GSSCORE

An Institute for Civil Services

MAINS TEST SERIES 2023

GS MAINS Q&A

REVISION TEST - 05

(10 QUESTION)

ECONOMY

Complete Syllabus

ECONOMY REVISION TEST

Time Allowed: 90 Min. *Max. Marks: 125*

Section - A

1. **What do you understand by the term 'green fiscal policies'? Analyse the role of Green fiscal policies in addressing the challenges of climate change and transition to an inclusive green economy. Also, suggest measures to strengthen the green fiscal federalism in India.**
2. **Discuss the vital role played by the Indian ports and shipping industry in sustaining growth in the country. Also, analyse the role of the Sagarmala Project in enabling the ports to become drivers of port-led economic development.**
3. **Fishery sector occupies an important place in the socio-economic development in India. In this regard, assess the potential and challenges of this sector. How the Pradhan Mantri Matsya Sampada Yojana (PMMSY) could prove to be transformative in this regard?**
4. **Though seen as the game changing reform for the Indian economy, there are still gaps between expectation and actual implementation of the GST. Analyse.**
5. **The realisation of the objective of doubling farmers' income necessitates modernising Agriculture in India. Elaborate.**

Section - B

6. **The National Infrastructure Pipeline (NIP) while pushing infrastructure projects will also make economic growth more inclusive. Elaborate.**
7. **Diversification of agricultural livelihoods in agricultural sub-sectors in India has strengthened resilience and led to considerable increase in labour force participation in the sector. Elaborate.**
8. **Discuss the significance of domestic and foreign investment in the economic growth of India. Also, identify the factors that hinder the favorable investment climate in the country and suggest measures.**
9. **Critically analyse the role of the service sector in poverty reduction and inclusive growth in India. Also explain, why the service sector in India is more urbanized than the manufacturing sector?**
10. **Despite various initiatives taken by the Government towards addressing gender inequality, India ranks poorly in Gender Inequality Index (GII). Examine why such initiatives have had a limited impact and suggest steps required to improve the position of women in India.**

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ECONOMY REVISION TEST

Section - A

1. What do you understand by the term 'green fiscal policies'? Analyse the role of Green fiscal policies in addressing the challenges of climate change and transition to an inclusive green economy. Also, suggest measures to strengthen the green fiscal federalism in India.

Approach

1. *The question requires the analysis of Green fiscal policies'*
2. *The demand of the question is analyse the role of Green fiscal policies in addressing the challenges of climate change and transition to an inclusive green economy*
3. *In intro define Green fiscal policies*
4. *Then elaborate on role of Green fiscal policies in addressing the challenges of climate change and transition to an inclusive green economy and suggest measures to strengthen the green fiscal federalism*
5. *Conclude, by suggesting way forward*

Hints:

Current approaches to environmental stewardship are demonstrably failing given the existential threats of climate change and biodiversity loss. Many factors contribute to global environmental degradation, but one that has received relatively little attention is the lack of government transparency and accountability for environmental stewardship compared to other policy domains, and the systematically weak integration of environmental stewardship into overall government strategy and target setting.

Green fiscal policy uses fiscal and budgetary tools to address environmental challenges such as climate change, pollution, congestion, waste, biodiversity protection, overfishing, and sustainable forestry.

Role of Green fiscal policies in addressing the challenges of climate change and transition to an inclusive green economy

- Environmental taxes and charges correct price signals and help shift consumer and business behaviour towards more sustainable patterns.
- Budgetary reforms align government expenditure with environmental goals and enhance the effectiveness of public spending.
- Fiscal incentives for green financial mechanisms can leverage private financing for green investment.
- National 'State of the Environment' reporting to regularly measure the state of the environment and highlight the most important risks to sustainability can help tackle climate change.
- Change in policies that are known to be the most environmentally damaging, such as subsidies for fossil fuels can curb emissions and help tackle climate change

- By progressively eliminating environmentally harmful tax and expenditure policies, and promoting environmentally sustainable development can help transition to an inclusive green economy
- Taxing environmental externalities and earmarking the proceeds (including from cap-and- trade schemes) to public expenditure programs e.g., to fund mitigation, adaptation can help in transition to an inclusive green economy.

Experiences from various Federal systems underscore the need for robust "green fiscal federalism" to ensure that the provinces are able to address green concerns proactively.

Measures to strengthen the green fiscal federalism in India

- Access to, and control over, revenue sources are key to addressing the challenges of climate change and transition to an inclusive green economy.
- In its report to the 13th Finance Commission of India, TERI had recommended that Centre–State fiscal architecture should be so designed that it rewards environmental performance; creates incentives for improvements in key areas; builds resilience to climate change impacts; and assists Local bodies to improve the delivery of minimum environmental protection services
- Division of roles and responsibilities, functions amongst different levels of government is integral to the debate on green federalism.

Conclusion:

Both 14th and 15th Finance Commissions incentivised forest cover in states, with the aim of balancing ecology and economic development. However, it must be appreciated that federalism is not just about the distribution of powers across different levels of government; it has to be meaningful in and relevant to addressing the needs and aspirations of the people in a changing environment. Ultimately, the discourse on environmental federalism would remain incomplete unless it is connected and synergized with the goals of inclusive and sustainable development.

2. Discuss the vital role played by the Indian ports and shipping industry in sustaining growth in the country. Also, analyse the role of the Sagarmala Project in enabling the ports to become drivers of port-led economic development.

Approach

1. ***The question requires the analysis of Indian ports and shipping industry***
2. ***The demand of the question is to discuss the vital role played by the Indian ports and shipping industry in sustaining growth in the country.***
3. ***In intro write relevant info about ports and shipping industry***
4. ***Then elaborate on the vital role played by the Indian ports and shipping industry in sustaining growth in the country and analyse the role of the Sagarmala Project in enabling the ports to become drivers of port-led economic development.***
5. ***Conclude, by suggesting way forward***

Hints:

Port and shipping infrastructure is essential to every country's success. India's coastline is approximately 7,500 kilometres long. On India's coast, there are 12 major ports and 205 minor ports. The ports and shipping industry in India is critical to the country's trade and commerce growth.

Vital role played by the Indian ports and shipping industry in sustaining growth in the country

- **Blue Economy:** contributes about 4% of the country's GDP. 95% of India's foreign trade and 70% of the value is trade takes place through seaways.
- Port development has resulted in the development of India's coasts, which are home to a number of strategic installations such as naval bases, nuclear power plants, and satellite and missile launching ranges.

- **It has helped in regional integration:** South Asia is one of the least integrated regions in the world, and India's eastern seaboard can help recreate an integrated hub and spoke model for regional connectivity in the Bay of Bengal.
- **Sustainable livelihood:** India might increase the income of fishermen while also ensuring food and nutrition security.
- **Ports are a key component of the logistics chain:** their operation has direct impact on economic variables: such as export competitiveness and final import prices.
- Besides foreign trade, ports play an important role in internal trade. Many rivers are linked with major ports. These rivers carry important goods from ports to the hinterland to facilitate the transportation of these goods inside the country

Sagarmala Project

The Sagarmala Programme was approved by the Union Cabinet in 2015.It aims at holistic port infrastructure development along the 7,516-km long coastline through modernisation, mechanisation and computerisation.

Components of the Sagarmala Programme:

- **Port Modernization & New Port Development:** De-bottlenecking and capacity expansion of existing ports and development of new Greenfield ports.
- **Port Connectivity Enhancement:** Enhancing the connectivity of the ports to the hinterland, optimizing cost and time of cargo movement through multi-modal logistics solutions including domestic waterways (inland water transport and coastal shipping).
- **Port-linked Industrialization:** Developing port-proximate industrial clusters and Coastal Economic Zones to reduce logistics cost and time of EXIM and domestic cargo.
- **Coastal Community Development:** Promoting sustainable development of coastal communities through skill development & livelihood generation activities, fisheries development, coastal tourism etc.
- **Coastal Shipping & Inland Waterways Transport:** Impetus to move cargo through the sustainable and environment-friendly coastal and inland waterways mode.

Significance of the Sagarmala Project for port-led economic development

- Indian Ocean bears two-thirds of the world's oil shipments, one third of its bulk cargo and half of its container traffic. Most cargo ships that sail between East Asia & America, Europe & Africa pass through Indian territorial waters
- India is also emerging as a new hub of manufacturing, which needs well developed ports. It also has an important role in making the Make in India project a success.
- Waterways are environmentally friendly when compared with other means of transport.
- Indian Ocean coastline is vital in providing livelihood security to fishermen community in India.
- Overall development of ports will cater to Make in India, boost exports, create positive multiplier effect on the economy and improve security of our coastal regions.

Conclusion:

Indian ports and shipping industry can play an important role in sustaining growth in the country, however the involvement of multiple agencies in the development of infrastructure to promote industrialisation, trade, tourism and transportation across the country has led to lack of synchronisation of their efforts. Recent Major Port Authorities act 2020 which seeks to provide autonomy to India's major ports and improve their efficiency and competitiveness is a step in right direction.

3. Fishery sector occupies an important place in the socio-economic development in India. In this regard, assess the potential and challenges of this sector. How the Pradhan Mantri Matsya Sampada Yojana (PMMSY) could prove to be transformative in this regard?

Approach

1. ***The question requires the analysis of Fishery sector***
2. ***The demand of the question is to assess the potential and challenges of Fishery sector***
3. ***In intro write relevant info about Fishery sector***
4. ***Then elaborate on potential and challenges of the sector and elaborate on the potential of Pradhan Mantri Matsya Sampada Yojana (PMMSY)***
5. ***Conclude, by suggesting way forward***

Hints:

Fisheries and aquaculture are an important source of food production, nutritional security, employment, and income in India. There are two branches of fishery sector namely Inland Fisheries and Marine Fisheries.

Potential of fisheries sector

- With a coastline of over 8,000 km, an Exclusive Economic Zone (EEZ) of over 2 million sq km, and with extensive freshwater resources, fisheries play a vital role. Presently India is the second largest fish producing and second largest aquaculture nation in the world after China
- Productivity of brackish water coastal aquaculture has touched 10 to 12 metric tonnes per hectare — a sharp increase from the previous two to four tonnes per hectare.
- The fisheries and aquaculture production contribute around 1% to India's GDP and over 5% to the agricultural GDP.
- Around 28 million people are employed in the fisheries sector in India.
- Fisheries sector registered more than double growth in past 5 years. The sector has grown rapidly from 4.9 per cent in 2012-13 to 11.9 per cent in 2017-18.
- Fish & fish product exports emerged as the largest group in agricultural exports & in value terms accounted for Rs 47,620 crore in 2018-19.
- The sector has immense potential to more than double the fishers and fish farmers' incomes, as envisioned by the government.

Challenges faced by the sector

- Sustainability: FAO's State of World Fisheries and Aquaculture reports note that nearly 90 per cent of the global marine fish stocks are over-fished or depleted to an extent that recovery may not be biologically possible.
- Productivity: the productivity in both sectors is low — in terms of per fisher, per boat and per farm. In Norway, a fisherman/farmer catches/produces 250 kg per day while the Indian average is four to five kg.
- Discharge of harmful substances like plastics and other waste into water bodies that cause devastating consequences for aquatic life.
- The lack of refrigeration facilities leads to spoilage of the huge catch. Use of formalin to keep the stock fresh has led to ban on export of fish catch.
- Insufficient Mechanization: Marine capture fishery comprises largely of small fishermen who operate traditional boats. These vessels cannot operate beyond near shore waters.

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- Shortage of quality and healthy fish seeds and other critical input is also a major issue,
- Absence of standardisation procedures and branding of fish products further hurts the sector.

Pradhan Mantri Matsya Sampada Yojana (PMMSY) can prove to be transformative as it seeks to:

- Adopt 'Cluster or Area-based Approaches' and create fisheries clusters through backward and forward linkages.
- Focus on employment generation activities such as seaweed and ornamental fish cultivation.
- Address critical gaps in fish production and productivity, quality, technology, post-harvest infrastructure and management, modernisation and strengthening of the value chain.
- Bring new interventions such as fishing vessel insurance, support for new/up-gradation of fishing vessels/boats, integrated aqua parks, e-trading/marketing, etc.
- Enhance fish production by an additional 70 lakh tonne and increase fisheries export earnings to Rs.1, 00,000 crore by 2024-25.
- Reduce post-harvest losses from 20-25% to about 10%.

Conclusion:

An estimated investment of Rs. 20,050 crore for a period of 5 years from financial year (FY) 2020-21 to FY 2024-25 in all States/Union Territories. This investment is the highest ever in the fisheries sector yet. However, Blue Revolution in India has to look at the vision to achieve economic prosperity of the country and the farmers as well as contribute towards food and nutritional security in a sustainable manner, keeping in view the bio-security and environmental concerns.

4. Though seen as the game changing reform for the Indian economy, there are still gaps between expectation and actual implementation of the GST. Analyse.

Approach

1. ***The question requires the analysis of GST***
2. ***The demand of the question is discuss the pros and cons of GST***
3. ***In intro define GST***
4. ***Then elaborate on successes of GST and issues that remain to be addressed***
5. ***Conclude, by suggesting way forward***

Hints:

Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that existed earlier in the country. GST is one indirect tax for the whole of India. GST is currently levied on every product except petroleum, alcohol, tobacco, and stamp duty on real estate in four slabs of 5, 12, 18, and 28 percent.

GST as a game changer

- **Monthly collection:** Monthly GST collections for July 2017, the first month for GST, was Rs 92,200 crore. In 2018-19, the average monthly collection was Rs 97,100 crore with collections breaching Rs 1 lakh crore regularly.
- **Rationalization of taxes:** Currently, around 97.5% articles are covered by 18% or lower GST slab, a significant reduction from tax rates under the VAT regime where standard VAT rate was 14% and excise duty was 12%.
- **Refund:** The process of refund has been fairly streamlined. The issue of working capital blockage due to refusal of the GST refund in the initial period has now been fairly sorted

- **Re-engineering of supply chain:** Introduction of E-Way Bills has enabled hassle free movement of goods
- The longer-term benefits include the GST's impact on financial inclusion. Small businesses can build up a real time track record of tax payments digitally, and this can be used for credit rating and lending purposes.

Gaps between expectation and actual implementation of the GST

- **List of exclusions:** Petroleum products (crude oil & natural gas), diesel, petrol, aviation turbine fuel, potable alcohol and real estate, which contribute 30-40% of indirect tax revenue, are still out of GST's ambit.
- **Notices for reconciliation:** Periodic notices for differences in Input Tax credit claimed by the traders and as appearing in the GSTN network are putting a strain on trade and industry. Business and professionals are further confused as figures appearing in their GST Return, GSTR 2A appearing on the GSTN network, and figures stated in the notice sent by the department is different.
- **Shortfall of revenues:** The economic slowdown had reduced both GST and cess collections in FY 2019-20, resulting in a 40% shortfall between the compensation paid and cess collected. It aggravated due to Covid-19.
- The 15th Finance Commission has highlighted several areas of concern in the GST regime relating to multiplicity of tax rates, shortfall in GST collections vis-à-vis the forecast, high volatility in GST collections, inconsistency in filing of returns, dependence of States on the compensation from Centre and so on.
- Small and medium businesses are still grappling to adapt to the tech-enabled regime.

Suggestions

- With oil prices sky-rocketing across the country, the policymakers need to contemplate the inclusion of petroleum and related products within the GST net.
- It is vital to finally constitute the GST Appellate Tribunal as it is obvious that all taxpayers do not have the finances or means to approach the High Court for every practical difficulty faced.
- Streamlining of anti-profiteering measures and simplification of compliance procedures also needs to be revisited to ensure that the cost efficiency and reduction in prices envisaged under GST law finally reaches the common man.
- Modal rate with a small list of exemptions is the ideal GST structure that Government should try to achieve.

Conclusion:

India has served as an example to the world by successfully implementing one of the most complex tax transformation projects for the country. However it is important that the shortcomings be swiftly resolved. The Government should continue to take measures to deliver on its promise of a 'Good & Simple Tax' in the times to come.

5. The realisation of the objective of doubling farmers' income necessitates modernising Agriculture in India. Elaborate.

Approach

1. ***The question requires the analysis of doubling farmers' income***
2. ***The demand of the question is to elaborate on necessity of modernising agriculture***
3. ***In intro write info about farmers***

4. ***Then elaborate on constraints wrt modernising agriculture and measures to modernize agriculture***
5. ***Conclude, by suggesting way forward***

Hints:

For about 50% of total population of India, agriculture and allied activities are the primary income source. The country took 22 years to double farmers' income at an annual growth rate of 3.31 per cent during 1993-1994 to 2015-16.Doubling farmers' income necessitates modernising agriculture apart from other steps.

Constraints in Indian agriculture wrt modernisation

- Low irrigation: Close to 53 percent of cropped area is water stressed. This limits a farmer's capacity to undertake multiple cropping and leads to inefficient utilization of land resources.
- Low quality seeds and low seed replacement rate
- Use of outdated and inappropriate technology is the main reason for low productivity of crops and livestock. 80% of Indian farmers are small and marginal farmers hence affordability becomes a significant constraint on technology adoption
- Agricultural research in the country is constrained by resource inadequacy, regulations and intellectual property rights (IPR).
- A huge gap exists between the demand for and supply of skills in agriculture, hindering diversification, adoption of precision agriculture and on farm post-harvest value addition
- Staple crops (cereals, pulses and oilseeds) occupy 77 percent of the total gross cropped area (GCA) but contribute only 41 percent to the output of the crop sector. High value crops (HVCs) contribute an almost similar amount to total output as staples do, but they occupy only 19 per cent of the GCA.

Steps required to modernize Indian agriculture

- **Increase adoption of hybrid and improved seeds:** Phase out old varieties of seeds and replace them with hybrid and improved seeds to enhance productivity. The Indian Council of Agricultural Research (ICAR) along with State Agricultural Universities (SAUs) should develop climate resilient varieties of crops
- **Efficient fertilizer usage:** Strengthen the SHC scheme-Link SHCs with Kisan credit cards and make SHCs mandatory for subsidies. The current lopsided fertilizer subsidy policy needs to bring secondary and micronutrients on the same nutrient- based subsidy (NBS) platform as phosphorus (P) and potash (K).
- **Custom hiring centres:** Madhya Pradesh has had demonstrable success with their custom hiring centre model to hasten the pace of farm mechanization
- **Investment subsidies for micro-irrigation:** Rather than power and water subsidies, investment subsidies for micro-irrigation can be provided through the DBT mode
- **Strengthening extension systems:** Synergy between Agriculture Technology Management Agency (ATMA) and Krishi Vigyan Kendras (KVKs)
- Promotion of **high value crops (HVCs)** and livestock-High value crops. Design an incentive mechanism to wean farmers away from cereal crops to HVCs

Conclusion:

The low level of farmers' income and year to year fluctuations in it are a major source of agrarian distress. To secure the future of agriculture and to improve the livelihood of half of India's population, adequate attention needs to be given to improve the welfare of farmers and raise agricultural income. Mission for Integrated Development of Horticulture, reforms in APMCs, PM-KISAN are steps in right direction to raise agricultural income.

Section - B

6. *The National Infrastructure Pipeline (NIP) while pushing infrastructure projects will also make economic growth more inclusive. Elaborate.*

Approach

1. *The question requires the analysis of National Infrastructure Pipeline*
2. *The demand of the question is to examine potential of National Infrastructure Pipeline*
3. *In intro mention relevant info about National Infrastructure Pipeline*
4. *Then elaborate on potential of National Infrastructure Pipeline in pushing for infrastructure projects and making economic growth more inclusive*
5. *Conclude, by suggesting way forward*

Hints:

The National Infrastructure Pipeline (NIP) is a group of social and economic infrastructure projects slated to be established over a period of five years with an initial sanctioned amount of 102 lakh crore. The NIP was first announced in 2019.National Infrastructure Pipeline (NIP) takes account projects to be implemented over the next five years (2019-2025) NIP includes both economic and social infrastructure projects.

NIP will push for infrastructure projects

- NIP will push for infrastructure projects through investment across sectors such as energy (24%), roads (18%), urban (17%) and railways (12%)
- It will help realize potential of growing urban economy- in required areas such as redevelopment of slum neighborhoods, urban roads, water supply coverage and quality, wastewater treatment facilities, and urban mobility through public transport
- It will strengthen agricultural and rural infrastructure. Irrigation and rural infrastructure projects would account for 7.7 lakh crore each.
- It will further increase the connectivity in India, especially in rural areas. Road projects will account for Rs. 19.63 lakh crore while another Rs. 13.68 lakh crore would be for railway projects.

National Infrastructure Pipeline will also make economic growth more inclusive

- Economic Survey 2018-19 argues that growth can be sustained by a virtuous cycle approach where investment is the key driver that drives demand, creates capacity, increases labour productivity, generates jobs etc.
- Well-developed infrastructure improves revenue base of the government which can be used for welfare programmes.
- **Improved governance:** Well-developed infrastructure enhances level of economic activity, creates additional fiscal space by improving revenue base of the government, and ensures quality of expenditure focused on productive areas.
- **Employment:** Well-planned NIP will enable more infrastructure projects, grow businesses, create jobs, improve ease of living, and provide equitable access to infrastructure for all, making growth more inclusive.
- **Improve ease of living:** as in order to fulfil various Sustainable development goals (SDGs), India needs to develop reliable, sustainable and resilient infrastructure in both regional centers and trans-border areas
- **Inclusive growth:** Availability of quality infrastructure is a prerequisite to achieve broad-based and inclusive growth on a sustainable basis.

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Major constraints in Infrastructure sector

- Regulatory uncertainty- due to various risks which include procedural delays, lengthy processes in land acquisition, payment of compensations, environmental concerns, lesser traffic growth than expected etc.
- Banks are recovering from NPA problem. If they are pushed to fund for NIP, they may further face NPA crisis.
- Scale of pipeline is massive and its implementation will not be easy.
- Land acquisition is a big challenge for completion of infrastructure projects. Rehabilitation of millions of people will also be not easy.

Conclusion:

The National Infrastructure Pipeline is an ambitious plan that would include Greenfield and Brownfield projects costing above Rs 100 crore. It will also enable robust marketing of the pipeline of projects requiring private investment through the India Investment Grid (IIG), National Investment & Infrastructure Fund (NIIF), etc. Well-planned NIP will enable more infrastructure projects, power business, create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive.

7. Diversification of agricultural livelihoods in agricultural sub-sectors in India has strengthened resilience and led to considerable increase in labour force participation in the sector. Elaborate.

Approach

1. ***The question requires the analysis of Diversification of agricultural livelihoods in agricultural sub-sectors***
2. ***The demand of the question is to elaborate on how Diversification of agricultural livelihoods has strengthened resilience and led to increase in labour force participation***
3. ***In intro define agricultural sub-sectors***
4. ***Then elaborate on how diversification of agricultural livelihoods has strengthened resilience and led to increase in labour force participation***
5. ***Conclude, by suggesting way forward***

Hints:

Agriculture is the primary source of livelihood for about 50% of India's population. The agriculture industry in India can be segregated into various major sectors, including warehousing, cold chain, food processing, dairy market, floriculture, apiculture, sericulture, seeds, fisheries, poultry, animal husbandry etc.

Diversification of agricultural livelihoods in agricultural sub-sectors in India is not a recent phenomenon but it has gained momentum in last two decades.

Benefits of diversification of agricultural livelihoods in agricultural sub-sectors

- **Dairy farming** guarantees assured regular income to farmers. There is no need to worry about marketing the products because it is a traditional business so it can be sold easily.
- **Poultry** helps in nutrition via eggs and meat. Its lucrative as it gives high returns in short time period
- **Food processing:** The sector is critical to increasing the farmer's income in India through value addition and reducing wastage, resulting in enhanced income for farmers in India.
- **Floriculture:** The greatest advantage is that flowers need much less land and water for production, when compared to cultivation of rice and wheat. Floral crops also ensure decent prices almost

round the year and the lock-in period from sowing to harvesting is much less as in the case of other routine crops.

- Diversification addresses disguised unemployment in agriculture by absorbing the surplus labour force and increased in labour force participation in the sector
- Diversification also increases the resilience of farmers because of varied sources of income and reduced dependence on primary crop.

Government has taken certain steps taken to promote diversification of agricultural livelihoods

- Rashtriya Gokul Mission and National Programme for Dairy Development are expected to help in increasing the productivity of indigenous cattle and quality milk production.
- PM Kisan Sampada Yojana This scheme is aimed at promoting entrepreneurs in setting up food processing units, closer to agricultural areas.
- Poultry Venture Capital Fund (PVCF): It is a bankable programme and the Central Government is providing subsidy through National Bank for Agricultural and Rural Development (NABARD) for those beneficiaries taking loan for PVCF.

Suggestions

- Active monitoring and control is needed to tackle disease outbreaks in rapid manner. Implementation of livestock insurance schemes is equally important.
- Cross breeding of indigenous species with exotic stocks is needed to enhance genetic potential of different species.
- States should set up mega food parks. They should allot land, on priority basis, to such parks to promote agri & food processing industry and extend incentives viz. capital investment subsidy, stamp duty exemption

Conclusion:

While enhanced productivity is essential to achieve pro-poor growth through agriculture, diversification of livelihoods by members of agricultural households augments and provides alternatives to earnings from agricultural production – alternatives that are critical pathways to poverty reduction. Government should thus promote diversification of livelihoods to reduce dependence on primary crop as the sole income of farmers.

8. Discuss the significance of domestic and foreign investment in the economic growth of India. Also, identify the factors that hinder the favorable investment climate in the country and suggest measures.

Approach

1. ***The question requires the analysis of significance of investment in the economic growth***
2. ***The demand of the question is to examine the significance of investment and factors inhibiting good investment***
3. ***In intro define investment and write relevant info***
4. ***Then elaborate on significance of domestic and foreign investment and factors that hinder the favorable investment climate in the country***
5. ***Conclude, by suggesting way forward***

Hints:

Investment denotes gross capital formation (GCF) and is one of the principal growth engines of an economy. Investment can come from domestic sources or foreign sources.

Significance of domestic and foreign investment in the economic growth of India

- The inflow of foreign capital helps in removing the balance of payment over time.
- By taxing the profits of domestic and foreign enterprises, government can mobilize funds for development projects.
- Domestic and foreign investment contributes to the generation of employment.
- Foreign investment fills the gaps in management, entrepreneurship, technology and skill.
- Investment results in the accumulation of public capital, as well as the implementation of scientific and technological achievements
- Investment increases countries' manufacturing feasibility and absorbs surplus labour from agriculture.
- FDI boosts exports and thus helps to bridge the current account deficit (CAD) of the country and maintain a positive balance of payment (BOP).

However, investment rate in India has gradually declined from 38% to 27% over the last decade.

Factors that hinder the favorable investment climate in the country

- Indian economy has been suffering from twin balance sheet syndrome since 2012, leading to rising NPAs and declining credit off-take.
- Retrospective taxation laws create an environment of uncertainty.
- Slow roll out of land and labour reforms has hurt investment sentiment.
- High rate of interests has also led to delaying of investment decisions
- Litigations in the PPP projects have also discouraged investments.

Suggestions

- Speedy labour and land reforms to further improve ease of doing business.
- Increase public investment in infrastructure sector. This would pull in private investment. Ex-Production-Linked Incentive Scheme for electronics
- Make appropriate changes in investment models to make investment attractive for investors, like HAM model.
- There is need to further liberalize FDI norms across sectors. Ex-Insurance sector

Conclusion:

According to the World Investment Report 2020 by the UNCTAD, India was the 9th largest recipient of FDI in 2019. Steps like Make in India, initiatives for quick approvals and clearances, FDI reforms and strengthening bond market for long term financing will further improve investment rate in India.

9. Critically analyse the role of the service sector in poverty reduction and inclusive growth in India. Also explain, why the service sector in India is more urbanized than the manufacturing sector?

Approach

1. ***The question requires the analysis of service sector***
2. ***The demand of the question is to analyse the role of the service sector in poverty reduction and inclusive growth in India.***
3. ***In intro define services sector and related info***

4. ***Then elaborate on role of the service sector in poverty reduction and inclusive growth in India and why the service sector in India is more urbanized than the manufacturing sector***
5. ***Conclude, by suggesting way forward***

Hints:

India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction. The services accounts for around 55 per cent of total size of the economy.

Role of the service sector in poverty reduction and inclusive growth

- Tourism Sector: In FY20, 39 million jobs (8.0% of the total employment in the country) were created in the tourism sector in India. Tourism promotes inclusive growth of locals. Ex-Tribal handicrafts
- Logistics & Transportation give employment in transportation and warehousing to the unskilled.
- The construction industry employs 33 million people, and any improvements in the construction sector affect a number of associated industries such as cement, steel etc. which are labour intensive leads to inclusive growth.
- The health sector is also a major employment sector, with important potential in job creation.
- Social and Personal Services such as Beauty Therapy, Cooking, Hairdressing offer job for low-skilled
- Services sector has been the largest recipient of FDI in India with inflow of US$ 83.14 billion between 2000 and 2020.This creates employment overall.

Reasons the service sector in India is more urbanized than the manufacturing sector

- **Lack of skilled labour in rural areas:** Many skilled workers migrate to cities where they can find jobs with better wages and working conditions. Ex-communication skills
- Service sector thrives on demand and towns and cities have people with higher per capita income and demand services such as cooks or maids which is not common in rural areas
- **Infrastructure:** The availability of infrastructure facilities has always been a big challenge in rural and areas. Ex- Electricity, internet connection
- **Lack of access to finance:** in rural areas due to the lack of banking and other financial services such as banking products, insurance products, capital market products, etc.
- Manufacturing sector requires semi-skilled/unskilled labour which is abundant in rural areas. Ex-MSME related to textiles
- Subsidies, exemptions and tax breaks are given to manufacturing industries for investing in rural regions

Conclusion:

India's service sector has created opportunities employment and innovation however, it has not addressed India's problems of unemployment. In the future there is need for manufacturing to grow especially in the rural areas to address issues of unemployment and disguised unemployment.

10. *Despite various initiatives taken by the Government towards addressing gender inequality, India ranks poorly in Gender Inequality Index (GII). Examine why such initiatives have had a limited impact and suggest steps required to improve the position of women in India.*

Approach

1. ***The question requires the analysis of gender inequality***
2. ***The demand of the question is to elaborate on steps taken by government and why they have limited impact***
3. ***In intro define Gender Inequality***
4. ***Then elaborate on steps taken by government in addressing Gender Inequality and discuss why it still persists. Also give some suggestions***
5. ***Conclude, by suggesting way forward***

Hints:

Gender inequality is the social phenomenon in which men and women are not treated equally. The treatment may arise from distinctions regarding biology, psychology, or cultural norms prevalent in the society.

Various initiatives taken by government to address gender inequality

- National Repository of Information for Women (NARI portal) - provide women citizens with easy access to information on government schemes and initiatives for women.
- Pradhan Mantri Matru Vandana Yojana - cash transfer scheme for pregnant and lactating women.
- **Mahila E-Haat** - leverages technology for showcasing products made/manufactured/sold by women entrepreneurs.
- **Maternity Benefit (Amendment) Act, 2017:** It allows for pregnant women to take leave for a total of 26 weeks
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013: It protects women from sexual harassment at workplaces, in both the public and private sectors of the industry
- Social Security Code, Code on Occupational Safety, Health & Working Conditions Code, and Industrial Relations Code, 2020: Under the new codes, women have to be permitted to work in every sector at night, but it has to be ensured that provision for their security is made by the employer

The Gender Inequality Index (GII) is an index for measurement of gender disparity that was introduced in the 2010 by Human Development Report of UNDP. This index is a composite measure to quantify the loss of achievement within a country due to gender inequality. It uses three dimensions to measure opportunity cost: reproductive health, empowerment, and labor market participation.

Despite various steps taken by the government, India ranks poorly on Gender Inequality Index at 124th among 190 countries in 2022. **Steps taken by government have had limited impact because:**

- Cultural institutions in India, particularly those of patrilineality (inheritance through male descendants) and patrilocality (married couples living with or near the husband's parents), play a central role in perpetuating gender inequality.
- It is believed in the Indian Society that the primary responsibility of taking care of the family and bringing up the children is a woman's responsibility. Many women due to family pressures have to retreat from the workforce.
- Pink-Collarisation of Jobs: The women are mostly deemed fit for "pink-collar jobs'', such as teachers, nurses, receptionists, babysitter, lecturers, etc. This denies them opportunities in other fields.
- Discrimination at Work: Women receive a lower amount of wages compared to men for the same work.

Suggestions

- Better infrastructure in the schools especially toilets for girls can reduce dropout rates. Technology can be used to provide better access to education through several programmes – GIAN, SWAYAM and National Digital Library.
- Bridging gender gaps in secondary and tertiary education. More investment in the vocational and technical training of women is needed.
- **Communication and behavioural change -** Investing in large-scale social campaigns for changing social norms which break gender stereotypes, as well as redefining the role of men in households. Ex-Paternity leave
- Increasing reach of financial sector in order to service the women entrepreneurs better. Economic empowerment by boosting SHGs, Kudumbashree type programs etc

Conclusion:

There is much more to be done to bridge gender inequality in India. While increasing the representation of women in the public spheres is important and can potentially be attained through some form of affirmative action, an attitudinal shift is essential for women to be considered as equal within their homes and in broader society.

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GS SCORE