NEXT IAS

NEXT IAS (Head Office) : 27-B, Pusa Road, Metro Pillar no. 118, Near Karol Bagh Metro, New Delhi-110060
Bhopal Centre: Plot No. 46, ZONE-2, M.P. Nagar, Bhopal-462011
Ph: 8081300200, 8827664612 | E-mail : mts@nextias.com | Web: www.nextias.com

(To be filled by candidate)

Name of Candidate : Dr. Sachin B.G

NEXT IAS Roll No.: MT24PTMR035 Date of Examination : 27|12|23

Exam Centre : Old Rajinder Nagar ☑ Bhopal ☐ Online ☐

Test Code : TC 262 Program : Prelims to Prelims ☐ Prelims to Mains ☑

MTS CSE 2023-2024 (TEST-12)

GENERAL INSTRUCTIONS

This Question-cum Answer (QCA) Booklet contains 26 pages. Immediately on receipt of the booklet, please check that this QCA booklet does not have any misprint or torn or missing pages or items, etc. If so, get it replaced by a fresh QCA booklet.

Candidates must read the instructions on this page and the following pages carefully before attempting the paper.

Candidates should attempt the questions strictly in accordance with the instructions specified in the question paper and in the space prescribed under each question in the booklet. Any answer written outside the space allotted may not be given credit.

Question paper will be provided separately and can be taken by the candidates after conclusion of the exam.

SUBJECT/PAPER
GENERAL STUDIES

Invigilator's Sign. : ....

[To be filled by the STUDENT]

Student's Queries for the Evaluator (if any write them below)

[To be filled by the EXAMINER]

Evaluator's response

(For filling by Examiners only)

Evaluator Code :

Q.No	Pg No.	Maximum Marks	Marks	Total
1	1			
2	3			
3	5			
4	7			
5	9			
6	11			
7	13			
8	15			
9	17			
10	19			
Grand Total				

Signature

MACRO COMMENTS

IMPORTANT INSTRUCTIONS

CANDIDATES SHOULD READ THE UNDERMENTIONED INSTRUCTIONS CAREFULLY. VIOLATION OF ANY OF THE INSTRUCTIONS MAY LEAD TO PENALTY.

DONT'S

1. Do not write your name or registration no. anywhere inside this Question-cum-Answer Booklet.
2. Do not write anything other than the actual answers to the questions anywhere inside your QCA Booklet.
3. Do not tear off any leaves from your QCA Booklet, if you find any page missing do not fail to notify the supervisor/invigilator.
4. Do not leave behind your QCA Booklet on your table unattended, it should be handed over to the invigilator after conclusion of the exam.

DO'S

1. Read the Instructions on the cover page and strictly follow them.
2. Write your registration number and other particulars, in the space provided on the cover of QCA Booklet.
3. Write legibly and neatly. Do not write in bad/illegible handwritings.
4. For rough notes or calculation, the last two blank pages of this booklet should be used. The rough notes should be crossed through afterwards.
5. If you wish to cancel any work, draw your pen through it or write "Cancelled" across it, otherwise it may be evaluated.
6. Handover your QCA Booklet personally to the invigilator before leaving the examination hall.

1. FDI, apart from being a driver of economic growth, can also be seen as a non-debt-creating financial resource. In this context, what is the relevance of FDI in the economic growth of India? What are the issues associated with FDI as a source of growth?

(Answer in 150 words) 10 marks

Recently India reported highest ever FDI inflow of worth $ 83 Billion in FY 21-22 indicating the crucial role it plays in economic growth of the country.

FDI

Driver of economic growth
- leads to capital formation
- Brings in technology alongside capital

Non debt creating financial resource
- long term investment with interest to manage asset
- Not 'hot money' like FPI

Relevance of FDI in economic growth

1) Supplements Government / Public investment & increases the Private capital formation leading to virtuous cycle of growth

Higher GDP → FDI → Access to capital → Creation of jobs → Increased employment → Increased production → Higher GDP

2) Technology : Newer & improved technologies & operational practices adopted

3) Development of Human capital : via better exposure to skills & best practices of world

4) Export growth : Production of goods that are export compatible & 100% export oriented units

5) Facilitates stability of exchange rate & adds upto Foreign Exchange reserve

Issues associated with FDI

1) Not suitable for strategically important industries

2) Hindrance of domestic investment

3) FDI policy uncertainity linked to Global issues

4) Poor performance of certain MNCs & inequal growth

Way forward

- Removal of the need for government approval for FDI
- Strengthening single window clearance system
- Revised FDI rules (Ex) e commerce rules

Therefore, Government's aim to achieve USD 100 Billion worth FDI is crucial in realising 5 trillion economy in India.

Candidates must not write on this margin

2. "India is no country for working women". In this context, discuss the reasons for the low female participation rate in the labour force while suggesting measures to improve the participation of women in the labour force. (Answer in 150 words) 10 marks

The female labor force participation rate (FLFPR) in India is one of the lowest among the emerging economies.

The FLFPR in India has fallen recently from 31% in 2012 to 22% in 2020. While China has highest female LFPR of 61%.

Reasons for the low FLFPR

1) Lack of economic opportunities
i.e. labor demand constraints or lack of suitable job opportunities
(ex) Rural India - fall in availability of farm jobs without non farm employment

2) U shape relation between education & employment - observed phenomenon of rise & subsequent decline in employment with rise in education levels

3) Poor working conditions for women
(ex) - disproportionate long hours, lesser job security, wage gaps, etc

Candidates must not write on this margin

4) Unpaid domestic & work: especially domestic chores & up unpaid care are not considered in GDP estimation

5) Gender bias: patriarchal notions & stereotyping of women only to 'pink collar jobs'

$\boxed{\text{Measures to improve participation of women}}$

1) Higher social spending on women empowerment
(Ex) Beti Bachao Beti padao scheme

2) Paid leave during menstruation & pregnancy periods alongside other maternity benefits

3) Comprehensive Policy on creation of safer work places & flexible jobs for women

4) Ensuring principle of equal remuneration with improved wage transparency

5) Improvement in supplementary services like safer travel & transportation, Child care & creche system, sanitation facilities, etc

The first independent Nobel Prize Winner in economy Claudia Goldin proposes 'couple equity' in families as first step.

Candidates must not write on this margin

3. The overfocus on the GDP growth rate subsides the issues of growing inequality and environmental unsustainability. In this context, highlighting the limitations of GDP suggests alternatives to GDP as a welfare of growth rate. (Answer in 150 words) 10 marks

GDP (Gross Domestic Product) refers to the market value of all final goods & services produced within domestic territory in a financial year

Overfocus on GDP → subsidence of issues of inequality & unsustainability

- India is one of the fastest growing major economy of the world, currently the fifth largest economy with $3.5 trillion GDP (World Economic Forum)
- While Oxfam report reflects the dire state of growing inequality
  ex 1% of top richest holds/owns 40% of India's resources
- India ranks 7th in Global climate change risk Index

Limitations of GDP

1) Doesn't capture standard of living of the masses & income inequalities

2) Non market production i.e production for private consumption or unpaid domestic labor is not considered

3) Negative externalities - doesn't reflect environmental degradation & pollution & loss of health or adverse impact on health ~~adversely~~. etc

4) Black economy - doesn't take into account parallel economy, black money, etc

5) Not an indicator of political freedoms, social harmony & qualitative aspects of development

Alternatives to GDP

1) Human Development Index (HDI) of UNDP
Measure of Standard of living, Education & Healthy life

2) Gross ~~Hap~~ National Happiness ~~of~~ of Bhutan
- measure of happiness of citizens

3) SDG's (Sustainable Development Goals)
measure of 17 key parameters of sustainable development

4) Green GDP
considers economic services of environment

Although GDP as a international measure of growth is important, economic developmental strategies must not be bound by it.

4. How has the budgetary process changed since the last decade? Suggest budgetary reforms that can help in better management of government expenditure.

(Answer in 150 words) 10 marks

Budget or Annual Financial Statement (Article 112) is a document of government's planned spending of resources, cash flows, assets, liabilities etc for a given financial year.

Budget
- Projections of revenues for next year
- Actual receipts of past year
- economic & financial policies of upcoming year

Budgetary changes since last decade

1) Advancement of Budget presentation to February 1st (earlier - last day of February)

2) Merger of railway budget with general budget

3) Doing away with planned and non plan expenditure

4) Increased transparency of in off budget

5) FRBM Act & PFMS system.

Major Issues in budgeting

1) Little relationship between Budget as formulated & Budget as executed
(2) Not meeting disinvestment targets

2) March rush & delay in implementation of projects
3) Lack of financial devolution to local governments
4) Increasing fiscal deficit & non compliance with FRBM Act

Budgetary Reforms for better management of expenditure

1) Policy shift from outlays to outcomes

Outlays → Outputs → Outcomes

Outlays ⇓ based on amount allocation

Outputs ⇓ based on quantitative assessment

Outcomes ⇓ based on qualitative assessment

2) 2nd ARC Measures recommendations
i) Estimates, assumptions must be based on facts
ii) End to practice of ad hoc projects & schemes announcement

3) Adoption of modern financial management practices (eg) Finance Information Systems, etc

4) Revamping of FRBM Act considering changed realities

Since Government Budgeting is crucial tool of Fiscal policy, modernisation of budgeting process is essential.

5. Inequality has become a major challenge to inclusive growth in India. In this context, elaborate on the reasons for rising economic inequality in India. Also suggests measures required to reduce economic inequality in India. (Answer in 150 words) 10 marks

According to UN, Inequality is the state of not being equal, especially in status, rights & opportunities. It is indeed biggest challenge to Inclusive growth

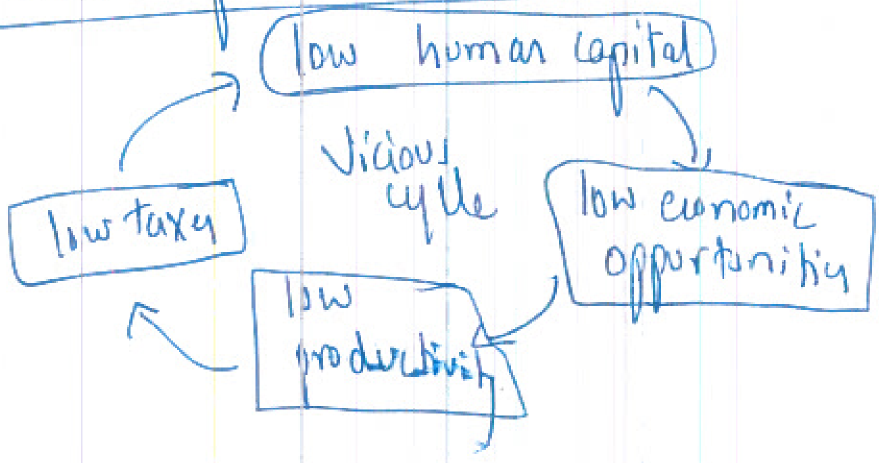
Data: According to World Inequality Report -2022, India ranks ~~lowest~~ most unequal among G20 nations.

Oxfam report 2022 → 1% of richest owns 40% of wealth

Reasons for rising economic inequality

1) Historical constraints: Impact of 200 years of colonisation skewed and imbalance regional growth

2) Human capital constraints:



3) ~~Eco~~ Structural Constraints: 85-90% of Indian economy is unorganised & informal without adequate social security & wages for all labors

4) Social constraints: Age old social evils like caste based employment, gender discrimin-ation, etc

5) Technology & Knowledge economy: replaces masses with poor skills & rewards higher skills increasing inequality gap.

Measures to reduce economic inequality

1) Financial Inclusion: Schemes like J-A-M trinity, PM Kisan Mandhan yojana, etc

2) Social protection: National level social security schemes must be strictly implemented
ex Atal Pension yojana, etc

3) Support Enterpreneurship: Creation of Job providers not job seekers
ex PM Mudra yojana

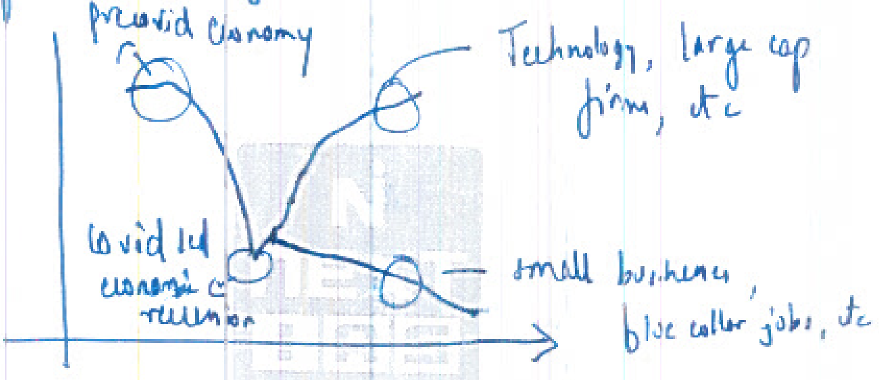
4) Human resource development & Social capital enhancement ex Ayushman Bharat, etc

Therefore Government can adopt innovative measures like Universal basic income, Urban unemployment scheme, etc

6. Do you agree that India's growth trajectory in the post-COVID-19 era has been K-shaped? Substantiate your answer with reasons. (Answer in 250 words) 15

Various economic surveys & assessments indicate that India is witnessing 'K' shaped recovery more than 'V'-shaped recovery post pandemic

K shaped recovery



K shaped recovery is one in which some sectors of economy see strong growth while other sectors continue to decline

Significance: It exhibits growing wealth inequality, greater corporate monopolies, accelerating technological adoption, etc.

Indicators of K shaped recovery

1) Industrial signs: Within the same sector of industries, few performing better than other

(ex) Two wheelers — sales shown decline
Premium cars & motorcycles — sales positive trend

2) ~~Higher inflation~~ Rich - poor gap : The overall wealth of richer section continued to grow while middle & lower income people incomes remained constant or sustained loss

3) Impact of higher inflation : Sustained higher inflation post covid acted as 'Tax on poor' further widening the growth trajectory

4) Stock market & financial assets : It showed phenomenal growth while the benefit hardly trickles down to 5% of population (SEBI report)

5) Health, IT, IT enabled sectors, etc were bright spots of economy while MSMEs, tourism, textile, etc were dark spots indicating divergent growth across industries

However, $\boxed{\text{'V' shaped recovery}}$ is also seen

1) Overall GDP growth has bounced back

Candidates must not write on this margin

from -7% of negative growth to 6.5% of positive Growth in 2022-23 (Economic survey)

2) Major economic indicators like credit growth, private consumption, private capital expenditure, tax receipts to the government, etc have shown solid 'V' shaped recovery

(eg) Average monthly receipts touching ₹1.6 lcr of GST

Measures to take K shaped recovery

1) Tax reduction especially Income tax reduction to aid middle & lower class

(eg) New slab of IT that exempts upto ₹7L income

2) Increase progressive corporate taxes & reduce regressive indirect taxes

(eg) Rationalisation of GST

3) Prioratised Welfare schemes & social security schemes in order to aid livlihood of middle & lower ~~col~~ income class

Therefore, Countercyclical fiscal policy of government via 'Atmanirbhar package' is step towards right direction

7. Rising NPAs coupled with twin balance sheet issues have been the most pressing problem of India's economy in recent times. What are the factors responsible for rising NPAs? Elaborate on the measures that can be undertaken to address this problem giving special reference to the potential of newly formed NARCL and IDRCL.

(Answer in 250 words) 15

Non Performing Assets (NPAs), commonly referred to as bad loans refers to loans that are

i) in default → debtor unable to meet his repayment obligation

ii) in arrears → when principle or interest payments are missed

Banks lend loans → Private sector poor performance due to various causes → Inability to pay back → Loss of revenue for banks → Twin balance sheet problem of both banks & private sector

Factors responsible for rising NPAs

i) Continued poor performance of certain sectors due to ~~key~~ 'K'-shaped recovery

ex Sectors like power, construction, real estate still under pre covid stress

Candidates must not write on this margin

2) Covid-19 Impact on economy -
'blackswan' event that standstilled economic activities across the globe

3) Supply chain constraints & other major Global headwinds - Russia Ukraine conflict, etc has reduced global demand

4) Better recognition of Bad loans -
Due to high alert by RBI for tighter recognition norms - revealed cumulated bad loans from earlier

5) Role of easy credit by banks & growth of Digital loans by growing FinTech Companies, etc

However, NPAs according to RBI's Financial stability report, Indian banks Gross NPA has fallen to a 10 year low of 3.9% indicating effectiveness of measures taken by RBI & Government

Measures that can be undertaken

1) National Asset Reconstruction Company & (NARCL)
India Debt resolution Company (IDRCL)
was announced by government in Budget 2021

2) NARCL will first purchase bad loans from banks – 15% in cash
85% in security receipts guaranteed by government

3) Assets are then sold with help of IDRCL & commercial banks are paid back the rest.

Other Measures

- **RBI**
  - Prompt Corrective Action framework
  - Schemes for Debt restructuring (ex) S4A
  - Asset Quality Review, etc
- **Government**
  - 4R's strategy
    - Recognition
    - Resolution
    - Recovery
    - Recapitalisation
  - Indradhanush plan
  - IBC Code, 2016

Therefore for Indian Banks to be Global banks as visioned by Economic Survey, issue of NPAs must be resolved @ earliest.

Candidates must not write on this margin

8. India is often criticized for its regulatory cholesterol, which hinders economic growth and innovation. Discuss the concept of regulatory cholesterol and its impact on the Indian economy. Suggest pragmatic measures to streamline the regulatory environment and promote ease of doing business in India. (Answer in 250 words) 15

'Regulatory Cholesterol' as acknowledged by various reports like Ease of doing business report of World Bank, Economic survey indicates the fact that businesses in India are bound by huge number of laws that actually hinders company operations.

Data: There are as many as 1536 laws that directly or indirectly govern doing business in India.

Concept of Regulatory Cholesterol

India since independence followed the economic trajectory of closed economy with Government led planned economic development restricting & controlling economic activities via regulations like license raj, inspector raj, etc.

Although LPG reforms of 1991 brought neo liberal paradigm shift, Indian economy is still burdened by outdated

& stagnant entitlements that hinders economic growth.

Impact of it on Indian economy

1) Dwarfism of MSMEs :
It pays to be under regulatory radar of government for MSMEs in India. Micro & small enterprises aren't incentivised to go big with higher cost of compliance associated

2) Against 'Laissez faire' principle of Modern market economy - impedes upon autonomy of private sector

3) Restricts Job creation - because companies being apprehensive of being recognised as organised sector with extra legal burden

4) Hinders foreign investment in form of FDI, FPI, etc - with fear of excess regulation

5) No incentive to adopt 'Economies of scale' model of growth

6) can also lead to 'Middle Income trap'

Measures to streamline & promote ease of doing business

1) Constitution of National Compliance Commission
- objective of identifying duplication & redundancy among compliance requirements

2) Creation of Unique identity for enterprises in form Unique Enterprise number replacing multiple identities issued by State & Centre

3) Digitisation - All compliance & filings must go digital

4) Introduction of self certification or third party certification - help augment enforcement capacity & improve public convenience

5) Formalisation of Indian economy with government role as 'facilitator' & 'enabler' rather than controller & regulator

India's dream of becoming 'Viksit Bharat' (developed nation) by 2047 can be achieved by taking first step of shedding of colonial legacy laws.

Candidates must not write on this margin

9. Public expenditure management is a challenge to the Government of India in the context of budget-making during the post-liberalization period. Clarify it.

(Answer in 250 words) 15

Public Expenditure Management is the process of managing all functions related to government spending & its control.

Goals of Public Expenditure Management

- Fiscal discipline
- Strategic resource allocation
- Good operational management of Government functions

Post liberalisation period refers to period after the adoption of LPG Reforms of 1991

Public expenditure management challenges in context of budget making

1) Challenges in budget estimation
- due to global headwinds like trade wars, covid 19 pandemic, conflicts, etc

2) Increasing burden of subsidies
With supply chain constraints or weaponisation of supply chains, rise in

Candidates must not write on this margin

prices of fertiliser, oil, etc has added to burden of subsidy

3) Reduction in corporate taxes

i) resulting in low tax base & more reliance on indirect tax making taxation policy regressive

4) Challenges to equitable development

due to skewed & unbalanced economic development across sectors & regions

(Eg) Service sector - employs only 17% but contributes around 51% of GDP

5) Lower social expenditure

Government focus has shifted from welfare or social security schemes to infra & facilitation role.

However, Government measures have ensured that Public expenditure Management is not challenge anymore

1) FRBM Act, 2003 - mandates & regulates the fiscal deficit of the government

Candidates must not write on this margin

2) Public Finance Management System
-web based online software that tracks funds under all schemes of GOI

3) Adoption of many other digital solutions like PRAGATI, Direct Benefit transfer, etc

4) ~~hea~~ Foreign finance or capital support in form of multilateral institution grants, loans has strengthened government position

5) Way forward

1) Asian Development Bank recommends Accountability, Transparency, predictability & participation in PFM process

2) Fiscal prudence & Fiscal consolidation measures to streamline efficient expenditure

3) Equal focus on both economic development & social security measures allowing holistic development of citizens

Although challenged by LPG measures, Government has sufficient tools at ~~its~~ its disposal for better PFM process

10. Economic growth in the recent past has been led by an increase in labour activity." Explain this statement. Suggest the growth pattern that will lead to the creation of more jobs without compromising labour productivity. (Answer in 250 words) 15

Labor activity refers to the increased participation of workers in the economy such as increased employment, higher workforce & enhanced productivity

Economic growth is led by increase in labor activity

1) Demographic advantage: India's working age population constitutes 60% of total population with median age of 28 yrs reflecting large number of working hands

2) Increased employment & production
The latest PLFS survey data notes that unemployment has decreased recently to 6.8 yrs from 9% earlier

3) Improved human capital: - Accumulation of human capital via education, skill training, health measures, etc has increased labor activity & in turn

Candidates must not write on this margin

economic growth

4) Innovation & Entrepreneurship : India has grown into 3rd largest startup ecosystem in world providing jobs to millions

5) Positive Multiplier effects : Increased labor activity led to increased economic activity & job creation, increased tax revenues for government & further investments in public services.

Growth pattern to create jobs without loss of labor productivity

1) Invest in Innovation and Research & Development : India's GERD has been dismally low at around 0.66%.

Better innovation alone can further enhance labor productivity and also provide newer economic opportunities

2) Promote entrepreneurship:

GoI must foster culture of entrepreneurship through - access to capital

- streamlining of regulations
- mentorship & incubation centres, etc

ex Startup India scheme

3) Support MSME's & cooperative model of development

ex PM Mudra Yojana

4) Reduce logistics cost & infrastructure bottlenecks

- they have multiplier effect on economic growth & job creation

ex National Investment Pipeline

5) Enhance labor market flexibility - policies that strike balance between protection & flexibility ex labor reforms

6) Foster PPP model of growth

- leverages strength & resources of both private & public for job creation led economic development

Therefore, both the dream of demographic dividend & 'Viksit Bharat' be realised only with jobs creation led growth

Candidates must not write on this margin

Space for Rough Work

Candidates must not write on this margin

Space for Rough Work