GS SCORE

Test Code
1

Name :

Roll No. :

Mobile No. :

Core Economic Developments in India

Time Allowed: 3 Hr. Max. Marks: 250

Instructions to Candidate

- 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.
- Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.

Q	Answer	Q	Answer
1	3	11	3
2	2.5	12	3
3	2.5	13	5.5
4	2	14	4.5
5	3	15	—
6	2	16	3
7	4.5	17	4.5
8	3	18	—
9	—	19	4
10	2.5	20	1

Date: 02 07 2018

53.5

Candidate's Signature

Examiner's Signature

REMARKS

Roll No. : ....

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Q1. Discuss the importance of fiscal deficit in the context of resource mobilization efforts in India? Examine, how high fiscal deficit is related to crowding-out phenomenon? (12.5 Marks)

Fiscal Deficit : Total expenditure - total receipts excluding borrowings

Fiscal deficit provides the total borrowing of the government. It includes both revenue and capital accounts.

According to Fiscal Responsibility and Budget Management Act Fiscal Deficit should have been reduced to 3% of GDP starting from 2003-04 by reducing 0.3% by year. However target has been clearly missed

Importance of Fiscal Deficit :

1) Creates liability - since government resorts to domestic and international borrowings, it creates liability to be paid back with interest.

2) Unproductivity : Since major part of the borrowing is for bridging Revenue deficit, it does not create productive capital infrastructure

3) Increases interest rates - government borrowing from market increases the interest rates and makes it unviable for private sector to make capital investment. This is known as crowding-out Phenomenon

Intro
as you defined the fiscal deficit

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Government has to borrow from the same market from where private investors have to borrow, it decreases money available for private enterprises. Resulting increase in interest rate disincentivise private players to borrow for investment.

It has the following effects:

1) Decreases productive capital - government borrows it for welfare activities, providing subsidies which do not create capital infrastructure.

2) Hampers Research and Technological innovation which is the main aim of private investors

3) Increases inflation - government spending on poor will increase disposable income

Fiscal Deficit is not worrysome and when there is a creation of capital assets rather than increasing disposable income. Government must reduce the spending for political purposes and start building infrastructure.

Remarks

Q2. Discuss the pros and cons of FDI in multi-brand retail sector and examine its consequence on the food processing industry in India? (12.5 Marks)

Government of India has recently allowed FDI in multi brand retail sector with the mandatory clause of 30% purchase from the local sources.

It has the following advantages :-

1) Enhanced shopping experience - multiple products under a single roof will increase the customer convenience.

2) Technological innovation and standardization due to entry of global players.

3) Recognition to local producers due to 30% clause.

4) Healthy competition among producers increasing the productivity and efficiency.

Disadvantages :-

1) Monopoly in the market - as the small retailers find it unviable to compete against international players.

2) Decrease employment opportunities - Retailers are expected to import majority of the products reducing domestic production.

3) Unnecessary expenditure - humans are attracted to products they see, resulting in purchase of ~~more~~ non essential commodities.

Remarks

2.5

Pls give introduction about what is FDI

You can add some more advantages such as
1) Reduces unemployment
2) It helps in exchange of skills

However, one of the advantage is for the agricultural and food processing sectors. Local agricultural produce gets access to national markets.

2) Food processing industry linkage with farmers on one hand and retailers on the other creates virtuous cycle of increasing agricultural productivity.

3) Government's step to allow FDI in multi brand retailing is a welcome step but it must also look into the problems faced by domestic producers and must focus on capacity building

You also mention about the disadvantages of FDI like monopolization of domestic market by large international retail giants.

E

Q5. There have been significant structural changes in the export basket of India, both in terms of composition and destination. Examine with help of data? (12.5 Marks)

2.5

Traditionally, India's export basket consisted of gems and jewellery, refined petroleum products, textiles and footwear etc.

However, due to increase in manufacturing ability and technological upgradation, the export basket has got diversified.

1) India's service sector is the major exporting sector of Indian economy. Nearly 3/5th of the export in terms of value is contributed by service sector.
Major export destination of India's service export is USA (52%), European union, Arab nations (UAE, Saudi Arabia) and ASEAN countries.

2) Manufacturing sector
· India has increased production of automobile sectors with its more production of Suzuki, Tata, Bajaj automobile exporting globally.
· Tech Telecommunication and mobile phone sector has boosted with the launch of

mention about the concerns of India with its share in the world of export is still not up to the expectation

over 20% of 5 yrs decline in overall export in allied industry sectors

Remarks

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zero effect - zero defect policy of the government.
The major importers of India's automobile & telecom sectors are neighbour countries, Sri Lanka, Thailand and Indonesia.

- Apparel and Footwear - Economic Survey 2017-18 point out the announcement of Rebate on State levies (ROSL) and support of ₹6000 crore to apparel sector has increased exports to USA, European union etc.

India's manufacturing ability has increased but manufacturing export - GDP ratio has seen a decline (Economic Survey 2017-18).
India must find new partners, build FTA's, enter the unexplored markets of central Asia to achieve its dream of getting 2% share in global trade.

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Q4. Why is investment considered the most important factor for growth? Examine what other factors affect growth as critically as investments do? (12.5 Marks)

Investment in any sector results into creation of capital assets and infrastructure which are the oesophagus of growth of an economy.

Economic Survey 2017-18 suggest that 'countries that have witnessed slow down have been preceded by decreased investment' since investment is the critical factor for any economy to achieve the growth trajectory. It results into following:-

1) Increases the production capacity of a firm.
2) Brings in more technology advancements and standardization. ---
3) Increases the income of the employees, circulation of money in the economy, healthy banking sector.
4) Increased production increases tax collection building capacity of the state to provide welfare to the people.

Investment → Production → Increase income → Increases savings rate → investment.

Mention the direct and indirect factors that affect the growth prospects

Separately

Like global economy trends, political changes, demographics etc.

Factors that are critical for economy are:

1) capital output ratio :- it determines the efficiency of any capital assets.
2) Research and Developmental activities - to catch up the global demand.
3) Resource mobilization and healthy banking sectors

Apart from above, political stability, rationalization of tax, resource efficiency, skill development, sustainability plays an important role in building the economy of a nation

Q5. Demonetization was such a big shock to economy, that it affected almost every person and entity in economy? In the above context discuss the importance of maintaining appropriate money supply in correct denomination and explain, how a small mismatch in any can affect markets? (12.5 Marks)

Demonetization was carried out in order to tackle black money and corruption and cutoff terrorism funding.

It withdrew 87% of currency notes (by value) in circulation creating a vaccum in the economy without any viable alternative.

India is heavily dependent on cash for running its economy.

- More than 90% of the transactions in India are done in cash mode.
- Informal economy are wholly dependant on cash for their transaction.
- More than 60% of Indian people live in villages who have no other modes of transaction.
- More than 95% of the Indian people are digitally illiterate with no access to digital banking.
- Small producers, shopkeepers, workers, fishermen who constitute majority of the workforce are heavily dependant on cash.

3

Also some positive impacts like in short term it has reduced circulation of fake currency, better income tax and boosted digital economy

Thus it is required to maintain currency in proper denomination for smooth flow of Indian economy.

- Introduction of Rs 2000 notes to fill the vacuum resulted in 'no change' phenomenon.
- Majority of Indian transaction were taking place in Rs 500 denomination, demonetization left with no other nearest alternative.
- Inadequate supply of Rs 100 note created havoc in the people disincentivising them to spend more.

It brought the economy to a complete stop with people reducing their expenditure, businessmen closing their shops, workers quitting their job etc.

Hence it is critical for an economy to provide for the transaction which the people are used to. Any transformation must be slow and gradual.

mention the impact like Gold Sales, SMEs, transport, opinion, restaurants, real estate impacted

Q6. The Indian Economy has a peculiar feature that while the banking sector is not growing well and is affected by high NPAs; the stocks of banking firms are stable and Indian Economy hasn't faced any banking runs or crisis in recent years. Examine. (12.5 Marks)

Indian economy has made 'tryst with destiny'. The economy of India is peculiar in terms of development, Purchasing power parity and banking sector is not an exception.

Economic Survey 2017-18 pointed of the term 'Decoupling of Indian economy and dualities in Indian economy suggesting that while rest of the world followed a tradition India was 'unique'

India has one of the highest NPAs rising to 20% in the PSB banks. Though Indian economy has not faced critical challenges because.

1) Efficiency of capital assets - the productivity of the infrastructure is high helping the economy to run smoothly.

2) India's borrowing from International markets through ADR receipts, Stock markets, commercial papers.

3) Increase in the FDI inflows Ex:- There has been increase of 21% of FDI inflows after

2

Firstly define what is NPA's.

You should have explained how NPA's effects the banking sector.

Show macroeconomic outlook of the country.

government liberalized FDI norms.

4) NRI deposits has seen a rapid increase anticipating hike in interest rate since 2014.

5) Government commitment towards privatization, liberalization has decreased the dependence on the Indian banking sector.

With the announcement of Insolvency and Bankruptcy code, recapitalization of PSB's, reformation in the banking sector (Indhradhanush) have contributed to decrease in twin balance sheet (TBS) problems. The govt

[illegible] Indian bad loans that was reflected in the Economic Survey [illegible].

Q7. **The structural issues of Indian Economy have not been properly addressed despite more than 2 decades of reforms? Comment and Identify major areas which have not been reformed despite reasonable reforms in other areas, such as taxation and banking?** (12.5 Marks)

4.5

Indian economy underwent a major transformation with the LPG reforms of 1991. It was aimed at increasing growth, private investment, privatisation, liberalizing FDI policy to achieve the desired target of growth.

Despite overcoming 'Hindu rate of growth' India has not been able to attain its full potential due to lack of implementation of 2nd and 3rd generation reforms. The reforms are needed in

1) Rationalization of taxation system- The India is one among the few countries which has higher tax rate but low tax base.
Ex:- only 6.21 crores of Income tax filers are registered in the country

Economic Survey pointed out, that Indian states get only 6% of their revenue from direct tax sources.

2) Banking sector- high Non Performing Assets and Twin balance sheet problems hinders the activity of banking sector.
Ex:- IDBI bank has NPAs over 30%.

3) Infrastructural bottlenecks :- Inefficiency in productive capacity, underdevelopment of logistics sector, higher freight rates, hinders the manufacturing sector.
Ex: Indian railway freight rates is highest in the world.

4) Lack of skill development, illiteracy.

5) Despite liberalization and privatization, India has not come out of the mentality of 'Inspector raj' and 'Red tape' phenomenon.

6) Technological constraints.

India needs to go a long way by providing capacity building opportunities, rationalising the tax rates and investing in technology and development to attain the path of developed countries.

Q8. Examine the major reasons behind the decline in Current Account Deficit of India? Do you think the present decline is sustainable; suggest reasons in support of your view? (12.5 Marks)

Current Account Deficit in simple words is when our imports exceeds our capability to export resulting in temporary mismatch of our trade balance.

India's current Account Deficit has never been zero or negative in the history of Indian economy with an exception in 2004-05. This is because India is heavily dependant on the imported goods due to lack of domestic manufacturing ability. In recent times, however, CAD has declined which can be attributed to many factors.

1) Decreased gold imports due to government announcements of Gold Monetization Scheme.
2) Decrease in import of oil and petroleum due to government increased expenditure towards more renewable source of energy.
Ex: National Solar Mission.
3) India's manufacturing ability in automobile and electronics have taken pace with its export destinations world over.
4) Global Economic Recovery after 2013-14, supporting India's exports.

Mention the reasons behind Indian CAD

1) ... FDI, FPI inflows

2) [illegible]

3

5) With India entering into FTA with various countries, India's capability has been hailed and its services sector has now got wider market.

The decrease in current Account Deficit is not attributed to any one factor. However it can be made sustainable if the external and internal conditions remains the same. Ex:- Absence of political turmoil in mid-east, global economic growth in external sector. FDI inflows, political stability, resource efficiency, skill development, technological advancement etc in internal sector.

Q9. India has claimed it has been treated unfairly by the international credit rating agencies and despite strong macro-economic fundamentals, its rating is poor? Examine with help of data? (12.5 Marks)

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Q10. What are the main components of the third generation of economic reforms? What are the challenges to third generation economic reforms? Enlist the government initiatives to realize the goals of third generation economic reforms. (12.5 Marks)

Third generation economic reforms pertains to Liberalization of taxation system, strengthening banking sector, reducing NPAs, liberalising FDI policy, Technological revolution and building infrastructure.

~~The challenges pertaining to achieve 3rd generation economic reforms are:~~

~~1- Mismatch in revenue collection.~~

~~2) Domestic economy including employment, production capacity.~~

The challenges to 3rd generation economic reforms and government initiative to tackle them are:

1) Tax system. India has one of the highest direct tax rate pertaining to 30% of the income. However, it has only 5% of tax paying citizens. To solve Recently, Finance minister announced reduction of corporate tax to 25% without altering of income tax rates

2) Banking system. it is suffering from high NPAs, high default rate and workforce inefficiency. Government has announced recapitalization package of 2.11 lakh crore.

Remarks:

adding two examples of credit rating will health indicator of FDI 131st rank by India add up your score!

Tax, ... 2nd ... 2.5

introduction ... 1st, 2nd, 3rd generation reforms ...

1st generation ... 1991 ... 1) LPG, privatization of banks.

2nd generation ... 1996 ... 1) broadening of tax base 2) ...

3rd generation ... 1) competitive federalism 2) Global competitiveness 3) producing world class infrastructure, including human capital, innovation mention the recomm... ... of the Kelkar commission ...

3) Private sector and enterprises - India's private sector problem is considered as 'Chakravyuha problem' ... of

→ Government has announced Insolvency code to ease the process of exit.

4) FDI Liberalising FDI policies, privatization of ailing companies

- 100% FDI in food sector, FDI in multi brand retail sector etc.

- government has also expressed intent to privatise Air India.

5) Infrastructural development

- Bharatmala and Sagarmala projects

6) Technological and skill development

- Pradhan Mantri Kaushal vikas yojana.

Mention two more Govt initiatives ... Infrastructure development like Digital India mission, RTE etc, MGNREGA, rural electrification

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Q11. What are the major problems facing the Indian economy despite being the fastest growing G-20 economy? In assessing the medium-term prospects of the Indian economy, which internal and external factors need to be re ckoned with? Suggest steps through which India can achieve double digit growth in the long run. (12.5 Marks)

3

Indian economy has 'dual' feature. one one hand it is the fastest growing major economy. on the other it is struggling with basic economic constraints.

The major problems affecting Indian economy are:-

1) Lack of manufacturing ability
2) Saving Non Performing assets
3) Infrastructural backwardness.
4) Lack of inclusive growth
5) Disguised employment & unemployment.
6) Much dependence on agriculture.
7) Technological constraints.
8) Lack of skill development and illiteracy. etc.

In order to achieve the medium term growth, it is important to address the following challenges with appropriate measures:-

Internal:

1) Reducing creation of NPA's
- Insolvency and Bankruptcy code
- Informed credit delivery.
- Recapitalization, Bad bank.

You mentioned about the problem. It will be better if you also mention about the causes for the problems.

Such as
1) Rising NPA in banking sector
2) Change Government
3) GST and its implementation
4) Loan waiver by the state govt.

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2) Liberalising FDI
- providing world class infrastructure
- rationalization of tax base & tax rate.
- National treatment
- Good governance & Transparency.

3) Increasing manufacturing ability
- skill development · basic infrastructure
- incentivising labour intensive industries

External sector :-
- Finding attractive destination for exports.
- overseas investments · Free Trade Agreements.
- Protecting its interest at WTO.
- Supporting liberal trade policy

1) Increasing health and sanitation facilities
2) Focus on marginalized sections of society
3) Investing in improving the skill among the people and creating employment
4) Implementation of 4S in spirit

mention the MDG goals to

Q12. Discuss about the major inflationary trends in India? What explains current low consumer and wholesale price indices in India? Why negative WPI is not a good indicator for an economy? (12.5 Marks)

Inflation is defined as the rate of change of prices of certain basket of commodities calculated in a specific term of the year with respect to base year.

Indian inflationary trend is calculated mainly by using 2 criterias
1) Consumer Price Inflation Index (CPI)
2) Wholesale Price Index (WPI)

The CPI during April 2018 stood at 3.2% whereas WPI during the same period was 1.7%.

Indian inflationary trend is model which can be attributed for:
1) Agricultural growth - with no drought year in any major part of India, agricultural productivity was been to relative normal.
2) Reduction in oil prices - with the exploration of shale gas revolution and decrease in demand in China, oil prices have been low.
3) Increased exports - with the recovery of global economy and increased FDI inflows.
4) Fiscal Regime consolidation and modest interest rates have brought discipline in expenditure.

3

adding the inflationary trend mentioned in Economic Survey from period to period will benefit your answer

Mention the steps taken by govt to check the inflation while low inflation is a welcome move, but zero or negative WPI would be dangerous to the healthy running of an economy because:

1) Recessionary trend - a negative inflation is a sign of recession with decreased economic activity.
2) Decreases income - recession decreases the disposable income of the people.
3) Brings investment and manufacturing activity to halt.
4) Reduces interest rates and FDI inflows

overall, negative inflation is may result into liquidity trap reducing the confidence of the investors, individuals and workers to work as the ailing economy provides no incentive for investment.

Q13. What are the major determinants of FDI? Discuss the recent trends of FDI inflow in India? Why has India become one of the major destinations of global FDI? Critically examine the structure and direction of FDI in India? (12.5 Marks)

The major determinants of FDI are:-
1) Large domestic market 2) Political stability.
3) Infrastructural development.
4) Local pool of currency 5) Skilled workers.
6) Good governance and transparency.
7) Liberal market policies

- After the LPG Reforms of India in 1991, India witnessed a surge in FDI inflows reaching an all time high of in 2004-05.
- Majority of the FDI inflows were routed towards capital intensive sectors neglecting labour intensive sectors like apparels & textiles, footwears etc.
- As a result, India's ability in automobile, telecom industry, power sector and capital market increased.
- Period between 2008-14 witnessed a slow down in FDI due to global Economic slowdown in 2008 (US Financial crisis)
- However, with the commitment of the government to increase investment, restructuring FDI policies, opening major sectors for automatic approval route (except 5 sectors), FDI has seen an

Explain the definition of FDI

Year to perfect

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increase of 28% in 2016-17 compared to prev 2014.

India has been the attractive destination for FDI. The reasons are:-

1) Liberalised FDI policies ex: 100% FDI under automatic route
2) Initiatives like Red carpet for Japans and Korea cell investors
3) cheap and Affordable labour increasing productive efficiency.
4) Political and financial stability. Ex. Absence of India's invulnerability to 2008 crisis
5) Slowing China's economy and raising labour costs
6) Infrastructural and technological advancements.

For mention main reason i.e. huge FDI's in Indian as it has been the fastest growing economy

Way forward:-

India has achieved the title of fastest growing G-20 economy bypassing China. The economic reforms must be followed by skill development, infrastructural and technological advancement to keep the economy growing in sustainable manner.

Q14. What do you mean by precautious and cleavage India? Chart out the desirable vision for India that is democratic, poor and unequal. (12.5 Marks)

The Economic Survey 2016-17 has called India as 'Precautiony and cleavaged', considering India's policy towards economic and social sector along with prevailing social condition in the country.

4.5

Precautiony India :-

- India has been hesitant towards opening its economy and integrating with global econonomy.
- over emphasis towards social sector development rather than economic.
- State assuming the responsibility to foster growth as well as development.
- affinity towards socialism.

cleavaged India :

- Indian society is stratified, economically and socially
- Intra-regional and inter-regional disparities between and within Indian states.
- mounting inequalities among different sectors of category of Indian people.
- Lack of unity in diversity.

India has played 'Tryst with destiny' with the adoption of universal Adult Franchise (UAF) in 1950. Critics argue that India has compromised economic development because of mass democracy. However, democracy has been the pre-requisite of any inclusive development vision for prosperous, egalitarian and developed new India.

add two more points

1) Bridging the inequality - through education, employment opportunities, providing basic facilities, promoting labour intensive sector. Rationalization of tax rates, increasing tax base.

2) Foreign policy

3) Social

2) Infrastructural development - boosting projects like Sagarmala, Bharatmala, Special Economic Zones, coastal Economic corridors.

3) Improving governance and accountability :- RTI, social audit, citizen charters, Red carpet

Way forward:
Traditional method to top-down or trickle down approach has failed to achieve desirable outcome. The need of the hour is to development by the masses of the masses

Q15. How is Basel-III different from Basel I & II? What are the implications of Basel-III for the Indian banking sector? Is it advisable for India to adopt tough prudential norms for banking sector at this juncture of its development? (12.5 Marks)

Q16. What are the reasons behind NITI Ayog replacing the Planning Commission? Has NITI Ayog made any difference? Evaluate. (12.5 Marks)

Niti aayog has replace exclusive extra constitutional, non-statutory Planning commission because of the inability of the commission to adapt to changing requirement.

1) Lack of representation by the states.
2) centralizing tendency and authoritative attitude of the commission.
3) No representation by the private players, especially.
4) Discretionary grants which were sometimes politically motivated.
5) distinction between plan and nonplan expenditures leading to neglect to continuity in the schemes and programs.
6) No accountability to the Parliament.

Niti aayog has been created as the apex policy formulation body with the mandate of providing advice to the union government.

- It has provided representation to states and promoted cooperative federalism.
- It is only advisory body, while the implementation is left to the central government.

Remarks

3

Distinguish them in tabular form

Mention about SETU programme

- Provides platforms for the private players and recognise them as the partner in the developmental process.
- Its roles is purely restricted to innovate policies to transform India.

Evaluation of Niti Aayog:-

- It has been highly praised for the adoption of cooperative federalism. Now states are placed at equal level with centre.
- Some of the innovations like Atal Innovation Mission Development of Indicators like Ease of doing business has promoted economic development.

Way forward:-

Federal India needs to be given autonomy to the states in order to achieve bottom up approach. Niti Aayog is one such measure to achieve a truly federal character acknowledging that 'one size does not fit for all'.

Q17. Examine the recommendations of the 14th Finance Commission in the context of competitive federalism in India. Is there any incentive for competitive federalism in the Commission's report? (12.5 Marks)

Finance commission is a constitutional body created by the President u/A 280 of the constitution. It is constituted once in every five years with the mandate of recommending manner of devolution of statutory grants by the centre to the states.

14th Finance commission submitted its report in 2015 with following recommendation

1) The centre should devolve 42% of central revenue to the states increasing 10% from the previous 32% of central revenue.

2) States to get fiscal independence - states are free to prioritise their expenditure based on the local requirements without being dictated by the centre.

3) central sector schemes - can be modified by the state governments and monitor the implementation on their own.

4) Forest cover - inclusion of forest cover as the criteria for devolving the fund incentivises states to undertake afforestation measures.

It has also recommended that India is transforming from competitive cooperative to competitive federalism.

mention 14th finance commission's work for competitive federalism.

4.5

competitive federalism is the states competing with the centre and among other states for attracting investment. It is the competition to develop India.

- The report provides for the state to develop and prioritize their own policies for development.

However, competitive federalism will lead to inequalities as states have not placed in equal platform.

- Many of the investments will be cornered by already developed states.
  Ex: Maharashtra, Gujarat.
- Elimination of Backward Area Grants will hit those states which were dependent on this. Ex: Bihar got almost 30% weightage under this grant.
- debt ridden backward states will be perceived as unattractive.
- India is a cleavaged society, a divide between western societies in terms of geography, history, entrepreneurship, capital will be hindrance for competitive federalism

Q18. In the wake of falling savings and investment, dwindling GDP, and sluggish global economy, should India continue strict fiscal consolidation? Give arguments. (12.5 Marks)

Remarks

Q19. What are the main features and advantages of GST? Why the Indian format of GST is considered to be full of anomalies and a half-baked tax reform by the critics? (12.5 Marks)

4

India rolled out one of the major Tax Reforms ie the implementation of Goods and Service Tax rolled under the slogan 'one nation, one market, one tax' on the mid night of July 1, 2017.

The main features and advantages are:

Briefly describe which all taxes have been subsumed under GST

1) one tax system all over the India - this increases the market for the produce with the same price throughout the country

2) Eliminates cascading effect of tax - its policy of Input Tax credit provides input credits to retailers along the supply chain

3) Eliminates interstate barriers - interstate movement of goods becomes easier with the payment of one time IGST.

like VAT, Entertainment tax, Central Sales Tax, Octroi, Excise tax etc.

4) Destination based tax: the final tax is borne by the consumer eliminating the tax evasion by the producers.

5) Grow Increases exports - as exporters are provided with credits to offset the taxes

6) Simplification of tax results in easy compliance and increased tax revenue.

However, Indian system of GST is unique in the world with many abnormality including:-

1) Multiple tax rates:- at present such tax are applied at the rate of 5%, 9%, 18%, 28% which is the Indian innovation to suit its requirements.

2) Exempted goods:- some goods like alcohol, cigarette and real estate are exempted from tax net.
Also those goods which value below the eligible criteria are exempted from GST

3) Compensation cess:- even though GST subsumed multiple taxes and cess, various forms of cess on luxury goods have risen.

However, India cannot blindly adopt global model of GST which differs with the domestic requirements. India has always adopted the policies to suit its varied and diversified interest and GST is not an exemption

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Q20. Entrepreneurship is necessary for economic growth, the biggest example, is the difference between Eastern and Western India, both regions have very different levels of prosperity mainly due to difference in entrepreneurial zeal among people? (12.5 Marks)

Entrepreneurship is the critical component of economic development involving investment, innovation and risk factor compiling for the market by increasing the production efficiency.

India has a cultural, social, economical divide between eastern and western regions. Entrepreneurship is a combination of various factors. The criteria for entrepreneurship include

1) Geography - eastern India consists of plains which is suitable for agriculture and North eastern India is hilly area with traditional attitude against modern development.

2) Land Revenue system - The places like Bihar and Uttar Pradesh witness landlords and bullock-cart capitalists, where as western India witness small and medium entrepreneurs.

3) Population and Literacy factors - education in technical and technical education and vocational training are basic requirements to boost the confidence in entrepreneurship.

mention the difference between western & eastern India

explain how entrepreneurship helps in development

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Remarks