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GENERAL STUDIES (TEST CODE : 1501)

Name of Candidate	Samyak S Jain		
Medium Eng./Hindi	English	Registration Number	861690
Center		Date	

INDEX TABLE

Q. No.	Maximum Marks	Marks Obtained
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17	15	
18	15	
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20	15	

Total Marks Obtained:

Remarks:

INSTRUCTIONS

1. Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code).
   उत्तर पुस्तिका में सूचनाएं भरना आवश्यक है (नाम, प्रश्न–पत्र कोड, विद्यार्थी क्रमांक आदि)।
2. There are **TWENTY** questions printed in **ENGLISH & HINDI**
   इसमें बीस प्रश्न हैं अंग्रेजी और हिन्दी में छपे हैं।
3. **All questions are compulsory.**
   सभी प्रश्न अनिवार्य हैं।
4. The number of marks carried by a question/part is indicated against it.
   प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
5. 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 medium other that the authorized one.
   प्रश्नों के उत्तर उसी माध्यम में लिखे जाने चाहिए जिसका उल्लेख आपके प्रवेश पत्र में किया गया है और उस माध्यम का स्पष्ट उल्लेख प्रश्न–सह–उत्तर (क्यूसीए) पुस्तिका के मुख्य पृष्ठ पर अंकित निर्दिष्ट स्थान पर किया जाना चाहिए। उल्लिखित माध्यम के अतिरिक्त अन्य किसी माध्यम में लिए गए उत्तर पर कोई अंक नहीं मिलेंगे।
6. Word limit in questions, if specified, should be adhered to.
   प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुसरण किया जाना चाहिए।
7. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.
   उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

EVALUATION INDICATORS

1. **Contextual Competence**
2. **Content Competence**
3. **Language Competence**
4. **Introduction Competence**
5. **Structure - Presentation Competence**
6. **Conclusion Competence**

Overall Macro Comments / feedback / suggestions on Answer Booklet:

1.

2.

3.

4.

5.

6.

All the Best

Registration No. 861690.
Test No. 1501

Ans1. The PM Jandhan Yojana was launched in 2014 with an objective to provide every eligible citizen with a bank account.

Achievements:

- More than 33 crore new 'zero balance' bank accounts have been opened with a cummulative balance of more than 27000 crore as of 2018.

- System has been linked with Adhar and mobile to prevent fraudulent accounts.

- Government transfers take place through this system, resulting in cutting down of time and wastage.

- Almost every Indian who desires a bank account has been provided with one.

Challenges:

- Lack of financial literacy make banks useless for poor people.
- Although their accounts have been opened, loan capital is still not easily available.
- Low number of ATMs in rural areas makes access to their own money difficult.

Opening more branches in rural areas will help ease the situation.

Ans 2. Outcome budgeting focuses upon the final outcome of the outlay set for a ministry in the budget instead of just looking at the output.

Objectives:

- To measure progress in terms of quantifiable change in people's lives.
- To budget rationally instead of just considering outlays for the previous years.
- To move from social development of the country instead of just physical development.

Challenges:

- Slow progress of work on various projects leading to slow outcomes.
- Lack of final data in time for ministries.
- Lack of proper data. Standards and parameters suitable for judging each type of work.

- Final outcome may take longer gestation period than the budgeting time of one year.

Shifting of union budget in early February so that ministries have good time for implementation is a welcome step.

4.

Ans3. The government has recently come out with a set of 4 labour codes applicable to the whole of India.

Significance:

- Subsumes a host of colonial era draconian labour laws.
- Improves India's EODB.
- Makes laws more business friendly and labour welfarist at the same time.

- Future oriented with provisions for gig economy and other such sunrise sectors.
- Provides maternity benefits and creche facilities for women and children.

Challenges:

- Delay in rules formation and notification.
- Difficult to bring all states on board as labour is a concurrent subject.
- Opposition from labour unions.
- Further rationalization of other laws is needed

India can harness the complete benefits of its demographic dividend once the labour codes are implemented.

Ans 4. Deficit monetization entails printing of fiat currency by central bank in order to fulfill interest obligations of the national ~~to~~ debt.

Challenges to Indian Economy:

- Low growth rate high unemployment.
- High fiscal deficit of more than 9.5%.
- Need to create physical infra in order to create jobs and become globally competitive.
- Need for large welfarist measures due to lockdown caused by the pandemic.

Effects of defic monetization:

- Shoots up inflation sharply.
- Provides only immediate relief to the suffering population
- Not sustainable in the long term and hence only a short term extrem[e] step.

Scanned with CamScanner

The Union budget of 2021 predicts India's FD to come down to 6.8% by next year and to ease further in the coming years.
This does not immediately necessitate deficit monetization for India as its negatives over power the positives.

Ans5. India has launched the National Infrastructure Pipeline which seeks to channelize more than 100 lakh crore rupees towards infra by 2025.

Need:

- Improve business efficiency in India by providing world class infra.
- Improve lives of citizens.
- Provide employment opportunities
- Attract foreign investments in various sectors and help develop large scale industries in India.

Benefits of InvIts:

- Helps provide large funds for investments in infra projects.
- Can help provide green funding.
- Help develop bond markets in India.
- Provide attractive investment locations for small scale retail investors.
- Attract and channelize foreign investments in Indian infra.
- Identify and fund only viable infra projects hence improve the overall rating of the sector and reduce NPAs.

Invits can prove to be a game changer for Indian infra sector.

Ans6. Network products are products whose production line is distributed across different geographic locations at each component specific factory and controlled by large MNEs.

Network Product (NP):

- Automobiles
- Pharma Industry
- Electronics
- Toys
- Capital goods

Export potential:

- Links Indian network factories to global supply chains hence contributing to export of components and finished goods.
- Allows MNEs flexibility to set up only suitable factories in India.
- Creates product mastery.
- Creates employment opportunities at these factories.
- Provides technology transfer by large companies and reduce the dependence

upon RnD for faster development.

- Provides foreign capital for setting up factories.

- Can also support chain resilience initiatives popular since the pandemic.

Improving India's EODB and providing quality infra will boost investments in this sector.

Ans7: Private financial initiative (PFI) is an investment model in the economy run primarily by the private sector.

Working:

- Private sector company proposes a project to government.
- Government approves it subject to certain conditions and norms.
- Private players brings in the investment and completes project.
- Keeps the profits and sustain the losses.

Significance:

- Frees up government capital for other public uses.
- Improves efficiency of the project.
- Allows faster development of economy in lesser time.
- Provides better jobs to the youth.
- Increases tax buoyancy.
- Probability of project being viable and profitable in private sector is higher.
- Increases private RnD in the economy.

PFI should be encouraged for commercial purposes while balancing them with publically funded social infra projects.

Ans 8 - Only 25% of women contribute to the total labour force in India as compared to over 82% of males.

Reasons:

- High patriarchy and marginalized position of women in society hinder from contributing to economy.
- Unpaid care work: everyday more than 3.26 billion work hours are pooled by India women in unpaid care work accumulating to about $271 billion of lost GDP every year.
- Issue of women safety at work places and during commute.
- Lack of maternity policy benefits causes new mothers to dropout of work.

Remedial measures:

- Implement strong work safety regulations about women and spread awareness about them.
- Improvement in maternity benefits laws making them compulsory for private sector.

- Improvement in safety during commute by placing CCTV cameras at public places and running women special trains and buses.

Higher women participation will not only lead to increase in GDP but will also lead to sustainable development.

Ans9. India has one of the lowest tax to GDP ratios in the world at around 15%.

Reasons:

- large farming income remains untaxed in the country.
- Issue of black economy and tax evasion.
- Problem of base erosion and profits shifting by large MNCs.
- Recent decrease in corporate tax by government to boost economy and attract investments

Restricts Government spending as:

- Low budget for capital expenditure.
- Lack of budget for new schemes and developmental plans take longer time to complete as slow rate of funding.
- Increase in fiscal deficit leading to inflation and restricted spending.

Digitization of economy can help curb the use of black money and hence improve the tax collections. DST tax can also help.

Ans10. India is one of the largest pharma producing countries in the world and is looking to expand its foothold in the medical device industry as well.

Challenges:

- Lack of R&D in this sector.
- Strong global competition especially from China.
- Low rate of foreign investments in this sector.

- Incoherent and obsolete government policies.
- Common industrialization problems in India like availability of land, electricity etc.

Steps taken by Government:

1. PLI scheme for medical sector.
2. Setting up of pharma parks with ready to move in plug n play infra for companies to settle in.
3. Export promotion incentives like new customs regime etc.
4. Allowance of 100% FDI in this sector through automatic route.

India stands a huge opportunity to gain market post corona pandemic.

Ans 11. India has seen a rapid growth in services sector post industrialization but has had limited success in industrialization.

Factors:

- Poor basic infrastructure like rail, roads etc.
- Old draconian investment and business laws dragging India's EODB down.
- Weak legal infra to enforce contracts.
- High tariffs and licensing fees for some sectors.
- slow government approvals for setting up factories.
- Corruption and babu culture prevalent in offices.
- Lack of skilled labour.
- Low rate of FDI infusion into country due to several factors like: unfavourable policy environment, improper channels, blockage of FDI in several key sectors by government etc.
- Slow pace of private investments due to high taxation laws.
- Lack of RnD.

Steps taken by Government:

- Improvement in India's ranking in EODB to 63.
- Consumption of old laws into new labour codes.
- Announcement of NIP to channelize 100 lakh crore rupees into infra projects.
- Setting up of single window clearances through online mode.
- PM Kaushal Vikas yojana for skill development.
- Allowances of 100% FDI in key sectors like multi brand retail etc.
- Setting up of land banks for easy availability.
- Lowering of corporate tax rates and tax holidays for new investments

With all these steps industrial activity is expected to pick up in the country.

Ans12. Infrastructure sector is key in the development of any country as it directly provides jobs and improves business efficiency.

Challenges:

- old and poor infrastructure unable to support faster growth.
- slow pace of private investments.
- Failure of investments like EPC, BOT, HAM etc.
- Problem of large NPAs in this sector.
- Delay in project completion due to slow land acquisition, suspension of funding mid-way etc. leading to cost overruns.
- Absence of well developed market mechanisms like bond markets etc. to raise funds.
- Absence of rating agencies which can perform risk profiling for upcoming projects.
- Slow government approvals and EIA clearances for new projects.

Remedies:

- The NIP seeks to channelize more than 100 lakh crore rupees both public and private in infra sector by 2025.

- Focus on building key infra like rail, roads, highways, airports etc. to support development.
- Setting up of e-clearance portals for faster approvals.
- Draft EIA amendment proposes to relax EIA norms for future investments.
- NIP projects when completed on time will reduce NPAs of this sector.
- Develop market mechanisms for raising funds.
- Ease FDI norms further to attract foreign investments.

NIP has the potential to give a new thrust to the Indian economy. It should be implemented timely and properly.

Ans 3. SEZs or Special Economic Zones are areas demarcated especially for industrial set-up growth, offering special tax incentives and a treatment like foreign enclaves for exports.

India has seen a rapid growth in the recent decades owing to these SEZs.

Challenges Faced:

- More than 25000 hectres of land allotted for this purpose is lying unutilized as of 2017.
- Lack of flexibility to use one type of SEZ defined for the particular industry to be used for another purpose. This cuts down on the ability of companies to expand and perform forward and backward linkages.
- States charge customes duty on goods sold domestically in India. This makes them expensive and uncompetitive.
- Government have been charging income tax on newer SEZs lately.
- Inability to integrate domestic chains into the system.

- Many companies loose their edge once the special status is removed.
- Many companies do not create large employment yet benefit from tax incentives.

Remedies :

- Allow flexibility for companies to expand.
- Rationalize the tax structure.
- Provide single window clearance for setting up new factories.
- Building of bridges for local integration of companies into the value addition chain.
- Realignment ~~to~~ according to the changed global scenario of these factories.

Industrial parks and SEZs must be promoted together for an export led growth.

Ans/4. According to an Oxfam report, more than 70% of the total Indian wealth is held by just 1% of Indians.

Economic inequality has been on the rise in the recent decades in the country.

Causes:

- LPG reforms of 1991 and the wave of privatisation since then has resulted in rise in inequalities.
- Increase corruption and use of black money bleeds government and hence the govt is unable to properly balance out the effect of capitalism.
- Creation of artificial entry level barriers for new players in the market has helped existing players to monopolise the market and increase their wealth.
- Chrony capitalism due to capitalists nexus with politician.
- Globalization has created large wage gaps between the skilled, semi-skilled and the unskilled.
- Coronavirus pandemic has resulted in a K shaped recovery.

Consequences :

- Increased stress on limited resources that are now to be distributed amongst a larger population of people.
- Increased crime rates in society.
- Decrease in tax collections -> high govt. borrowings -> high inflation.
- Higher inflation hits the poor worse making him poorer.
- High corruption and use of black money.
- Increased chances of civil rebellion or revolution overthrowing the govt.

As the economic survey 2021 pointed out, a little inequality is good as it fuels growth for poorer section, but it should not be allowed to increase further.

Ans15. Zero Based Budgeting is a technique of govt. budgeting which involves looking at the need for grants for each ministry from a fresh perspective and considering the past year as 'zero' budget.

Key Elements :

- Not letting previous years grants became a factor in current allotment.
- Allotment of budget based upon output and outcome rather than outlay.
- Saves unnecessary expenditure.
- Integrates revaluation and assessment of work done in its plans.
- Provides better vigilance upon work done on ground.
- Depicts govt. priorities in budget allotment.

Problems:

- Political pressure from ministries to only increase their budget from previous years.
- Problems in identifying the proper output and outcome of each ministry.

- Lack of proper grading systems to grade the quality of work done.
- High fixed administrative costs of schemes.
- Slower implementation in a given financial year leading to fund lapse.
- Prone to manipulation by ministers.
- Take more time to budget.
- Can reward short-term thinking and planning.

There must evolve a careful mix of procedures, standards and practices while properly implementing the zero based budgeting.

Ans 16. India has a very large MSME sector with over 10 million enterprises and employing over 30% of India's work force.

Hurdles in achieving their potential :

- Lack of access to institutional capital hinders their proper growth and makes them seek capital in the unregulated market at high rates.
- High interest rates on bank loans decreases their profitability.
- Old and archaic labour laws that become more strigent with larger companies de-incentivises their growth.
- Issue of multiple clearances from govt. which remain stuck for years.
- Tax terrorism and reminiscent of the old inspector raj still prevalent in some states.
- High land prices for setting up manufacturing units.
- Very high commercial rates for electricity affects their profits as most of these companies are highly dependent upon electricity for their production.

- Enhanced compliances along with the coming of GST has made book keeping difficult for them.

- Lockdown caused by the pandemic has resulted in huge losses.

Steps taken:

- Announcement of credit guarantee scheme of 3 lakh crore in the Atmanirbhar Bharat Package.

- MSME Export Incentive scheme (MEIS) by central government for export promotion.

- Single window clearance through online application and setting up of portals like ASEEM etc.

- Setting up of 7 textile parks across India.

- Mudra loan scheme for loan upto 5 Lakh rupees for setting up work.

- Loan moratorium during pandemic by RBI.

When properly promoted, this sector has potential to provide 10 million additional jobs.

Aug 17 - The FRBM act dictates the govt. to place an annual fiscal policy Statement before the house along with the budget.

Merits:

- Looks at the macro stability of economy in the long term.
- De-incentivizes overly populous schemes that only benefit in the very short term.
- Allows govt. to implement good schemes with longer gestation period.
- Provides wholistic and final judgement of government's performance.

Demerits:

- Ignores the short term budget ~~scheme~~ balance.
- May lead to over spending in the short term and especially near elections as its consequences will only be visible in the long term.
- Helps the government evade its responsibilities in the short term.
- Does not provide immediate data or relief to a struggling economy.

Such a move, although bold must be properly discussed and debated before implementing.

Ans18. An internal committee recently recommended to allow large corporate houses and NBFCs to open banks.

Merits :

- will result in more number of private banks in the economy with better management and no political interference in their operation.
- Increase the amount of capital available in the market and decrease its cost as well
- Reduce stress upon existing banks with large NPAs.
- Facilitate absorption of failing banks into new larger banks.
- Provide better customer services as competition will increase.
- Channelize ideal capital available with these companies and give a boost to the sluggish economy.

Demerits:

- May lead to large connected lending which may become NPA if the company ~~economy~~ becomes default.
- May cause over competition in market causing some good banks to fail as well.
- Leads to crony capitalism.
- Creates entry level barriers for purely new banks.
- Ignores Basel III norms to an extent.

Way ahead:

- Establish a strong oversight mechanism and legislations preventing connected lending before granting licenses.
- Allow foreign banks to commence full banking operations in India along with this measure.
- Open up license for new players from non-corporate background as well.

The govt. needs to ensure a level playing field while implementing suggestions so that no future cases like Yes Bank emerge.

Ans 19. India is a capital starved country and any source of capital is a welcome source.

- FIIs
- FPIs
- FDI
- NRI remittances

Importance of foreign capital:

- Provides funds for development of infra projects. Ex. Ratnagiri refinery with Saudi Aramco, Japanese capital for bullet train.

- Provides support to domestic companies who may be struggling with debt. Ex: Reliance becoming net to debt free since flow of capital from Aramco, Facebook, Google etc. Walmart's acquisition of Flipkart.

- Increases crucial forex reserves with RBI. Current forex reserves more than $600 billion due to this.

- May also provide technology transfer to local companies. Ex: Reliance and Google tie up to produce cheap smartphone.

- Provides support to domestic households and increases their purchasing power. Ex: Kerala with highest remittances in India has a high PP.

- Increases India's global standing as an investment hub. Ex: India the topmost investment destination for FY 2020.

Challenges:

- May result in hostile takeover of domestic companies. Ex: China during pandemic.
- Increases volatility in market.
- Creates bubbles in stock market.
- May lead to crucial infra being passed into hands of hostile countries.

India needs foreign capital for faster growth, therefore, government must adopt a liberal approach with oversight mechanisms.

Ans20. Financial stability refers to the stability of macro economy, controlled inflation and fiscal deficit. These three factors in India are controlled by a combination of RBI and central govt.

Financial stability

Monetary Policy Committee (MPC)
↓
Targets inflation in the economy
↓
Consists of RBI (3 members + 3 members from Finance Ministry)
↓
Headed by RBI Governor

Fiscal Deficit
↓
It is the difference between total expenditure and total revenue of govt supplied by ~~external~~ borrowings.
↓
Managed completely by GOI.

Fiscal Policy:

Expansionary Policy – It is used to drive up the growth in economy by increasing govt-expenditure.
- leads to increase govt. borrowings hence high fiscal deficit.
↓
Larger spending by govt. leads to higher inflation as well.

Contractionary Policy
↓
It reduces the govt. spending by reducing borrowings. Used to control Fiscal deficit.
- Also leads to drop in inflation.

Thus, the fiscal policy of the govt. has a direct bearing upon the fiscal stability. ~~as~~

The FRBM act mandates the govt. to maintain its fiscal deficit at 3% of the GDP but certain circumstances like the corona pandemic have pushed it to 9.8%.