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ADVANCED INTEGRATED MENTORSHIP

ECONOMY
ASSESSMENT TEST-15

(To be filled by candidate)

Test Code : TC316

Name of Candidate : RITIKA CHITLANGIA

NEXT IAS Roll No. : AIM24GCRA075 Date of Examination : 1/10/23

Exam Centre : Old Rajinder Nagar ☑ Bhopal ☐ Online ☐

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SUBJECT/PAPER
GENERAL STUDIES

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[To be filled by the EXAMINER]

Evaluator's response

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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				

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MACRO COMMENTS

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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 an additional tax, applied on companies who make unanticipated profits due to external circumstances. Recently, crude oil suppliers were imposed with windfall tax.

Role of windfall tax - Redistribution of wealth & economic equality.

① Combats profiteering ⇒ charges those corporates that have made unprecedented profits.

Eg: crude oil refiners during Russia-Ukraine war.

② During economic turmoil ⇒ keeps the government to generate revenue.

③ Acts as a subsidization of essential products ⇒ affordability.

④ Balances the demand-supply equilibrium ⇒ controls unnecessary price shocks.

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Constraints of windfall tax

① The companies may increase the price of products to overcome windfall tax.

② The revenue generated from windfall tax may be used for revenue expenditure or populist policies.

③ many players / investors lose confidence in the industry due to retrospective application of tax.

Way forward

① Windfall tax should be sector-specific, rather than company specific.

② Well-defined criteria for application of windfall tax.

③ should not be applied retrospectively.

Therefore, windfall tax is an effective tool to reduce inequalities in the economy, but should be used cautiously.

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 refers to the difference between inflow and outflow of foreign exchange.
At present, the foreign exchange reserves of India stand at $ 322 billion (2023).

2 components of BOP :

Current Account	Capital Account
(1) change in assets & liabilities of India, less than a year.	(1) change in assets & liabilities for more than a year.
(2) components include:	(2) components include:
(i) Net export of goods	(i) FDI & FPI
(ii) Net export of services	(ii) Foreign exchange reserves.
(iii) Net inflow of remittances	(iii) Net Borrowings
	(iv) Reserve Tranche with IMF.
	(v) Special Drawing Rights.

(3) current account records the sources of funds.	(3) Records the utilisation of funds.
(4) Usually, runs in deficit	(4) Used as an alternative to balance the deficit of current account.

Measures to balance BOP deficit

(1) Promotion of exports ⇒ through schemes like PLI, RodTep, SEZ's etc.

(2) Import substitution, especially of crude oil & gas.

(3) Boosting inflow of FDI & FPI by filling infrastructure deficit & ease of doing business.

(4) Promotion of rupee as an international currency through de-dollarisation.

Therefore, at present, the CAD is over 2% of the GDP, which needs to be reduced to maintain macroeconomic stability

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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

Under the Reserve Bank of India Act, 1934, the RBI's Monetary Policy committee has been made responsible for inflation targeting at 4% ± 2%.

Successes of MPC in Inflation Targeting

① In a developing country like India, MPC has been able to manage the inflation at around 7% on an average.

② After COVID-pandemic dovish monetary policy, most advanced economies like US & Europe experienced worst inflation of 90 years, but India, under MPC remained relatively stable.

③ MPC is legally accountable to central govt for manging inflation ⇒ balance of growth & curbing rise in prices.

challenges of MPC

① Global headwinds - eg: Russia - Ukraine war, fall in demand, rise in interest rate globally ⇒ difficult to contain inflation.

② Management of balance between supporting economic growth, without inflation in face of supply chain bottlenecks, elections etc.

③ Transparency issues - the report presented by MPC to central govt. for not being able to control inflation at 4% is not made public.

④ coherence & sync b/w monetary & fiscal policy.

Therefore, MPC needs to be more efficient, transparent & robust in managing 'triple dilemma'.

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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

At present, the logistics cost accounts for 14% of the GDP, much higher than the world average of 8%.
This acts as a contraint in the development of manufacturing sector.

Importance of logistics sector

(1) streamlining production by transportation of raw materials & finished products.

(2) Boost to exports ⇒ seamless movement of goods in international markets.

(3) Lower logistics cost increases competitiveness & quality of products.

(4) seamless logistics boosts investor confidence, attracting FPI & FDI & DII ⇒ development of manufacturing.

(5) increases market demand due to greater profit margins & investment cycle.

National logistics Policy - aims to create seamless movement of goods & services, by simplifying the logistics sector:

① Integrated Digital System (IDS) - for centralised & simple portal ⇒ showing different modes of transports & respective cost.

② Unified Logistics Interface Platform (ULIP) - real time movement of goods on a single window channels.

③ E-logistics ⇒ simplified grievance redressal.

④ Systems Improvement Groups (SIG)

⑤ Skilling of people in logistics sector.

⑥ Integration with PM-Gati Shakti for multi-modal transport planning.

Therefore, the importance of logistics sector is undeniable in reaching $5 trillion economy

5. Differentiate between the Consumer Price Index (CPI) and the Wholesale Price Index (WPI). Do you think that CPI is a better measure of inflation as compared to WPI? Substantiate. (Answer in 150 words) 10 Marks

Inflation refers to the increase in prices of goods & services due to various internal & external factors, over a period of time.

It is measured through:

Wholesale Price Index	Consumer Price Index
(1) Estimated by National Statistical office.	(1) Estimated by Ministry of Commerce.
(2) Measures inflation from supply side ⇒	(2) Measures inflation from demand-side.
(3) Includes manufacturing raw material, fuel products etc. Excludes food & consumer-driven items.	(3) Includes the prices of food and volatile items like vegetable, oil etc.

④ At present, used by RBI to estimate overall inflation.	④ Currently, not used by RBI to determine overall inflation.

Advantages of CPI over WPI

① CPI provides a better picture of market demand & supply ⇒ directly dependent on consumer sentiment. (demand-side inflation).

② WPI does not include food products ⇒ one of the most volatile & important drivers of inflation.

③ CPI is a more dynamic estimate than WPI. Latter includes products like radio, DVD's etc. which currently have low market demand ∴ CPI is more realistic image of market dynamics.

Inflation is a key determinant of ~~macroeconomic~~ economic stability & economic growth.

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6. 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

According to the Centre for monitoring Indian Economy, the present unemployment rate stands near 8% which is a limiting factor for our demographic dividend.

Reasons for jobless growth

① India's GDP growth post 1991, was led by service sector, employing only 17% of work force ⇒ could not create sufficient well-paying, high productivity jobs.

② Increasing automation of industry & mechanisation of agriculture ⇒ reduction in volume of labour-intensive jobs.

③ Skill gap - only 50% are graduates with actual employable skills.

④ Lack of human resource development in terms of technical education &

health.

Remedial Measures

① Addressing the skill gap to adapt the labour force to new-age jobs in Industry 4.0.
Eg: PM-Kaushal Vikas Yojana

② Boost to start-ups to increase employment rate.

③ Creation of labour-intensive consumer-oriented manufacturing jobs like clothes, footwear etc to absorb the semi-skilled agricultural labour.

④ Increasing productivity of agriculture to reduce disguised unemployment.

Therefore, high unemployment rate is social, economic and demographic catastrophe, which needs to be fixed to ensure inclusive growth to reach $5 trillion by 2025.

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7. 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

Strategic oil reserves refers to the stock of oil acting as a buffer against supply and price shocks to maintain energy, economic and political stability.

importance of strategic oil reserves

salt-cavern based oil reserves are found in marshy, off-shore areas, like Bassein, K-G Basin, Mumbai-High, Katchch etc.

(1) Act as a buffer stock to balance the geopolitical fluctuations in the oil market.

(2) crucial to maintain energy security toward significant price fluctuations, ensuring affordability & accessibility of oil supply.

(3) Boosts the energy security by reducing dependence of imports.

(4) Ensure price-stability of oil in global market by boosting exports of oil in crisis situation.
Eg: India increased its supply of crude to Europe amid Russia-Ukraine war.

Limitations of strategic oil reserves

(1) Salt-cavern based SOR ⇒ difficulty in exploration and refining.

(2) Environmental pollution & reduces investment on renewables and decarbonisation.

(3) Use of strategic oil reserves indicates a greater geopolitical or domestic crisis.

Therefore, strategic oil reserves are an important tool to maintain the buffer stock of supply, crucial for energy security of the country.

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 the Ministry of Civil Aviation, the aviation sector generates $50 million revenue, handling nearly 40 million passenger load, upto March 2023. However, there are several lacunae plaguing the aviation sector.

Challenges

① High infrastructure cost of airport terminals due to technical facilities, modern amenities, gold plating, international competitiveness etc.

② Limited penetration of aviation sector in rural areas ⇒ less market demand due to high costs

③ High tax of 18% on Aviation Turbine fuel ⇒ outside the gambit of GST.

④ Low passenger volume in tier 2 and tier 3 cities but inevitability of air facilities ⇒ less economic viability

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Reforms in aviation sector

① Introduction of PPP models in airport construction to allocate equitable risk sharing.

② strict implementation of schemes like RCS - UDAN to generate demand in lesser urbanised areas.

③ less expenditure on gold-plating of airports.

④ Bringing ATF under GST to generate input tax credit.

⑤ ensuring aviation safety to reduce accidents.

Therefore, aviation sector provides the fastest mode of transportation, necessary for integrated & multi-modal transport planning.

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 'India Stack', consisting of Aadhar, UPI and Digital payment infrastructure for the realisation of 'Techade'.

⇒ 3rd largest digital payment infrastructure, after USA & China

⇒ 83 million UPI transactions every day on an average.

Advantages of DPI

① Service delivery - portals like UMANG, e-nam help in seamless digital delivery of public goods.

② Financial inclusion - through Jan Dhan Yojana, the dream of banking the unbanked has become a reality with more than 67% opening up of rural accounts.

③ Reduces the flow of cash in the economy through digital payments ⇒ registration on GST portal ⇒ formalisation of the economy.

④ Women empowerment throught the registring of SHG products, DBT transfers etc. through online portals.

Impediments to realising potential of DPI

① Data privacy and security ⇒ the gathering of personal & non-personal data by government portals like COWIN, Aarogya setu etc.

② lack of digital penetration in rural areas ⇒ in rural areas, only 10% of females have access to internet.

③ Delays in payment ⇒ The NMMS portal used by MGNREGA workers leads to several glitches ⇒ delay of payments.

④ Lack of awareness among users.

⑤ Inefficient grievance redressal by the government to lack of skilled manpower ⇒ unable to address digital problems.

Therefore, Digital public infrastructure is a key pillar of digital empowerment goal of Amrit Kaal.

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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

Production linked Incentive scheme envisages tax rebates and monetary Incentives for MNC's shifting production in India. It aims to boost domestic manufacturing in 14 sectors.

Potential of PLI scheme

(1) Fosters innovation ⇒ as the global MNC's will use their R&D works to develop products in India.

(2) Also employ Indian labour ⇒ job creation and boost to innovation.

(3) Enhance global competitiveness of India-made products due to cheap labour, abundance of government incentives ⇒ Boosting exports.

(4) Attracts FDI and DII in the indigenous manufacturing.

Measures to sustain and scale the scheme

① strict implementation of 'domestic production clause' ⇒ In smartphone manufacturing, it has been observed that parts are imported & merely assembled in India ⇒ No multiplier effect or significant job generation.

② Involving the private sector to fund the scheme in collaboration to ensure sustainability.

③ Timely checks on the impact of the scheme on different groups like manufacturers, labourers, public funds, debt burden etc.

④ increase in GDP through manufacturing and export promotion of PLI manufactured products.

Hence, PLI scheme is a step in the welcome direction to push domestic manufacturing, but needs to be fiscally viable and scalable.

11. Electricity Amendment Bill, 2022 brings several advantages for consumers, DISCOMs as well as the environment. Elaborate. Also, list out its shortcomings and suggest some measures to overcome them. (Answer in 250 words) 15 Marks

Electricity Amendment Bill, 2022 aims to revamp the organisational structure of electricity distribution to overcome losses in transmission & distribution.

Advantages of Electricity Bill, 2022

(A) Consumers

1) Non-discriminatory access to selection of DISCOM's based on choice.

2) Multiple DISCOM's in one area ⇒ competitive electricity pricing.

3) Renewable electricity access under RRO ⇒ access to renewable energy.

(B) $\boxed{\text{DISCOM's}}$ - Distribution companies.

① Averts monopolistic control of one discom in one area ⇒ gives access to multiple areas to generate revenue.

② Tax exemption & rebates to reduce cost ⇒ betterment of service delivery.

③ Reduces the debt burden of DISCOM's.

(C) $\boxed{\text{Environment}}$

① Renewable purchase obligation ⇒ integration of renewable energy into the main meter.

② Introduces smart metering and demand-supply management for better electricity efficiency.

Shortcomings of the bill

① Central Electricity commission becomes the apex authority of designating price tariff structure. ⇒ centralisation.

(2) Electricity ⇒ part of concurrent list ⇒ less involvement of states.

(3) State Electricity commission has been kept out of the decision-making process.

measures

(1) Devolution of power to State Electricity commission as they are better suited to understand local energy demand.

(2) Increasing the RPO obligation ⇒ push to renewable energy.

(3) Improving infrastructure of DISCOM's to minimise T&D losses.

At present, ATC losses are around 20% of generation, much higher than the world average. Need to overcome the legal loopholes to ensure 24x7 energy access.

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

Securities and Exchanges Board is a statutory body, established in 1992 as a regulatory body to oversee the long-term trading and Indian stock market.

Role of SEBI

1) Primary role of SEBI revolves around regulatory oversight of the companies, merchant banks, traders etc. registered in the stock market.

2) Conducts scrutiny of foreign portfolio investments to ensure identification of source (except for P-Notes)

3) maintains check over stability of long-term capital market to avoid sudden crash or volatility.

(4) Examines the Red herring prospectus of potential IPO's & FPO'.

(5) Prevents insider trading.

(6) Taken charge of dematerialisation of shares.

Challenges faced by SEBI

(1) Insider Trading remains a significant challenge.

(2) Unable to prevent scams in Indian capital market.

Eg: Vijay Malya.

(3) Unable to control the capital flight in context of macro-economic instability.

(4) Recent Adani issue highlighted the regulatory lapse of SEBI.

Reforms to strengthen SEBI

① SEBI should be elevated to the status of constitutional body to receive powers of civil court.

② Use of technology like artificial intelligence & machine learning to detect insider trading.

③ SEBI should be given the authority over securities Appellate tribunal to ensure just penalties.

④ Convince between SEBI and RBI to effectively sync money & capital market.

Therefore, the role of SEBI is undisputed in Indian securities exchange market, responsible for a robust bond ecosystem.

13. International trade is centred on the dominant currency paradigm(DCM). Critically Analyze 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

International Trade is heavily dependent on hard currency i.e. the currency issued by an economically & politically stable country, used extensively for global settlements of payments. Eg: Dollar, euro, yen, Renmibi etc

Importance of Hard currency

1. Used as the standard for measuring currency strength.
   Eg: $1 = ₹80 ⇒ symbol of strength of ₹.

2. Stable currency, on which global trade is pillared.

3. The currency used in global stock markets and international trading.

(4) Used as the currency for estimating the robustness of country's foreign exchange reserves.

Limitations of Hard currency

(1) Monopoly of the issuing country in global trade ⇒ Eg: Hegemony of USA.

(2) Threatens de-stabilisation of entire world order in case of any price shocks in internal market.

Eg: 2008 economic crisis of USA.

(3) Prone to geopolitical fluctuation, hampers bilateral global trade.

Eg: sanctions on Russia by USA ⇒ no longer use of dollar for settling accounts.

(4) Cryptocurrency ⇒ Threatens the authority of hard currency.

(5) International competition from currencies like euro, yen, Renminbi etc.

Potential of rupee

Advantages

(1) Increasing internationalisation of rupee ⇒ eg: Russia, currency swap arrangement with UAE.

(2) stable currency ⇒ as seen during COVID pandemic.

(3) Robust export ecosystem ⇒ especially to African & Asian countries.

(4) Reducing reliance on dollar.

Limitations

(1) Prone to shocks. Eg: sliding of currency in the Fed Bank's rate rises.

(2) capital flight risk in case of supply / demand shocks.

(3) International competition with chinese currency.

Therefore, INR as an international currency is a significant opportunity with careful research & analysis.

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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 State of India Working Population Report, there are nearly 4.8 million working age population b/w 15-49 years, with median age at 28 years. This opens up a demographic window for economic growth.

Potential of Demographic Dividend

1. As per Global economic monitor, by 2041, nearly 60 % of India's population will be under 15-59 years ⇒ reduction in dependency ratio and increase in working age popn.
2. Increase in consumption & savings due to increase in income - generating individuals.
3. Increase in female & male labour force participation rate due to reduction in dependent population.

Impediments to reaping the benefits of demographic dividend.

(1) Skill gap ⇒ only 50% of graduates have the necessary employable skills required in industry.

(2) Infrastructure deficit ⇒ low human resource development.
Eg: education, hospitals etc.

(3) Social impediments like gender & caste bias ⇒ marginalisation of certain groups from quality jobs.

(4) Jobless growth - employment elasticity is at 0.1% → for every 1% growth in GDP, only 0.1% increase in jobs.

(5) Informal nature of jobs.

(6) stagnation of agriculture &

manufacturing.

Steps taken by Government

① For addressing skill gap

(i) PM-Kaushal Vikas Yojana

(ii) Nai Manzil & Nai Roshni for skill deployment to males & females respectively.

(iii) Skill Development certificates & vocational courses on AI, ML, industry 4.0 etc.

② For addressing education & Health gaps

(i) e-learning platforms like SWAYAM, MOOC etc.

(ii) Beti Bachao, Beti Padhao

(iii) Mid-day meals

(iv) Integrated Women & child development schemes, POSHAN Abhiyaan etc.

③ For job-creation.

(i) PLI scheme

(ii) DESH Bill

(iii) National Logistics Policy & Gati-shakti schemes.

(iv) Renewable energy

Therefore, Govt has taken several steps.

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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 change in GDP due to increase or decrease in tax rates. It is expressed as:

$$\boxed{\text{Tax Buoyancy} = \frac{\text{Tax Rate}}{\text{GDP}}}$$

Low Tax buoyancy means that despite an increase in tax rate, GDP does not grow, due to low capital expenditure, job creation and infrastructure deficit. It leads to higher deficit & debt.

Role of higher direct tax rate to improve overall tax to GDP ratio

Positives

① Higher direct tax rate will generate greater revenue for the govt ⇒ expansion of CAPEX ⇒ growth of GDP.

(2) Progressive taxation applicable through higher direct (income & corporate tax) ⇒ redistribution of wealth & reduction of economic inequality.

(3) Improved tax base due to creation of more jobs due to better tax buoyancy.

Limitations

(1) As per NSO, only 12% of the population pays direct tax ⇒ changes in direct tax rate ⇒ marginal impact on tax to GDP ratio.

(2) Increase tax evasion due to higher tax rates ⇒ decrease in revenue to the govt.

(3) Increased tax rate can also increase populist policies in name of welfare support ⇒ No change in tax to GDP ratio as there

is no productive expenditure.

Steps to be taken to revamp tax-structure

1) Progressive taxation on indirect taxes to ensure greater revenue & economic equality for inclusive growth.

2) Tax compliance needs to be improved through use of technology like AI & ML to detect tax evaders.

3) Increase in administrative capacity to better tax compliance.

4) Increase in corporate taxes to ensure equitable growth.

5) Combat the issue of inverted duty structure to boost manufacturing ⇒ improvement of overall tax-to-GDP ratio.

Therefore, tax is an effective tool of fiscal policy, creating a harmonious balance between economic growth & inclusive growth.

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

Startups are enterprises with a time age of 10 years and revenue less than 100 crore.
Post digitalisation ⇒ tremendous growth in startup ecosystem, 3rd largest after USA & China.

Importance of startups
① Job creation ⇒ generate several formal & informal jobs.
② Boost exports due to globalisation & digitalisation.
③ Attract investment, bringing in precious foreign exchange.
④ Absorbs the deficit of infrastructure & manufacturing.

∴ they are driving engines of fast-changing modern economy.

Reasons for failure of startups to realise their potential

① lack of investments due to limited flow of cash, bootstrapped startups are especially vulnerable.

② lack of global competitiveness due to inferior products, competition from imports, uncompetitive pricing in international markets.

③ Lack of skilled labour force to effectively take up technological innovation & diffusion.

④ low female LFPR.

⑤ Infrastructure deficit ⇒ high logistics cost.

⑥ Part of global value chains, vulnerable to external crises in supply chain & demand.

steps taken to improve profitability & Performance of startups

① Government support through viability gap funding, tax holidays, rebates, infrastructure and logistics support.

② Availability of cheap credit to ensure economic viability of start ups.

③ Promoting greater ease of doing bussiness by allowing 100% FDI at full capital account convertability.

④ Providing support in terms of streamline production channels especially for export-oriented startups.

Therefore, start ups are the ray of hope for India to leave the middle income trap and generate employment-induced GDP growth.

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

Post 2016, the Indian telecom sector has grown multifold to reach $400 million in 2021-22, significant for the realisation of Digital India.

However, the telecom sector still is plagued with several lacunae.

Challenges of telecom sector

① Telecom Regulatory Authority of India (TRAI) is a weak regulatory authority, with numerous institutional gaps.

② The coming of 'OTT' (over the top) platforms, their free platform services, without paying fees to TRAI has led to uncompetitive market structure

(3) regulation of telecom has become difficult due to numerous market players.

(4) Overlap of jurisdiction of TRAI with competition commission of India (CCI).

Draft Indian Telecommunication Bill 2022

Advantages

(1) Gives greater powers to the central govt. to ensure tight control & regulation of the telecom sector.

(2) Mandates the OTT platforms to pay fees to the regulatory authority.

(3) Strict penalties against uncompetitive market strategies like predatory pricing.

(4) Limitations

(1) Further diminishes the role of TRAI.

(2) increases regulatory oversight over telecom companies, leading to constraints on ease of doing business.

Measures to revamp Telecom sector

(1) Devolution of funds, functions & regulatory control to state & central authorities from central government.

(2) Ensure free & fair market practices.

(3) Balance b/w ease of doing business & regulatory oversight of private players.

Therefore, telecom sector is the growth of a global-digital economy, and needs to freed of the limitations.

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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

Public- Private Partnership are investment models based on lease & monetisation of public assets and performance- linked remuneration of private profits.

Various PPP Model

(I) Built, Operate, Transfer (BOT)

(i) Financing Risk - Private
(ii) service delivery - private
(iii) Revenue Risk - Private.

→ usually used for green-field projects, with greater risk towards private sector.

Advantages

(1) lesser involvement of government resources ⇒ more funds from welfare objectives.

(2) Greater reward to private sector ⇒ greater entrepreneurial spirit.

Disadvantages

(1) Extreme risk towards private sector deters investment.

(2) Even land acquisition & environmental clearance burden is on private sector.

⇒ Even Maintain. operate. Transfer & Design. Built, Finance, Operate Transfer has similar structure.

(II) Engineering Procurement & Maintainance (EPM)

(i) Financing risk
(ii) Revenue Risk ⇒ Govt
(iii) Maintainace risk
(iv) service delivery

Advantages

(1) Full involvement of government orientation
⇒ cheap prices & welfare
(2) Private sector has lesser control
⇒ more control with govt.

Disadvantage

(1) Negligible involvement of private sector.

(2) If loss-making ⇒ entire burden on public sector.

(III) Hybrid Annuity Model (HAM)

(i) Financing risk - Government (40%) & private sector (60%)

(ii) Revenue risk - Govt. (60%) & private (40%)

(iii) Maintainance risk - private.

Eg: Delhi - Mumbai expressway

Advantages

(1) Balanced risk sharing between public & private sector.

(2) Greater investment offers from private sector.

Disadvantages

(1) Lesser managerial control with private sector. ⇒ inefficiency of service delivery

(2) Greater investment (financing risk with private sector) ⇒ risk of price hike to recover costs & generate profits.

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19. The Indian EV industry is critically dependent on semiconductors 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

Indian EV industry is critically dependent on the semi-conductor industry, as it constitutes an important raw material.

Challenges faced by semi-conductor industry

(1) Shortage of raw materials required for manufacturing of semi-conductor chips. Eg: Lithium

(2) Geopolitical dynamics ⇒ supply chain bottlenecks as 90% of semiconductors are supplied by a Taiwanese MNC ⇒ China threat.

(3) Lack of technical expertise to boost the indigenous manufacturing of semi-conductors.

4) Lack of investments in indian semi-conductor industry due to low manufacturing output reputation, especially in global market.

Measures to strengthen supply of semiconductors

1) Global collaborations with countries like USA & Europe to reduce dependence on imports from china.

2) The various summits & industry consortiums like semi-conn, needs to acts as channels of investment to boost manufacturing of indigenous semi-conductors.

3) Semi-conductor chips require lithium as a raw material ⇒ domestic resource exploration & Increasing Li imports from Argentina & Australia.

④ Diversifying imports of semi-conductors from Taiwan to reduce reliance on china threat.

Policy steps

① India semiconductor Policy, 2022 to outline mechanisms for boosting supply & production capacity of semi-conductors.

② Semi-conn — to generate investment avenues & awareness among like-minded countries to boost partnerships.

Therefore, EV industry, along with telecom sector are crucially dependent on semi-conductors. Hence, the need to sustain the supply of semi-conductors through indigenous manufacturing is inevitable.

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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 is the driver of fast-paced modernisation of any economy. The capital expenditure on infrastructure, as envisaged by budget 2022 entails investment of 10 lakh crore ⇒ multiplier effect on the economy.

Infrastructure : $\boxed{\text{Rapid Economic growth}}$

1. Post 1991 reforms, India invested in development of telecom, IT and other services ⇒ growth of service sector & increase in GDP growth from 3% in 1980's to 7% in 2000's.

2. Similarly, investment in infrastructure, in terms of roads, railways, ports etc. led to growth of manufacturing sector from 10% to 17% from 1991 onwards.

③ Investment in Digital Public Infrastructure ⇒ growth of start ups & crowding in of private investors.

Infrastructure = Inclusive growth

① Through schemes involving investment in irrigation, HYV seeds etc ⇒ Green revolution ⇒ Betterment of farmers.

② Access to digital public goods through investment in fiberisation (Bharat Net), common service centres etc.

③ MSME support through development of policies envisaging infrastructure growth.

Impediments to investment in Infrastructure

① less involvement of private

sector ⇒ excessive burden on public funds.

② Lack of manufacturing facilities ⇒ creates a virtuous cycle

Infrastructure

Investment

manufacturing

③ Crowding out of private investments because of high revenue & fiscal deficits.

④ Lack of coherent policy making.

Way Forward

① strict implementation of policies like PM-Gati shakti, National logistics policy etc. to address Infrastructure deficit.

② Easing the regulatory environment to attract foreign investment in infrastructure.

③ Choosing PPP models for infra-creation.

∴ Infrastructure is the key to become a developed nation by 2047.

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Space for Rough Work