

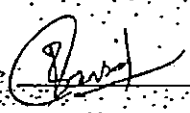
9.23

INDIAN ECONOMY

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>
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.	
14.		
15.		
16.		
17.		
18.		
19.		
20.		

1. Invigilator Signature 

2. Invigilator Signature _____

Name HARSH SINGH

Roll No. _____

Mobile No. 

Date _____

Signature _____

REMARKS

GS SCORE
GS MAINS TEST SERIES 2016

--	--	--

Q1. What is decentralized currency and comment on its legality in India? Describe its impact on monetary policy formulation and Central Bank's working? (12.5 Marks)

Decentralized currency is a currency used as at the local level for exchange of goods & services, eg Bitcoin.

have better def.

This type of currency is yet to attain any legal status due to its volatility & security considerations.

What about RBI

eg. After launching in Japan billion of ¥ of worth of currency but coins were stolen.

So, these types of currencies are relatively new & don't have any legal backing but used mostly in informal transactions, based on trust between the individuals.

Its impact on monetary policy formulation could be unpredictable.

Remarks

(2)

- Impact on MP - NOT covered
- Vague statements made.

as they could lead to transactions of block money, may be used by criminals, terrorists, to remain undetected by the surveillance agencies.

So there is need for greater vigil to keep track of decentralized currency, which otherwise could greatly harm the internal security, and used for block money & corruption.

There is need to enhance cyber security, developing a proper encryption policy before giving any legal status / recognition to such currency.

Remarks

Q2. Discuss the major features of the crop insurance scheme? In this context, critically analyse the decision by several state governments to do away with compensation system? (12.5 Marks)

The major features of crop insurance scheme are-

- (i) only 2% premium for Paddy crops, 1.5% for kharif crops, 2.5% for horticultural crops.
- (ii) payment through e-technologies.
- (iii) use of drones & smartphones.
- (iii) no upper limit for government contribution.
- (iv) coverage for localized storms, cyclones.

Various state governments taking decision to do away with the compensation in light of this scheme. Its implications are

(1) The new insurance scheme covers farmers holistically and could help in addressing farmer suicides, agrarian distress due to failed monsoon.

(2) But the premiums are very low and would require government to contribute a lot of support in wake of rising fiscal deficits.

Not really the impact of stability of business

34/2

Remarks:

- Second part of question not understood properly.

(2) Farmers due to coverage by this scheme could resort to irresponsible cropping patterns, like growing rice, sugarcane in drought hit area, or in lowlands, leading to water crisis

(4) But a positive would be the vastly improved coverage, compared to mere 14% of farmers now, new scheme could expand insurance cover to more than half the total area cultivated

(5) But various state governments are doing away with compensation system, due to this scheme could affect the farmers, now with greater share of devolution 42% by finance commission to states, states need to play more active role.

Remarks

Q3. Evaluate the new Insider Trading Norms adopted by the SEBI. Analyse their significance in context of rising corporate frauds and stock market scams? (12.5 Marks)

Insider & Trading Norms adopted by SEBI, help in establishing the Integrity of Financial Markets, developing Trust.

With recent frauds like That by Ketan Parikh, Harshad Mehta → 90's, not related to fall in stock markets and small savers losing their savings. → insider trading. Payot Gupta better example.

With recent NSEL scam was also in the line that affected integrity of markets.

The Insider Trading Norms need to be robust, and protection should punish guilty. eg. Prajat Gupta was jailed in US for insider trading.

Remarks -

(1)
- No clue about New Norms.

Compared to quick & certain punishment in US, judicial delays in India, have emboldened the violators.

So the latest SEBI guidelines on Insider Trading seek to restore faith, trust & integrity, providing strict disciplinary action against the perpetrators. Any short gain through Insider Trading needs to be disgorged, and the trader needs to be derecognized to provide swift punishment as an additional measure.

Vijay

Q4. What is the extent of Parallel Economy in India as per various unofficial estimates, why government of India has not been able to curb the flow of black money in India, let alone its recovery? (12.5 Marks)

Extent of Parallel economy in India is estimated to be over half of the G.P.P. of India covering various sectors such as Real Estate, Higher Education, Betting in Cricket, Round tripping of Black money in form of FDI. etc

Government of India has not been able to curb the flow of black money because -

① Due to transactions in Cash, the black money is difficult to trace, more than $\frac{1}{3}$ transactions in Real estate take place through cash.

② Absence of Double Taxation Avoidance Treaty for Round Tripping of black money back to India in form of FDI.

source
always
says as
per report
never
quite
but
like
this

Remarks

4

- ③ Political Parties themselves being dependent on black money for electoral funding, their funds not being under Right to Information Act.
 - ④ Lack of deterrence among the perpetrators due to lack of effective enforcement of laws; judicial delays.
 - ⑤ Secrecy of Swiss accounts, lack and lack of effective information exchange with other countries regarding the black money holders.
 - ⑥ Only partial success of Amnesty scheme in deterring tax evaders, less than 3000 crore were declared.
 - ⑦ High rates of Taxes ~~is~~ incentivizing tax evasion.
- So there is need for greater vigilance, enforcement of (Group 1) customs (100%), use of PAN cards, review of DTAA agreements, ~~and~~ scrutiny of Benami transactions.

Remarks

- Detail about efforts in recent times & why those efforts failed.

Q5. The high level of subsidies provided to agriculture sector and various welfare programmes by the Indian government is a big leakage from the government exchequer that impairs the abilities of the government for fiscal consolidation on the one hand and create productive assets and infrastructure on the other. Examine. (12.5 Marks)

The Government being a part of welfare state, provides a subsidies to agriculture to address agrarian distress, to provide for their health, education.

But the problem is that the subsidies suffer from various leakages due to corruption, poor targeting, inclusion & exclusion errors, which impairs fiscal consolidation - with rising fiscal deficit a less money left to invest in infrastructure to boost growth.

As our Soc. of our population works in agriculture so necessary to provide them with subsidies to overcome drought, crop failure, small landholding, MSP to make farming viable.

Remarks

- impact on fiscal consolidation not written

But the subsidies need to be better targeted to address problems of poor, on other hand there is need for structural reforms (land reform) (P.M.C, e-NAM) & need for increasing investment to give fillip to long term growth.

So the government needs to use JAM - truly for direct benefit transfers - to reduce leakages, use of Socio-Economic Caste Census for correctly identifying the poor, also various subsidies for rich like LPG, fertilizers need to be better targeted. Along with these, government needs to carry out 2nd generation reforms to boost productivity, growth, employment.

Remarks

Q6. The Bali Ministerial Declaration was seen as an ice-breaker for the stuck Doha round of WTO, however, it also seems to have failed on the expectations. Critically analyse.

(12.5 Marks)

Bali Ministerial was seen as an ice breaker, or for stuck Doha Round with various agreements on Trade Facilitation, Temporary relief for India on for public stockholding for food security, and growth of multilateral trade. But they seem to have failed various reasons for. This are -

① Developed countries insisting on Singapore issues than on fulfilling their obligation under Doha Round (of reducing huge subsidies they give to their farmers)

② Singapore Issues - Trade, Investment, government procurement, Competition are being given more preference.

③ Failure of Developed countries to find a permanent

Remarks

solution to β public stockholding for food security for developing countries despite agrarian distress & farmer suicide.

(3) Various facts among developed countries like Trans Pacific Partnership (TPP) & Trans Atlantic Investment Partnership leading to concentration of trade among developed countries.

(4) Fast delays in implementation of Trade Facilitation due to lack of resources & support to developing countries.

(5) growing regionalization of trade with groups like ASEAN, MECSUR, NAFTA, leading to nail in coffin of multilateral trading.

So there is need for developed countries to work benefit of all, reducing subsidies, reviewing Doha Round, developing countries need to implement Trade Facilitation agreement.

Remarks

Q7. What is Pink Revolution? Critically analyse how political developments of recent years coupled with steep inflation in cattle feed prices have impacted the growth of sector? (12.5 Marks)

Pink revolution refers to increase in meat production leading to higher income for poor, food security, poverty alleviation, addressing malnutrition.

The sector has been hit by various problems like -

① Politicization

Many state governments banning Beef has led to severe shortage of cows, ~~buffaloes~~ buffaloes for meat. While farmers now can't sell their non-milking buffaloes, they have to feed them, and the increasing cost of fodder has led to more difficulties for their farmers.

A survey showed that farmers

3 1/2

Remarks

brought cattle more for their economic value and less for their religious value.

② Rising price of cattle feed.

~~The~~ These factors along with diseases in cattles, have affected PINK revolution.

Further the farmers raising cattle are majority - small & marginal farmers, so are raising more import due to scarcity of beef in many states.

Many Dalits & Jats who don't believe in the ideology of purity & pollution have also been affected as their diet included beef. So need to ~~look at~~ ^{look at} various aspects of ~~So there is need for~~ economic & religion of PINK revolution.

Remarks

Q8. What do you understand by the term, Mossack Fonseca, why it was in news recently?
Critically analyse on its working and its impact on global economy including India?

(12.5 Marks)

6

Remarks

--	--	--

Remarks

Q9. Given the geography and climate of India, which regions are most suited for the establishment and growth of food processing industry in India, considering the upstream requirements? What are the problems in establishing industry in those regions? (12.5 Marks)

Regions most suited for food processing industry are -

① Milk Processing - Gujarat, Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh - Semi arid temperate climate,

can use foreign breeds of cow for very large milk production. Uttar Pradesh has very large population, so huge demand.

Problems - State control, red tape, lack of latest technology.

② Fisheries - In Coastal States of Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh. - Large continental shelf, large Fishermen population.

Problem - No effective net network of Cooperatives, lack of processing technology.

GS
 Milk
 Specific
 Problems
 ↓
 Connectivity
 infra
 Supply
 chain
 &
 health -

(4/4)

Remarks

- (3) North Plains - Wheat, Bear from
Cereal, Milk, / -
- (4) Sugarcane - Terrai part of
Uttar Pradesh, with heavy
rainfall, marshy land, plenty of
water.
Problem - state control, red tape,
lack of most effective latest technology,
low sucrose content in sub-tropical
area, than tropical area.
- (5) Andhra Pradesh - Eggs Cooperation
is one of highest producers of eggs.

Remarks

Q10. Traditional mode of land reforms won't work anymore; the need of hour is to understand the legal complications of land acquisition and modern farm technology. Critically analyse the National Land Records Modernization Programme (NLRMP) in this context? (12.5 Marks)

In modern times agriculture needs a massive push, through land reforms that make land more productive.

Currently various problems under land are - (i) fragmentation of land, mostly small & marginal farms (ii) low level of resources with farmers to invest in land - fertilizers, mechanization

(iii) lack of conclusive ownership, due to poor land records leading to litigations, tenor uncertainty, distortions

So the new reforms could be -

(1) Use of contract farming by providing the land owner with tenurial security for more investment in land.

(2) Land leasing as done by Gujarat government, enabling small &

failure of traditional reforms?

Yes

in context of NLRMP
 ↓
 Need provision also to
 ↓
 Need to critically analyse

Remarks

NLRMP

marginal farmers to consolidate their holdings, getting more returns.

② National Land Records Modernization Programme would -

- (i) digitize the land records
- (ii) led to less conflict litigation over the ownership of land.
- (iii) could give push to contract farming, land leasing, due to greater certainty of ownership.
- (iv) could lead to more investment, fertilizers, mechanization, improving productivity.
- ③ Help in moving to a conclusive ownership of land.

But care needs to be taken that the lands of poor, debtors, tribals are not taken away due to efficient land market due to their debt, ignorance, exploitation.

Remarks

Q11. Elaborate the importance of small-scale savings in India. Critically examine the steps taken by government to promote small-scale savings in India. (12.5 Marks)

Small scale savings are ~~imprtant~~ important to boost saving, investment, economic growth, infrastructure development and social security for poor.

Small savings schemes are ~~imprtant~~ important for savings habit, as opposed to instant ~~consum~~ consumption. In India with low insurance penetration, the issue of small

savings becomes even more important for ensuring social security.

in case of accident, disability, death, for education of children.

Various steps taken by government are -

- ① Relaunching of Kisan Vikas Patra
- ② National Savings Certificate

4/2

Remarks

— Good structure

Recently reduced interest rates

③ Higher rates of interest on Employee Provident Fund, allowing equity exposure for funds in National Pension scheme to provide greater returns to investors.

elaborate a little

④ Postoffice saving schemes.

But many of these schemes have been criticized for being providing much higher returns, than provided by market, leading to distortion in the market rate, leading to weak interest rate transmission, providing tax exemption on P.P.F. which leads to distortion.

So there is need for small savings scheme but also need to link returns on it based on market rates.

Remarks

Q12. What are the factors that have pushed pulses prices upward in India in recent times? What steps have been taken by the government for supply side management of pulse prices? Suggest long term measures to make India self sufficient in pulse production. (12.5 Marks)

The factors that have pushed the prices of pulses upward are -

- (i) High demand due to population explosion & protein rich food demand
- (ii) Consecutive droughts, poor monsoon
- (iii) After green revolution, farmers shifted to cereals than pulses due to their high returns & productivity
- (iv) Lack of effective government procurement
- (v) Low Minimum support price (MSP) as compared to cereals
- (vi) Low irrigation

Various steps taken by government are -

- (1) Decentralized procurement through state governments
- (2) More increase in MSP of pulses than cereals
- (3) Initiatives like Pradhan Mantri Krishi Sinchayee Yojana, for

Remarks

- more area under irrigation
- ④ National Food Security Mission, seeking to increase pulse production by many million tonnes.
 - ⑤ Organizing Farmer Producer Organizations for greater returns to farmers.
 - ⑥ Initiatives like Soil Health Card, Insurance scheme, Organic farming to further boost productivity.
- Long term measures are -
- ① use of Genetically Modified Seeds for pulses
 - ② Bringing more area under irrigation -
 - ③ Decentralized procurement for farmers.
 - ④ Creating records to highest pulses production & productivity in each district.
 - ⑤ Contract farming of pulses, Farmer Producer Organizations to improve inputs.

Remarks

Q13. What are the elements of major shift in the approach of the 14th Finance Commission in devolution of resources from the central divisible pool of taxes as compared to earlier Finance Commission? (12.5 Marks)

14 Finance Commission marks a new era in Democratic Decentralization with various measures like-

- ① Devolution of 42% of total taxes to states - against 31% earlier
- ② Boost to bottom up - approach, by providing ₹ 2.87 lakh crore / rupees surpluses to local bodies.
- ③ Provision for Performance grants of 10% to village & 20% to urban local bodies, leading to more accountability.
- ④ Moving away from one sized fits all approach, by reducing number of centrally sponsored schemes, and providing states better autonomy on spending decisions.

6

Remarks

⑤ Removing the interest of Fiscal Discipline, & adding population of 2001, & 2011 census & Forest cover as criteria for horizontal devolution.

⑥ Advocating progressive taxes like Professional Tax, Property Tax, which are more progressive & boost local body resources.

But 14th FC has moved away from the 13th FC recommendation of a local body ombudsman for greater accountability, greater devolution to states - which are poorest & have weak infrastructure could be detrimental lead to wasteful spending.

But in totality the recommendations mark move towards Cooperative Federalism.

Remarks

Q14. Discuss the role and importance of Venture Capital funds for development of entrepreneurship? Evaluate the status of its penetration in to financial markets in India?

(12.5 Marks)

Venture Capital Funds are crucial for development of entrepreneurship because -

(i) They provide financial support to start up & seed funds, whereas the mainstream banks are not willing to lend due to high risk.

(ii) They are crucial for innovation business models to rise and compete
eg. Flipkart, Snapdeal, Zomato.

(iii) In United States they have played key role in the rise of major corporations in the Silicon Valley.

(iv) In India Venture Capital Funds have hindered in investing because -

(i) Lack of adequately developed Corporate Bond market

(ii) Red Tape, delays, lack of cost of doing business, stringent labour laws.

5/5
examples
Status of penetration?

Remarks

(ii) Tax on seed funding.

This led to many startups to relocate - eg Flipkart has its Headquarters in Singapore - for its ease of doing business. The despite India having 3rd largest start ups in the world.

But recently govt government has taken many steps like ~~reducing~~ the remaining seed funding tax, 10,000 INR for financing startup, exempting startups from labour laws & taxes for 3 years, Startup India for MSME & Women entrepreneurs, MUDRA for financing of MSME, this has created a conducive ecosystem for moving from red tap to red carpet for foreign investors, giving a boost to MNC in India, with more liberal FDI norms.

Remarks

Q15. Evaluate the measures taken by SEBI and RBI to control financial scams and Ponzi-schemes in India. (12.5 Marks)

Ponzi schemes, offer high return to investors, from initial schemes, but later become bust.

- Various steps by SEBI & RBI are -

① Amendment to SEBI Act, so any collective scheme over 100 Crores, comes under jurisdiction of SEBI. Earlier Ponzi Schemes like Saradha were outside the SEBI's jurisdiction and were under state governments' watch.

② RBI stipulating various mandatory requirements for Reserve Ratio, Statutory Rate for various Non-banking & Finance Companies (NBFC) to regulate them.

③ Both taking steps to curb Shadow Banking, which remains

5/10

Remarks

out of ~~power~~ purview of regulatory requirements, by providing greater jurisdiction to SEBI, to ~~invest~~ invest, arrest, seize the guilty & its assets.

(4) Recently Supreme Court, took to task Sohani optional Fully Convertible Debenture (O.F.C.D) by keeping in jail its head, for failing to return money to investors.

(5) Recent merging of SEBI & Forward Markets Commission (FMC) gives SEBI greater oversight over derivative markets & commodity exchanges.

Q16. Throw light on the structural change in the composition of agriculture in recent years. Point out the areas where the structural transformation of composition of agriculture is still lacking. (12.5 Marks)

Structural change in composition of agriculture in recent years involves -

- (i) Shift to Cereals from pulses due to higher returns & productivity
- (ii) Increase in irrigation cover to more than $1/3$ rd of net cultivated area
- (iii) growth of cash crops like Sugarcane, in water deficient regions like Northwest for higher returns.
- (iv) Use of Genetically Modified Crops in Gujarat for Cotton leading to over 10% growth in agriculture.
- (v) Decline in area under pulses, pulses and oilseeds being more so restricted to drylands than

4 1/2

Remarks

irrigated areas, due to low Minimum Support Price.

(VI) Rise of Non-agricultural labour force than those working solely in agriculture.

(VII) Contract farming in Punjab by Pepsi for Chip (Potatoes), by ITC for wheat, leading to greater returns.

Areas where structural reforms are lacking-

(i) Fragmented land holding (over 85% small and marginal) (ii) Fertilizer subsidies used mostly by rich farmers.

(iii) low productivity compared to developed countries (iv) lack of irrigation coverage - lack of water use efficiency (v) less use of Drip & micro irrigation due to high initial costs (vi) APMC Act leads to consolidation of market

Remarks

Q17. What is the approach of the government on subsidies to the rich? Suggest measures to rationalize subsidies to the rich in India. (12.5 Marks).

Approach of govt of India on the subsidies to rich -

(1) Various Savings schemes for rich like Tax Infrastructure bonds are not taxed adequately, also same for public Provident Fund with EET (E- Exempt, T- Taxed) status.

(2) The subside for subsidy on Gas Cylinders is availed by the rich.

(3) Low taxes on Aviation fuel of 20% but higher tax on of 50% on Petrol, Diesel.

(4) Similarly for Gold - which is used mostly by the rich.

(5) Fertilizer subsidies mostly availed by rich farmers.
According to Economic Survey:-

Remarks

These subsidies represent Chopra's Challenge for government, where these subsidies are leading to fiscal costs, political costs (seen as favouring rich), benefiting vested interests. Government has taken various steps to reduce these subsidies like -

- ① Direct Benefit Transfer through Jan Aard Aardhar eg recently launched PAHAL for LPG subsidies, Voluntary surrender of subsidies, no gas subsidy to those over 10 lakh income.
- ② Use of Bio-economic Costs Crises in various schemes for efficient targeting of poor.
- ③ Channeling subsidies on Fertilizer, MGNREGS, through JAN (Jan Aard Aardhar, Mahila)

Remarks

Q18. Elaborate on the pros and cons of the FDI in retail, in the context of increasing threats to the small retail sector from e-commerce? (12.5 Marks)

Pros of FDI in retail are -

- ① help in creating forward & backward linkage, improving the supply chain.
- ② Improving efficiency of farm to fork value chain, reducing wastage (Now about 1/3 of produce is wasted)
- ③ Creation of warehouses, cold storage, reducing wastage.
- ④ Reducing food inflation
- ⑤ Linking boost to food processing industry - to efficient supply of fruits, vegetables, grains at lower costs.
- ⑥ Helping in achieving Government's aim of doubling the farm income by 2022.

4 1/2

Remarks

COM -

- ① May lead monopoly of big retailers.
- ② Reduce sales from the Mom & Pop local stores, affecting their income, survival.
- ③ Monopoly may lead to offering big discounts which local retailers can't match.
- ④ May affect small traders, cottage industries, negatively, who are not on web platforms.

⑤

Pros for e-commerce

- ① increased consumer choice, reduced cost, easy shopping ~~to~~ (home delivery)
- ② e-commerce may boost craftsmen, cottage industries, artisans by bringing their products on national market, giving them exposure.
- ③ offer better price discovery.
- ④ generate employment in retail, courier services.

Remarks:

Q19. What is e-NAM? What are its functions and objectives? Would it help developing a unified market for agricultural produce in the country? What would be the advantages of e-NAM? (12.5 Marks)

e-NAM refers to e-National Agricultural Market. Its functions & objectives are -

- ① To create a unified national market, enabling seamless trade of agri-produce.
- ② Overcoming the barriers imposed by the state APMC (Agriculture Produce Marketing & Committee) - cartelization, fragmentation through multiple fees, restrictions on trade.
- ③ Enable farmers get better prices.
- ④ Enable food processing sector getting a boost.
- ⑤ It's an e-market - helps in getting actual prices by farmer, prevent distress selling;

Its various advantages are -

- ① Price discovery for farmers & helping them get the best price, preventing distress selling.

3/2

Remarks -

- ② Addressing agrarian distress & farmer suicides
 - ③ Giving a boost to food processing industries due to seamless availability of inputs - fruits & vegetables.
 - ④ Address the monopoly, cartelization, multiple fees levied in state APMC's.
- So it would lead to a unified national market, by seamlessly integrating markets across state on an online platform, helping double the income of farmers by 2022.

Remarks

Q20. What are the spatial differences in availability and type of irrigation in India? How can India optimize the utilization of its irrigation potential? Discuss the main features of Pradhan Mantri Krishi Sinchai Yojana (PMKSY). (12.5 Marks)

Various differences in type of irrigation found in India like in Southern states - Tank irrigation is more common, in Punjab, Uttar Pradesh well irrigation is common (over 70%) along with canal irrigation (over 20%) due to various perennial rivers like Ganges, Yamuna, Satluj.

Irrigation potential can be optimized by -

- ① use of drip & micro irrigation - due to its water use efficiency
- ② Better maintenance of irrigation potential created, through community association, states or users.
- ③ ~~to~~ Crops according to agro-climatic condition - like Punjab should not grow water intensive crop

4 1/2

Remarks

like Jua, Madakivoda - Nut sugarcane
 (3) Community based water harvesting like
 Pan - Panchayat,

(4) ~~Below~~ Sustainable use of groundwater,
 inspection by multiple authorities

Various steps or - Main features or -

(1) More crop per drop - Improving
 the water use efficiency

(2) boost to drop irrigation, micro
 irrigation

(3) District Irrigation Plans, Active
 involvement of state government

(4) Quick completion of existing canal
 irrigation programmes through
 Accelerated Irrigation Benefit Programme (AIBP)

(5) Revamping watersheds, National
 schemes, check dams, interlinking,
 community based water harvesting

Remarks