2:15PM

NEXT IAS

(To be filled by candidate)

Name of Candidate : R SRI RUSAT

Roll No. : MT24ECOL1021 Contact No...

e-mail:... gmail.com Date of Examination : 08/08/2024

Exam Centre : Old Rajinder Nagar ☐ Online ☑

CSE (MAINS) TEST SERIES-2024

Test-04	ECONOMICS OPTIONAL
Dated : 23-07-2024	*Indian Economy before 1947,* *Indian Economy after 1991*

Time Allowed : Three Hours

Maximum Marks: 250

QUESTION PAPER SPECIFIC INSTRUCTIONS

(Please read each of the following instructions carefully before attempting questions)

*There are **EIGHT** questions divided in **Two sections** and printed in **ENGLISH**.*

*Candidate has to attempt **FIVE** questions in all.*

***Question No. 1 and 5** are compulsory and out of the remaining, any **THREE** are to be attempted choosing at least **ONE** question from each section.*

The number of marks carried by a question/part is indicated against it.

Answers must be written in the medium authorized in the Admission. Certificate which must be stated clearly on the cover of this Question-cum- Answer (QCA). Booklet in the space provided.

No marks will be given for answers written in a medium other than the authorized one.

Word limit in questions, wherever specified, should be adhered to.

Attempts of question shall be counted in sequential order. Unless struck off. Attempt of a question shall be counted even if attempted partly. Any page or portion of the page left blank in the Question cum Answer (QCA). Booklet must be clearly struck off.

DELHI CENTRE:
Old Rajinder Nagar: 27-B, Pusa Road, Metro Pillar no. 118, Near Karol Bagh Metro, New Delhi-110060 | Phone: 8081300200
Mukherjee Nagar: 1422, Main Mukherjee Nagar Road, Near Batra Cinema, New Delhi-110009 | Phone: 8081300200
BHOPAL CENTRE: Plot No. 46 Zone - 2, M.P Nagar, Bhopal - 462011 | Phone: 8827664612, 8081300200
JAIPUR CENTRE: Plot No. 6 & 7, 3rd Floor, Sree Gopal Nagar, Gopalpura Bypass, Jaipur - 302015 | Phone: 9358200511
PRAYAGRAJ CENTRE: 31/31 Sardar Patel Marg, Civil Lines, Prayagraj, Uttar Pradesh - 211001 | Phone: 9958857757

(For filling by Examiners only)

Q. No.	Page No.	Max. Marks	Marks	Total	Signature
1. (a)	4	10			
1. (b)	6	10			
1. (c)	8	10			
1. (d)	10	10			
1. (e)	12	10			
2. (a)	14	20			
2. (b)	18	20			
2. (c)	22	10			
3. (a)	24	20			
3. (b)	28	20			
3. (c)	32	10			
4. (a)	34	15			
4. (b)	37	20			
4. (c)	41	15			
5. (a)	44	10			
5. (b)	46	10			
5. (c)	48	10			
5. (d)	50	10			
5. (e)	52	10			
6. (a)	54	15			
6. (b)	57	15			
6. (c)	60	20			
7. (a)	64	15			
7. (b)	67	20			
7. (c)	71	15			
8. (a)	74	15			
8. (b)	77	20			
8. (c)	81	15			
Grand Total					

Remarks

Observations:

SECTION-A

Write notes on the following in about 150 words each: **(10 × 5 = 50)**

Q.1 (a) Explain Ratio Controversy during British rule.

The ratio controversy was regarding the over-valuation of domestic rupee with respect to British pound. The ratio fixed by the British was 1s.4d but according to some nationalists like Purushottam Das the ratio was overvalued.

Ratio controversy

(i) The nationalists wanted the ratio to reduce to 1s.6d.

(ii) The above led to significant downfall in the exports of Indian Industry.

(iii) Many nationalists like "Dadabhai Naoroji" pointed out the over-valued ratio is being used to drain out India's national income.

(iv) The cotton and jute textile mills suffered immensely due to overvaluation of domestic currency.

(v) Due to higher valuation, the imports became cheaper, India is flooded with finished British products.

Therefore, leaders like Mahatma Gandhi demanded in the 2nd roundtable conference to reduce the artificially fixed exchange rate to market determined exchange rate.

Q.1 (b) Explain V.K.R.V. Rao's contribution to measurement of National Income.

VKRV Rao was an eminent economist who played significant contribution on the subjects of National Income, Keynesian Multiplier, Deficit financing etc.

VKRV Rao's contribution in the measurement of National Income:

(i) The book published by VKRV Rao - "National Income in British India (1932-1933)" contained important estimates regarding the calculation of National income.

(ii) He used "Marshall-Pigou synthesis" for the estimation of Services sector.

(iii) He used the following methods in the calculation of the sectors of the economy:-

(a) Income method - Construction and Services.

(b) Value added method (or) Inventory method - Agriculture.

(iv) He sub-divided the Agriculture sector into livestock, fisheries etc for the estimation of national income.

(v) He recommended that "Hindu Undivided family" should get statutory status for the estimation of National income.

(vi) His estimates were used in the calculation of large and small scale industries which were largely unmonetized.

Hence, VKRV Rao's revolutionary works on national income were used by later economists for the purpose of calculation of National income.

Q.1 (c) Explain the reasons for decline in agricultural production in India in the first half of 20th century.

India faced stagnant growth in the agricultural sector during the first half of 20th century.

Stagnation or decline in Agricultural production.

According to Blyn's data:-

(i) Between 1900-1947, India's food production declined by 1.14% p.a

(ii) India's non food production increased by 0.57% p.a.

(iii) Therefore the overall food production just increased by 0.75% p.a

Reasons

(i) Commercialisation of agriculture led to the growth of non food crops like Cotton, Opium, Indigo, Jute etc.

(ii) Famine Commission and Indian famine Codes pointed risky agricultural environment in India.

(iii) Growth of landed intermediaries like Zamindars and subsequent charge of high rents by British under Permanent Revenue Settlement (1793) reduced the incentives for agricultural investment.

(iv) Growth of absentee landlordism and summary eviction of tenants led to tenants employing sub-tenants for cultivation leading to land fragmentation and sub-infeudation of agricultural land.

(v) Indian farmers used less than 10% of Quality seeds in agricultural production.

(vi) Over 93% dependent on Money lenders to finance agri operations.

Therefore, the above reasons led to the decline of agricultural growth as pointed out by Subramanian estimates the agricultural sector grew by just 0.1% between 1900-1947.

Q.1 (d) Elaborate on development of railways in India. Explain the old guarantee system and new guarantee system.

In 1863, the development of railways started happening in a huge manner due to higher production of agri railway component production like rail wagons, engines etc in the Britain due to ~~B~~ Industrial revolution.

Development of railways

(i) First rail link was laid between Thane and Bombay.

(ii) Between 1880s and 1900s over 3,297 mile rail links were laid.

(iii) However, the rail links laid were haphazard suiting to the needs of the British.

Old guarantee system	New Guarantee system
(i) The Govt. would provide minimum guarantee of 5% per annum to shield the	(i) The Govt. would provide minimum guarantee of 3.5% per annum

British capitalists against any unseen risks.

(ii) The land was provided free of cost to the British capitalists.

(iii) The British & Indian government largely followed "laissez faire" policy leading to higher ticket prices set by the British Investors.

(iv) In case of recovery of rail lines, the cost should be market value of it that prevails over in the date in London.

(ii) The feeder lines were taken over by the Govt. due to its loss making nature.

(iii) The railway lines owned by respective princely states were bought by the British govt. Now the railways became a "State monopoly"

Therefore, As pointed by $\boxed{\text{G V Joshi}}$, "Railways was the result of Indian subsidy to the British Govt."

Q.1 (e) Why did handicraft industry decline in India?

Indian handicrafts declined during the 19th century. From a net exporter of finished handicrafts like muslin, Cotton clothes, Silk clothes etc India became a net importer of handicrafts.

Reasons for the decline of handicraft Industry :-

(i) Inverted duty structure by the British – British imposed excise duty on finished Indian clothes however levied no customs duty leading to flooding of British cotton products.

(ii) Restrictive laws like "Sargant laws" were applied to control the movement of Indian handicraft.

(iii) Morris D Morris points out structural reasons for decline in handicrafts like :-

(a) Low tendency of Indian Industries to adopt to technological change.

(b) Ruralisation of many handicrafts industries etc.

(iv) Better terms of trade for "Cotton yarns" and "raw jute" leading to increased facilitation of raw cotton and jute export.

(v) No major investment undertaken by the British to augment the technical and technological capacity of the Indian Industries.

(vi) Due to American Civil War, the cotton and jute exports to the British made the Indian industries scramble for Indian raw materials.

Hence, there was systemic decline in Indian handicrafts as pointed by Karl Marx, "British made Indian cotton producer to produce raw cotton and ~~etc~~ mother of textiles ~~to~~ turned into mere raw material exporters."

Q.2 (a) "Poverty in India was due to comprehensive exploitation of farmers in British India". Discuss. 20

During the British rule, the agricultural sector and farmers were treated as "rent extracting source" which led to creation of landed intermediaries, eviction of peasants and farmers from land and constant under-investment in agriculture.

Poverty in India - result of comprehensive exploitation of farmers in British India:

(i) Growth of Absentee landlordism

After the fixation of higher rent, the landlords had little incentive to invest in the agriculture as the non-payment of rent would lead to losing of "rights on land".

(ii) Higher rent were fixed

(a) Under the Permanent revenue settlement system (1793), higher rents were fixed due to permanence of rent on agricultural land.

(ii)[b] About 10/11th of total rent collection went to British and 1/11th of rent were with the Zamindar.

(iii)[c] Upon non-payment of rent the Zamindars can summarily dismiss the tenants.

(iii) Growth of sub-Intermediaries:

In some areas, tenants gave away the lands to lease for sub-tenants leading to sub-infeudation in agriculture.

(iv) Under investment ~~of~~ in agriculture

Major capital infrastructure related to Agriculture like canal networks, irrigation canals have taken back seat in the British period.

(v) Commercialisation of Agriculture:

(a) Due to the introduction of railways (1863), the growth of food crops declined and non-food crops like Cotton, jute etc which were required for British Industrialisation were ~~exporte~~ grown.

(b) According to Blyn's data:

- Food production declined by about 1.14% p.a between 1800-1900.

- Non food production increased by 0.57% p.a

- Total food production during the British period declined by 0.75% p.a.

(vi) Diversion of food grains to fund international wars like World War-II led to famine crisis.

- eg:- Amartya Sen points out during the Bengal famine of 1943.

Results

(i) About 93% of farmers were indebted to the money lenders.

(ii) About 97%. used wooden ploughs for cultivation.

(iii) Only 10%. used quality seeds in the agricultural production.

(iv) More than 54% of the farmers were landless during the period.

(v) According to Subramaniam estimates, Agriculture grew by 0.1% between 1900-1947.

Therefore, the Systematic exploitation by the British acted as a major reason for constant impoverishment of Indian farmers and Indian Agriculture.

Q.2 (b) Explain drain of wealth. 20

The drain of wealth as a concept is introduced by Dadabhai Naoroji in his book "Poverty and Unbritish rule" (1871).

It refers to the extraction of natural resources systematically in a way that could otherwise be used for the development of domestic economy.

Phases of Drain of wealth

(I) Merchant capital Phase (1757-1800)

(i) During this phase, British used disruptive land revenue system to extract rent surplus from Agriculture.

(ii) Under Permanent settlement (1793) the land revenue was fixed at a much higher rate.

(iii) About 10/11 th of total rent was covered by British and 1/11 th of total rent by Zamindar.

(iv) The Presidency of Bengal alone paid about 34 lakh pounds per annum between

1757-1800.

(v) According to William Digby, estimates about 100 crore pounds were extracted during the period.

(vi) The rulers who fought British were defeated and heftly charged.

(II) Industrial capital Phase (1800-1900).

(i) The British used inverted duty structure to turn India as a market for final goods and exporter of raw materials for British.

(ii) Sargaent laws were used to restrict the movement of goods like finished clothing etc leading to systemic de-industrialisation.

(iii) Due to pressure by Lancashire mills (1865), the import duties were not levied despite the pressure from the nationalists.

(iv) 1893- currency reforms ensured over-valuation of domestic currency leading to losing of export competitiveness in the international market.

(v) The old and new guarantee system of railways charged the guarantee return of 5% and 3.5%.

(vi) According to Dadabhai Naoroji, It occupied about 1% of the national income.

(vii) $\boxed{\text{Home charges}}$ by the British acted as significant expenditure leading to draining of Indian Resources.

~~Finan~~ (III) $\boxed{\text{Financial capital phase}}$ (1900-1947)

(i) British used Indian revenues to finance both world wars.

(ii) other wars like:-

(a) Opium war with China

(b) Boer war etc were fought

by the British.

(iii) According to Prof. Habib's estimate, this phase faced an extraction of wealth about ₹54 crores every year.

Therefore, the British exploitation can be seen in India's share of world trade which declined from about 20% ~~about~~ of world's trade in 1800s to 2% ~~abo~~ of world trade in 1947.

Q.2 (c) What were the reasons for growth of plantation crops in India? 10

Till 1860, India's focus on agriculture was with the growth of food crops but after 1860 the Indian cropping pattern of agriculture shifted from food crops to non-food crops especially plantation crops.

Reasons for the growth of plantation crops:

(i) Higher demand for plantation crops like cotton and jute to fuel the Industrialisation or industrial revolution in England.

▷ eg:- Due to American Civil war, The Indian cotton in the world were in great demand.

(ii) Monetary support provided by the Formal banks, informal money lenders and shroffs for cultivation of cotton crops.

(iii) Introduction of railways led to the connection of cotton cultivated lands to ports leading to incentivisation for the farmers who cultivated plantations crops.

(iv) Better inputs like seeds and machineries were provided to the farmers by the institutions governed by the British to fulfill the needs of the Lancashire mills.

(v) Landed intermediaries like Zamindars readily invested on the cultivation of cotton and jute with the hope of better returns.

Therefore the above reasons led to the growth of non-food crops like cotton and jute at the expense of food crops as pointed by Blyn's data.

Q.3 (a) "British period did not see growth of entrepreneurs in India because India remained a technologically less developed country". Elaborate. 20

Q.3 (b) Critically analyse the role of infrastructure development during the British period. 20

Q.3 (c) Why did British period create the need for land reforms? 10

Q.4 (a) What is PM MITRA scheme? 15

Q.4 (b) Explain how electronics industry has grown in India in recent past. What further can be done? 20

Q.4 (c) Critically analyse PM-JANMAN Yojana. 15

SECTION-B

Write notes on the following in about 150 words each: (10 × 5 = 50)

Q.5 (a) What are the main reasons for declining logistical cost in India?

According to World Bank's Logistical Performance Index (2022), India occupied top 20 places significant improved from the earlier position of 43.

Reasons for declining logistical cost:

(i) Higher investment ~~on~~ via capital expenditure on infrastructure.

Eg:- According to Eco survey (2023)- The total capital expenditure ~~made~~ allocated for the FY 2024 was ₹7.5 lakh crore.

(ii) **Higher laying down of road**

a) Bharatmala I and II combined laid down for more than ~~₹30,~~ 50,000 kms of roadways.

b) India is now has the 2nd largest road network in the world.

(iii) Use of online and digital technologies to facilitate logistical receipts.

→ eg:- ICEGATE portal by customs.

(iv) Higher investments on ports and the associated feeder roads.

→ eg:- Vizhinjiam port of Kerala is envisaged to act as "trans-shipment hub".

(v) Under $\boxed{GST}$, mandatory use of "e-way bill" system reduced the cost of paperworks and increased transparency.

(vi) Higher investment by foreign multinational on transportation and storage.

→ eg:- Amazon is heavily investing in constructing India's store houses.

The above reasons led to the "consistent decline of logistic cost" which would potentially help in achieving the targets set up "National logistics policy (2022)".

Q.5 (b) Elaborate on main features of 73rd and 74th constitutional amendment. Do you think it has led to decentralised governance?

The 73rd and 74th constitutional amendment Act laid to the constitutionalisation of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs).

Main features of 73rd and 74th Constitutional Amendment Act:-

(i) It establishes three tier system of local self government.

eg:- Gramsabha - village
Block Panchayat - Block
District Panchayat / Zila Parishad - District.

(ii) Independent Election commission and State finance commission for smooth conducting of PRIs and ULBs

(iii) For 74th CAA, District Planning Committee would be established at the district level.

(iv) Atleast 33% of reservation provided for women including SCs and STs.

(v) Elections should be mandatorily conducted for every 5 years.

Decentralised governance

(i) Atleast 1.34 million elected women occupy different posts in the local self government.

(ii) According to Estimates, states like Kerala and Tamil Nadu better perform in the implementation of schemes at the grassroot level where PRIs and ULBs are successfully implemented.

Challenges in the Decentralised governance

(i) Funds - According to Eco survey (2018-19) - only about 5% of total funds for PRIs and ULBs are generated by themselves.

(ii) Functions - Only Kerala has devolved all the functions to the PRIs and ULBs

(iii) Functionalities - Constant conflict between bureaucracy and elected functionaries.

Therefore, the above issues has to be addressed to truly achieve the ambition of Decentralised governance.

Q.5 (c) Comment on role of digital public infrastructure in promotion of inclusive growth in India.

As per Niti Aayog, "Financial Inclusion" is the core component of promoting inclusive growth. It entails banking the unbanked, connecting the unconnected and securing the unsecured.

Role of Digital Public Infrastructure in promoting inclusive growth.

(i) Facilitating Direct Benefit Transfer.
→ eg:- Under PMJDY, Till 2024, More than ₹8 lakh crore worth of benefits were transferred reducing leakages.

(ii) Reducing the issue of fake beneficiaries
→ eg:- National mobile monitoring portal is used in MGNREGA.

(iii) Reduction of informational asymmetry.
→ eg:- Jan Suchna portal in Rajasthan

(iv) National Career Service Portal used to find out "employment" by the youth.

(v) GeM Portal - MSMEs were greatly benefitted due to higher governmental purchases.

(vi) Faceless tax assessment portal → reduces the incidences of corruption and promotes transparency in filing of taxes.

(vii) Samadhan portal - used by MSMEs for resolving of disputes with the government departments.

(viii) JAM Trinity - connecting about ~~400~~ 800 million people leading to receiving the benefits of direct transfer.

Hence, the DPIs in India promoted SDG 8 → Decent economic growth.

Q.5 (d) Explain the reasons for high inflation in India.

Inflation refers to the general rise in price level in the economy. According to RBI data, the CPI inflation is consistently remains within the tolerable limit of 4% ± 2%. however specific sectoral inflation are high.

Eg:- Pulses Inflation in June 2023 touched 22%.

Reasons for high inflation

(i) Reduction of Agricultural output due to the phenomenon of El-Nino.

(ii) TOP Inflation - Tomato, Onion, Potato inflation between June-September 2023.

(iii) Dreze - points out higher disbursements of MGNREGA can lead to higher rural inflation.

(iv) Post harvest losses

Niti Aayog points out that due to inadequate storage infrastructure about

₹93,000 crore worth of produce is lost.

(v) Structural Inflation: due to absence of feeder road and damage of roads and rail lines.

~~The~~ However, the Govt. of India is taking a collaborative approach to manage the domestic inflation as well as ensuring regular growth of money supply.

Q.5 (e) What steps can be taken to increase Labour Force Participation Rate of women in particular and for all in general in India?

According to Eco survey (2022-23) the Female labour force participation rate stands at 29%. However the male labour force participation rate is more than double the Female labour force participation rate. (FLPR)

Increasing FLPR.

(i) construction of women specific skill centres to upskill and reskill the labour force.

(ii) Monetisation of care economy pointed by Centre for Monitoring Indian Economy.

(iii) Economic ~~sur~~ budget (2024) - provided funds for the construction of working women's hostel.

(iv) Providing specific "Employment Linked incentive scheme" for female labour force.

Increasing Labour force Participation in general:-

(i) Addressing the skill mismatch by addressing the linkages of

- Industry

Academia Employer

(ii) Augmenting the current Employment linked incentive scheme of Union budget to skill linked incentive scheme.

The above steps would lead to achievement of SDG 4 (Gender equality) and SDG 8 (Decent economic growth).

Q.6 (a) Critically analyse National Monetisation Pipeline. 15

Q.6 (b) Describe the growth of Solar energy sector in India, focusing on steps taken by government to promote it. 15

Q.6 (c) Critically analyse the connectivity projects in India and their impact on the economy. 20

Q.7 (a) Explain the trend of inequality in India after 1991. 15

According to Chancell and Piketty, India's rural and urban inequality increased as pointed out by the increase in all-India urban and rural Gini coefficient.

Trend of inequality after 1991

(i) Share of wealth inequality:

According to credit Suisse's report (2023), India's ~~is~~ top 1% of the population owned 63% of nation's wealth in comparison to bottom 50% owning just 3% of nation's wealth.

(ii) Consumption inequality:

According to Gini coefficient, All India consumption inequality increased from 0.4 in 1980s to more than 0.5 in 1990s.

(iii) Income inequality

According to World Inequality report (2022), top 10% contributed about 13% of national income in India in comparison to about 23% contributed by bottom 50%.

Reasons for the trend of inequality after 1991:

(i) Mazumdar pointed "missing middle" as the reason for the growth of inequality due to non-employment creation in the range of industries.

(ii) Jobless growth - Bhagwati pointed out lower employment elasticity in the growth of services sector.

▷ eg:- since 2000s, The service sector grew at a CAGR of 9%. however the absolute rise of employment between 2005-2008 is just 4 million.

(iii) Presence of disguised unemployment in the agriculture.

▷ eg:- About 47% of total workers were employed in agriculture whose share to GDP is just 15%.

(iv) Skill mismatch.

▷ According to India skill report, About 47% of total graduates lacked requisite skill to be employed under formal enterprises.

(v) Restrictive labour laws - Bhagwati pointed out that due to innumerous labour laws the companies adopted "Capital intensive approach" for production of goods.

Thus, ~~the~~ although poverty declined from about 45% in 1993 to 21.9% 2011-12 the inequality of income and consumption grew consistently.

Q.7 (b) Explain the steps taken by government to develop allied sectors in agriculture. 20

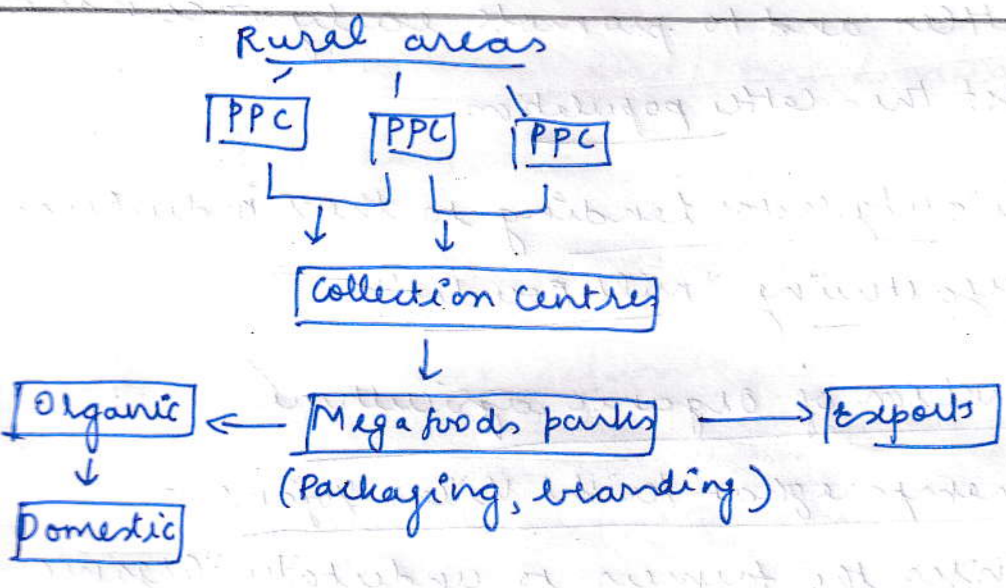
From 53% in share of GDP in Agriculture during 1947 to the share of GDP in agriculture decreased to about 15% in 2023. However, it employs about 47% of total population.

Steps taken to develop allied sector in agriculture:

① Food Processing

(i) Mega food parks scheme (2008):

(a) Under a large tract of land, collection centres were constructed to promote procurement from the rural areas where raw fruits and vegetables were cultivated.



(ii) Pradhan Mantri Kisan Sampada Yojana -

To reduce the post harvest losses and promote value addition in agriculture.

(iii) TOP to TOTAL

(a) The scheme of storage of vegetables like "Tomato, Onion and Potato" ~~in~~ increased to all fruits and vegetables.

② Dairy sector.

(i) Operation flood

(a) set up the "National Diary Development Board".

(b) Increased the per capita milk yield to about more than 4 times since 1960s.

(ii) Nandi Portal - To prevent diseases in the cattles and to promote early vaccination amongst the cattle population.

(iii) Priority sector Lending to those industries manufacturing "milk Powder".

③ Promotion of Organic agriculture

↳ Paramparaghat Krishi Vikas Yojana - Incentivises the farmers to undertake "Organic farming".

④ Promotion of Natural Farming

↳ Involves components like "Jeevamrita,

Beejamrita, and acchadana (Soil mulching)."

(5) National Sustainable Farming for Agriculture - to promote sustainable farming in agriculture.

(6) Soil health card scheme - To promote soil health and prevent soil degradation.

(7) e-NAM - Connecting ~~the~~ about 72,000 APMCs in India using digital technology undertaken by Small Farmers Agribusiness Consortium.

(8) PM AASHA - Promotes organic cultivation.

(9) National mission to promote cultivation of oilseeds in the North Eastern states.

(10) Neem Coated Urea and Nano Liquid Fertilizer to augment the productivity in agriculture with soil degradation.

Therefore, the above schemes proliferated the growth of agriculture sector pointed out by Economic Survey (2023-24) that the growth rate of agriculture is about 4% during past 5 years.

Q.7 (c) Explain the main recommendations of the 12th Finance Commission. 15

The Twelfth finance commission (2004-2009) provided crucial recommendations regarding the horizontal and vertical devolution of funds from the total divisible pool.

Main Recommendations

(i) Vertical devolution

The 12th finance Commission increased the total devolution of funds for centre to states from 29.5% to 30.5%.

(ii) Funds for special category states

The 12th finance commission recommended funds for special category states like Bihar and UP.

(iii) Horizontal Devolution

Based upon the horizontal fiscal disequillibrium the 12th Finance commission recommended following criteria:

Criteria	Weight (%)
① Population (1971)	27.5

(2) Area	10
(3) Percapita income distance	55
(4) Tax efforts	7.5
Total	100

(iv) other recommendations:

(a) The 12th finance Commission provided total devolution sum of about ₹6.3 lakh crores to the states.

(b) out of which, the local self government received funds worth about ₹25,000 crore. based on criterias like population, Area, Panchayat grant utilisation index etc.

eg:- Population - ~~90%~~ 50% weight, Area - 10%. weight and panchayat grant utilisation - 10% weight.

~~(c) For the purpose of self assessment - tax Local self government provided~~

(c) The Commission recommended for the Continuation of "calamity relief Fund" constituted under 11th finance Commission.

(d) The 12th FC blamed the centre's fiscal policy for the growing debt burden of the states.

(e) The 12th Finance Commission further pointed out that formation of "Fiscal Reform Facility" did not benefit the improvement in India's fiscal performance.

Thus, 12th Finance Commission gave crucial recommendations in solving the horizontal and vertical imbalance in the fiscal federal structure.

Q.8 (a) What changes were brought about by MSME Act 2006. What should be done to further promote MSME in India? 15

MSME Act 2006 brought legal recognition to the MSMEs and hence forth be termed as "Enterprises".

Changes brought by MSME Act 2006

(i) Inclusion of "services" under the ambit of MSMEs.

(ii) Fixed criteria for MSME in terms of investment in plant and machinery.

Type	Plant and machinery investment
(a) Micro	< ₹50 lakhs
(b) Small	₹50 lakhs to ₹5 crores
(c) Medium	₹5 crores to ₹10 crores.

(iii) Classification of services into Micro, Small and Medium.

Type	~~Plant and~~ Investment
(a) Micro	< ₹10 lakhs
(b) Small	₹10 lakhs to ₹2 crores
(c) Medium	₹2 crores to ₹5 crores

Further policies to promote MSMEs in India

(i) Increase the banking credit penetration into MSMEs.

▷ eg:- RBI report points out that 93% of the

MSMEs are self-financed.

(ii) Promotion of innovation in the MSMEs
→ eg:- Private sector along with MSMEs contribute less than 20% of total Research and Development expenditure (Niti Aayog).

(iii) Development of backward and forward linkages to connect rural and backward ~~are~~ areas for the unification of market → to MSMEs (Myrdal's cumulative causation).

(iv) Formalization of MSMEs including increasing the scope of MSMEs to avail various government scheme benefits.
→ eg:- PM Mudra Yojana → sanctioned about ₹2.33 lakh crores to MSMEs in FY22

(v) Developing skilled employment via MSMEs
→ eg:- Most of the MSMEs use indigenous knowledge in the production of goods and services.

(vi) Development of specific SEZs for MSMEs to augment its export potential from current 40% of total exports.

However, Government of India has taken following measures like:-

(a) Start up India - Facilitate funding to the MSMEs.

(b) Samadhaan Portal - Solving the issues of MSMEs with Government enterprises.

(c) GeM Portal - Govt of India and state Govts procure goods and services from the portal.

(d) Prabhat Kumar Committee recommendations regarding MSMEs have been implemented

(e) Sanctioning funds for Export oriented MSMEs under "Advance Authorisation Scheme".

Hence, MSMEs would play dominant role in promoting India's goal of developed India by 2047 and to achieve the export target of $2 Trillions set under New trade policy.

Q.8 (b) Examine the reasons for rise in export growth in India after 2021. How do you suggest it can be sustained given contemporary global challenges? 20

India achieved the all time export growth of more than $1 Trillion in 2022-23 out of which exports of goods contributed to around $422 billion and the rest by the service sector.

Reasons for export growth after 2021

(i) ~~loan~~ Inking new trade agreements with major trading partners:-

ⓐ UAE-India CEPA → led to UAE becoming top 3 trading partners (FY 23).

ⓑ India-Australia ECTA → led to the growth of overall trade (bilateral) to about $ 20 billion.

(ii) China + 1 strategy of the western countries

Eg:- India became a major smartphone exporter it grew to $3 billion in FY23. (Ecosurvey)

(iii) Russia Ukraine Conflict - India became major exporter of refinery crude products

(iv) The picking up of growth in western countries after the recessionary tendencies

▷ eg:- India's total services sector exports increased to about $622 billion in FY23.

Sustaining the growth of trade

(i) Diversification of geography of trade

▷ eg:- India's top 6 exporter out of top 10 countries are western countries.

(ii) Developing of multiple sea linking routes or sea-land linking routes in the wake of Houthi attacks in Red sea.

(iii) ~~tea~~ Seizing the opportunity of "china+1" momentum to establish export oriented manufacturing units.

▷ eg:- Foxconn and Samsung already have largest industry presence.

(iv) Promotion of "renewable energy products" like solar cell panels etc.

▷ eg:- India exported ~~a~~ about $2 billion solar panels to US in FY2023.

(v) Skilling → MSMEs to augment the
Reskilling upskilling
value addition in MSMEs for higher exports.

(vi) Exploring more Free Trade Agreements.

Eg:- India is ~~with~~ in FTA engagement negotiations with EU.

(vii) Promotion of services industries like Artificial Intelligence, Blockchain technology to increase the exports of such service from India.

(viii) Focusing on increasing regional connectivity to increase the regional trade

Eg:- India - Bangladesh bilateral trade is worth \$10 billion → improving connectivity would further increase the trade figures.

(IX) Expanding the scope of "Production Linked Incentives" to labour-intensive manufacturing and exports.

(x) Reduction of logistical cost which occupies double digit of GDP.

(xi) ~~Redu~~ Promotion of "internationalisation of rupee" to access the market like Iran and Russia.

Therefore amidst the contemporary challenges the above policy actions can help India achieve its highest trade potential and simultaneously fulfill New trade policy growth target (2030)

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Q.8 (c) "India faces a problem of quality in employment along with employability, not a problem of quantity in employment." Explain this statement. 15

According to the 16th Finance Commission chairperson, "India faces a problem of quality in employment and not a problem of quality in Employment."

The $\boxed{\text{National Skill Development Policy}}$ (2015) policy shows only 5% of total formal sector employees received training and ~~#~~ formal skill development courses during their higher education.

Faces a problem of quality in employment

(i) Skill mismatch - The Industry expectation about labour force and actual skill of labour force exposes wide skillgap.

▷ eg:- India skill report → only 42% of total graduates are employable.

(ii) Training the ~~#~~ workforce for Industrial revolution 4.0 like:-

ⓐ Artificial intelligence
ⓑ Machine Learning
ⓒ Quantum computing etc.

(iii) Promotion of innovation in the private sector Research and Development.

Eg:- Niti Aayog's India Innovation Index (2018) → shows only 20% of total Research and development expenditure comes from private sector.

(iv) Prevalence of disguised unemployment in Agriculture sector.

Eg:- Agri sector contribution is just about 15% but provides employment 50% of total population.

(v) Lower female labour force participation

Eg:- Eco survey (2022-23) shows that the Female Labour Force Participation Rate is just 29%.

(vi) Non-monetisation of care economy as pointed by Centre for Monitoring Indian Economy.

Eg:- Just 1% of total "care economy" in India is monetised.

However, there is also alarming need for increase in total number of employment.

(i) The Planning commission data points that ~~to~~ services sector despite 9% CAGR from early 2000s was able to generate additional 4 million employment between 2005-2008.

(ii) $\boxed{\text{Rupa chanda}}$ - points out that skill intensive sector contributing to higher exports unlike labour intensive sectors like Trade, Hotels, Tourism etc.

Therefore, India needs to develop India's economic growth from "jobless growth" to "growth with jobs" to mitigate quality of employment as well as amount of employment creation.

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