

GS SCORE

IAS MAINS 2019

INDIAN ECONOMY & INTERNAL SECURITY

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. • 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. • Keep the word limit indicated in the questions in mind. • 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.
2.		
3.		
4.		
5.		
6.		
7.	—	
8.	—	
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		

97

1. Invigilator Signature _____

2. Invigilator Signature _____

Name Jatin Kishore

Roll No. 0880687 18584

Mobile No. _____

Date _____

Signature Jatin Kishore

REMARKS

--

Handwritten marks and scribbles on the right margin.

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)

India is an investment starve country. According to World Bank, India needs \$ 200 billion dollar annually in only infrastructure sector. Hence FDI has immense importance.

FDI helps in following way :- Source of Non-Debt Capital

① It upgrade technology & capital in economy which fuel productivity & increases effectiveness.

② It lead to increase in employment which further increases wage & saving in economy.

However FDI may ~~can~~ distort Macro & Micro level economics.

① FDI can engulf nation into debt cycle.

② FDI can have economic & non economic cost associated.

Economic cost are difficult to calculate & endanger nation Environment

Remarks

Mention more pros of FDI

Source of Non-Debt Capital
Large cause of your sentence formation & grammar

wealth & destroy financial position.
 Non economic cost may be
 loss of autonomous decision making
 (monetary policy), establishing hegemony,
neo colonialism.

③ It can also destroy small business &
 change local demands like demand of
 soft drink over local fruit juice changing
cultural & social practices.

However FDI is not problem
 in per se but it require to be
regulated. This lead to balance
b/w Economic Growth & socio-cultural
harmony.

Just elaborate how it can be regulated?

3

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)

Industrial revolution^{4.0} transform the ~~21st~~ 21st century by linking physical world with Digital world. Industrial 4.0 can ~~for~~ have many advantages like, Description of Industry 4.0 Comprehensive

- ① mass service similar to mass manufacturing
- ② Increase efficiency & ↓ cost of production. Application of AI, Robotics etc
- ~~can~~ can increase Quality of life.

However transition to 4.0 without proper strategy & skill development may have negative effect like:

- ① loss of job due to skill mismatch & less requirement. It was estimated that $\frac{1}{3}$ rd of BPO jobs have decreased.

- ② loss of job can decline the purchasing power which itself make these industry ~~un~~ unsustainable & situation like Great depression can be made.

Remarks

It can increase income disparity & hamper goal of sustainable development.

However it is argued that

IR 4.0 may not be that harmful.

Since many manufacturing are using IR 1.0 sudden modernization does not possible.

Modernization can increase productivity & increase employment.

Economic survey 2019-20 talk about that IR 4.0 can bring unemployment in some sector but it can increase employment in many sector.

Hence, IR 4.0 must be

simultaneously accompanied by robust skill development, Technical education,

& it must be regulated to increase human welfare & inclusive development.

Suggest more relevant measures to upgrade the skill are to the need of future.

(B)

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)

Recently NP, core industries output, GDP all indicate slower growth. Agriculture & allied sector shows a decline in production as shown in aggregate GVA. Service sector like public administration, defense, Trade, Hotel also decline.

Sluggish growth can have adverse impact on Make in India.

① Make in India promote indigenisation of production hence decrease in demand discourage expansion.

② It also promote FDI, investment which can hamper by decrease in purchasing power of economy.

③ Sluggish growth coupled with low investment, saving & production hamper Job creation.

if world
see better
if you
could
some
data.

Use the available space judiciously

Remarks

Hence ~~Make~~ for a success of Make in India, we need to fix the loopholes of economy like,

- ① Increasing credit growth by easing Banks, NBFCs & financial market
- ② Easing Regulatory framework for ease of doing business.
- ③ Strengthening Dispute Resolution for Foreign Investment.

4 Also Make in India should be coupled with Make in India so that agriculture sector also contribute significantly in overall growth.

Also - mention more objectives of Make in India such as employment etc to analyse impact upon it better.

- 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)

In a recent labour force participation rate ~~was~~ stood at 49.8% in 2017-18 falling from 55.9% in 2011-12. Good, that you have used data.

This means that more than 50% of working age population does not want to work.

Decreasing LFPR is detrimental & because:

① It indicates that economy is running below its potential since half of population does not contribute to its growth.

② It reduces National Income & Revenue of Govt. & at a same time increases expenditure of Govt.

③ Higher dependency leads to more consumption which decreases saving potential & inward investment.

However in India due to socio-cultural factors declining LFPR may not be that harmful because

① Declining LFPR means increasing household income. In India increasing household income led to gradual entry of women

Remarks

from LFPR.

② Increase ~~and~~ enrollment in school also led to decrease in LFPR specially ~~girl~~.

~~However~~ This lead to better socio-economical prospect of women & indirectly reduction of poverty.

However fall in urban LFPR among women & male also ^{indicate} ~~force~~ that falling LFPR is a major issue.

Hence, there should be focus on increasing LFPR by rationalising laws & regulation. Increasing productivity of enterprises.

Economic survey 2018-19 talk about focusing on Dway MSME to address their stagnation & promote infant MSME. It also talk about investing in labour & capital to spur job creation.

you have attempted this answer very well.

5

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)

Oxfam report mention that in India 1% of population hold 70% of wealth. This show rising inequality. Gini coefficient score India is 0.53 on income inequality. *old data still good*

India after 1991 reform grow at a average pace of 7% annually. However paradox is with growing GDP, income inequality also increase. *Explosion Rise in inequality*

India has sustainably decrease poverty percentage but in absolute number India home to 2nd largest poor in the world. This not only hamper the economic sustainability of country but also obstruct ADG^s. *hurdle come*

Kuznet suggest that when country grow economically, ~~the~~ initially inequality bound to grow but after certain time it reduce.

Hence there is urgent require for policy intervention for reducing inequality like :-

① Agriculture employ 50% of workforce & closely related to poverty issue, Agritech sector need to structurally improved from MSP, FCI, storage, Insurance to market reform. Further food processing industry need to be focused as it bring industrialization to rural India.

② Another sector is MSME & SHG at grass root level.

③ Revamp MGNREGA & empowring Gram Panchayat.

④ Promoting Export & increasing productivity to overcome middle income trap.

⑤ Promoting transparent, accountable & open Administration using technology & digitalization.

⑥ Another significant step to reduce poverty is finishing unfinished Agenda of Land reform aiming "land to tiller".

Here inequality is not about because of economic growth it is because of Policy & Governance. They need Govt. intervention.

Remarks

largely good, just link it with Regressive taxation & Crony Capitalism in India as well.

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)

In India, poverty is considered multi dimensional. It is not just absence of income rather lack of capacity, lack of basic necessity like water, electricity & primary health etc.

After 1991 reform, based on Neo liberal principle calling for rolling back of state resulted limited access to social security & reduced state contribution in social sector. It resulted into :-

- ① Increase Inequality.
- ② Increase in rural urban disparity. Health sector concentration in urban Area is 70% whereas 30% in rural India.
- ③ Re. abolishing - pension without good public health facility increasing Health burden.
- ④ Reducing public expenditure security Job less growth.

instead of this - you should analyse how reduced social contribution of states is responsible for poverty

Remarks

High out of pocket expenditure

Hence However 1991 LPG reform
also increase state capacity to spend
on social sector like Education, Health
& Nutrition

Hence India should have
Multi division step to reduce poverty.
Step like .

- ⊙ NREGA
- ⊙ Subsidies
- ⊙ Ayushman Bharat
- ⊙ National Pension Scheme
- ⊙ PM KISAN , PM Aasha etc
- ⊙ Proposal of UBI
- ⊙ Increasing Investment
in public infrastructure
- ⊙ Jal Shakti Abhiyan .

Hence vision of New India
2022 must be fulfilled with
Prosperous , Inclusive & sustainable
development

Better,
Discuss the
factors responsible
for less state
Contributions.

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 15th Finance Commission and critically evaluate its potential operational effectiveness. (10 Marks)

Remarks

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)

Remarks

Remarks

- 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)

India is sandwiched between two enemy nations i.e. Pakistan & China on both sides. This will require India to have capabilities to counter both countries at both fronts. Nepal & Bangladesh share borders with India & ~~to~~ with some anti-India sentiment serve as a fertile ground for anti-India proxy war. To counter this India need to take Geostategic, Geopolitical & Geo political measures.

Not much relevant - better introduced by
Rise in Anti-India sentiment in Nepal & Bangladesh

Geo Strategic measure

- ① Enhanced capability of Armed force & border surveillance
- ② Modernize border b/w two countries including laser fitted border, smart fences including in integrated border management system
- ③ Robust Intelligence mechanism regarding their movement, finding & operation.

Remarks

Addresses the Reasons
↳ Madhes' issue, NRC etc

Geo Economics measure include :

- ① Strengthening financial intelligence . India's Sentiments
- ② Cut funding from India & rest of world
- ③ Seize & eliminate fake currency
- ④ Abolish illegal trade supply that fuel these proxy war. like Golden Crescent & Golden Triangle .

Geo political measure

- ① Bilateral ties should strengthen .
- ② Perception management to eliminate Anti India sentiment .
- ③ Political will & cooperation & coordination by establishing hotlines for countering these elements .

Border Management is key to our political, economical & social security.

In long term India should use carrot & stick approach thereby focusing on

Development aspect, Good Governance &

Decentralization of power to address the Grievances of citizen

Remarks

focus more upon how to curb Anti-India sentiments and suggest Border management.

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)

Population during 1900 to 2011 grows in India at the rate of 5.5% and in North East at the rate of 10.2%.

It is ^{also} because of regular influx of migrants specially after 1971 war of Bangladesh. This rise poses several risk factors. *Discuss more push and pull factors responsible for this.*

- ① Excess population over volatile & vulnerable land causing resource exploitation & scarcity.
- ② Inter tribe & Intra tribe conflict would increase due to influx of illegal migrants.
- ③ It can also lead to riot & law and order situation b/w indigenouse & ^{legal} migrants.
- ④ It can increase identity consciousness leading rise of identity politics & hamper const. goal of National unity.
- ⑤ NRE Exercise without extradition treaty with Bangladesh can result

Remarks

Discuss security issues too, like of emergency Terror etc

Avoid exaggeration
the facts.

into fohinga like situation

Hence deportation of 'illegal
migrant of Bangladesh ^{in long run} has to be pushed
for regional balance & prosperity

Govt. with citizenship Amendment
Bill & NRC exercise aim to deport illegal
migrant. However it is coupled with
many faultline.

Hence any action need to
be coupled with humanitarian angle &
for short time these illegal Bangladesh
people need to relocate to different
part of India.

Coary Wome visa policy can also
be suggested.

32

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)

India is envisaging \$ 5 trillion dollar economy by 2023-24. Economic survey 2019-20 talk about virtuous cycle driven by investment model. However the chronic NPA problem poses a great challenge. NPA has been estimated at 15.9% now reduced to 13.8%.

The effect of this NPA is sluggish credit growth, decrease private & public investment which in turn decrease wages & saving in economy disturbing the whole financial cycle.

NPA which was mounted since 2000's can be resulted due to:

- ① Easy credit in boom period during 2008 which failed to give yield due to Global financial crisis.
- ② Unprofessional handling of credit by banks and corporates which led to increase of self default.

Remarks

③ Governance problem like delay in land acquisition and Environment delay which make project stalled with mounting cost of credit.

④ Delay in exit mechanism for corporate due to which loss making firm kept on making loss & reduces recovery for creditor.

⑤ NBFC crisis with IL&FS file Bankruptcy making other NBFC bankrupt & increase their cost of credit.

on account of these problem various measure has been undertaken by RBI and Government of India. Some measure like :

① Insolvency & Bankruptcy code for facilitate exit mechanism.

② capital infusion of around 70,000 crore for improving CRAR of PSBs and spur credit growth.

③ Asset Quality Review & prompt corrective action by RBI to monitor

Remarks

Can also link it with poor Asset quality Review, Show insolvency, Loans to infrastructure etc

2 supervising ~~for~~ lending institutions.

(4) Indradhanush reform in PSB for improving accountability & Transparency in functioning.

(5) ~~willful~~ Fugitive Economic Offenders Ordinance 2018 for discourage willful defaulters & increasing economy.

However looking the intensity of NPA issue more step need to be taken like improving Governance to speed up ~~clear~~ clearances, Reviewing sustainable project, increasing public expenditure to spur demand & investment in FRBM framework, strengthening financial market. etc.

Robust financial market & institutions are critical for Economic well being of country. Hence serious step need to take as soon as possible to revive Economy to its full potential.

Good Attempt,
 Can also include Review of ownership structure of Banks

Remarks

7

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 foreign trade policy

aim to increase its Export from \$ 465 bn to \$ 900 bn.

apart from increasing its Export it focuses :

① It aim to diversify both the product and destination for Export. Currently, India export 78% in 20 commodities and in total export 20% are ~~done~~ with European Union.

② It proposes MEIS & SEIS scheme to ~~explore~~ promote merchandise & service export.

③ It also categorise destination country in categories A, B & C for capturing

different market.

Would be better if you also write its significance.

Also talk about how it aims to facilitate problem related to trade at home.

Remarks

(Logistics & infrastructure)

However in the current Trade scenario in world as well in domestic India Foreign Trade policy faces various challenges.

- ① To increase Export GOI propose NIMZs and SEZs. However special economic zones remain unviable due to its size and also predominantly include service sector which has already doing good in export.
- ② National Industrial Manufacturing Zones have been delayed & has not produce optimally.
- ③ Logistic & Infrastructure is one of Greatest challenge. According to world bank India logistic cost account to 12-13% in comparison to average 7-8% in rest of the world.
- ④ Agri Export remain stagnant around 2% in world trade. Trade policy instability also decreases export competency.

⑤ Growing NPA and NBFC crisis reduces credit growth.

① Trade war & Rise in protectionism, also WTO encompasses reduce export potential.

Menu to increase operational efficiency. GOI focus on ..

① Review NIMZ, & SEZ, and also strengthen coastal economic zone, Blue Economy

② Increase capacity of ports by project Sagarmala.

③ As economic survey 2019-20 suggest that though foreign scenario is ~~at~~ challenging but India need to increase in share in world trade from 1.3% in merchandise & 3.2% in services.

④ Setting up Technological park, promoting FDI specially in infrastructure, lobbying for removal of Asion premium etc.

foreign trade is vital for propelling economic growth & help India to ~~the~~ trap middle & income trap.

Also suggest to faster negotiations of FTA (RCEP, EU etc)

Remarks

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)

Globalisation help in Integrating world market and value chain around the globe. Recently, world witnessing de-Globalisation trend with rise of protectionism, Trade war, declining WTO, Resolving Multi lateral Agreements etc.

This poses threat for countries specially India which was benefit by the process of Globalisation. Some threat are :-

- ① Dangering Energy security in wake of US - Iran tension.
- ② Import trade like oil, defense equipment like S-400 f, technology transfer, civil nuclear deal may get hamper.
- ③ on the However more threat is to India Export as it important to sustain India Growth.

Remarks

Export

~~Export~~ basket like Agric Export like Rice, wheat, fruits.

Manufactured goods like Textile exports, Industrial goods, ~~steels~~ Iron & steel.

most importantly, our service sector

which propel India Economy faces

serious threat like failure of Mode 4

[movement of labour] & outsourcing, BPO businesses.

Deglobalisation has threaten our foreign policy 2015-2020, Agric Export policy, Make in India etc.

Hence there is need to explore new area & cooperation for growth. Economic survey 2019-20

suggest that India small share in world trade is very low like

1.2% in merchandise trade & 3.2% in

service trade. Hence there is scope

of increasing this share.

Ohum
Some opportunities for India too esp. in wake of US-China trade war

Also
it link
with
Restriction
on
USA

- ① we have to capitalize the space left by other countries in deglobularization trend like China in Textile sector etc.
- ② we have to negotiate better deal in bilateral agreement
- ③ New areas which FTP 2015 also highlight like Latin America, Africa specially East Africa, Central Asia possess great potential for Trade.

Accordingly India has started INSTEC, Chabahar port, Look North Policy, Agreement with MERCOSUR etc. Asia - Africa Growth Corridor, Project Mausam, Blue Economy all are have potential to fuel Trade & Growth of India.

6½

Incorporate suggestions such as strengthening of WTO and other global institutions to curb protectionist policies

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 started in 1995 works on a democratic principle where one country have one & equal vote. It was agreed in Doha ~~Round~~ Rounds that until & unless, all negotiations have not been worked out, Doha Development agenda will not end.

However Doha Development agenda remained a White Elephant where true is a statement between developed countries & Developing countries. Some issues like

(i) Agriculture subsidies.

WTO divide subsidy in Green, Amber & Red ^{Blue} boxes. Developed country accuse India to provide trade distorting subsidies. However India is fully abide WTO formula of de-minimum level.

A study to India & China held that more than 90% subsidy was

Remarks

Good, but you have linked it with consensus clause of WTO.

given by developed country and deleted
 put in Amber box like de-couple
 payment etc.

Further WTO has not upgraded
 MSP calculating formula which take base
 price of 1987.

② Issue of Mode 4 movement.

Mode 4 movement agreement allow
 skill labour to move in & out country
 however developed country wanted only
 financial mobility while developing country
 want labour movement also.

③ IPR Issue.

Intellectual property right have been
 most contentious issue where developed
 country accusing developing country sp.
 India for weak IPR mechanism & not
 approving compulsory license which ^{was} approved
 by WTO.
 US has maintain 301 list where it kept
 weak IPR mechanism countries.

Also include issues such as Non-Agriculture Market Access

- ① Issue of special safeguard mechanism which was provided to developed countries but not to developing countries.
 - * SSM allow country to impose/increase temporary import duty in case of import ban for domestic industry.
 - India to handle these issue need multi pronged strategy, like.
 - ① ^{capable} ~~strong~~ bureaucrats & lawyer ~~attorney~~ personnel to promote Nation interest
 - ② support of other developing countries.
 - ③ leverage its economic clout to gain better deal.
 - ④ provide simple & comprehensive report about misuse of subsidies by EU & US and provide India subsidy status which was abiding de-minimis level.
 - ⑤ strengthen Multi lateralism to keep globalisation as win-win situation.

Also include some other alternatives

Can focus more on bilateral and regional trade Agreements etc for India

Remarks

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)

Start up can be defined as a new business entity which employ a new and innovative tool & technique to propell economic growth.

Start up can be seen as a engine of growth & change individual as Job seeker to job creator.

Many startup like Swiggy, Ola, Airkart uses Information technology become million dollar business employing large number of people.

Government around the world considering the potential of startup promoting it by various mean like

① GOI provide tax sops to startup like 0% tax for 1 year - Better use the word tax incentives & for bio technology startup for 10 year.

Remarks

⑥ Govt. around the world are collaborating to promote startup. like India - Netherland collaboration.

⑦ Various regulatory mechanism have been eased. like in India, Govt. allowed startup for self-certification for various environmental & labour laws.

⑧ various schemes like startup India, stand up India provide easy access to institutional credit.

However credit is one of the major obstacle for startup as they have also faces high risk as compared to traditional businesses.

In that case role of angel investor has been very pivotal in successful startup.

Angel investor are an individual who fund promising startup in return of a share or prop. interest.

They also provide technological & Institutional support to Infrant Startup.

Recently Economic survey 2019-18 also talk about to include Infrant startup in priority sector lending of Banks.

However despite huge potential of startup in economic activity, it is mainly limited to Technological sector.

There should be increased focus on diversification of startup in other sector like manufacturing, solving grass root problem etc. Diversification of startup help to make startup more inclusive, sustainable & truly

Engine of Growth.

7 1/2

Also mention other challenges such as Reduced Angel Investment affect Demonst Sector

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)

Railway Budget was separated by General Budget in 1921 after recommendation of Acworth committee. At that time railway budget was accounted more than 90% of general budget.

However after independence, railway since which was a National transport have been entrenched with political consideration. Resulting various problem like ↓

① Delay of capacity creation. Railway capacity is increase by 400% but passenger increase by 1400% & freight by 1700%.

② Populist measure like low fair & freight charge damaging fiscal health of railway.

Remarks

③ Railway which is envisage as social-commercial entity loses commercial angle.

In Budget 2017-18, on the recommendation of Bibek Debroy committee, Govt announce merge of Railway budget with General Budget. It ~~will~~ helps as follows:

- ① It eliminates the need of transfer Dividend to central Govt. which lead to better utilization of resources.
 - ② Now, Railway can have better budgetary allocation for capital expansion.
 - ③ It reduces chances of political sensation of Railway budget.
 - ④ Better management of Railway.
- However there are arguments that merger of budget may not be need any benefit as it argue that:
- ① It has compromised Railway autonomy.

Can also let improve focus on infrastructure. Will present Holistic picture of financial position of state.

① It will still be within of political
consideration of center.

Hence it is suggested that
to create ~~an~~ autonomous Railway
Development Authority & a separate
fare Authority for fare setting.

Carrier which need an overhaul
improvement to increase logistic efficiency
& well fare of masses.

7

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 Tax - GDP ratio has been pegged to 16% where central 12% & state 4%. (Recently it is lowered by 2-3 %.)

Reason for low tax GDP ratio.

① Exemption to Agri income.

Nearly 50% of population are working in agriculture sector contributing 14% to GDP. Nearly 14% are big large farmer which are not included in tax base.

However considering the complexities & vulnerabilities in agriculture it was not advised to tax even rich farmer.

② too wide Exemption in tax structure.

Corporate tax are pegged at 30%. However effective corporate tax are

Remarks

found to be only 23%. This need to be change by a uniform & simple tax regime of corporate tax like 25%.

③ MNC's
MNC's since operated in multiple jurisdiction of tax found to be engage in International profit shifting technique to shift profit from ~~the~~ high tax jurisdiction to low tax jurisdiction.

India ~~has~~ to counter ~~BP&S~~ BEPS signed Double tax ^{Avoidance} Agreements (DTAA) & deal with MNC at ~~Arm~~ length price Agreement.

④ Indirect tax structure

As suggested by CAG; lack of preparation before implementing GST lead to decline of revenue. stable ~~tax~~ GST regime and uniform tax slab are required to increase tax to GDP ratio.

Better if you mention schemes such as profit linked etc to promote tax compliance.

5) large workforce in ~~the~~ unorganised sector Indian workforce around 85% are in unorganised sector which is difficult to tax. Hence formalisation of economy by rationalising labour law & EPF mechanism need to be done.

Economic survey 2018-19
 talk about regulatory cholesterol which
 reduce potential of formalisation of economy
 Hence, step must be take to improve compliance of tax by simplifying
 process of tax filing, e-governance,
 using Nudge mechanism as suggested by
 Eco survey 2019-20 and ~~in~~ at a same
 time rationalise tax structure, labour
 & EPF law.

7

Also include the Application of Behavioural Economy as suggested by Eco survey to improve the situation.

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 considered as IVth pillar of democracy. Media has played the role of communicator in a two way relationship hence, strengthening democracy & Human Right.

Media either print, audio-visual or radio broadcast have played significant role.

- ① upheld Right to Information of citizen of India.
- ② provide real time ground position of Govt. scheme or any natural calamities.
- ③ uprooted corruption & dereliction of duty by govt. machinery.
- ④ Help in political education & political participation of citizen.

Can also add - Ensure accountability of Govt
Influencing policies of Govt etc

Remarks

However worthy instances of Paid Media, Media biasness has jeopardized the credibility as :-

- ① It replaces information by manipulation by media leading to violate citizen fundamental right to information.
- ② It strengthen corruption, crony capitalism and one of reason for criminalization of politics.
- ③ Sometimes for short time gain, media endangered the national security of country like live broadcast of 26/11 attack. Another example of pre-announcing Nepal ~~the~~ crackdown leading to failure of operation. Definitely paid news are well.
- ④ Paid News & biasness also air ~~less~~ relevant news which reduces the coverage of other National news. like political news or interviews at the cost of Assam flood or N-E event.

Mention more reasons responsible for this - Composition
 ↑ To ROP culture etc

one of the problem that paid news & media biasness persist is lack of accountability tool & lack of regulatory mechanism & transparency.

~~TV news~~ only Print News are regulated by Press Act leaving TV news to internal regulatory mechanism.

Hence there is a urgent require to regulate media houses. Some step like:-

- ① Law by parliament to regulate News channel.
- ② Media houses which have significant funding from any Minister or MP or political party must be banned or disclosed to people.
- ③ social media become an epitome of fake news & propaganda which need to regulate.

Hence free & fair media are required for becoming media truly the IV pillar of Democracy & urgent step need to be taken.

6½

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)

Communication revolution started with the advent of Telegraph. With industrial revolution it came entire western Europe & North America laying ~~cap~~ cable in Atlantic Ocean.

It was further advanced by Telecom & satellite communication. Now with world wide web & web 2.0, further advance communication which is much faster, accurate & effective.

Platform like Facebook, Twitter social media marks a new communication revolution. It poses opportunities like,

① It connect Entire world at a click of mouse. Societies, Nation interact on daily basis taking a step in emerging Global family.

Remarks

- ② It make communication & information accessible & direct help in strengthening & deepning of democracy.
- ③ New type of economic activity, linking entire value chain of world market.
- ④ It open an avenue for nation soft power.
- ⑤ It also facilitate humanitarian work like in Syria, Kerala flood etc.
- hasem this expansion of social media created many new challenges Geostrategic & Geoeconomic.
- Some challenges are:
- ① It make a way for cyber threat, cyber crime like stalking, fishing, identity cloning, cyber attack like Agent smith, wannacy etc. endangering financial system.

② With regular interaction among societies Radicalisation, terrorist recruitment, brain washing also become an problem.

③ Psychological disorder, stress has seen to increase among teenager & adults.
 Ex: blue whale game leading to suicides.

④ Another phenomenon like Data Analyses, Data mining on one hand make economic model at a same time can be used for manipulation like in case of Cambridge Analyst affecting elections.

Hence Technology has both opportunities & challenges. It require vigil citizen through proper education & robust Data protection law to safeguard Economic & National Interest.

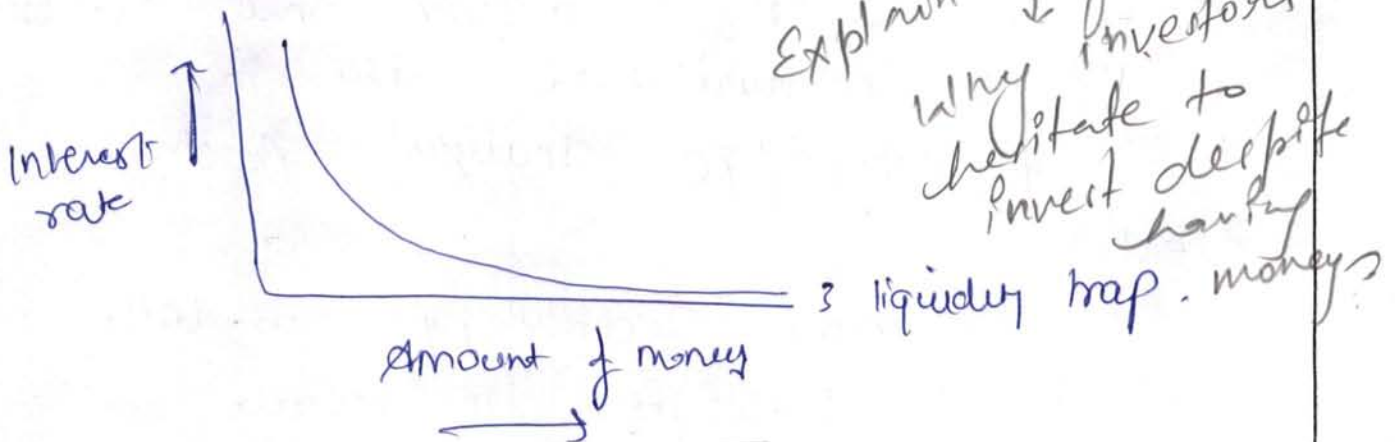
62

Suggest we need to raise awareness and digital literacy etc.

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)

Liquidity trap all the situation where increase in money flow does not result in increase in interest rate.

It is characterized by high saving rate & low investment rate leading to decrease in wage & ~~the~~ slowdown of overall economy.



Liquidity trap situation are mostly present in Developed countries like Japan, US. After 2008 financial crisis, US issue long term sovereign bond to infuse capital.

Remarks

Similarly Japan had negative interest rate on saving to promote investment.

The situation of liquidity trap are less likely in developing countries. India is a consumption led economy & has capital / investment starved country.

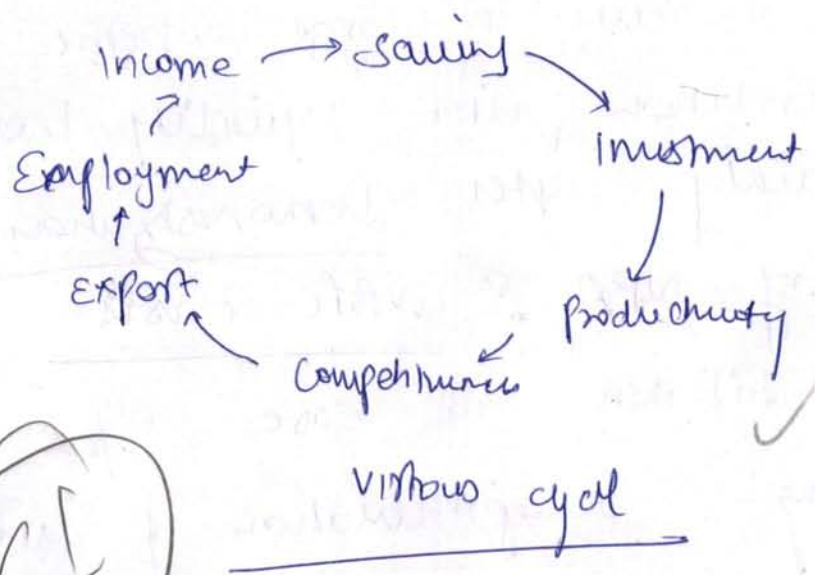
However in some extreme situation condition like liquidity trap emerge mainly after Demonetization and rise of NPA & NBFC crisis

situation can ease by
Govt. spending, decapitalisation of Bank,
forex swap, decreasing repo rate & increasing interest rate to
counter investment outflow

Add various other factors for less private investment in India.

Hence, for India liquidity ~~crisis~~ trap is less worry rather focus on increasing Investment and it's effectiveness & efficiency.

Economic survey 2019-20 talk about virtuous cycle for India growth coupled with saving & investment



Though good, you should elaborate there to explain how to increase investment in India.

61
62

Remarks