railway infrastructure because:

- Long gestation period of railway infrastructure as compared to roads. Hence the risk for private players as well as that of lending institutions increases exponentially.
- Since the cost of construction is high in railways, private players are not able to attract funds from banks since such projects create asset-liability mismatch on the bank's balance sheet.
- Lack of commercial accounting in railways has meant private players are not able to calculate cost of ~~summing~~ operating on a track, thus unable to decide on cost benefit ratio, naturally any profit seeking entity would not like to invest in such a scenario.
- Skewed Model Concessionaire Agreements (MCA) such that private players bear a majority of risk, repelling private investors.
- Limits on passenger tariff due to subsidy offered by government would've meant private

Remarks

players would lose freedom to decide on fares.

- Poor financial situation of Indian railways, portrays railways as a bad investment destination.

To overcome the above disadvantages, following measures can be taken:

- Balanced MCAs so that government too bears a fair share of risk.
- Commercial accounting in railways as recommended by Bibek Debroy committee.
- Ensuring long term funds for such infra projects by attracting pension insurance funds.
- Stopping the practice of cross-subsidisation of passenger tariff & freedom to private players to decide on tariff.
- Ensuring timely grievance redressal mechanism for private players.

W2

Remarks

Q5. What is the difference between a Maharatna, Navratna, and Miniratna company? How the status does help these companies in their day-to-day working? (12.5 Marks)

Public sector companies have always ^{in functions} complained about lack of autonomy, for their poor performance vis-a-vis private counterparts. Hence to resolve this problem ~~3 categories~~ of PSUs were categorised into 3 categories namely Miniratna, Navratna & Maharatna.

These categories were given a certain extent of operational autonomy. The difference between these 3 categories is based on:

- Profitability of the company.
- Annual turnover of the company.
- Degree of operational autonomy given to the company.

Maharatnas come in the 1st category with good profitability & turnover & have maximum autonomy in relation to investment decisions. They are followed by Navratnas & finally followed by Miniratna companies.

This status helps a company in their day-to-day working in following ways:

Remarks

- The interference by concerned ministries is reduced. Hence decisions are taken by professionals & lead to higher profitability.
 - Moreover, the decisions are taken swiftly as they don't require prior approval of ministry. Thus the disadvantage incurred on PSUs vis-a-vis private companies gets vanished.
- Yet much more needs to be done to ensure more autonomous & commercial functioning of PSUs so that they remain profitable like MoU system between ministry & PSU, removing unnecessary questioning in Parliament which sometimes divulges crucial trade data, partial removal of social obligation, longer tenures for CEOs etc.

4

Remarks

Q6. What is exit policy and why is it important, if India wants to improve on 'Ease of doing business' and 'start-up culture in India? What are the some of the recent initiatives in this regard? (12.5 Marks)

Exit policy refers to the policy of a nation/state with respect to businesses/companies which want to wrap up their business & end their activities.

Exit policy is important in case of India to improve on 'Ease of doing business' & 'start up culture' because:

- In India, it takes a long time ^(7.5 yrs) to exit a business as compared to global average of 1.2 yrs.
- The money & assets recovered from a failing business are only 29% as compared to global average of 74%.
- ~~Exit~~ Ease of exiting determines whether or not a ~~business~~ ^{business} would like to setup a business in a nation. Thus such a policy is crucial in attracting foreign capital.
- Startups would flourish only if easy closure is possible because the rate of failures among startups is high.
- Such a policy is also important to reduce NPAs of banks who have lent money

Remarks:

to firms, which on account of poor performance & failure to exit & sell assets are defaulting on loans.

The existing mechanisms like National Company Law Tribunal (NCLT) which brought together earlier mechanisms like SICA, BIFR has not been able to solve the problem.

Recently the Union government announced in Budget 2013 that a comprehensive Bankruptcy code would be established.

Moreover RBI has ~~taken~~ ^{given} several guidelines ~~steps~~ to identify failing firms to ensure quick recovery proceedings can be initiated.

The government is also reforming labour laws like Industrial Disputes Act so that easy retrenchment is possible for firms who want to shut their business.

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Remarks

Q7. FCI has lost more than 40,000 tones of grains in past 2 years. Discuss the major reasons that are responsible for such a glaring loss and suggest measures to reduce such wastage in future? (12.5 Marks)

Food Corporation of India (FCI) has had a poor record in storage of grains & following are the reasons for such a huge wastage:

- Over procurement:
FCI procures often more than what buffer stocks require. This open ended policy means grains are more than storage capacity.

- Inadequate storage capacity:
This can be seen from lack of cold storage, use of plinth & cover method which results in wastage.

- Wastage in transportation & theft:
Poor transportation means grains are wasted on the way. Also theft from FCI warehouses & sale of grains in black market are reasons for loss of grains.

- Poor storage conditions:
As a result, godowns are flooded during rains, rats & other animals feed on the grains, bags are not sealed properly leading to continued wastage.

Remarks

Following measures can be taken to reduce such wastage:

- Using Silo bag technology instead of plinth & cover method for storage.
- Ending the open-ended procurement, & letting surplus producing states procure for themselves, while PCI should operate in deficient states only.
- End to end computerisation of the process so that ~~the~~ ^{time} & ^{cost} ~~are~~ ^{are} reduced.
- Attracting private investment in storage & transportation so that better capacities are developed.
- Investment by state governments in infrastructure.
- Storage conditions should be improved like placing grains on a height to prevent flood water from reaching them.

(5)

Remarks

Q8. India suffers from a special case of premature deindustrialization; enumerate its major reasons and suggest measures to reverse the situation? (12.5 Marks)

Generally in economies, deindustrialisation occurs as a nation transforms from ~~industrial~~ secondary sector to tertiary sector as a major contributor to nation's GDP. This has been seen in developed nations like US, UK, France, Japan.

However, in India, there is a case of premature deindustrialisation as the tertiary sector is a major contributor to the nation's GDP. This is premature because India jumped directly from primary to tertiary sector with ~~its~~ industrial sector never becoming a major contributor to GDP. This has following reasons:

- State led growth in post independence period which stifled private sector.
- Archaic labour laws.
- No exit policy for businesses.
- Focus on import substitution policy & averseness to foreign capital.
- Sudden spurt of services like Information technology (extended services).
- Lack of government attention to secondary sector, with focus on poverty alleviation populist programmes.

Remarks

Following measures can be taken to reverse this trend:

- Promotion of industries & manufacturing through programmes like Make in India.
- Reforms in labour laws to make it industry friendly while protecting labour interests.
- Formulating a Bankruptcy code.
- Liberalising FDI limits in secondary sector activities. e.g. Defence.
- Promoting innovation culture (startups) through programmes like SETU, Atal innovation mission.
- Giving adequate attention to Special Economic Zones (SEZ).
- National Investment Manufacturing zones (NIMZ) should be taken benefit off through suitable policy measures.

(5)

Remarks

Q9. Illustrate the meaning of merit and non-merit subsidies with respect to Indian Agriculture? Critically analyze why the non-merit subsidies must be phased out slowly? (12.5 Marks)

Agricultural subsidies can be classified into merit & non-merit subsidies.

Merit subsidies are those which help in increasing production & do not have an adverse effect as such. ^{They are progressive.} eg. MSP, fertiliser subsidy, credit linked subsidy

Non-merit subsidies are those which have an adverse effect. ^{They are regressive} eg. water subsidy, power subsidy.

Non-merit subsidies should be phased out slowly because:

- They have the potential to distort markets.
- Such subsidies ensure farmers remain terminally dependent on government.
- Non-merit subsidies also lead to environmental degradation. eg. subsidy on power has led to over exploitation of underground water which has depleted groundwater resources in many drought prone parts.
- Non-merit subsidies put an undue burden on government's finances.

Remarks

- Non-merit subsidies are often poorly targeted. As a result they end up being regressive. e.g. water is subsidised but only private taps, whereas poor are often excluded since they use public taps as they cannot afford private ones.
- Thus non-merit subsidies do not have the desired effect.

However these subsidies are essential because of high levels of poverty within agriculture & also to keep agriculture viable. Hence they must be phased out slowly & not drastically reduced because the political cost of such subsidies is high.

What is the solution to this issue?

Remarks

Q10. Explain what is corporate lobbying and discuss the status of its legality in India? Analyze the Mukul Mudgal Committee Report w.r.t Wal-Mart lobbying in India? (12.5 Marks)

Corporate lobbying refers to the practice in which people from corporate world openly meet the political leaders in charge of policymaking to ensure the final policy made or decisions taken are in the favour of particular company/business.

Corporate lobbying is practiced in countries like U.S. It is a ~~new~~ process which makes sure individual grievances & interests are put before the political & bureaucratic executive.

Corporate lobbying is not legal in India because of the fears of it degenerating into crony capitalism.

However the genuine purpose of such lobbying is served by pressure groups which seek to advance interests of specific groups.

Moreover there are concerns about underground corporate lobbying in India. Such lobbies do exert pressure on government to get things done in their favour.

What are the Committee's recommendations in this regard?

Remarks

2/10

Remarks

Q11. The MSP in India is not decided by technocrats and policy-makers, but by politicians with an attempt to appease the farmer community. Analyze the impacts of this policy? (12.5 Marks)

The MSP policy intended to ~~give~~ ^{give} farmers a minimum price for their produce has unintended consequences when the MSPs are decided by politicians to appease the farmer community:

- The MSPs of only those crops are increased more which are grown in politically important states. Considering population & seats in legislature. Rice & wheat dominate in populated north India.

As a result other food crops aren't cultivated thus skewing cropping pattern.

- This also results in food inflation because of 2 reasons:

- MSPs are increased without considering the need & their impact on inflation.
- The production of other crops (eg: pulses) goes down, increasing their prices due to shortage.

- This also results in environmental degradation in following ways

- Rice is a water intensive plant. Thus over extraction of groundwater in rainfall deficient areas which grow rice, lowering ground water table.

Remarks:

② Also over irrigation leads to waterlogging, saline & alkaline soils & decrease in fertility.

• This crops for which MSPs are low mean farmers growing these crops have to incur distress sales, increasing their debt levels & instances of farmer suicides.

• High procurement by FCI due to high MSPs announced lead to excess stocks which often leads to food losses.

• However MSP policy has following positive impacts:

- It has increased foodgrain production.
- It has kept agriculture viable.
- It prevents exploitation of farmers.
- It is essential for national food security.



Remarks

Q12. None of the policies of government would help reduce the unemployment in India unless Skill Development is ensured for all the unskilled labourers. Discuss the major initiatives taken by the government to address this issue? (12.5 Marks)

Skill development becomes important to reduce unemployment in India because:

- Skill development improves employability as industry finds people useful to their operations.

- Skill development improves incomes, thus reducing the problem of underemployment, disguised employment.

Other policies of government to reduce unemployment are only a short term fix for a larger problem. Moreover such policies do not provide adequate incomes, perpetuating underemployment & disguised employment.

Given its importance, the government has taken following major initiatives to address this issue:

- A dedicated ministry for skill development has been created.

- Government has designed a National Skill Development Policy to suit present challenges.

- The government has revised the syllabus of ITIs to make them more industry relevant.

- The government has initiated programmes

Remarks

like Neel Manzil, Manas + impart skills to the minorities & women, so as to ensure inclusiveness.

The government has started Skill India Mission in this regard.

Thus it can be seen from above initiatives that the government wants to skill masses so as to take advantage of demographic dividend.

It also has tried to ensure inclusiveness by designing societal group specific schemes.

Moreover the industry's participation has been sought so that skills developed are put into actual use.

Also the focus of these initiatives has been supplemented by programmes like Jan Dhan Yojana, SETU etc to ensure holistic economic development.

Mention
more
govt.
initiatives.
Refer to
link

3/12

Remarks

Q13. Explain how the stipulated Common National Agricultural Market would be a step ahead from the Model APMC act and discuss its major advantages, once it is established?

The ~~stipulated~~ ^{Model} APMC act tries to ^(12.5 Marks) reduce the negatives of state APMC act but it quite doesn't establish a common national agricultural market because:

- The Model APMC act requires ^{for} the market fee to be paid despite the sale not taking place in market area without using any of the market infrastructure.
- Although the act prohibits extracting the cost of licensing fee from farmers, it is in effect done so because buyers discount their bids at the effect of licensing fee.
- Although the act provides for setting up of private markets, these markets are not competitive because the private market owner has to collect APMC market fee along with ~~the~~ fee he may want to charge for using his market infrastructure. Moreover such markets generally don't have good infrastructure because APMCs were set up with ^{huge} state funds & land.

The Common National agricultural market would be a step ahead as it has following advantages:

Remarks

- It would enable sale of produce across the country without any hindrance.
- This would allow farmer to get best price for his produce since his buyers are ~~are~~ multiple & not restricted to a particular area.
- The common market would reduce food inflation because it would reduce the high levies & charges levied at first point of sale under state APMC acts.
- The common market would spur investment in agricultural sector because farmers would be left with surplus cash due to better prices.
- The instances of distress sales & farmer suicides would reduce.

However state governments have to be taken into confidence since the subject comes under state list. Although centre can legislate under Entry 42 of concurrent list.

4

Analyse its usefulness for buyers, traders & farmers separately

Remarks

Q14. Discuss the state of 3rd generation financial reforms in India, what are major objectives of these and how many of these have been implemented? (12.5 Marks)

India had initiated 1st generation financial reforms in 1991 due to worsening macro-economic conditions like ~~high~~ Balance of payment crisis, loss making banks, inflation.

These reforms included devaluation of currency, opening up economy for foreign capital, privatisation. These could be done by executive action.

Since then India has embarked on 2nd generation financial reforms. GST, increasing FDI limits etc constitute these reforms.

India is yet to initiate meaningful 3rd generation financial reforms because 2nd generation reforms have not been implemented completely because these reforms require parliamentary approval & hence are delayed.

Moreover coalition governments in India in the past 2 decades has meant no single government could muster enough numbers to get the legislations & constitutional amendments passed.

Remarks:

Following are the major objectives of 3rd generation reforms:

- To integrate fully the economy with global economy.
- To decontrol prices completely & allow market forces to determine prices.
- To ensure effective regulation of financial sectors in an increasingly open scenario.

India has made a beginning by decontrolling prices of petrol & diesel. However India has to determine the pace of such reforms ensuring compatibility with domestic economic situation so as to reap maximum benefits out of it.

4

Remarks

Q15. Politicization of any department affects its effectiveness and progress in long run, such as agricultural procurement has been used as a political tool. Illustrate the above statement in context of Indian railways and discuss the suggestions by Bibek Debroy Committee to address this issue? (12.5 Marks)

Indian railways has been politicised in the following sense:

- In the past few decades, there have been minimal capital investments aimed at capacity expansion since majority of investments have gone in for populist measures.

- Every railway minister announces new trains in states which have voted well for the government in the elections, leading to neglect of important areas.

- Cross-subsidisation of passenger tariff by freight tariff has led to very high ^{freight} tariff rates in India making Indian manufacturing uncompetitive.

Thus above populist measures for political gain has reduced efficiency of railways because the operating ratio has become very high (90%) & railways are left with enough surplus for investments.

The Bibek Debroy committee appointed on railway restructuring suggested:

- Commercial accounting so as to ^{be} able to calculate the cost of running a train on a

Remarks

- track, so as to attract private sector investments.
- The operational efficiency of railways must be improved to keep railways with sufficient cash to invest.
 - Rail Tariff ~~Authority~~ ^{Board} should be set up which should independently of political considerations decide on tariffs so as to remain commercially viable.
 - The Railway budget should be eventually phased out with railways be given budgetary support from ^{general} union budget.
 - The committee calls for development on real estate & other infra near stations so as to attract private players.
- Thus the focus is on attracting investments, improving efficiency & making railways commercially sustainable.

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Remarks

Q16. Poverty alleviation is not a policy choice, but a warlike emergency; however, despite that successive governments have only focused on merely the expenditure reducing aspects instead of income & skill augmenting approach. Critically analyze. (12.5 Marks)

Our approach to poverty alleviation has been two fold:

- Improving employment generation.
- Providing subsidies for essential needs.

However the focus has been largely on 2nd aspect because they are easy to implement & are also a populist measure beneficial for political parties.

Hence our ~~approach~~^{focus} on reducing expenditure has meant poverty has persisted because:

- Such an approach makes the poor terminally dependent on the government.
- Such an approach doesn't remain sustainable in the long run.
- It leads to poor targeting due to vast population, leading to exclusion & hence waste of government resources.
- Such subsidies are often regressive & ultimately hurt the poor. eg: water subsidy is provided for private taps, but poor mostly use public taps.

Following are the benefits of improving, ^{income &} employment generation through skill ~~development~~ development.

Remarks

- It provides a firm basis on which poor can improve incomes, making them independent of government dole outs.
- Such an approach raises aggregate demand in the economy which creates a multiplier effect sets up virtuous cycle of high growth - high investment.

However sustained efforts are necessary for such an approach. Recent government's efforts to boost skill development are a step in right direction, setting up foundation of a neglected issue.

But for raising incomes, the skills imparted have to be industry needed also skills should be imparted across masses cutting across vulnerable sections like SC/ST, minorities, women to truly reduce poverty.

9

Remarks

Q17. Indian power sector not only suffers from low production, but also poor capacity addition? Analyze the major reasons behind this bottleneck and discuss how suggested reforms by Deepak Parikh committee address this concern? (12.5 Marks)

Following are the major reasons behind low production & poor capacity addition in the Indian power sector:

- State discoms running under huge losses:

As a result they are reluctant to buy power, thus lowering demand for power generators & also they cut supply to consumers.

- Regulated electricity tariffs:

As a result, the tariffs don't match cost of buying power for discoms, making them run into losses.

- Low investment in transmission & distribution infrastructure:

Most of the investments have come in power generation, & since transmission is neglected, capacity addition suffers.

- Monopoly of state discoms:

This makes them inefficient since there is no competition.

- Pilferage & other losses:

At 25% T&C losses in India are among the highest in the world.

- Inefficient production & clearance hurdles:

This results in low production since projects are stalled over regulatory clearances.

Remarks

Deepak Parikh committee suggested certain reforms to overcome this bottleneck:

- Breaking monopoly of distributors:

Consumers should be allowed to choose between distributors, so that competition is created & inefficiencies are reduced.

- Ending state monopoly:

This should be done by entry of private players in the business.

State discons should have control over only strategic projects for security concerns.

- Investments in transmission infrastructure:

To build capacities & reduce distribution losses.

Along with these reforms, the production capacities should be improved by ensuring adequate & timely supply of raw materials, quicker & online clearances for projects.

(5)

Remarks

Q18. Discuss the major factors contributing to low productivity in Indian agriculture. Analyze the government efforts in post-liberalization era to address these concerns? (12.5 Marks)

Following factors have contributed to low productivity in Indian agriculture:

- Low per capita landholding:
As a result of law of inheritance, these low sized farms cannot be applied with modern inputs, thus lowering productivity.
- Low levels of irrigation:
Especially in the Deccan plateau region.
- Lack of mechanisation:
This is due to lack of capital available to buy machines & also due to diverse nature of soil typology across India for which suitable machines are not available.
- High prevalence of subsistence farming & shifting cultivation:
Therefore output is consumed by farmer's family with no incentive for surplus production.
- Historical factors:
The permanent settlement, Ryotwari system introduced by British led to neglect of investment by the stakeholders in agriculture, perpetually keeping it backward.
- Lack of agricultural formal infrastructure:
Non availability of regular power, marketing infrastructure etc means farming output suffers.

Remarks

• ~~Selective success~~ The government of India in post liberalisation period tried to address these concerns by focussing on rural infrastructure with programmes like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana

Although these efforts are bearing fruit, the progress is slow.

Also government opened up agri produce for freer trade. This has led to domestic farmers earning higher incomes in foreign markets, boosting efforts to improve productivity. But at the same time it has disincentivised production of those crops which are imported at cheaper prices.

Overall sustained investments are required both by private & public sector. This can be done by liberalising FDI in multibrand retail so that farmers benefit from backward & forward linkages. Also reforms in agricultural marketing are due.

(5)

Remarks

Q19. What do you understand by Net-neutrality and why it is intensely debated throughout the world? Analyze the A.K. Bhargava Committee suggestions to ensure the net-neutrality in India? (12.5 Marks)

Net-neutrality in the context of usage of internet means that every packet of data on net should be treated similarly. Thus ~~the~~ data providers cannot discriminate against any website/application by loading it slowly or by charging extra fee for it, according to this concept.

This is debated intensely across the world because:

- Various telecom operators are seeking to circumventing the principle to garner greater revenues. eg: Airtel's zero tariff plan, Facebook's internet.org (Free Basics).
- Compromising on this principle would lead to internet losing its unique innovative character with new ideas not finding deserved credit (since internet would be dominated by those sites/companies which can pay data providers more to load their sites faster), thus creating monopolies.
- However some people argue for compromising this principle because it is seen to increase internet penetration by offering internet services at free cost/low cost.

Hence the debate is about promoting internet penetration & keeping the free trans-

Remarks

-rative nature of internet content.
The A.K Bhargava committee by Dept of Telecom gave suggestions to ensure net neutrality like:

- Not allowing app providers (like Facebook) to provide services like internet.org which are seen to compromise net neutrality.

- The ~~over~~ ^{the} top services ^{for domestic calling} like Viber, Whatsapp should be put under similar regulation like that of telecom operators.

Thus the committee seeks parity in regulation.

- Over the top services like youtube which are in public interest & promote development should be promoted.

Thus the committee strikes balance between internet penetration & net neutrality.

- Over the top services with international calling should be kept unregulated.

Thus there is clear distinction between domestic & international calling.

(5)

Remarks

Q20. Explain how India has moved from central planning to indicative planning; also discuss the reasons behind such a shift? Is NITI Aayog more compatible to this mode of planning as compared to planning commission? (12.5 Marks)

In the immediate years after independence, India adopted central planning with the advent of Planning Commission in 1951 which made national level plans & was a top down approach.

However since 1980s & more since post liberalisation India has moved towards indicative planning in which a broad plans were formulated at top & states were given freedom to set detailed plans & way of working.

- India adopted this way because
- centralised planning was not resulting in expected growth rates.
 - central planning often neglected the diversity of India needs of various states.
 - Indicative planning gave role for private sector in development, thus was more efficient & productive.
 - Centralised planning had resulted in bad macroeconomic position. eg: BOP crisis, loss making public sector banks & PSUs, etc.

Thus India moved to indicative planning to keep up with times & ensure inclusive development.

Remarks

NITI Aayog which replaced Planning Commission in January 2015 is more compatible to indicative planning because:

- It gives states a ^{major} role in plan formation.
- It gives sufficient autonomy right from village level to reflect diverse needs.
- It gives a role for private sector experts & intellectuals to ~~have a~~ ⁱⁿ formulating economic development strategies.

Thus NITI Aayog ushers in an era of co-operative federalism wherein the polity runs with better co-ordination between centre & states so that broadly they too supplement each others efforts to achieve inclusive & sustainable development.

4/12

Remarks