

## INDIAN ECONOMY & INTERNAL SECURITY

Time Allowed: 3 hrs.

Max. Marks: 250

Q.	Marks	Instructions to Candidate
1.		<ul style="list-style-type: none"><li>• There are <b>20 questions</b>.</li><li>• All questions are compulsory.</li><li>• The number of marks carried by a question is indicated against it.</li><li>• Answers to questions no. 1 to 10 should be in 150 words, whereas answers to questions no. 11 to 20 should be in 250 words.</li><li>• Keep the word limit indicated in the questions in mind.</li><li>• Answers must be written within the space provided.</li><li>• Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.</li></ul>
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97

Name CHANDRIMA ATTRI

Roll No. \_\_\_\_\_

Mobile No. \_\_\_\_\_

Date \_\_\_\_\_

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# REMARKS

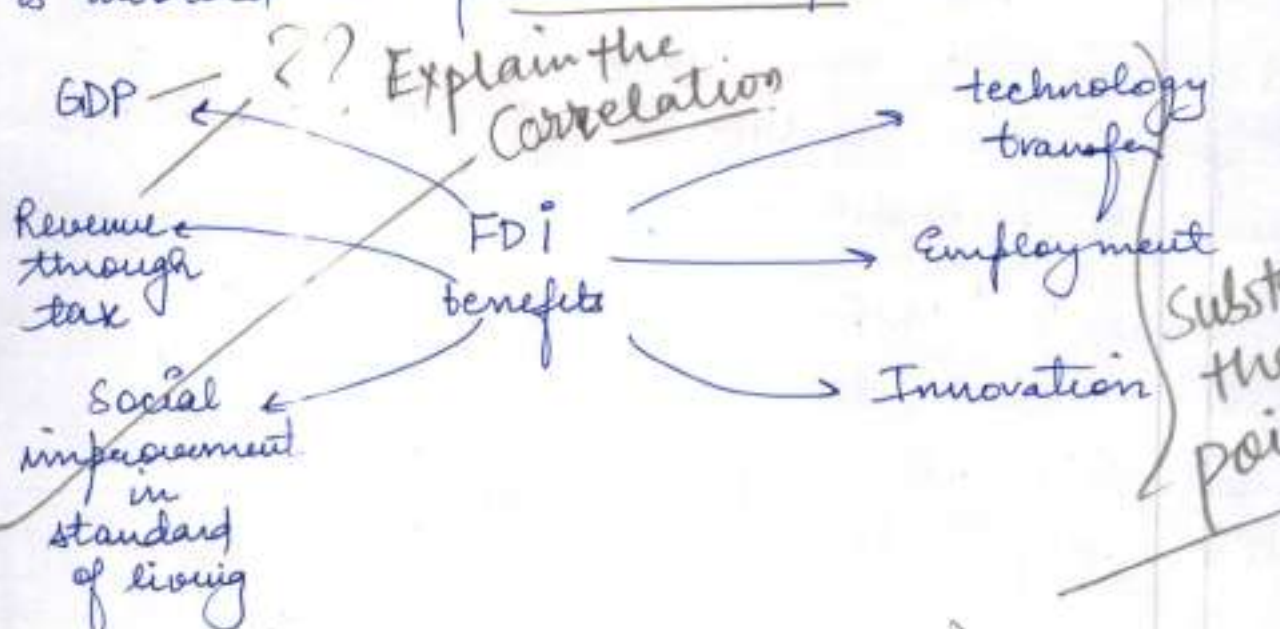
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Section - A

Q1. Foreign Direct Investment helps to increase the investment level and thereby income and employment in the recipient country. However, on the flip side, it can also reduce internal resilience of the domestic economy. Comment. (10 Marks)

FDI (foreign direct investment) is the investment made in the domestic economy by foreign company where it takes up manufacturing at the domestic level. is different from FII (foreign institutional investment) where no capital investment is involved in production process.

*App and relevant intro*



*Substantiate these points*

Although the benefits of FDI are immense, yet it might lead to certain internal } Can simply use } subheaders } Challenges of FDI } deviations.

(1) FDI provides temporary benefits but crowd out domestic industries in the

Remarks

long run.

- 2) Domestic manufacturers are rendered uncompetitive.
- 3) MNCs might resort to exploitative labour practices in developing countries where cheap labour is available.
- 4) Environmental degradation as most FDI is done to avoid stricter regulations in developed world.

Thus, though FDI is essential in increasing economic growth but to keep growth sustainable, other policies must be formulated.

India's 'Make in India' program and thrust to MSMEs and rural industries are steps in the right direction.

4 1/2

Q2. When technological progress takes place, it calls for new type of skills to handle new technologies effectively. But when the rate of new skill formation lacks in keeping pace with new technologies, it results in surplus labour specialized in older skills. To what extent will this impinge upon Industry 4.0's success? Analyse. (10 Marks)

In the age of technological revolution, where industry 4.0 is hinging on new development of Artificial intelligence, machine learning, Blockchain, Internet of things etc, new skills are desperately needed.

Skills upgradation has to go hand in hand with technology revolution. Government of India has launched "SKILL INDIA MISSION", "PM Kaushal Vikas Yojana" and industry - academia tieups.

While these are commendable, to capitalise on Industry 4.0's ideas, other skill alternatives have to be provided like—

- (1) On the job training
- (2) Research and development promotion in higher education institution.
- (3) Collaboration with advanced economies.
- (4) Incubation labs and investment in

Remarks

new technologies.

If skills sets are not upgraded, the potential offered by Industry 4.0 will be a lost opportunity.

Also show the success of Industry 4.0 depends on skill development of the workforce. To enter into the club of advanced, high-end technology driven economic superpowers, India has to first train its manpower to match the level of technology driving industry 4.0.

The governmental programs are there to push us through. We just need a more focussed target setting and domain specific working groups.

Prioritise the schemes in this section.

④

Q3. A contraction in manufacturing output, especially in the sensitive capital and consumer goods segment, pulls down industrial growth. Examine their impact on Make in India programme. (10 Marks)

The capital goods and the consumer goods segments are two important branches of Indian manufacturing. The former directly impacts supply chains across sectors further contracting output while the latter is a measure of weak consumer demand and sluggishness in the economy.

*Clearly define capital & consumer goods*

"Make in India" program incentivises indigenous production and import substitution. It leads to increased employment, rural development, urbanisation, and growth of industrial base particularly the MSMEs and the SMEs sector.

When the capital goods and consumer goods segment suffers a contraction, it directly affects "Make in India" achievements of its goals.

*Substantiate How.*

Though the contraction could be due

Remarks

to many external as well as internal factors, it affects the CONSUMER SENTIMENT and the BUSINESS CONFIDENCE in the market.

provide lines b/w mfg and slow industrial growth

low  
\* manufacturing holds the key to job creation amidst saturation in agriculture and services, any contraction jeopardises the future of employees.

Thus, RBI and government should infuse dynamism in the economy by going for investment and monetary policy tweaks.

3 1/2



Q4. Trends in the labour force participation rate and unemployment do not reflect social or economic mobility. What do you make out of this statement? Analyse with reference to the recent labour force participation rate data. (10 Marks)

The current confusion regarding unemployment as brought to light by PLFS (Periodic labour force survey) has generated a debate on the nature of unemployment in India.

The current 'unemployment' is more of EDUCATED unemployment. Unemployment in our country is not necessarily a marker of SOCIAL/ECONOMIC mobility. In a country passing through a phase of demographic dividend where majority of population is in (15-59) age bracket, unemployment tends to dispel the good vibes.

Yet, if we analyse the data, we find that people are unemployed ~~to~~ not due to unavailability of jobs but due to lack of expected jobs matching their aspirations.

Good, that you have indeed it with quality of 'jobs' in India. Also mention different facts/figures from the reports.

Remarks

The mobility in education has increased the expectations of youth

Similarly, women's labour force participation rate is meagre 23% as compared to 77.3% for men. This is also not necessarily linked to social mobility as well-off women choose to ~~let~~ let go of work in exchange of familial duties. Still, it speaks volumes about female empowerment and independence.

4 Hence, the unemployment in India is a complex issue and there is a need for more formalisation of economy and creation of well paid jobs in organised sector.

Analyse  
the LFPR  
of Urban vs  
Rural areas as  
well.

Q5. The "paradox of economic growth" is where the economy grows but so does income inequality. Analyse the statement with reference to the latest report released by Oxfam.

(10 Marks)

As per Oxfam, 1% of people in India own 53% of national wealth. This speaks of the "PARADOX of ECONOMIC GROWTH" which has created islands of prosperity in oceans of poverty.

Globalisation-led growth has led to a division between haves and have nots. New disruptive technologies like automation, robotics has led to loss of jobs for some and increase in profits for some.

The growth has not trickled down to the bottom of the pyramid and the welfare policies of the government have been insufficient.

To create a balanced picture and promote social harmony, governments must invest in social justice and establish

well introduced

Mention to explain increase in inequality with growth

growth rate

Remarks

regulations for profit-seeking individuals and MNCs.

Only through upholding the constitutional directives can we really create an equitable and just society.

2.5

Kindly  
 Discuss more  
 causes and then  
 also provide some  
 relevant suggestions  
 to reduce inequality.

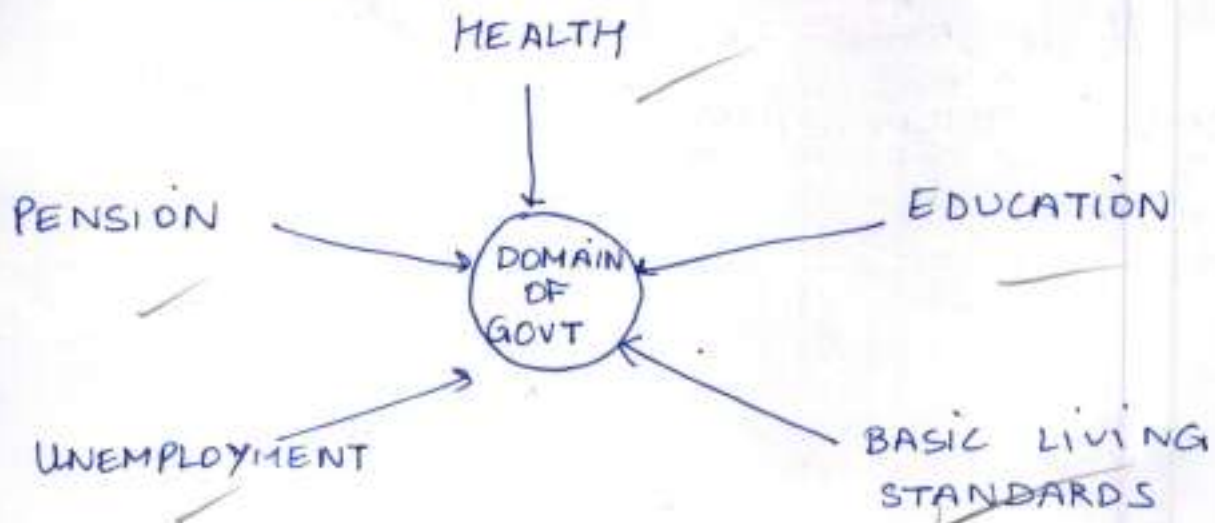
Agriculture  
 Disamen,  
 Regressive  
 taxation,  
 Evasion etc

Q6. Limited access to social security (especially health and pensions) and reduced state contributions in social sector are primary reasons behind high incidence and prevalence of poverty. Comment. (10 Marks)

Poverty can be defined as deprivations or lack of capacity leading to inability to access food, water, energy, education, health etc. - Basic Necessities.

Amartya Sen defined development as "freedom" where people have freedom to fulfill their NEEDS.

The role of the government in uplifting the people out of poverty is of utmost importance as it is the provider of basic social deliverables.



As these indicators cannot be provided by private sector at affordable cost,

Remarks

they become the primary responsibility of government.

India has very poor or low share of investment in health and education leading to poor outcomes and hence perpetuating the poverty cycle.

The current government's thrust on National education policy, Ayushman Bharat, Shram yoji maudhan (pension) etc. ~~are~~ have given hopes to millions of deprived people who are living on margins.

It is time to fulfill the constitutional promise made to our forefathers.

Also - Discuss why state contributions are not sufficient in India

- Low Capacity
- High Population etc

Q7. Majority of the Indian states financial position appears to be somewhat stretched. Both the fiscal deficit and the debt to GDP ratio of the states look problematic. Analyse the stand taken by 15<sup>th</sup> Finance Commission and critically evaluate its potential operational effectiveness. (10 Marks)

The "fiscal federalism" of India is a complex exercise which is carried out by finance commission every 5 years.

The fiscal deficit and debt to GDP ratio of states is problematic as they don't have independent sources of revenue and often depend on central grants and concessions.

Many states have also gone for populist expenditure like loan waiver by UP, MP, Punjab etc, distribution of laptops by UP and other financially unviable initiatives.

Even implementation of 7th pay have impacted the states adversely. So to keep a tab on states, 15<sup>th</sup> finance commission has introduced following measures.

- 1) Performance-linked central grants.
- 2) Special category states to limited states.
- 3) More devolution to local bodies.

Remarks

These are ToRs set by the President for 15th FC.

Subpoor this argument by quoting relevant facts

It remains to be seen how much political will is shown by the states and the centre in setting the path of financial consolidation back on track.

Take  
 About  
 optional Revenue  
 Deficit grants and  
 other jobs as well not then  
 analyse its impacts.

(3)

Remarks



Q8. According to Fugitive Economic Offenders Ordinance, 2018, a fugitive is defined as someone who has left India to avoid criminal prosecution or who is already overseas and refuses to return to face the law. Taking a cue from the statement, differentiate between a Fugitive Economic Offender and a non-wilful defaulter. Also analyse steps taken both at domestic and global level to eliminate such loopholes. (10 Marks)

A fugitive economic offender is one who wilfully absconds to a foreign territory to avoid prosecution under domestic laws. On the other hand, a non-wilful defaulter is one who defaults either due to bankruptcy i.e failure of business or due to other non-voluntary reasons.

At the domestic level, fugitive economic offenders bill was drafted which provided provisions of confiscation of all assets of the absconder including foreign holdings. This would act as a deterrent.

→ Simplification of extradition process would also help the authorities in timely prosecution. For this, bilateral treaties must be signed with other countries.

Remarks

At the international level, many international organisations exist such as FATF (financial action task force), Interpol (International Police) etc which issue notices to such defaulters.

Recently, Interpol issued a notice against Mehul Choksi.

Hence, a collaborated initiative must be pursued to tackle the problem.

Mention more steps taken at National level and then write illustrations of these steps as well (Esp. of FEOA)

A

Q9. Has Anti-India sentiments in Nepal and Bangladesh provided a fertile ground for non-state actors to wage a proxy war against India, utilizing these two land frontiers? How should India attempt to eliminate this peril? (10 Marks)

Nepal and Bangladesh are two regional neighbours which with whom we have cultural linkages.

We share the largest borders with Bangladesh. Due to riverine topography, most of the border remains unfenced. Hence, problems of illegal migration, narcotic and human trafficking and illegal activities remain rampant.

Let explain the factors responsible for rise in Anti-India sentiment

Bangladesh is also home to many terrorist non-state actors which poses a risk to our security.

Similarly, Nepal shares a marshy border with Indian states of UP and Bihar. This has also provided refuge to Indian criminals who regularly cross the border to avoid prosecution.

To tackle this problem, we need to take following steps →

Mention some steps already taken by Govt. in brief

Remarks

- ① Border fencing and physical infrastructure
- ② Surveillance and Patrolling [Joint patrolling]
- ③ Use of sensors under water.
- ④ Deportation of criminals before they establish themselves in society.
- ⑤ Technological solutions for managing border movements eg. e-haats etc. Proper registration of legal activities.

To secure our frontiers, we need a major overhaul of our border management. As the security of our country and its people cannot be ignored at any cost, we must come up with innovative solutions in a fast track manner.

3

Emphasise more upon the friendship of Neighbourhood Policy. S. and Anti-India sentiments can be curbed, when only write the above measures.

Remarks

Q10. It is estimated that about 15 to 18 million illegal Bangladeshi immigrants are in India, who are spread all over the North Eastern States. Critically examine the risk factor the situation brings with it. (10 Marks)

The north east India provides a unique set of challenges as it is a mix of many elements -

- ① Ethnic diversity
- ② Resource rich
- ③ Difficult ~~terrain~~ terrain
- ④ International border

proximity - Bangladesh, China, Bhutan and Myanmar.

- ⑤ Insurgency and secessionist trends.

Out of all these issues, the current ongoing NRC (National register of citizens) exercise to weed out Bangladeshi immigrants who came after 1947 (March) has fuelled another crisis in the region.

The ~~above~~ dearth of foreign tribunals and EXCLUSION errors have aggravated the issue. The government has cited SECURITY concerns as reason for deporting these illegal immigrants as they have connections to terrorist organisations in the region.

Better, if you add the reason for non-Bangladeshi immigrants

Remarks

of Cyn only see mentioned with Rohingyas issues

At the same time, civil society networks have called for humanitarian viewpoint and not deport the migrants until their safety is assured.

The government has taken a similar stand on Rohingyas facing ethnic cleansing in home state of Rakhine, Myanmar.

In such a complex situation, the government must stay away from any extreme stance and consider the implications of such an action in advance. Domestic fears among the people of northeast which largely stem from inadequate social and economic opportunities and isolation from mainland must be addressed on a war footing.

32

Discuss more issues associated with illegal immigration and then also suggest more relevant measures as way ahead. Bilateral talks, of visa norms etc.

## Section - B

Q11. The diagnosis of worsening Non-Performing Assets (NPAs) reveals five different causes. Analyse these causes and suggest fiscal stimulus and reformatory measures to clean up the underlying reasons for drought in Credit mechanism. (15 Marks)

The investment cycle of our economy has been jammed due to TWIN BALANCE SHEET syndrome highlighted by economic survey. Banks are grappling with rising NPAs and companies are unable to pay debt, thus creating a vicious cycle.

NPAs were brought to light after Asset Quality Review process initiated by RBI in 2015. Since then, many banks were put into PROMPT CORRECTIVE ACTION category to solve the crisis.

There are major 5 causes of this growth in NPAs —

- (1) Boom cycle of 2004-2012, mainly in infrastructure lending, when banks extended credit aggressively.
- (2) Poor governance - Banks failed to keep a tab on their worsening balance sheets. Many even tried to hide this fact.
- (3) Regulatory deficit - RBI also, prior to 2015, failed to uncover the hideous issue.

Remarks

- (4) Delays and cost overruns in infrastructure leading to payment failures.
- (5) Distress in other sectors such as power Discoms aggravated the problem.

Hence, lack of coherent government policy and regulation along with poor efficiency led to this pathetic scenario.

To get the banking sector back on-track especially the public sector, we must first follow the 3 Rs -



The government must take the following steps -

- (1) Putting the NPA - ridden banks into PCA framework.
- (2) Resolution of NPAs using IBC (Insolvency and Bankruptcy Code) proceedings with a time-limit.
- (3) ARCs (Asset reconstruction companies) can also



Also mention  
Improvement  
Quality  
Assessment

be employed.

- (4) Better regulatory framework for NBFCs given the recent IL & FS crisis. This would further add to the woes of NPAs.
- (5) Regulation of CREDIT RATING AGENCIES so that they provide fair information to banks for future lending.
- (6) Recapitalisation :- Government has announced Rs. 2,00,000 crore plan to thrust the banks to an upward trajectory.

Government is also planning to rework the governance structures by bringing in BBB (Bank Board Bureau) etc on the lines of PJ Nayak committee.

It is hoped that the proactive approach of government and RBI will soon put an end to the crisis and bring back the economy's dynamism.

Attempted very well, Can also suggest about Review of ownership structure of Banks.

7 1/2 / 15

Remarks

Q12. By diversifying the export basket, India's Foreign Trade Policy has tried to explore new markets and products, besides increasing India's share in its existing traditional domains. Analyse key features and operational effectiveness of Trade Policy 2015-2020.

(15 Marks)

India has a vast potential in terms of trade due to its diverse topography and hence potential for diverse products.

India's Foreign trade policy (2015-2020) aims to utilise this potential through structural changes as well as endeavours in new categories.

Traditionally, India's trade has been characterised by —

- 1) Export of agricultural products especially raw materials.
- 2) Export of generic pharmaceuticals.
- 3) Import of oil & gas :- India is an import dependent country for its energy security.
- 4) Export of gems & jewellery
- 5) Export of leather, cheap garments :- But this sector is fast losing competition to Bangladesh, Vietnam, Thailand etc.

Remarks

Thus, it is clear that the growing aspirations of Indian middle class with rise in incomes, is largely met through imports. This includes consumer products, gadgets (phones, laptops), etc.

Foreign Trade policy aims to bridge this deficit by promoting —

- (1) Electronics exports, which is also commensurate with "Make in India" policy and FAME 2.0 scheme.
- (2) Manufacturing of EVs (electric vehicles), solar panels, lithium batteries etc.
- (3) Export of energy especially renewables which is also aligned with India's promotion of International Solar Alliance, under "One world, One Sun, One grid" motto.
- (4) It also aims to bridge the trade deficits with countries like China and make exports more competitive. This is done through drawback duties and credit supply.
- (5) Special push is provided to MSMEs and SMEs category and creating a "BRAND INDIA".

Better talk about the export target set by

FTP

Remarks

Add scheme such as

MEIS  
SEIS  
FPS etc

To achieve these lofty objectives of FTP (2015-20), many structural changes would have to be made, such as —

- (a) Simplification of customs
- (b) Better standardisation and <sup>preventing</sup> delay in cargo handling time at ports.
- (c) Introduction of e-governance and ICT to reduce cost for exporters.
- (d) Collaboration with international export groups.

Thus, a holistic framework would go a long way in changing the face of India's export economy.

Other challenges:

- faster Negotiations of Regional trade agreements
- Protectionism of west etc.

5 1/2

Q13. Discuss India's export and import trade basket in light of deglobalization threats. Explore areas where India can chart out a new growth strategy. (15 Marks)

The world is witnessing a rising wave of protectionism or deglobalisation as seen in US-China trade war and Brexit.

The current slowdown in global growth is posing another challenge to future of globalisation.

This scenario presents a mixed bag for India. India has both opportunities as well as challenges and it will ultimately depend on how prepared we are as a nation.

The negative implications from deglobalisation for India are: —

- (1) Energy security at risk as Iran faces sanctions and Strait of Hormuz faces risk of conflict.
- (2) US has termed India "tariff king." It has warned that GSP (generalised system of preferences) and H1B visas would be curtailed to India. This would make exports expensive and even restrict entry into world's most prosperous market.

Good Point

Remarks

Outlier from GSP

31 → Mention some threats associated with European countries as well.

3) India also faces sanctions under US's CAATSA (Countering adversaries through sanctions act) if it trades with Russia or Iran.

Thus, India will be affected by aggressive stances of great powers. But India also has a special opportunity to explore other emerging avenues.

(1) Amid US-China trade war, India can fill the vacuum and supply goods and services to international economy.

(2) India can utilise "Act East policy" and trade with dynamic ASEAN countries. Example - RCEP (ASEAN+6) offers a great opportunity to reap the benefits of integration in a protectionist world.

(3) India can become a new leader of globalisation and promote open trade and sea lanes of communication. This would increase India's soft power.

Remarks

(4) India can look for newer markets such as EU and should chase fast finalisation of FTA with EU which has been going on since 2007.

(5) India should also increase its footprint in Africa where there is a huge potential. This would also promote South-South cooperation. India can provide medicines, food, basic equipments for poor sub-saharan economies.

7/15

Hence, all is not lost for globalisation and its future course. Emerging economies such as India, Japan, South Korea etc which have benefitted from globalisation should become new champions of integration and promote more trade and prosperity.

Conclude it better by talking about the need of strengthening WTO and other global institutions.

Q14. The WTO and the Doha Development Agenda has remained a white elephant which India and other developing nations have been trying hard to move around. What do you make out of this statement? What options are available to India in shaping effectiveness of WTO? (15 Marks)

WTO was established in 1995 as an international body responsible for free and fair trade between developed and developing countries.

WTO also works as a dispute settlement body. Its decisions are based on consensus and hence broad-based convergence is imperative for any forward movement.

There has been a division between developing and developed world on following issues —

(a) Subsidies - WTO classifies subsidies into 3 types - Amber, blue and green boxes. Developed world accuses developing countries including India of giving TRADE-DISTORTING subsidies to farmers.

(b) Public food stockholding - India and other developing countries issue MSP or support pricing for food procurement to feed poor. This is seen as unfair and distorting.

Remarks



① Developed world also offers INPUT subsidies which value more than what developing ones give to their farmers.

Doha Development Agenda, 2001 tried to iron out these thorny issues but there has been no conclusive solution till now. At doha, a PEACE CLAUSE was formulated which allowed developing countries like India to continue with food stockholding till final solution is arrived at.

At the latest Buenos Aires 2017 ministerial, unfortunately the talks could not be concluded and the process reached a stalemate.

Other new, conflictual issues have emerged such as e-commerce, fisheries, investment disputes, etc. Recently, Brazil has complained against India giving subsidy to its sugarcane growers.

Thus, the very existence of WTO is under question. It is necessary to take innovative steps to resolve the deadlock & bring WTO back to life.

Remarks

Mention  
 more  
 content  
 such a  
 IPR  
 Non-  
 Agriculture  
 Access

The options available for India are —

- (1) Building coalitions with developing countries like African countries of Burundi, Rwanda, Congo etc. Such a coalition has recently been formed.
- (2) Push for WTO reforms like changes in voting by majority instead of consensus.
- (3) Tactful negotiations and bargaining with developed countries and coming with WIN - WIN agreement.

Thus, the only option is to take control of the problem and devising new tools to sail past roadblocks. Ignorance will take us nowhere.

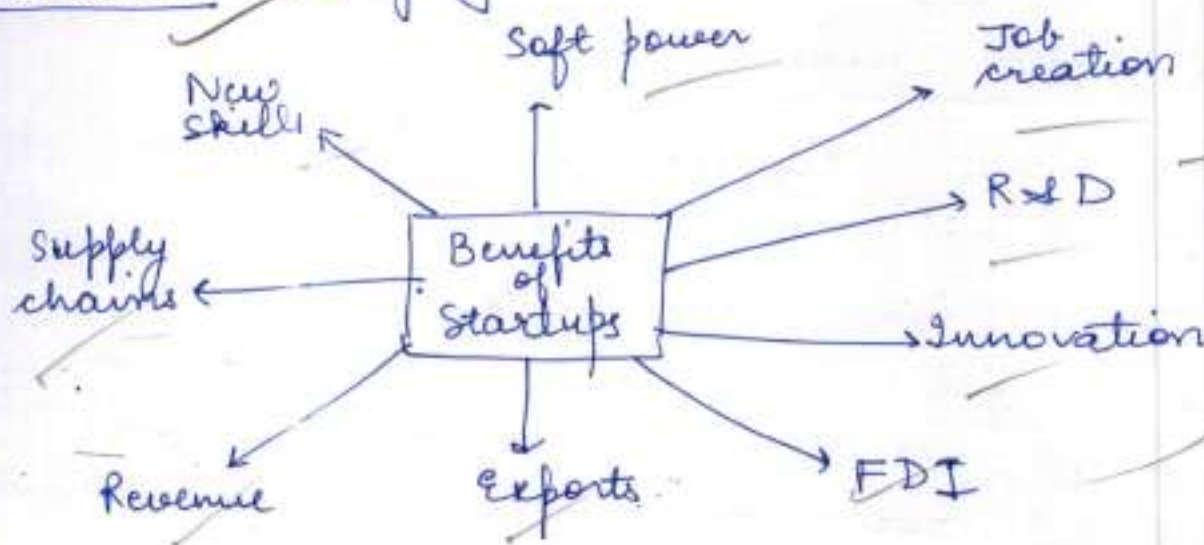
Will attempt.  
 Can also suggest to give more emphasis upon faster negotiation of FTAs etc.

7

Q15. As start-ups turn out to be a major source of revenue and employment, governments from across the world have been going out of their way to facilitate the entrepreneurial dream. Discuss the role played by angel investors and government support in felicitating the Start-up growth story. (15 Marks)

Startups bring innovation and mercurial entrepreneurship to the economy. It is not just a major source of revenue and employment but it gives new dynamism and vibrancy to the economy.

India is world's 3<sup>rd</sup> largest startup ecosystem with majority of them in app development, software and consumer services category.



India has been promoting the "STARTUP CULTURE" through schemes such as Start up India, Stand up India and "Ease of doing Business" promotion.

Remarks

The major component of any startup is FINANCE which is serviced through —

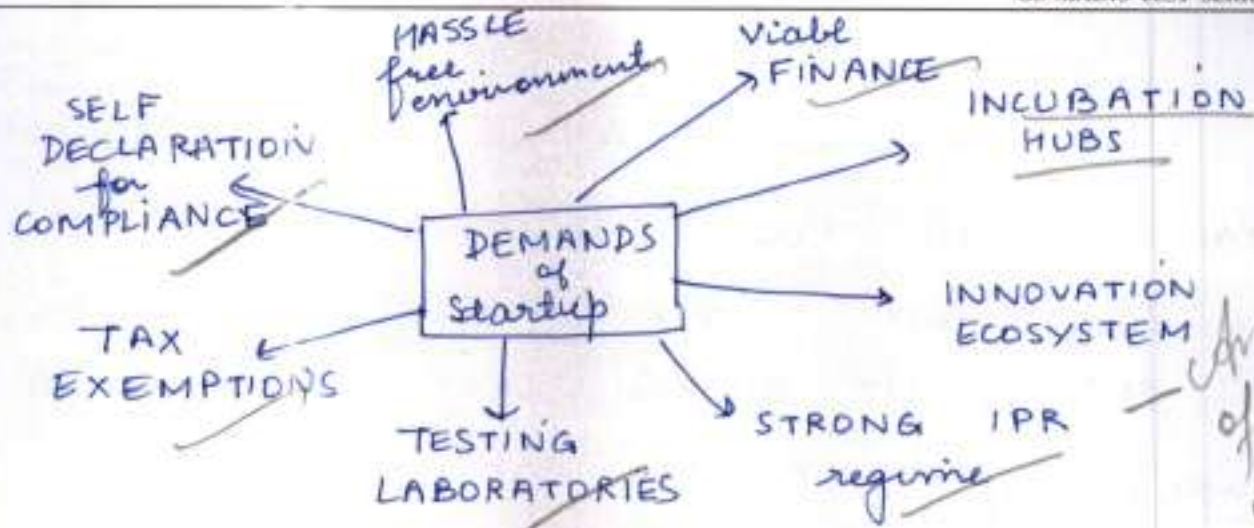
- ① Angel Investors —
- ② Venture Capitalists —
- ③ Debt and equity instruments —
- ④ Public funding —

Angel investors are high net worth individuals who fund a startup based on its innovation and new age ideas. Unlike Venture capitalists, angel investors do not acquire any stake in the ownership. They invest in startups due to their own brand promotion.

Angel investors provide more than just finance — Elaborate - 10 marks

The recent controversy surrounding "ANGEL TAX", thus, created huge spur in the business community as it could deter angel investment. The government has, thus, acceded to the demands and eased out prices of "FAIR PRICE" categorisation of startup shares.

To grow, startups need the initial nudge as well as continuous handholding by government for initial years.



Availability of Land & Labour

The government of India has simplified the entire process of registration, testing of prototype, standardisation, regulation of functions etc. for smooth working of startups.

NITI Aayog has also focused on incubating idea through AIM (Atal Innovation mission) and R&D platforms.

Thus, this spirit needs to be carried forward to reap the myriad benefits of startups.



It would be much better, if you also mention some challenges for startups in India.

Q16. Railway Budget was used as a political tool with decisions made on new trains, routes, and fare hikes were getting influenced because of political considerations. Has the merger of the Railway Budget with Union Budget halted these tendencies? Examine. (15 Marks)

Railways are the lifeline of Indian economy and a mode of transportation for the poorest of the poor. It serves the remotest parts of the country and the most difficult of terrains.

Indian railways, due to a large population dependence, has often been influenced by political considerations. Railway budget was seen as a tool of vote bank politics and appeasement of sections of population.

The problems that characterise Indian railways are as follows —

- ① Low <sup>passenger</sup> fares and high freight charges
- ② Poor infrastructure
- ③ Poor quality of catering and other amenities
- ④ Safety of passengers
- ⑤ Quality and maintenance of tracks, closing of unattended rail crossings etc.

Remarks

Also include → Why Railway Budget was Presented separately earlier?

To integrate the railway policy with the rest of the economy and to unshackle it from political influences, ~~it was~~ railway budget was merged with the Union budget.

This has brought following implications —

- ① Improvement in fiscal allocation :- more national and thoughtful expenditure.
- ② Convergence with other policies :- Railway policy can be aligned with "Make in India" policy and Ease of doing business.

The recent manufacture of TRAIN 18 (indigenously) is a testament of Indian efforts at indigenisation.

- ③ Alignment with other infrastructure sectors - Railways has to share the burden with highways, inland waterways and aviation.
- ④ More private investment - The recent call for PPP production of railway coaches is a start of new story for Indian railways.

These changes have been possible by looking at railways not in isolation but as an integral part of economic growth.

Remarks

Refer to need more about this -> Disturb other direct benefits as well -> No need to pay annual from budgetary outlay

Despite this, railways, in its own regard, has SOCIAL BENEFITS too, apart from economic advantages. Thus, its independent existence and the purpose it serves has to be kept in mind at all times.

A fine balance between economic upliftment and SOCIAL imperatives has to be the ultimate goal of any government in power.

6½

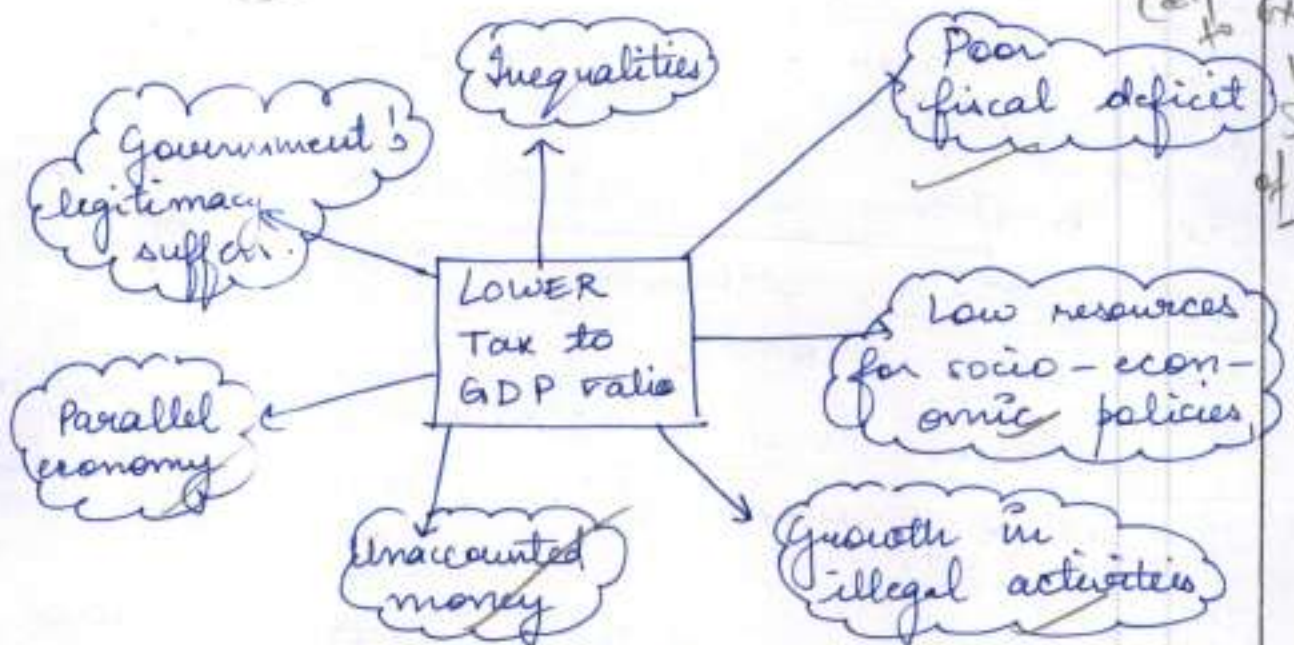
Include some challenges as well →

f.M Can also indulge in Populist measures etc



Q17. The tax-GDP ratio in the country is lowered by 2-3 percentage points for its level of per capita GDP. The reasons for the low tax ratio have to be found in the exemption to agricultural incomes, widespread tax preferences due to multiple objectives loaded into tax policy, tax abuse by multinationals and poor tax administration. Illustrate with examples. (15 Marks)

India's tax to GDP ratio has remained almost constant at 16-17% since 2000, 1991 economic liberalisation when it was ~~10%~~.. increased it from 10% to the current level.



CONSEQUENCES of low tax/GDP

Thus, as shown above, low tax to GDP ratio hinders the progress of the economy in many ways.

The causes of this phenomena are manifold —

- (1) Poor tax base → While the profits have increased by 700%, the taxpayers have increased by just 35%? } Needs better substantiation.
- (2) Inequalities → The rich are getting richer and the growth is not trickling down.
- (3) Ineffective tax administration → Grappling with lethargy, poor procedures, poor compliance rate.
- (4) Tax exemptions and subsidies → For example, Shome panel recommended taxing the agriculture income.
- (5) Tax evasion and avoidance — Round tripping of funds, transfer pricing etc. are resorted to.
- (6) Complicated tax policy — Various loopholes were taken advantage of. This has been partially solved by GST but GST needs further rationalisation of tax slabs.
- (7) Litigation — Tax department is the largest litigant and the recovery rate is abysmal.  
For example — VODAFONE tax case

Remarks

has been going on since 2008.

The government has brought in GST and is utilising GST council to smooth out the thorns in the form. Many projects such as PROJECT SASHAKT, PROJECT INSIGHT have been started by revenue department to reduce human interface between taxpayers and officials.

Use of ICT, easing of compliance rules and keeping a check on abuse by officials are some positive steps. To act further, government should bring legislative reforms in Income Tax act, 1961 and strict enforcement of GADR (general anti-avoidance rules) should be done.

A holistic approach will do wonders to improve our tax to GDP ratio and give more leeway to government in implementing social objectives.

Include suggestion provided by EVO survey  
Applying Behavioural Economics can help the situation to improve

Q18. The word 'media' is derived from the word medium, signifying mode or carrier. Media is intended to reach and address a large target group or audience. Comment to what extent the paid news and media biasedness has jeopardized the overall credibility framework. (15 Marks)

Media is termed as the "4<sup>th</sup> ESTATE" of democracy after executive, legislature and judiciary. The importance of media in forming a popular opinion cannot be emphasised more.

Hence, it is utmost <sup>important</sup> that media is clean, responsive and independent.

A responsible media serves the following purposes in a democracy →

- ① Informed Public debate
- ② Keeps government accountable
- ③ Keeps "Right to Information" alive.
- ④ Social integration and awareness.
- ⑤ Acts as a check on government's misuse of power as exemplified by many STING operations, investigations etc.
- ⑥ Brings any injustice, in any part, to the frontline of public view.

Remarks

you have addressed part very well.

Unfortunately, in today's world of fake news, and era of POST-TRUTH, media has suffered the most deep attack on its overall credibility and public image of saviour of rights.

"PAID NEWS" and "MEDIA BIASEDNESS" have particularly posed dangers to the free reporting and independent thinking of media houses.

"Paid news" is a tactic employed by political parties to influence public opinion in their favour. As parties and politicians have huge amounts of money at their disposal, they do not shy away from using media as a tool to serve their political interests.

"MEDIA BIASEDNESS" also endangers the neutrality and objectivity of media. It dilutes the standard of balanced reporting, thus harming the reputation and trustworthiness of the media.

Remarks

TORP  
corporatization  
of media  
etc.

Good, discuss the  
factors responsible  
for this as  
well

To guard against such evils, media houses have to rise above GREED and PROFIT and recognise their social objective and public spirited service.

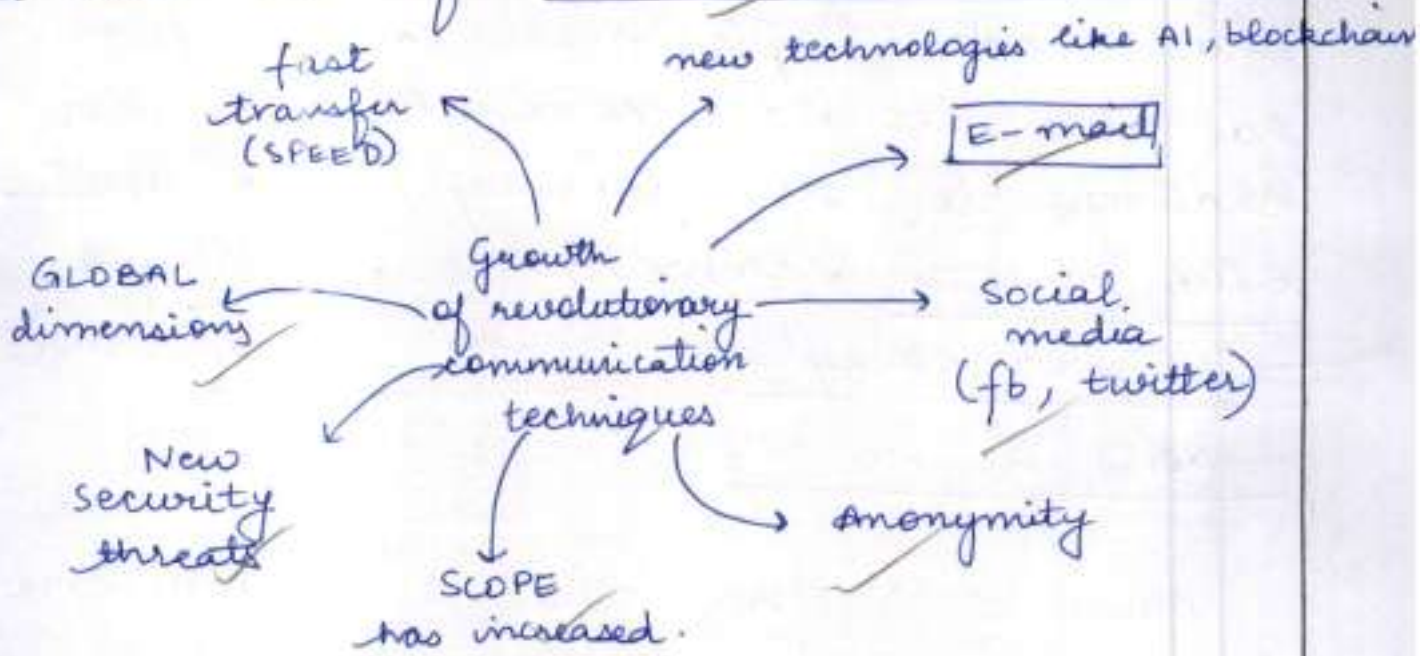
Apart from self-regulation of media such as by PRESS COUNCIL of India, government should amend representation of people act, 1951 and include paid news as an electoral offence.

It would act as a deterrent for evil-minded political opportunists. Better regulation and accountability of election ~~etc~~ expenditure is also the need of the hour.

7 Democracy is based on the people and if people's minds are influenced using indirect ways, it would be a denial of the spirit of democracy. Hence, "as eternal vigilance is the price of freedom", we must be aware of our rights including media.

Q19. The World Wide Web and web 2.0 technologies have given rise to electronic media where even a common man can express views through blogs, website posts, Facebook and twitter like social media. Discuss the communication revolution that these structural frameworks have created. (15 Marks)

The growth of internet and ICT (information and communication technology) owing to globalisation have ushered in a new era of COMMUNICATION REVOLUTION.



The rate of internet penetration and spread of mobile phone technology have reduced the digital divide between developed and developing economies.

The current spread of IDEAS, KNOWLEDGE, CHALLENGES, CAPITAL, FINANCE etc. occurs at unprecedented speed and knows no limits. This

Remarks

Discuss the importance of linking it with various other dimensions.

revolution has rendered territorial boundaries insignificant. State's power to control exchange of information has been restrained due to globalisation.

The new communication revolution has made people more closer but has also brought never-before-seen challenges to our doorstep. This includes cyber threats, ransomware, bullying, child pornography, data fraud and breach of privacy.

While it is true that a more integrated world has led to exchange of ideas which has increased the HUMAN RIGHTS CONSCIOUSNESS at the global level. At the same time, it has come with a price.

People are becoming more mentally ill as they suffer from anxiety and depression. WHO has even categorised



mental illness as a serious disease. This problem is partly due to fragile social relationships in a virtually integrated world. People spend more time indoors on the internet than in the nature.

This has brought the ugly side of communication revolution to the surface.

Thus, the need of the hour today is to understand the PROS and CONS of such communication breakthrough and invest in it accordingly. While we have gained a lot through global integration, it has to be ensured that we do not lose out on personal happiness and mental peace.

6½

Though Good, Can also talk about Improving digital literacy and Raising awareness etc. in the need of the hour.

Q20. A liquidity trap occurs after a severe recession, where families and businesses are afraid to spend no matter how much credit is available. Is this the situation in India? Discuss. (15 Marks)



Remarks

Remarks

*Remarks*