

NEXT IAS

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ADVANCED INTEGRATED MENTORSHIP

ECONOMY ASSESSMENT TEST-14

(To be filled by candidate)

Test Code : TC315

Name of Candidate :

Abhishek Singh

NEXT IAS Roll No. :

AIM24GCL1035

Date of Examination :

25-Sep-2023

Exam Centre : Old Rajinder Nagar ☐

Bhopal ☐

Online ☒

GENERAL INSTRUCTIONS

This Question-cum Answer (QCA) Booklet contains 32 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

3

Invigilator's Sign. :

(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	14			
8	17			
9	20			
10	23			
Grand Total				

Signature

MACRO COMMENTS

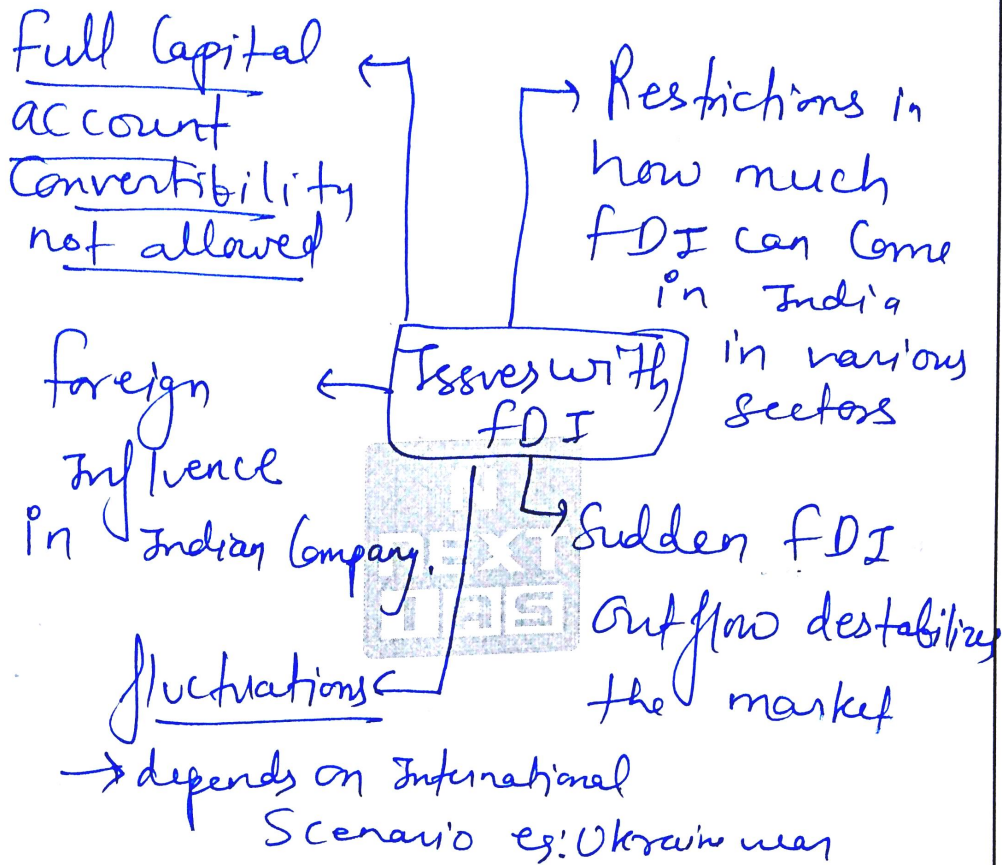
1. FDI, apart from being a driver of economic growth, can also be seen as a non-debt-creating financial resource. In this context, what is the relevance of FDI in the economic growth of India? What are the issues associated with FDI as a source of growth?
(Answer in 150 words) 10 marks

FDI can be defined as an investment which acquires more than 10% of equity in a company.

Relevance of FDI

- ① Capital formation: FDI money is used to acquire new revenue generating assets
- ② Attracts more investment: Domino effect as it creates positive atmosphere.
- ③ Employment generation
- ④ Competitiveness increases: As multiple companies trying to attract more investment will try to do better.

⑤ Growth of new sectors like e-commerce, emerging technologies etc.



Way forward → S.S. Tarapore Committee
 allowing recommendations about FDI should be followed
 Non-strategic sectors.

The FDI's are important part of Nations growth and gradually it should be liberalize keeping challenges in mind.

2.

Next IAS ID: AIM24GCL1035, TC315, 02-10-2023 10:37 AM
"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

According to Global Gender Gap report released by World Economic Forum, India ranks 135/147 countries in 2022.

Reasons for low female LFPR:

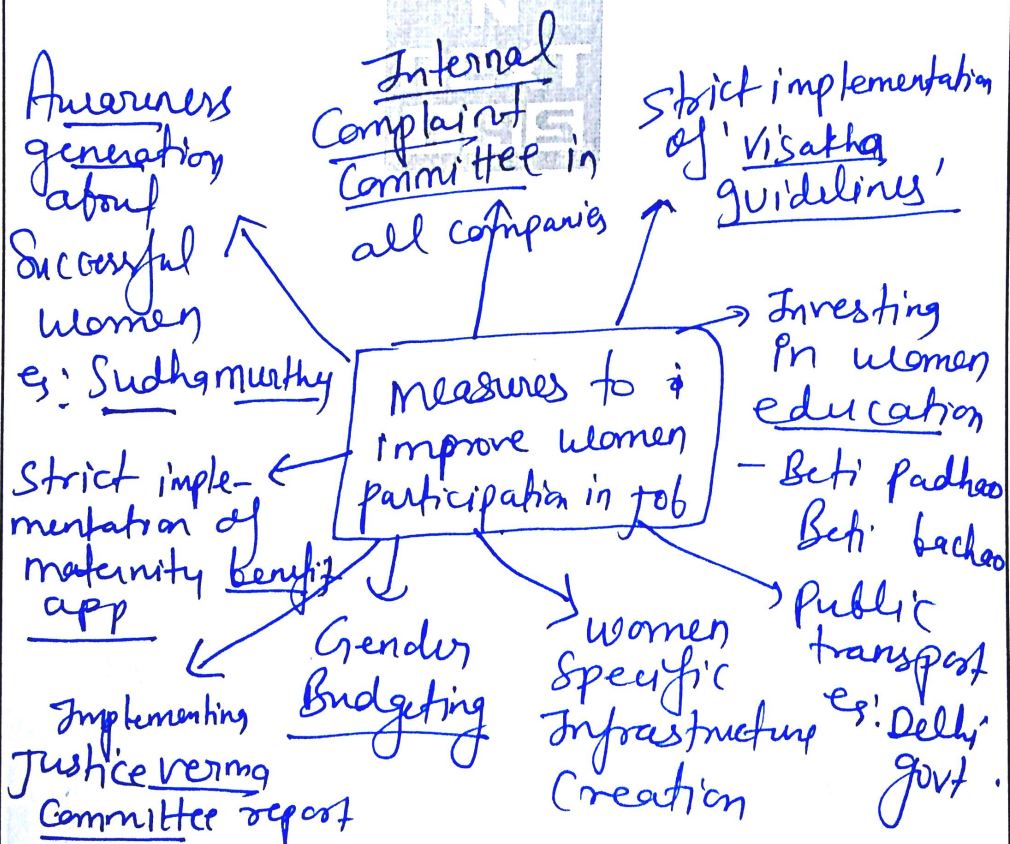
⊗ LFPR is only around 32% while overall LFPR is 52% in 2022.

Reasons

(a) Lack of opportunity to women. As less sectors are open for them. eg: Science & tech has very less women (~20% only)

(b) Glass ceiling effect: They are not allowed to rise beyond a particular level

- (c) Pink collared job : They are considered more suitable for 'care' economy
- (d) Wage gap : According to WEF, at present rate it will take 132 years to achieve gender equality.
- (e) Patriarchal restrictions are imposed on them by society.
- (f) Sexual harassment at work place



SDG goal -5 calls for gender equality.

Above measures should be taken on war footing basis to tackle low FLFPR.

The overfocus on the GDP growth rate subsidises 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 growth rate can be defined as amount of goods and services created in an economy within a year.

Limitations of GDP

- ① Does not measures Human development indicators
for eg: quality of life (Ease of living)
- ② Gender inequality : cannot be measured
for eg: A/c to WEF's Global Gender gap Index ranks 135/197 (2022)
- ③ Environmental degradation is not reflected in GDP numbers.
for eg: Coastal mangroves destruction.

④ Rural-urban divide Can't be measured
for ex: 70% of Rural population
does not use Internet.

⑤ Wealth inequality Can't be measured
A/c to Oxfam report Top 10%
of Individuals in India has 76%
of wealth.

Alternatives to GDP

① Inclusion of Gross Happiness Index
in GDP → for eg: Bhutan

② Green GDP: Uttarakhand govt.
for first time included it in
State GDP.

③ The Economics of Ecosystem and
Biodiversity (TEEB) by Pavan
Sukhadev's methodology can be
incorporated.

④ Norway, Sweden already use
Green GDP measures → case study.

Although GDP has limitations,
it is still most important indicator
of growth. Above alternatives can not
replace GDP but can be included in 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

Annual financial statement (Budget) of govt. reflects the receipt & Expenditure of the govt over the last year & the projection for next year.

Changes in budgetary process since last decade

① Outcome based budgeting :

In this real impact of policy is measured & then money allotted.

② merger of Railway budget & General budget : Increased efficiency

③ Shifting of dates to 01 February from earlier ~~to~~ date of end month → makes funds easily available.

④ more transparency : using digital

- medium to formulate & present budget.
- ⑤ merging of plan and non-plan expenditure $\Rightarrow$ Streamlined the process

Budgetary process reforms

- ① Wider Consultations from civil society, industry etc.
- ② Gender budgeting: Hovering around 4-5% should be increased.
- ③ Data based policy making:
Using tools like AI, machine learning etc in policy.
- ④ Social audit of schemes & their results should be included in budget.
- ⑤ Environment friendly budget
 $\hookrightarrow$ To fulfill INDC targets.
Budget should be such that it avoids both underutilization & misutilization of funds. Above reforms will help in that.

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 suggest measures required to reduce economic inequality in India. (Answer in 150 words) 10 marks

Inequality can be defined as the unjust, unequal distribution of resources and opportunities among various sections of the society.

Inequality in India

- ↳ WEF report: Global gender gap → India ranks 135/147 (2021)
- ↳ Oxfam report: Top 10 % hold more than 60 % of wealth.
- ↳ Digital divide: 67 % of people use internet in urban area but only 30 % in rural area.

Reasons for Economic inequality

- ① Agriculture sector: which employs around 50 % population but contributes only 15 % to GDP.

- ~~①~~ ~~②~~ ~~③~~ ~~④~~ ~~⑤~~ ~~⑥~~ ~~⑦~~ ~~⑧~~ ~~⑨~~ ~~⑩~~ ~~⑪~~ ~~⑫~~ ~~⑬~~ ~~⑭~~ ~~⑮~~ ~~⑯~~ ~~⑰~~ ~~⑱~~ ~~⑲~~ ~~⑳~~ ~~㉑~~ ~~㉒~~ ~~㉓~~ ~~㉔~~ ~~㉕~~ ~~㉖~~ ~~㉗~~ ~~㉘~~ ~~㉙~~ ~~㉚~~ ~~㉛~~ ~~㉜~~ ~~㉝~~ ~~㉞~~ ~~㉟~~ ~~㊱~~ ~~㊲~~ ~~㊳~~ ~~㊴~~ ~~㊵~~ ~~㊶~~ ~~㊷~~ ~~㊸~~ ~~㊹~~ ~~㊺~~ ~~㊻~~ ~~㊼~~ ~~㊽~~ ~~㊾~~ ~~㊿~~ ~~0~~ ~~1~~ ~~2~~ ~~3~~ ~~4~~ ~~5~~ ~~6~~ ~~7~~ ~~8~~ ~~9~~ ~~10~~ ~~11~~ ~~12~~ ~~13~~ ~~14~~ ~~15~~ ~~16~~ ~~17~~ ~~18~~ ~~19~~ ~~20~~ ~~21~~ ~~22~~ ~~23~~ ~~24~~ ~~25~~ ~~26~~ ~~27~~ ~~28~~ ~~29~~ ~~30~~ ~~31~~ ~~32~~ ~~33~~ ~~34~~ ~~35~~ ~~36~~ ~~37~~ ~~38~~ ~~39~~ ~~40~~ ~~41~~ ~~42~~ ~~43~~ ~~44~~ ~~45~~ ~~46~~ ~~47~~ ~~48~~ ~~49~~ ~~50~~ ~~51~~ ~~52~~ ~~53~~ ~~54~~ ~~55~~ ~~56~~ ~~57~~ ~~58~~ ~~59~~ ~~60~~ ~~61~~ ~~62~~ ~~63~~ ~~64~~ ~~65~~ ~~66~~ ~~67~~ ~~68~~ ~~69~~ ~~70~~ ~~71~~ ~~72~~ ~~73~~ ~~74~~ ~~75~~ ~~76~~ ~~77~~ ~~78~~ ~~79~~ ~~80~~ ~~81~~ ~~82~~ ~~83~~ ~~84~~ ~~85~~ ~~86~~ ~~87~~ ~~88~~ ~~89~~ ~~90~~ ~~91~~ ~~92~~ ~~93~~ ~~94~~ ~~95~~ ~~96~~ ~~97~~ ~~98~~ ~~99~~ ~~100~~ 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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 marks.

Covid-19 pandemic disrupted the India economy greatly.

Post Covid some sector grew faster while some sectors grew slower & even went into negative growth rate.

K-shaped Recovery

~~but only for~~

Argument

① Positive growth rate $\rightarrow$

(a) Industries which grew positively are Information technology sector, Ed-tech sector, Contactless services etc.

(b) Those industries having less

Chance of human Contact
boom

for eg: Online education market

(c) Huge FDI inflow seen in Companies
in IT sector

for eg: Fintech sector received
> 30% of all FDI (Economic
Survey)

(d) Overseas service providers also
received a positive growth
eg: Consultancy firms.

② Negative growth rate:

(a) Industries which grew very
slow are labour intensive
industry, Contact-intensive,
Person to person Contact, ~~etc~~
manufacturing sectors etc

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(b) Migrant workers returned to their home state causing shortage of labor in Industrial states - for eg: diamond cutting industry in Surat.

(c) Personal financial advisors, Gym trainers, etc also suffered.

So finally it can be said that India economy had K-shaped recovery post pandemic.

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 marks

NPAs are those loans which did not receive repayment for more than 90 days.

Rising NPAs

↳ Gross NPAs in 2022 stood at 5.1% (RBI's financial stability report)

Twin Balance sheet problem

↳ In this balance sheet of both Banks & Corporates are strained

↳ Neither Banks are strong to give loans ~~not~~ nor Companies are strong to pay back.

Factors for rising NPAs

(A) Historical reasons

- India Economy Boomed in 2000-2008: Huge lending by banks to even overleveraged companies
- After 2008 financial crisis, Corruption cases, Pending Environmental clearances etc. Companies defaulted on loans

(B) Administrative problems

- ↳ Very loose/light regulation by RBI on Banks in Boom period

(C) Crony-Capitalism: Nexus between Business & Politicians

- Politicians forced banks to

Extend loans.

Measures to address NPA issue

① Asset Reconstruction Companies

(A) NARCEL

↳ It will acquire the bad loans from banks.

(B) IDRCL

↳ It will recover, manage the bad loans by monetizing it.

These two bodies will create special institutional mechanism to deal with NPAs.

② Strict monitoring by RBI

avoiding failures like PNB in Maharashtra.

③ Following Basel-II norms Strictly. → Adequate capital adequacy ratio.

④ Credit registry information about history of borrowers should be kept

SDG goal-8 called for sustainable economic growth. Reducing NPA is must for SDG 8 fulfillment.

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 marks

Economic growth & Innovation are needed for good ease of doing business in India but it is hindered by regulatory cholesterol

Regulatory Cholesterol : Concept

① Restrictions on how Economic Activities can be Conducted in the country through strict & regressive rules / laws etc is called as regulatory cholesterol. for instance ⇒

② FDI restrictions : In many sectors hinders free flow of money, technology etc

for eg, Restrictions in 'Media Industry'

③ Regulation of Capital account Convertibility : Although full Convertibility allowed on Current account but not on Capital.

④ Multiple complice^{an} documents
- lack of single window facility.

⑤ Multiple authorities for Clearance of project.

for eg: Construction of factory has to take from Environment, Urban development, municipality etc.

Impact on Indian Economy.

- ↳ ① Slows down growth rate
- ② Hinders Competitiveness in Economy
- ③ Affects product innovation

- ④ Challenges in patent filing
- ⑤ Concentration of wealth in few Hands → inequality.

Measures to be taken to Streamline regulatory process

- ① Single window clearance
for eg: SWIFT portal for Import / export.
- ② Digital public Infrastructure
should be strengthened eg: UPI
- ③ Wider Consultation in policy making
- ④ Policy certainty : leads to more growth.
- ⑤ Amending / Reforming existing legal provisions eg: Sarfasi Act.

Over centralization / Regulations lead to blood pressure at centre & at periphery & it causes Anaemia. Above reforms should be taken to correct it.

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 marks

Post-liberalization period caused widespread changes in Indian economy & created problems in management public expenditure

Post-liberalization period

- ↳ Growth of Indian economy at huge pace
- ↳ Disinvestment → Increasing role of private sector
- ↳ FDI inflow in various sectors.
- ↳ Rising Inequality : As benefits were taken by only a few section of businesses.
- ↳ Service sector grew faster than manufacturing while agriculture

Sector's Contribution in GDP declined.

Challenges in public expenditure management :

- ① Corruption : ~~As~~ with rising growth more involvement of govt-officials $\Rightarrow$ Corruption grows.
- ② Dividing funds between rural & urban areas : It was confusing to decide whom to give priority.
- ③ Rising fiscal expenditure by govt : Being a welfare state govt. spent huge sum to bridge inequality.
- ④ Rising fiscal deficit due to above reason.

⑤ Current account deficit

Widening : After opening of economy demand for foreign goods spiked

⑥ Rise of MPAs : Loans by banks to overleveraged companies.

Measures to be taken

↳ ① Technology adoption :

Public financial management system (PFMS) has made the transfer of money quick/easy.

↳ ② Consensus based policy making
— Industry, civil society.

↳ ③ Outcome based budgeting

↳ ④ Gender budgeting.

↳ ⑤ Social audit of schemes

Though there were challenges in post liberalization phase, overall it was beneficial for Indian economy.

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 marks





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