

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.
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1. Invigilator Signature _____

2. Invigilator Signature _____

Name Himanshu Gupta

Roll No. _____

Mobile No. _____

Date _____

Signature Himanshu

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)

Foreign direct investment (FDI) refers to an investment by a foreign entity in domestic country, while also getting some managerial control.

FDI increasing income and employment



That is why the government is liberalising the FDI in various sectors like automobiles, electronics, single-brand retail, defence, etc.

Remarks

However, there is a flip side to FDI.

Reducing Internal Resilience

1) FDI and FPI are based on sentiments and image of the recipient country \Rightarrow termed as "hot money"

2) India has only partial capital account Convertibility \Rightarrow Need to elaborate.

3) They affect both forex reserves and currency exchange rate

4) India was able to survive and sustain its growth during Global financial crisis 2008 only because it was not highly dependent on FDI.

$3\frac{1}{2}$

Thus, FDI increases the global interconnectedness, and may ~~increase~~ increase India's vulnerability to global risks through "contagion effect". However, seeing its benefits, India should cautiously increase its FDI limits to achieve \$5trn GDP by 2024-25.

Remarks

Include more factors to support, how it can affect domestic economy - Unfair competition etc

offers financial crisis

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)

According to WEF's "future of jobs" report, India's 54% of workforce would need upskilling and reskilling by 2025. New technologies require new skills, like

- Data Analytics ✓
- Machine learning ✓
- 3D printing, Computer Aided Design (CAD), etc
- Skills in quaternary sector like R&D.
- leadership and managerial skills ✓

However, the rate of new skill formation in India is not keeping pace with the new technologies.

- 1) India has natural comparative advantage in low-skilled manufacturing
- 2) More than 47% are ~~employed~~ employed in agriculture sector who have little or no skills about new technologies
- 3) According to IBM report, India will lose 50% of its jobs in the services sector as most are engaged in jobs which will be

Good. Just you up immediately by giving relevant data.

subsumed by automation and AI like
BPO, call centres, etc

India's education sector has mismatch
~~with the industry~~ with the industry.

Can also
link it
with
shortage
of
Ind. in
future

India adds 12 million people to the workforce
annually and more than 65% of population
are in age group of 15-59 years. This demographic
dividend needs to be harnessed under industry
to achieve "demographic dividend".

Way Forward

- Effective implementation of government schemes like
- PM Kaushal Vikas Yojana
- SANKALP and STRIVE
- SFURTI for traditional industries
- National Apprenticeship Promotion
and SHREYAS scheme.

Should be the way forward.
Suggest more relevant measures
to upgrade skills in
India.

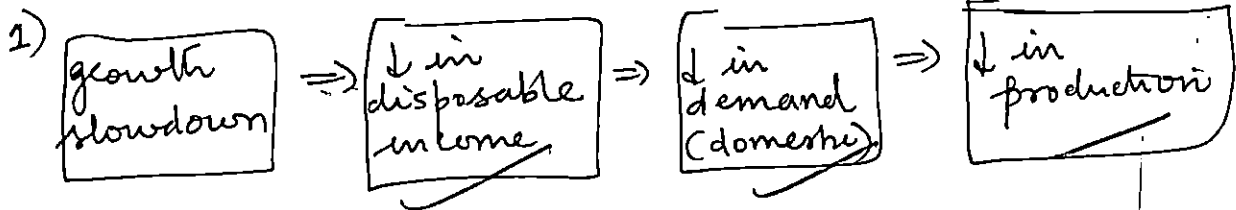
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Q3. A contraction in manufacturing output, especially in the sensitive capital and consumer goods segment, pulls down industrial growth. Examine their impact on Make in India programme. (10 Marks)

Around

The manufacturing sector of India contributes 17% to the Indian GDP and employs around 24% of the workforce. The manufacturing output is heavily dependent on several factors.

Reasons for Contraction in Manufacturing Output-



- 2) Global slowdown, protectionism and trade wars leading to reduction in exports
- 3) Inverted duty structure in India ⇒ only finished goods imported in India
- 4) low technology adoption ⇒ reduced competitiveness
- 5) Coming up of Industry 4.0 requires new skills for labour
- 6) Focus only on capital intensive industrialisation with high ICOR (approx. 4).

Support
by
GDP
series
data
etc

Already
it is
not adequate

Remarks

7) Problem of dwarfism and pete pan syndrome among the MSMEs (Economic survey 2018) \Rightarrow low economies of scale \Rightarrow low competitiveness with cheaper imported goods \Rightarrow low output

Impact on Make in India

rely on the target of Make in India to explain the

- 1) Reliance on capital and consumer goods from outside \rightarrow geopolitical impacts
- 2) Reduction in forex reserves and high import bill, High CAD.
- 3) Lack of self-reliance and self-sufficiency
- 4) Security issues in goods imported especially in strategic sectors like defence, IT, etc
- 5) Loss of India's target to be a "net exporter" and a "global manufacturing hub"

Way Forward

Focus on increasing private investment, encourage growth of infant MSMEs, job creation would create a virtuous cycle of savings, investment and exports to boost the manufacturing sector. Also, high focus on labour-intensive as well as high-skill value-added manufacturing should be done

Remarks
Employment target
less investment etc.

3

- 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)

Trends in labour and employment in India are as follows:

- (i) Total labour force participation rate = 50%
- (ii) low female labour force participation = 24%, especially low in urban areas
- (iii) 'Jobless growth'
- (iv) Recent PLFS survey showed 45-year high rate of unemployment of more than 6.5% 6.1%
- (v) India adds 12 million workers to the labour force annually
- (vi) Outdated and complex labour laws.
- (vii) Gender wage gap more than 30% in India
- (viii) More than 90% is informal sector and more than 85% jobs are in unorganised sector → low social security
- (ix) More than 47% employed in agriculture which contributes just 17% to the GDP. This shows high economic inequality. Good that you have different perspectives

Remarks

Also - Explain the improving Socio-Economic Mobility in India & Improved Education, family income

Thus, there is an urgent need for labour etc reforms to address these anomalies of no economic mobility and no social mobility.

Way Forward

Not much relevant here

- ① Rationalisation of labour laws into
 - (i) Code on Wages bill
 - (ii) Industrial relations
 - (iii) Social security
 - (iv) occupational safety
- ② Addressing gender discrimination → Maternity Benefit Act, SH-Box, etc
- ③ ~~State~~ Addressing unemployment by job creation
- ④ Skill development → Recognition of Prior Learning
- ⑤ SANKALP, STRIVE, etc
- ⑥ Coastal Employment zones
- ⑦ PM Shram Yogi Maandhan, and PM Laghu Vyapari Maandhan yojane
- ⑧ Shram sundha Portal and Labour Inspection

3

Thus, transforming labour market from job seekers to job creators' by encouraging self-employment, startups, etc is the way ahead.

Remarks) On last part, you need to analyse facts and figures from recent reports! - Talk about quality of life - Rural vs

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)

Recent Oxfam Report on income inequality gives us glaring insights into how India's growth is accompanied by economic inequality

- (i) ~~Rs.~~ Richest 10% of population hold 77.4% of total national wealth
- (ii) Top 2% hold more than 51% of total income Most have 73% of national wealth
- (iii) Poorest half saw their wealth fall by 12%

This is the "paradox of economic growth"

Reasons

- 1) crony capitalism and inheritance
 - 2) Inefficient government policies
 - 3) Corruption
 - 4) Tax evasions and tax exemptions to rich people [Bounties for the well-off] Can mention to explain rise in inequality
 - 5) No inheritance tax
 - 6) Inefficient social security measures
 - 7) Low minimum wage
- aviation, railways, kerosene, electricity, etc] With 1% growth rate.
- Well mentioned reasons, just also add - Agriculture, dis. means

Remarks

Urban ... etc

- 8) Concentration of power and information
- 9) 'Jobless growth' in India
- 10) Poor enforcement and complex labour laws

Implications

- 1) Social unrest
- 2) Disparities - regional, urban-rural, etc
- 3) Demand for reservation
- 4) Social and political discrimination

Way Forward

- 1) Focus on social expenditure → quality education and healthcare

2) Tax reforms, labour reforms

3) Fighting corruption through institutional and ethical frameworks

4) Ensuring proper "minimum wage", considering

it very "universal basic income" [Economic survey]

5) Progressive direct taxation

Hence ~~ensuring~~ addressing economic inequality is also a *sua-gua-non* for a sustainable economic growth, as mentioned in the SDG

Goal 10 to reduce inequalities

Just also talk about

Remarks

the need to improve the condition of farmers - as around 50% of the population is involved

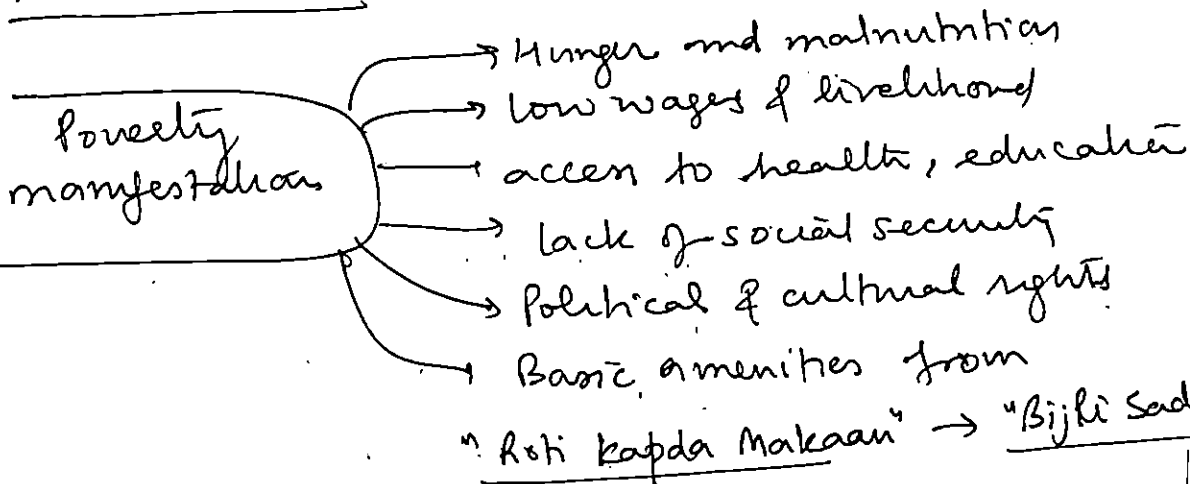
4 1/2

largely you have addressed it 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)

Gandhiji said "poverty is the worst form of violence". Poverty is not just lack of income but deprivation of basic necessities. It is a social construct and is multidimensional.

Causes of poverty
- talk about the prevalence of poverty in India



Primary Reasons are limited access to social security

- (i) low spending on health (1.15% of GDP)
- (ii) low health insurance penetration
- (iii) lack of pensioners
- (iv) more than 85% of workforce is in unorganised sector

Good, just also identify other factors responsible for high poverty.

Remarks

Pop'n growth rate system etc

Less state contribution in social sector

- Health (1.15%), Education (3-4%)
- low investment in skills.
- ~~Populist~~ Populist measures like reservation, loan waivers → opportunity cost for investment in social sector.

Way Forward

① Govt schemes

- ↳ wage employment - MGNREGA
- ↳ self employment - Startup India
- ↳ food security - NFSA, PDS, etc.
- ↳ social security - DAY-NRLM, PMFBY
- ↳ financial inclusion - JAM Trinity
- ↳ social infrastructure - Ayushman Bharat, Samagra Shiksha Abhiyan.

Two
of
relevant,
through you
can mention
MUDRA

② Inclusive growth

③ Principle of subsidiarity and decentralisation

Enhancing capability of people through multidimensional approach to the way ahead to remove poverty (SDG 1) and achieve goal of New India by 2022

④

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)

The financial position of India's states is somewhat stretched according to recent RBI report on State finances 2018-19.

Although most states have fiscal deficit of less than 3%, but the highly populous states like UP, Bihar, West Bengal have high fiscal deficit.

Debt-to-GDP ratio of the Indian states is at 23%. According to the NK Singh FRBM Review Committee; this should be less than 20% of their GSDP.

In this context, the 15th Finance Commission is recently constitute to ensure proper vertical and horizontal devolution of funds.

Better discuss these in your answer. Put your self to address other aspect of question.

from centre to states. The terms of reference address these issues as they talk about the

following criteria's:

(i) Considering ^{of} Revenue deficit grants

(ii) measure the effect of increased devolution

of 42% to the states

(iii) Effective implementation of centrally sponsored schemes

(iv) States which have shown high fiscal prudence

The final report is yet to come and its potential operational effectiveness ~~is~~ is that

it may incentivise ~~and disin~~ those states having good financial position and hence motivate other states to follow. ~~The~~ Ensuring

"competitive federalism" and 'cooperative federalism'

Also mention challenges for states to maintain a good fiscal condition way ahead of low labour 7th Pay Commission etc

Remarks

5/2

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)

The Fugitive Economic Offenders Ordinance, 2018 was brought in to take action against those economic offenders who have fled overseas and refuse to return. ~~There~~ However, there is a difference between Fugitive Economic Defaulter and non-wilful defaulter.

Do
fast
Puro

Fugitive Economic Offender	Non-wilful defaulter
1) Fled overseas and refuse to return.	1) may or may not have fled
2) Could be declared for all of scheduled offences with crime proceeds over ₹ 100 cr	2) is Has only defaulted on the loans taken → <i>But what failure etc?</i>
3) Declared by the special court under PMLA	3) No need of any such declaration
4) criminal	4) may not be a criminal

Remarks

Steps taken

Domestic

- 1) Strengthen the judicial system by setting up fast-track courts, special courts, etc.
- 2) Insolvency & Bankruptcy Code for defaulters
- 3) Due diligence by banks in granting loans
- 4) Strengthening of laws to create deterrence

Also mention
Banking
Prosperities
Act

Enforcement of economic offenders
Global strict compliance of SWIFT

- (1) Double-taxation avoidance agreements
- (2) Extradition treaties for economic offender
- (3) UNCITRAL'S cross-border insolvency guidelines for defaulters
- (4) Global cooperation at OECD, G20, etc

Thus, elimination of such loopholes should

be done to ensure proper justice to both economic offenders and non-wild defaulters

Also mention
Cooperation
of FEOB

to analyse it better

152

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)

Nepal and Bangladesh have different types of land borders with India. But a common notion seen in both areas is the high prevalence of anti-India sentiments acting as fertile grounds for non-state actors against India.

India - Nepal

- 1) Increasing extremism and activities of ISIN
- 2) Open borders: encouraging smuggling of drugs and explosives
- 3) Fear of spread of Maoist insurgency due to links with Maoists of Nepal
- 4) Smuggling of fake Indian currency

India - Bangladesh

- 1) Illegal migration continuing even post 1971 war
- 2) Trafficking of cattle, goods like jamdani sarees, etc

Remarks

- 3) Increasing radicalisation and Islamic fundamentalism
- 4) Rohingya muslims entering India through

Bangladesh

- 5) Porous borders due to riverine, swampy

NRE
 Maoism
 issues
 Feels
 responsible
 for
 anti-India
 sentiments
 etc terrain

All these cause anti-India sentiments in these areas, due to which many non-state actors take refuge here to

wage proxy-war in India in the form of banditism, terrorist activities, organised crime, etc

Way Forward

- 1) Neighbourhood First Policy of India
- 2) Use India's Soft Power
- 3) Tackle Anti-India sentiments through diplomacy
- 4) Strict border management through smart fencing, surveillance, CIBMS, integrated check posts, etc

2.5

Remarks

Need to emphasise more upon maintaining friendly relations with these countries.

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 Supreme Court in the Sonawal v/s UOI Case, 2005 declared that the influx of immigrants from Bangladesh is as good as "aggression by Bangladesh". Mostly they are spread over the North Eastern States.

Risks factors

(1) Competition over limited resources

(2) citizenship issues

(3) Regionalism and sons of the soil policies

(a) Assam AASU movement → NRC exercise
Nagaland's demand for RIN.

(4) Ethical issues in rehabilitation of these refugees

(5) Changing the voter demography → influencing elections

Need to mention some reasons for high immigration -
Write various push & pull factors
No appropriate

Remarks

(6) Risk of radicalisation and extremism
 in the immigrants

Way Ahead

(1) Government should continue the NRC
 exercise to identify the illegal
migrants

(2) Bilateral engagements with Bangladesh for
 this purpose,

(3) "Operation Insaaniyat" to help Bangladesh
 Please

Resolve the Rohingya refugees

(4) Strengthening border management by mention
Smart fencing, ~~CIBMS~~ CIBMS, etc this
as well.

The Bangladeshi immigration must not
 only be stopped, but the illegal immigrants
 must be deported back ~~for the~~ satisfact

Can also suggest Easy work
visa Policy 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)

According to recent RBI Annual Report, the total NPAs of Indian banks stand at around 12%, with the PSBs (Public sector banks)'s NPAs at 15%.

Causes for worsening NPAs

(1) Lack of due diligence by banks

Due to high competition in the banking industry, loans are given by the banks without much scrutiny.

(2) Evergreening of loans though you can give it with highest lending during boom period of economy.
 loans taken by one corporate ~~are~~ from a bank one repaid by other loan taken from another bank.

(3) Increase in wilful defaulters on expectation that either the loan would be written off.

(4) High land acquisition costs for infrastructure sector → time and cost overruns → delay in loan repayment.

See; details of impact on Economy in brief.

Good point.

Remarks

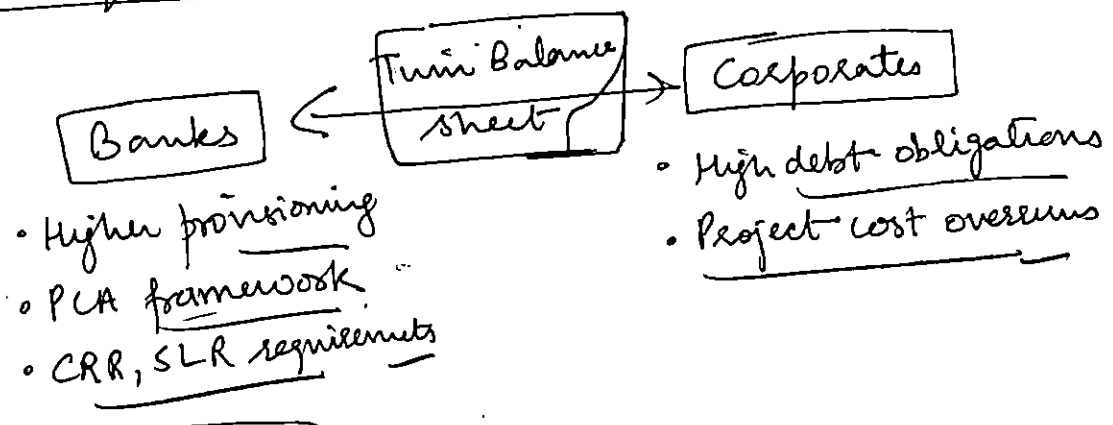
Priority
Sector
lending
norms

(5) Public Sector Banks have higher social obligations,
more exposure to credit offtake. High number
of agricultural NPAs amount to worsening of
the NPAs in PSBs

Also
talk
about
poor
asset
quality

↓ Increase in NPAs has resulted in Twin Balance
sheet (TBS) challenge for Indian economy
wherein balance sheet of banks and balance
sheet of corporates both are affected.

Review,
slow
insolvency
proceeds



Fiscal Stimulus

- The Government has recently announced
@ ₹ 2.11 lakh cr recapitalisation bonds
for PSBs
- According to ~~the~~ UK Vicker's Commission, it is
better to spend 3% GDP annually for recapitalisation
to avoid a financial crisis of 6% of GDP

Remarks

Thus fiscal stimulus from the government should be given to enhance the bank's credit capacity and clean up their balance sheets.

Reformatory measures for drought in credit mechanism

1) Decentralised approach by RBI like: S4A,

SAR, Asset quality review, etc.

2) Indradhanush Plan implementation

3) Joint lenders forum

4) Bank consolidations and mergers.

5) Project Sashakt for PSBs. (Sunil Mehta Panel)

6) Insolvency and Bankruptcy Code to address the "chakravyuha challenge" (exit problem)

7) Public Credit Registry. (Deosthalee Committee)

8) A bad bank like PARA

9) Asset Trading Platform.

10) The EASE Reform Agenda for Banks should be the way ahead, which includes (i) deepening financial inclusion, (ii) customer responsiveness, (iii) Adyami Mitra for MSMEs, (iv) credit offtake, etc. you have attempted.

Also mention the need to review ownership structure of Bank.

This part very well

Remarks

6 1/2

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's Foreign Trade Policy 2015-20 aims to:

(i) Increase India's global share of exports from 2% to 3.5% by 2020.

(ii) Double India's exports of goods and services from \$450bn to \$900bn by 2020.

Key Features

- (i) Merchandise Exports from India scheme (MEIS)
- (ii) Services Exports from India scheme (SEIS)
- (iii) Duty credit scrips from MEIS and SEIS can be redeemed for payment of custom duties, excise, etc.
- (iv) Duty credit scrips are fully transferable
- (v) Trade facilitation and Ease of Doing Business
- (vi) Rectification of Inverted Duty structure
- (vii) Mid term review of FTP (every 2.5 years)

~~(viii) Export~~

Remarks

Focus on Latin America, Africa etc

Also mention the Indian strategy to increase export through geographic and product specific market

(viii) Export promotion through MSME clusters and Special Economic Zones (SEZs)

Operational Effectiveness

- (1) India's export growth has ^{not} picked up since 2015 to 2018. due to extraneous factors like global crude oil prices, exchange rate risks, etc.
- (2) Increased digitisation and single-window hubs have helped in trade facilitation and ease of doing business.
- (3) Diversification of export basket - region-wise and product wise has not yet taken place.
- (4) Teething effects of structural reforms like GST and demonetisation have affected export growth.
- (5) Export subsidies have been facing challenge in WTO by other developed countries like USA, Japan, etc.
- (6) Tough competition from China, Bangladesh, Vietnam, etc.

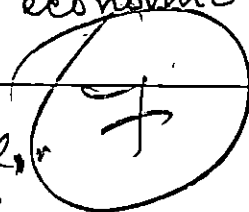
While
taxes
also
will be
of
protection
etc

Way Forward

- (1) Focus on natural comparative advantage for India i.e. labour intensive low skill manufacturing like leather and apparel
 - (2) Focus on high-skill high value added products like electronics (Recent draft Electronics Manufacturing Policy), electric vehicles, etc
 - (3) Agri-export policy: Doubling agricultural exports by 2022
 - (4) Skilling of labour, in the wake of Industry 4.0, AI, robotics, IoT, etc → SANKALP; STRIVE, PM Kaushal Vikas Yojana, etc.
 - (5) ~~Energy~~ Energy security (renewable energy) to curb crude oil imports
 - (6) Diversification of markets (eg Latin America), goods and services, ~~etc~~ for exports → "Nisfyat Bandhu" scheme
 - (8) Regional trade agreements like RCEP, and bilateral free trade agreements like BTIA, etc.
- Increasing exports and reducing imports is one of the best ways to attain high economic growth.

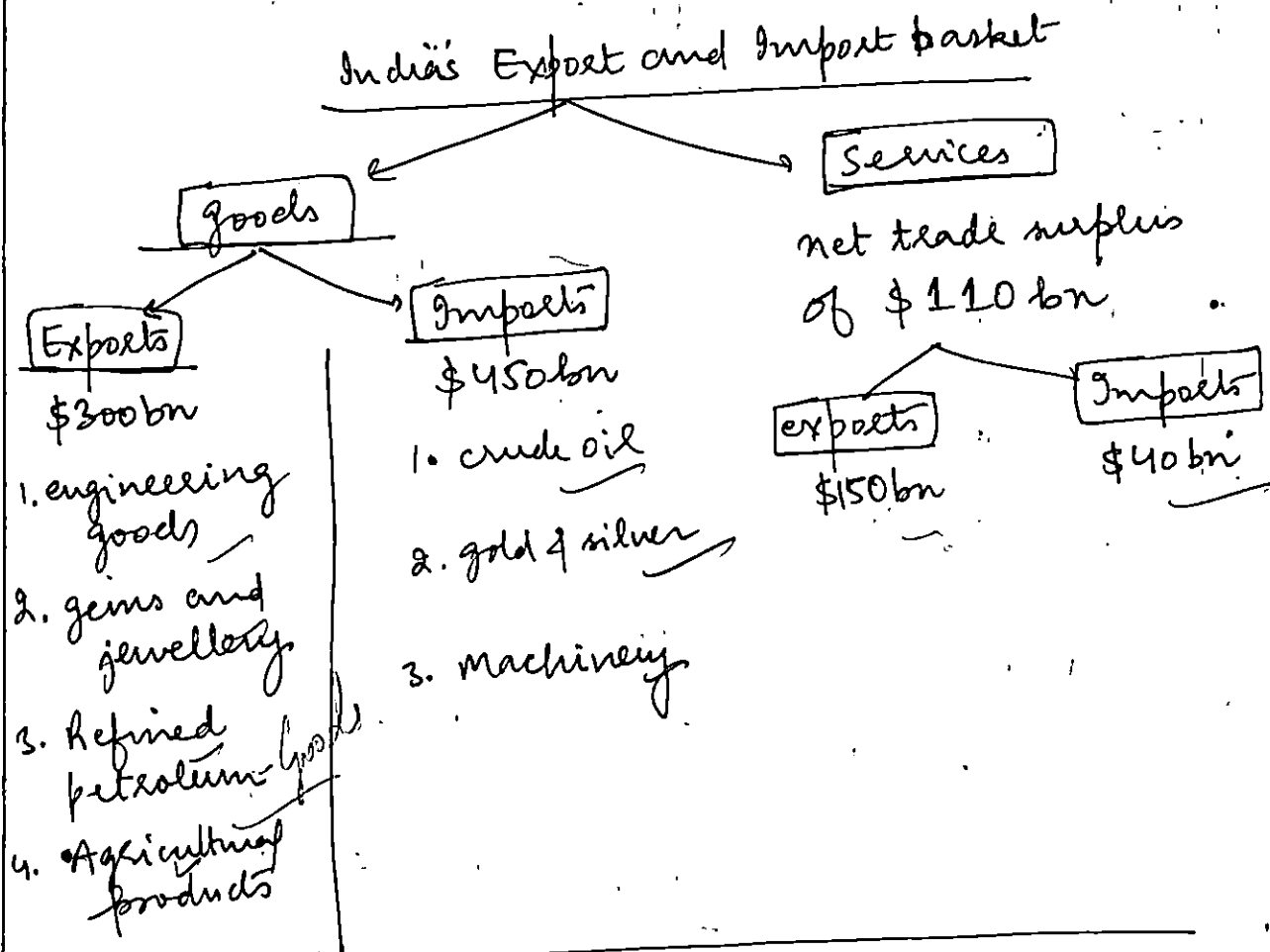
Remarks

Suggestions are
Very Comprehensive



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)

Deglobalisation refers to a reaction of protectionism and trade restrictiveness, against the present norm of increasing globalisation. (Produce any examples of Deglob as well)



Effect of Deglobalisation threats

- ① USA's "America First" policy and restriction of immigration, (eg) increasing H1B visa fees
- Need more labor force

Remarks

② USA incentivising those companies who ^{do not} have their BPO, KPO in other countries.

③ ^{USA} increasing custom duties on imports from India and China. → Trade War with China

④ Attack on India's export subsidies under MEIS and SEIS in WTO, as trade-distorting

⑤ Effect on job creation in India.

⑥ Brexit from EU → may affect India's export market to UK → mention data secure nation status not given by EU.

In light of above deglobalisation threats, India can chart out to explore other areas

① Diversification of export basket → eg Latin America, as well as products - eg electronics, automobiles, processed agricultural goods, etc

② Trade negotiations and agreements like RCEP, India-EU BTIA, etc.

③ Focus on self-sufficiency, strategic autonomy in critical sectors like food, fuel, energy, ~~manufacturing~~, etc

④ Amicable dispute resolution through dialogue and negotiations in multilateral organisations like WTO, UNO, etc. → Strengthening of WTO.

India must be prepared to tackle the uncertainty in global economy due to rising deglobalisation threats.

Also talk about some silver lining for India esp. in wake of U.S.-China trade war.

5 1/2

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)

World Trade Organisation (WTO) is a multilateral intergovernmental organisation to regulate the very well global trade in goods and services. India is a founder member of WTO since 1994. However, there have some pressing issues related to WTO and Doha Development Agenda for India and other developing countries (977 countries).

Need to include more issues → Doha Development Agenda execution → Agreement on Agriculture
 Issues with IPRTs → Peace clause
 Special Safeguard Mechanism (SSM)

WTO & Doha sound issues as White Elephant

- ① Developed countries want India and 977 countries give market access in agricultural commodities. But the per capita income of Indian farmers is very low as compared to developed countries

Remarks

India's domestic farmers may lose out-competition and further get in agri-distress

- ② Developed countries not allowing market access on textile and cotton from developing nations ^{Least Developing Countries}
- ③ Issue on trigger price for Special Safeguard Mechanism
- ④ Issues related to Agreement on Agriculture
 - (i) India's NFSA, PDS, MEIS, SEIS, etc are considered trade distorting amber box subsidies
 - (ii) India not allowing market access for steel imports, ~~etc~~ from Japan, solar panels and Harley Davidson motorcycles from USA, etc
- ⑤ Other issues in WTO like
 - (i) Vacancies in Dispute Settlement Appellate Body and USA preventing to fill it up.
 - (ii) WTO as a whole seen as dominated by developed countries.
 - (iii) No Permanent solution yet for Peace Clause which India had signed
 - (iv) Issues related fishery subsidies of India

Remarks

Also-Mention -
 Consensus clause
 - line of obstacle -

Good, you
 have
 mentioned
 the relevant
 issues of
 WTO and
 DDA

Options available for India

- ① Increase dialogue and negotiations within and outside WTO. (2) Recently, India hosted a mini-ministerial meeting of WTO
- ② Bilateral and multilateral trade engagements like Free Trade Agreements, SAFTA, RCEP, etc.
- ③ India's push for WTO reforms at G20 meetings
- ④ India should balance the interests of not only its domestic producers, but also the consumers while deciding trade policy.

Multilateralism issues can only be solved by more multilateralism and hence more

dialogue is the way ahead.

Suggestions are by and large good.

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)

Recently, the Ministry of Commerce and Industry revised the definition of startups as those entities with age less than 10 years and turnover less than 100 cr.

Significance of startups

- 1) Self-employment: creating more "job-creators" than "job-seekers"
- 2) Innovation: creative solutions to public problems.
- 3) Employment generation: Addition of some examples would be better.
- 4) High growth potential and even export competitiveness

However, the startups also suffer from initial challenges like funding, incubation, skills, technology, etc. To address these, the angel investors and government support are highly required for felicitating startup growth story.

Remarks

Role of Angel Investors

(1) Provide the initial 'seed money' or capital for startups at early stage.

Angel Investors provide more than Capital to start up
Elaborate

(2) They take high risk investment which is much need for a potential startup

(3) They do not take up any active involvement in management, and do not demand a seat in Board of Directors.

Role of Government

1) Handholding through

- legal support - self certification

- relaxation of ~~and~~ labour laws

- rebate in patent filing

- easier exit process through IBC for MSME

(2) Funding

- eg SIDBI SMILE fund,

MUDRA Yojana

- credit guarantee

- Tax exemptions.

Start up schemes

Stand up

(3) Incubation

- Innovation Centres
- Atal Tinkering Labs in schools under Atal Innovation Mission of AIT Aayog
- NIDHI scheme
- Uchhatar Anishkar Yojana
- MANAK Awards
- Atal Grand Challenge
- Startup India Virtual Hub

(4) ~~the~~ Mandating government procurement from startups through GEM portal under

SWAYATT scheme, Womaniya scheme

(5) Helping vulnerable sections - Stand up India, SC/ST hubs, etc.

(6) Skill Development programmes

Hence, startups have a very high potential for India's economic growth and government and

all stakeholders should come forward to support them.

include some issues associated with 'Stand up India' to make it more comprehensive.

Remarks

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)

The Railway Budget was being separately announced and passed in the Parliament since

the British Colonial Era. Recently in 2016,

the Railway Budget was merged with the Union Budget, ending the age-old

practice.

Issues with separate Railway Budget

(1) Used as a political tool to appease regional voters and political parties.

(2) Loss of time and energy of Parliament in budget preparation, discussion and voting.

(3) Separate Railway Ministry → separate funds

(4) The practice is not followed anywhere in the country.

(5) NITI Aayog recommended to merge the two budgets as it was unnecessary.

Remarks

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 Committee

Also a member
 of Niti Aayog

Why
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 role
 Economy
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However, even after the merger, it is said by some that political considerations are still not

halted. ~~Many new trains~~

1) New trains announced considering the upcoming elections ✓

2) Fare subsidy to passengers → issue of cross-subsidisation to "freight". Also,

this has led to subsidising the already rich class (Eco survey: "Bounties for the well off") ✓

However, this may not be a correct examination, because:

(i) many corridors like DMIC (Delhi-Mumbai Industrial Corridor), Bullet train project

from Mumbai to Ahmedabad

(ii) focus on North-East railways, Himalayan railways, etc

(iii) Railway station modernization and digital connectivity ✓

(iv) Setu Bharatam

(v) New LHB coaches

(vi) Vande Bharat Express — engineless traction motors of Railway

Good, that you have mentioned the past achievements of Railway

Remarks

It will help present a holistic picture of Indian economy. Include more relevant benefits as well (refer PLB).

All these announcements and decisions have been taken irrespective of any political considerations, and solely considering regional development, economic growth and connectivity.

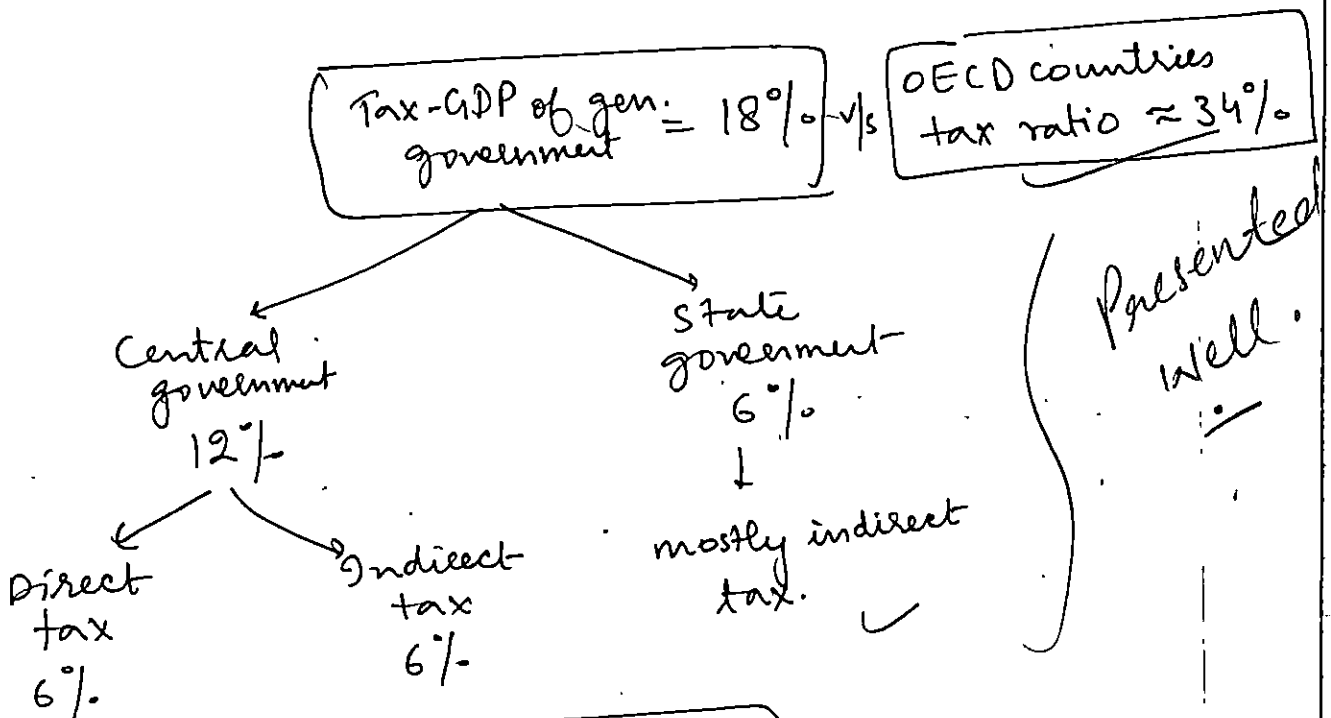
Also include some challenges of post merger of Budget: - FM can also choose populist measures etc.

5 1/2

Remarks

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)

The tax to GDP ratio of a country tells about the tax revenue of the government as ~~per~~ percentage of its GDP. The present tax to GDP ratio of general government is around 18%.



Reasons for low tax ratio

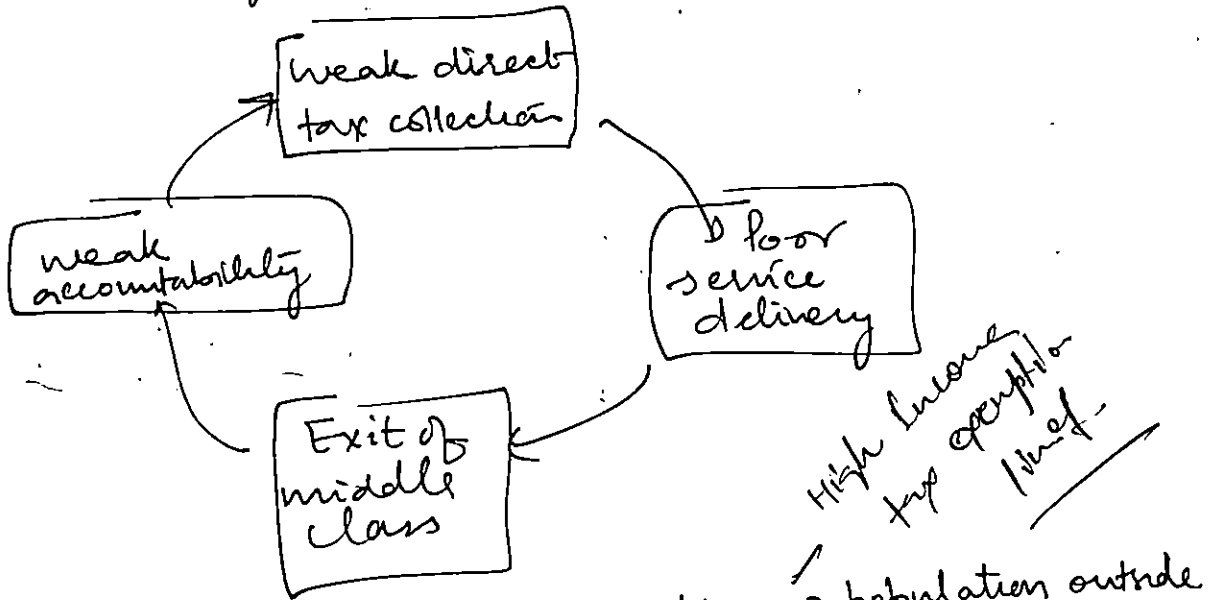
- (1) Complex taxation system - both direct and indirect taxes. ✓
- (2) low tax base: India has only one taxpayer for 16 voters. ✓

Remarks

Not Relevant

(3) low spending on social infrastructure → breach of social contract → alienation of middle class → "freeriders"

(4) Situation of low equilibrium trap (Eco survey)



(5) Tax exemptions and subsidies → population outside tax net

(6) high tax evasion

(7) Blanket immunity to Agricultural sector → black money and money laundering

(8) Tax abuse by multinationals → eg. tax evasion and profit shifting, round tripping, abusing transfer pricing. (eg) Vodafone case

(9) low economic growth → high NPAs, slowdown in manufacturing, etc

(10) Unorganised and informal sector → more than 85%

you need to explain more in detail

Remarks

It is not directly associated with taxation

Way Forward

- 1) Reduce tax litigation → NCLT, DRT, IBC, etc
- 2) Fugitive Economic offenders Bill for deterrence
- 3) Progressive taxation and increase share of direct tax.
- 4) Lower corporate tax rate - [Budget 2018 reduced it to 25% for small msme's]
- 5) Direct tax Code and simplification by
 - adopting suggestions of Atal Bihari Vajpayee Committee
- 6) GAR, PDeM (Place of Effective Management)
- 7) Increase digitalisation
- 8) Amendments to DTAA with Mauritius, Singapore, etc
- 9) Bringing Agricultural sector under taxation for rich farmers (NITI Aayog recommendation)
- 10) Increasing governance by investing in social infrastructure

Taxation serves as an "economic glue" in the social contract between the state and citizens. It must be improved to attain effective governance

largely good, also talk about the application of behavioural Economics as suggested by surveys.

6/2

Remarks

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 the "fourth estate" of democracy. It has a wide reach and audience and is crucial in shaping public opinion, ^{and} citizen awareness.

Recent issues of paid news and Media biasedness

have jeopardised the credibility of Media in the following manner:

- (i) Yellow journalism and sensationalism
- (ii) Fake news and 'post-truth' news
- (iii) India ranks abysmally low in 'Press Freedom Index'

(iv) Security concerns → eg micro coverage of 26/11 terror attacks

(v) Media trial eg Aarushi murder case

(vi) Increased competition for TRP and publicity

Included
as a
reason

Remarks

- (vi) Politicisation of media ✓
 (viii) Influencing of voter behaviour through
 exit and opinion polls. ✓

(ix) Lack of proper media regulator for electronic media

All these issues have raised concerns
 about accountability, trust and credibility
 of media.

Way Way Forward

- 1) A statutory regulatory body for electronic media, especially social media.
- 2) TRAI recommendations for regulations of media ownership.
- 3) Legislation to empower journalists to carry out their duties in free and fair manner.
- 4) Media pluralism and independence.
- 5) Strict enforcement of laws in Representation of People's Act, IPE and CrPC against paid news.

Though content is appreciable, need to structure it better & discuss the issues and then provide reason for this
 Corporation of media etc ✓

Indian government believes in self-regulation of media to ensure their freedom and autonomy. But at the same time, Press Council of India should also be given punitive powers to take actions.

6

Can also suggest to give more powers to Election Commission to check these things.

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)

With the increasing technologies like Web 2.0, Internet of Things, artificial intelligence, 5G etc, there has been a Communication Revolution across the globe. With this, the electronic media has also risen with every person connected to one or more social media intermediaries like facebook, google, whatsapp, etc.

Communication Revolution

- 1) Expression of opinion by common man through blogs, vlogs, facebook posts, tweets, etc
- 2) Used to bridge the gap between government and the people → grievance redressal
- 3) Twitter diplomacy by the government
- 4) Real time feedback of projects

Remarks

4) wider reach of government schemes

5) could be effectively used in disaster management and evacuation due to quick transmission

ALSO talk about 9th role in bringing Political change to (Arab Revⁿ etc)

6) Reduced the ^{marginal} costs of data gathering, processing and dissemination [According to Economic Survey 2018-2019]

However these have some issues also

which have emerged, like:

- (i) cyber crimes and bullying
- (ii) rumours and fakes news → communal clashes and mob lynching
- (iii) Blue whale challenge
- (iv) Data colonization by social media companies
- (v) Data manipulation and influencing elections. (eg) Cambridge Analytica issue
- (vi) self radicalisation and lone wolf attacks
- (vii) radicalisation and recruitment by terror groups like ISIS

Cambridge Analytica issue of privacy

Way Forward

- 1) Proposal to setup a network of social media communication hubs → for monitoring
- 2) Use of AI and Big Data Analytics to tackle fake news ✓
- 3) Recent TAAI guidelines to social media companies for data localisation, having a local grievance officer ~~and~~ etc.
- 4) Increased surveillance. (eg) Section 69A of IT Act ✓

With increasing technology, the communication revolution cannot be stopped. But its issues can be effectively addressed by proactive monitoring and bringing in more technology.

Suggestions
 are largely good, but also talk about increasing digital literacy etc.

7

Remarks

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)

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definition of

Liquidity trap situation occurs when there is a high liquidity in the market, yet a high recession (low demand for goods and services) liquidity traps.

This situation is generally seen in developed countries. However, it is sometimes said that India is also facing a similar situation. The Reasons are:

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(i) High culture of savings in the Indian households → despite credit availability → they do not tend to take it.

(ii) Turn Balance sheet problem and high NPA's where corporates are not able to take further loans.

(iii) Signs of economic slowdown seen in low sale of automobiles, crash in the stock markets, low business sentiments, etc

Remarks

~~However~~ However, on the flip side, India may not be considered in position of liquidity trap because

- (i) Average economic growth rate has been more than 7% in last 5 years
- (ii) India is still a consumption-led economy
- (iii) Due to highly unorganised and informal nature of Indian economy

~~low~~ (iv) low monetary policy transmission
 To address the issues, India is doing the following steps:

- (i) Monetary policy targeting by RBI
- (ii) Ease of Doing Business to encourage startups
- (iii) Easy Exit → addressing Chakravyuha challenge by IBC Code
- (iv) GST and its further simplification
- (v) Harnessing private investment

~~Thus, it~~
 Thus, it may not be correct to say that India is in a liquidity trap. The

ALSO full about Controlling of Inflation

Issues related to liquidity and low consumption; perceived low business sentiments can be tackled by structural and systemic reforms in the economy.

5

you have provided a good analysis of Indian Eco. situation, also explain the concept of liquidity trap well

↳ link it with Prevailing interest rate in Indian Economy.

Remarks