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ADVANCED INTEGRATED MENTORSHIP

ECONOMY ASSESSMENT TEST-15

(To be filled by candidate)

Test Code : TC316

Name of Candidate :

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NEXT IAS Roll No. :

AIMGCL1035

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Bhopal ☐

Online ☒

GENERAL INSTRUCTIONS

This Question-cum Answer (QCA) Booklet contains 50 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	13			
8	15			
9	17			
10	19			
11.	21			
12.	24			
13.	27			
14.	30			
15.	33			
16.	36			
17.	39			
18.	42			
19.	45			
20.	48			
Grand Total				

Signature

MACRO COMMENTS

1.

What do you understand by Windfall tax? Do you think that windfall taxes can effectively redistribute wealth and promote greater economic equality?
(Answer in 150 words) 10 Marks

Windfall tax is a tax imposed by government on a company or enterprise which gains huge and disproportionate profit during an economic event.

Company gains this profit without any internal changes in its business model but due to factors it can not control.

for ex: During High fuel/oil prices due to international events oil companies can make huge profit. tax on this is windfall tax

Importance of windfall tax in promoting economic equality

- ① Govt can use this tax to run schemes for marginalised section
- ② Can give subsidy to other Capital intensive industries
Es: Semiconductor
- ③ Direct benefit transfer to poor
- ④ developing infrastructure in rural area \Rightarrow decreasing rural-urban inequality.
- ⑤ Preventing concentration of wealth.

However challenges

- \hookrightarrow Can prevent investors from putting money in same companies
 - \hookrightarrow tax terrorism on companies
 - \hookrightarrow policy uncertainty \Rightarrow poor perception.
- Windfall tax can help in decreasing inequality (SDG goal 10) provided above challenges are addressed.

2.

Elaborate on the difference between Capital Account and Current Account as components of Balance of Payment (BOP). Suggest a few measures to balance the BOP deficit of India. (Answer in 150 words) 10 Marks

Balance of payment (BOP) is sum total of all the transactions done between a country with the world

eg: FDI investment.

BOP has two components as Capital account & Current account

Difference between the two components

Capital	Current
1) Refers to all the transactions which create <u>Assets or liabilities</u>	1) It does not create any asset or liability for host country.
2) Includes <u>Investments</u> → FDI (>10% equity) → FPI (<10% equity)	2) Includes trade in <u>Goods & services</u> .

<p>→ <u>ECBs</u>: External Commercial borrowings</p> <p><u>Debt</u> → Govt. debt ↳ Private debt.</p> <p>→ usually positive for India</p>	<p>→ Includes Remittances, gifts, <u>interest payments</u>, Dividends etc.</p> <p>→ usually negative for India.</p>
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Balancing BoP deficit

- ① Increasing exports: production linked Incentive scheme can help ⇒ need to encourage.
- ② free trade agreements: Recalibration as Economic Survey has pointed that FTAs work against India.
- ③ Incentives to foreign firms to setup in India (firms coming from China)
- ④ better infrastructure development ⇒ more more export. ⇐ business
- ⑤ Promoting trade in Indian super as envisaged in foreign trade policy 2023.

Above steps should be taken along with proper implementation of initiatives like Make in India, Assemble in India etc.

3.

Discuss the perceived successes and challenges of implementing inflation targeting under the new Monetary Policy Committee (MPC) regime. (Answer in 150 words) 10 Marks

Monetary policy Committee Constituted by RBI started inflation targeting under Governor Raghuram Rajan & it has both challenges & benefits.

Target → RBI targets inflation of 2 to 6 % . & varies interest rates accordingly.

Perceived Successes

- ① Price stability in market when world over high inflation is happening due to ~~Russia~~ Ukraine war, pandemic etc. India has relatively stable prices.
- ② Safety to Rising Middle class due to cost of living

being manageable unlike countries like UK where there is crisis.

③ Good perception of Indian economy as stable \Rightarrow more investments

ex: > 80 USD billion FDI in FY22

(Economic survey)

④ Multiplier effect: other factors like employment, saving rates etc stable.

Challenges

① Transmission time: It is unclear how much time it takes for new rates set by MPC to reach last mile.

② Vagaries of Monsoon: India's $> 60\%$ irrigation is rainfed. Fluctuations in monsoon makes MPC rates ineffective

③ Banks not reducing or following MPC rates consistently.

④ International fluctuation: Global events like USA federal rate tapering \Rightarrow makes MPC measures ineffective

So MPC has both mix of effects.

4. The logistics sector is one of the important components of the growth of the manufacturing industry. Discuss. Also, mention various components of the recently announced National Logistics Policy 2022. (Answer in 150 words) 10 Marks

Logistics sector refers to sum total of all processes through which goods & services are transmitted. It includes roads, railways, storage houses / supply chains, etc. Digital infrastructure.

Important Component of Manufacturing Industry : $\frac{0}{0}$

- ① Seamless movement of goods without delay \Rightarrow more profits
e.g. Perishables goods movement (tomato, potato etc)
- ② Storage infrastructure to supply raw materials & finished goods during time of need.
- ③ Employment generation : Construction

of roads, railways etc employ workers.

④ Proper Supply chain management

→ Tracking

⑤ Brings more investment if logistics are advanced.

National logistics policy 2022

① Objectives → Reduce logistics cost from present 13-14 % of GDP to 8 % of world average

- Increase Competitiveness of Indian firms
- Promote exports

② Features

- Online Interface : to track the movement of vehicle
- Multimodal Connectivity i.e. all routes like rail, water, road etc.
- Last mile Connectivity.
- using Artificial Intelligence, machine learning etc.

India recently got 39th rank in Logistics Performance index of world bank. Above policy will further help boost this rank.

Jobless growth is an inherent feature of India's growth trajectory. What are the major reasons behind the high unemployment rate in India? Suggest remedial measures to improve the overall employment growth rate in India. (Answer in 150 words) 10 Marks

As per Centre for monitoring of Indian economy (CMIE) the inflation rate for FY 2022-23 is hovering around 6-8%.

Reasons for high unemployment

① Structural reasons :

(A) High dependence on Agriculture Sector : disguised employment is equal to unemployment.

(B) Manufacturing Sector Stagnant :

Since 1991 reforms manufacturing only 16-17% of GDP \Rightarrow less jobs.

② Policy reasons

↳ poor scheme implementation
for eg: PM Kausthal Vikas Yojana.
↳ lack of funding in training

- ③ Disconnect between Industry & Academia : As per McKinsey report 50 % of graduates are unemployable
- ④ Poor skill development :
As per Skills India report 2022 only 5.4 % of people get formal skill training.

Remedial measures

- ① Invest in quality education
Currently 3 % (Target 6 % NEP 2020)
- ② Capital expenditure : Creating more infrastructure \Rightarrow more jobs.
- ③ Promoting manufacturing industry
G: labor intensive textile industry.
- ④ Proper implementation of Assembles in India, make in India, PLI schemes etc

SDG goal 8 calls for Economic growth & employment generation.
Above measures should be taken for the same.

7.

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Recently, the Government of India has started evaluating the prospects of developing salt-cavern-based strategic oil reserves to increase India's strategic oil capacity. Critically analyze the importance of strategic oil reserves in order to strengthen India's energy security and its capacity to mitigate supply disruptions in global markets.

(Answer in 150 words) 10 Marks

Recently govt has conducted trials for salt-based cavern in Rajasthan which can be used to store oil.

Caverns → Salt based (undergoing)
→ Rock based e.g. Chandikhol

Importance of strategic oil reserves →

- ① Shock absorber: During global events the supply of oils can be uninterrupted.
for eg: Ukraine war, Iraq war.
- ② Controlling prices of petrol & diesel which affect poor section the most
- ③ Filling the reserves during low prices of international oil.

- ④ Economic Stability (India 3rd largest consumer of oil)
- ⑤ Reducing import bill & better bargaining power.

However, challenges do exist

- ① High cost of developing salt based or rock band cavern
- ② less developed technology
- ③ ~~to~~ Land acquisition issue (NTTI
Nayag report ~ 20% land litigation takes to resolve)
- ④ Energy transition: may hinder movement towards green economy.
- ⑤ Enemies target point during war.

Despite challenges Salt band Cavern should be developed as benefits outweigh challenges & strategic security is national security.

8.

The aviation sector is infamously known as the graveyard of investments. What are the issues in the aviation sector? Suggest reforms to revitalize the aviation sector.

(Answer in 150 words) 10 Marks

As per Civil aviation ministry
India has flown 190 mn passengers
in year 2022 & set to become
3rd largest aviation sector in the
world

Graveyard of Investments

↳ Greenfield projects are huge Capital
Intensive → developing runways,
buying planes etc.

↳ Brownfield projects: Already in
Debt ⇒ difficult to find investors

Issues in aviation sector:

① Aviation turbine fuel: ATF
fuel prices & taxes form huge
Chunk of Aviation sector

- ② Predatory pricing : Bigger players reduce prices disproportionately to eliminate small rivals.
- ③ Aviation Safety : As per CAG report 2021 safety issues have risen by 50% in year 2020
- ④ Poor Connectivity in backward areas.

Measures to tackle issues

- ↳ PPP - public private partnership projects should be formalised as per Kelkar Committee report
- ↳ Standard operating procedure for Safety issues
- ↳ Reducing taxes on AT-1
- ↳ Digitalization of services.
- ↳ more investment in backward areas eg: UDAM scheme.

To make India developed by 2047 above issues should be tackled on war footing basis.

9.

What is Digital Public Infrastructure? What are the advantages of DPI development in India? What are the impediments to realizing the full potential of DPI in India? Substantiate.

(Answer in 150 words) 10 Marks

Digital public infrastructure refers to components like servers, data centres, fibre connections, computers, cyber security platforms etc. which combined together deliver services to people.

es: Digilocker storing documents

Advantages of DPI in India

① Increasing digital penetration

As per IAMAI, India has 744 mn active internet users.

② faster delivery of services

for es. Direct benefit transfer; (PM Kisan)

③ Transparency : decreases corruption

es: PFMS website of finance minister.

④ women empowerment : Bank
Connection to women on finger tip
Ex: Jan dhan account

⑤ Fourth Industrial revolution &
growth of Startup ecosystem
Ex: 108 unicorns in 2023 -

Impediments in DPI

① Data security : Ex: Pegasus
Software leaked information

② Rural-urban divide : only 31%
of rural while 67% of urban
internet users (Economic Survey)

③ lack of Content in Vernacular
language

④ Safety of Infrastructure : Ex: Hacking
of AIIMS DPI by Chinese hackers.

⑤ No clear data protection law.

⑥ Cyber bullying, harassment etc.

DPI's are the future of India's
growth story. Above challenges
should be solved to make India 5 trillion
economy.

10.

Evaluate the potential of the PLI scheme in fostering innovation and enhancing competitiveness in the targeted sectors, and suggest measures to ensure the sustainability and scalability of the scheme.

(Answer in 150 words) 10 Marks

PLI scheme was initially launched in three sectors but has been gradually extended to 14 sectors.

It offers incentives to Companies for incremental sales of goods & services.

Potential of PLI scheme

- ① More investment from foreign (FDI, FPI)
 - ↳ Technology transfer ⇒
 - ↳ more R&D & growth of Innovation
- ② More integration with Global Value chains ⇒ Increases Competitiveness.
- ③ Employment generation ⇒ ex: mobile handset assembling in Chennai.
- ④ Foreign Expertise
 - Design
 - marketing
 - Product management

Will lead to Competition & innovation

Challenges

↳ ① Assembly Vs. Value addition

PLI incentives are provided even if there is zero value addition & only the assembly of components e.g. iPhone assembly.

↳ ② WTO Restriction

Stops India from providing subsidies.

↳ ③ lack of proper infrastructure

e.g. 13 % of GDP logistics cost.

measures to ensure sustainability/scalability

① Reassessment of scheme based on inputs from industry.

② Stakeholder & Shareholder involvement

③ Develop infrastructure e.g.

Implement GATI shakti, NIP, NMP etc

④ Digitalization of interfaces single

⑤ Extend PLI to more sectors. window clearance

To make India Atma Nirbhar by 2047 & 5 trillion economy PLI

should be top priority.

12.

The Securities and Exchange Board of India (SEBI) plays an important role in the regulation of the share market and safeguarding the interests of investors. In light of the given statement, highlight the challenges faced by the SEBI and suggest reforms in this regard.

(Answer in 250 words) 15 Marks

SEBI is an Statutory body made to regulate financial markets & protect investors.

Challenges faced by SEBI

- ① Insider trading: Part of Coony Capitalism where important details of Company is leaked for vested interests.
- ② Interference by political executives in its daily functioning \Rightarrow affect autonomy.
- ③ Evolving financial landscape
e.g. Coming of Blockchain, Algo trading etc. \Rightarrow difficult to detect black money flowing to market.

- ④ funding crunch: SEBI depends ~~any~~ on central govt for funds
- ⑤ Base erosion & profit shifting by Companies (Shell Companies)
- ⑥ Round tripping of investment to Indian markets e.g. Black money from mauritius
- ⑦ Lack of Consultation with civil society
- ⑧ Policy uncertainty & fluctuation in market indices

Reforms to be taken →

- ① Strict implementation of prevention of Corruption act
1988

- ② Give more autonomy & power to SEBI in decision making.
- ③ Better digital infrastructure with cyber secure environment should be provided to SEBI
- ④ Making SEBI a Constitutional body.
- ⑤ More diversity in Board of SEBI
e.g. women members
- ⑥ Reforming Companies act, 2013 to prevent Shell Companies from Round tripping & BEPS

SEBI is the watchdog of financial sector, above reforms should be taken to make SEBI an Strong institution (SDG goal -16)

13.

International trade is centred on the dominant currency paradigm (DCM). Critically Analyse the importance of Hard currency in International trade and Discuss the potential of rupee acceptance in global trade as an alternative to dollar imperialism.

(Answer in 250 words) 15 Marks

Dominant Currency paradigm means the dominance of few currencies in international trade.

for eg: Dollar, Renminbi, Euro etc.

Importance of hard Currency in International trade →

- ① Quick transaction
- ② Wider acceptance in all markets
- ③ IMF Quota ⇒ Currency dominance determine SDR Percentage.
- ④ Stability to world economy
- ⑤ Adopting Hard Currencies by poor nations to avoid economic meltdown
eg: Countries adopting dollar as local currency.

However it poses challenges:

- ① Decreases bargaining power of poor countries
- ② Domestic market linked to International events / fluctuations
- ③ Lack of Control : more Control in hands of few economies.

Potential of Rupee in International trade

- ① Currently Rupee accounts for only 2% of International trade with countries like UAE, Russia, Iran etc.
- ② India fastest growing economy
Rupee trade will increase global integration of markets
- ③ Better price discovery upon linking

with global markets

④ Raises investors Confidence in Indian markets

⑤ Cost of keeping forex with RBI will decrease

However it is not easy & Challenges!

① Renminbisation: Growing trend of Chinese currency in global trade.

② Indian financial market not fully developed yet (S.S. Tarapore Committee)

③ India doesn't allow full Capital Account Convertibility \Rightarrow hinders rupee trade
e.g. Russia - India trade hindered.

④ Currency Swap agreements not utilized to full potential

foreign trade policy 2022 calls for Internationalization of rupee. Above

challenges should be reformed as Indian rupee has great potential.

14.

Demographic Dividend does not ensure growth; it only generates potential. Discuss the steps made by the government to take advantage of the opportunities presented by the demographic transition. (Answer in 250 words) 15 Marks

As per United Nations Population fund, Demographic dividend is a scenario when working age population outnumber the dependent population.

DD does not ensure growth:

↳ If proper measures are not taken to channelize the huge youth energy. (Average age 29)
India.

↳ If poor education, poor skills & health persists.

↳ If there is lack of proper Infrastructure (13% of GDP logistics cost)

↳ If there is poor Global value chain integration

↳ If there is Brain Drain.

However it ensures potential

- ① As per NITI Aayog there is 68% of working age population in India.
- ② UNPF: India's DD window is longest spanning five decades.
- ③ fastest growing economy \Rightarrow needs skilful labors \Rightarrow can come from Indian youth.

Steps taken by government to reap demographic dividend:

① Skill development

- ↳ PM Kaushal Vikas Yojana.
- ↳ PM Vishwakarma Yojana etc

② Loans: \rightarrow Startup India
 ↳ Mudra loans (< 10 lakh)
 ↳ Standup India (10 lakh - 1 crore)

③ Ease of doing business reforms

↳ Atal innovation labs

(India at 90th position in
Global innovation index)

④ Infrastructure development

↳ PM Gati Shakti's Integrated
Planning

↳ MIP, NMP etc, National
logistics policy.

⑤ Production linked incentives scheme

↳ to encourage export, employment

⑥ Intellectual property literacy

↳ KALAM programme to youths.

⑦ National education policy 2020

↳ focus on vocational training.

Cort. has taken steps to Stop
this demographic dividend becoming
demographic disaster & make India
developed Country by 2047.

15. Low tax buoyancy often translates into higher deficits and debt. Can a higher direct tax rate improve the overall tax-to-GDP ratio in India? What other steps can be undertaken to revamp the overall tax structure in India? (Answer in 250 words) 15 Marks

Tax buoyancy refers to the percentage ^{Collection} change in taxes with 1 % change in GDP growth rate.

Low tax buoyancy

↳ increase in GDP not correlated with tax increase (or very low tax collecting increment)
↳ Higher deficits & debts

↳ As govt. spending will keep on increasing without rise in receipt from taxes \Rightarrow more fiscal deficit \Rightarrow more borrowings / debt

(Vicious cycle).

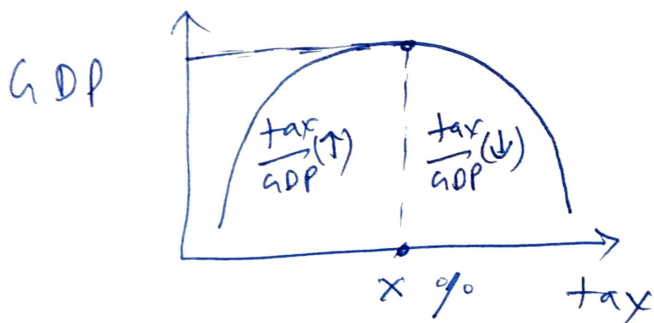
Data

↳ Only 1 % of population in India pays Income tax.

↳ Current tax (direct + indirect)/GDP ratio is around 10-11% (very low compared to OECD average of 34%).

Higher direct tax & tax/GDP ratio

① Ricardian graph



⇒ Raising tax (direct tax) upto a certain limit can raise GDP. But after that point rise in taxes decreases tax/GDP ratio

⇒ So raising direct tax is only a short term measure

other steps that is needed to revamp overall tax system ⇒

- ① Expanding tax bases: Bringing more people into tax regime
- ② formalization of Indian economy
~ 80% workforce in informal sector hides taxes
- ③ Recommendations of Various Committees
Akhlesh rangan Cmt:
 - ↳ reduce tax difference between highest & lowest tax.Vijay kelkar cmt
 - ↳ more digitization
 - ↳ effective Grievance redressal mechanism
- ④ Nudge behaviour (Economic Survey)
 - ↳ honoring the honest tax payers & publicizing.
- ⑤ Providing more exemptions & incentives to tax payers.

Paying taxes should be included into fundamental duties of Constitution (Sarkaria Commission).

16. Startups are the driving engines of the fast-changing modern economy. Why have Indian startups failed to realize their potential? What steps can be undertaken to improve the profitability and performance of startups in India? (Answer in 250 words) 15 Marks

As per Economic Survey 2022-23
India has 3rd largest Startup
Ecosystem with 108 unicorns.

Startups: driving engines of economy

- ↳ more employment
- ↳ Create demands for products.
- ↳ foreign investments
- ↳ Competition & innovation of product
- ↳ Creation of intellectual property.

However, startups have failed to
fully realize their potential because

① Bootstrapped startups: Initial
funding in most of the startups
is provided from owners/cofounders
pocket.

- ② Skewed distribution : More startups in service sector ($\sim 98\%$) & other areas like Agriculture are ignored.
- ③ Regional distribution : Advanced States like Maharashtra, Gujarat, Bengaluru has most startups.
- ④ Poor infrastructure ($\sim 13\%$ of GDP is logistics cost)
- ⑤ Poor revenue generation
- ⑥ Game of validation : Many startups give free services to acquire more customers \Rightarrow affects startups & customers in long term.
- ⑦ Lack of Innovation & poor awareness about Intellectual property laws

Steps that can be taken
to improve above issues \rightarrow

- ① More funding avenues e.g. Venture Capital, Angel investors, Government Support etc.
- ② Better infrastructure development
 - ← digital infra
 - Data security,
 - Data protection law
 - Servers, Cables etc
 - ← physical infra
 - Roads,
 - multimodal connectivity.
- ③ Startup oriented education:
Education should teach about becoming job givers instead of job seekers
- ④ Tax Concessions to Startups with a Sunset Clause
- ⑤ Industry-Academia-government Collaboration

To make India 5 trillion economy
Startups should be promoted on
uniforming basis with schemes
like startup seed funds, Startup India
etc

17. What are the inherent challenges that the Indian telecom sector has faced in the recent time? How far does the draft Indian Telecommunication Bill, 2022 address such issues? Suggest measures to revamp the telecom sector. (Answer in 250 words) 15 Marks

Indian telecom sector is 3rd largest in world after USA & China. It faces multiple challenges & draft IT Bill 2022 tries to solve it.

Challenges

- ① Huge debt: Telecom Companies are suffering from loss & resulting debt.
- ② Poor Infrastructure development
- ③ Huge cost of creating new infra.
- ④ Monopoly of few players
- ⑤ Huge Competition from foreign players
- ⑥ Issue of National Security
Chinese made components can

be used to spy on Indian soil.

② High cost of spectrum auctioned by government e.g.: 5G auction only few players could buy.

③ Complex taxation system.

Draft Indian Telecommunication Bill, 2022

① Loan Restructuring of existing Companies linked to targets to be achieved by Companies.

② Revenue assessment Reforms
Instead of gross revenue from whole business only Net revenue will be considered now.

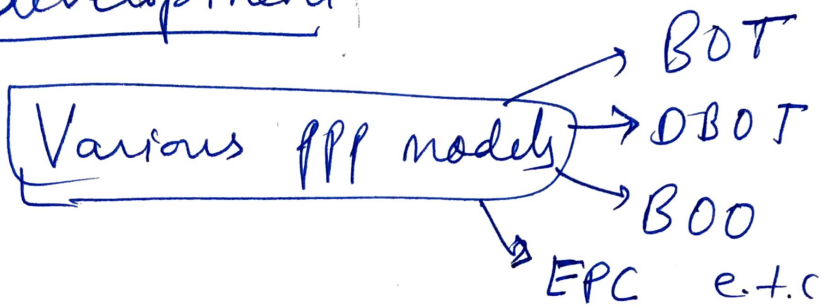
③ Infrastructure development
incentives & faster clearance by government
for e.g.: land acquisition.

- ④ More powers to Central government
to regulate telecom sector.
- ⑤ Govt. can impose import restrictions
on Components imported from
foreign countries
- ⑥ FDI reforms: further relaxed
Measures to revamp telecom sector
 - ① Creating Independent Body
to regulate, monitor.
 - ② Reassess / Recalibrate Spectrum
Cost
 - ③ Using USOF (universal services
Obligation fund) to develop
infra (es: towers) in poor areas.
 - ④ Acting as facilitator rather
than Controller

Telecom sector is a key
Public infrastructure. Above reforms
are must to revamp it.

18. Analyze the advantages and disadvantages of various PPP models, in terms of financing, risk allocation, and service delivery. (Answer in 250 words) 15 Marks

PPP refers to collaboration between public (Government) and private sector in infrastructure development.



BOT: Build, operate transfer

ownership: Initially private but later transfer to govt.

finance: Government

mechanism: Private sector Builds the project, operates it till its investment is recovered & then transfers the Control to government

<u>Advantages</u>	<u>Disadvantages</u>
→ Saves time of Government	→ Land acquisition time taking.

→ Profit to private players. → infrastructure bottlenecks.

② DBOT: Design build operate transfer

→ Almost similar to previous BOT but here funding is purely done by private players

<u>Advantages</u>	<u>Disadvantages</u>
→ Govt's money is saved ⇒ can use in running schemes	→ Private players may run in <u>loss</u> due to delays, clearance issue etc.

③ EPC model: Engineering

, Procurement & Construction.

⇒ Here whole funding is done by government. Private players only involve in giving technical expertise.

<u>Advantages</u>	<u>Disadvantages</u>
⇒ Private players enterprises ⇒ more efficiency, economy resource optimization etc.	⇒ Huge Cost to government ⇒ more fiscal deficit.

Kelkar Committee recommendations about PPP projects :

- ↳ PPP should be awarded only to financially sound firms & not overleveraged Companies
- ↳ Digital (e-auction) : to avoid Crony capitalism
- ↳ Discourages Swiss challenge (i.e. inviting new partners after bid is received)
- ↳ Should have window of redrawing PPP agreements

PPP models have both fair share of good & bad elements, it should be utilized according to requirement of projects.

19. The Indian EV industry is critically dependent on semiconductor for its sustainability. What are the challenges that the Indian semiconductor industry faces? Analyze and suggest measures to strengthen the supply chain of semiconductors in India.
(Answer in 250 words) 15 Marks

EV industry which is dependent on semiconductors is very important for energy transition in India but it suffers from challenges faced by semiconductor industry.

Challenges faced by semiconductor industry in India

- ① Huge expenditure: High Capital expenditure is required and both govt. and private players are strained in funding
- ② Lack of fab labs: India lacks Labs for semiconductor fab manufacturing although it has skilled workers for designing of fabs

- ③ Chinese dominance : Already developed Chinese semicon industry discourages new investment in India.
- ④ Import dependence for each Component
- ⑤ Need of huge water : Millions of litres of fresh water needed
⇒ resource crunch
- ⑥ Poor infrastructure : Logistics sector poorly developed (~13% of GDP = logistics cost in India)

Measures to strengthen Supply Chain in India:

- ① International collaboration :
with like minded like QUAD Partners.
- ② PPP projects : with private players like JICA (Japan)

to fund the SemiCon infrastructure

③ Production linked incentive scheme
revamping : Giving more incentives
to private players

④ Design linked incentive scheme
↳ 76,000 cr Scheme launched
by government \Rightarrow It should
be properly implemented

⑤ Tax Concessions, Incentives.

⑥ Relaxing regulations, Compliances
etc.

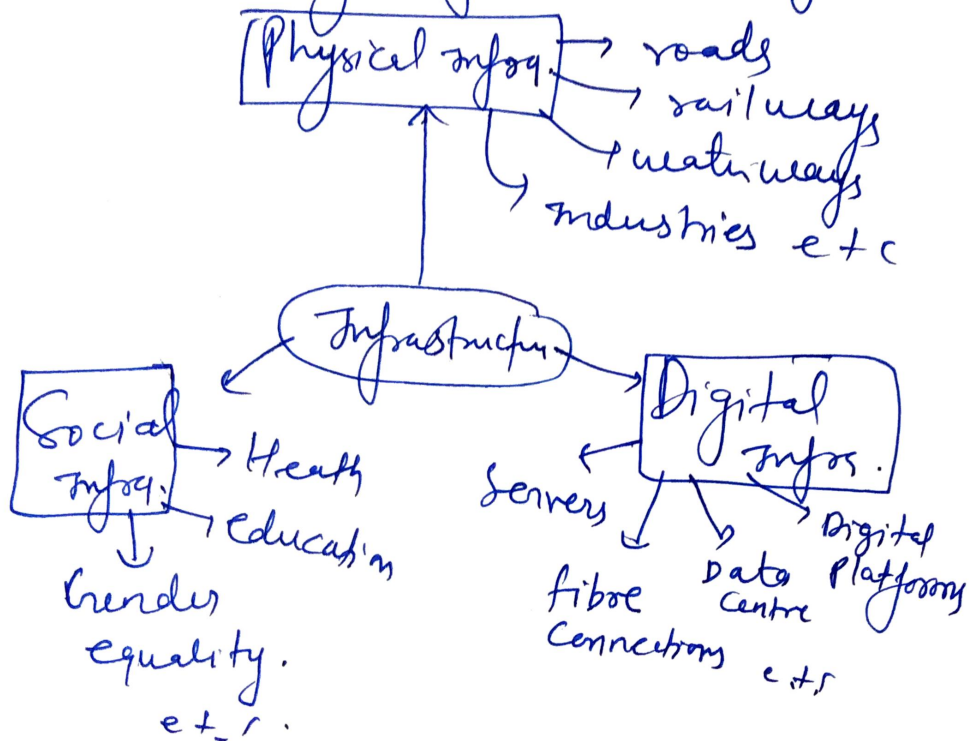
⑦ Better infrastructure development
↳ GATI Shakti, MIP etc

Semiconductors are future of technologies
like Electric vehicle. Above reforms
should be taken on priority basis

20.

"Investment in infrastructure is essential for more rapid and inclusive economic growth.
"Discuss in the light of India's experience. (Answer in 250 words) 15 Marks

Infrastructure refers to backbone of the economy which acts as a catalyst for economic growth



Infra. essential for rapid & inclusive economic growth

① More Employment generation
↳ in creation of infrastr.

- ② Closing rural-urban divide :
 → roads in backward areas help reach benefits to last mile
- ③ women empowerment : SHGs
 rely on infrastructure to carry businesses
- ④ MSME growth : current GVA addition to economy is ~30%
- ⑤ Health infrastructure reduces out of pocket expenditure (currently around 67%)
- ⑥ Education : more schools, universities in North-east ⇒ reducing inequality.
- ⑦ Digital infog
 - transparency
 - Quick
 - Cheap
 - Financial inclusion
 - Accessible

eg: DigiLocker, Aadhar, UPI etc.

Challenges

- Lack of funding : High fiscal deficit of govt.
- Logistics Cost huge (~13% of GDP)
- poor multi modal Connectivity,
- Safety issue → road, rail accidents.
- Agricultural dependent economy & less manufacturing developed.

Steps taken/should be taken

- PPP (Vijay Kelkar Committee reforms)
- improving infra → GATI Shakti (Integrated planning)
 - ↳ NIP (National Infrastructure Pipeline)
 - ↳ NMP (National maritime pipeline)
- improving Health & Education expenditure
 - ↳ 1.5% (target 3%) (target 6%)
 - ↳ 3%
- ↳ Gender equality ⇒ Gender budgeting

SDG goal-9 calls for innovation & sustainable infrastructure development.

Above reforms should be taken to solve Challenges on war factors basis