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what are the different types of agricultural subsidies given to farmers at the national & at state levels? Critically analyze the agri subsidy regime with reference to the distortions created by it. (15 m)

Agriculture contributes 17% of the GDP (Economic Survey 2019) and engages 45% rural manpower.

Due to its significance in Indian economy various subsidies are provided to promote it.

① Subsidy for irrigation facilities

e.g. micro irrigation infra development & Solar pump subsidies

② Subsidies for inputs such as seeds, equipments

③ Subsidies for after ~~after~~ harvest

3.1 Disposal of farm residues

3.2 Marketing of agri produce

3.3 Value addition

④ Subsidies on credit interest

e.g. 4% subsidy on timely payment on Kisan credit card.

⑤ MSP regime - Supporting notified crops

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however the subsidies have both positive and negative impact:

① positive impact

1.1 85% farmers are under small and marginal category (Agri Survey 2016)
↳ helps them sustain farming.

1.2 Rise in agri production
↳ grain production > 300 MT (Economic Survey 2020)

1.3 Promotion of allied activities
↳ eg. KCC extended to fisheries, animal husbandary.

1.4 Rising export
↳ India became net agri exporter from last three decades (NITI Aayog report)

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(2) But it has created certain distortions also:

2.1 favoured few crops only
e.g. Pulses and oil seeds suffered in production.

2.2 Benefits reaped by mainly large farmers → emergence of class in farming community.

2.3 entrenched interests preventing self sufficiency of agri getting free from external support.

2.4 Debacle of RCEP due to farming protest

2.4 WTO observations for market distortions.

In view of these Dalwai committee on doubling farmers income recommended to rationalise subsidy system.

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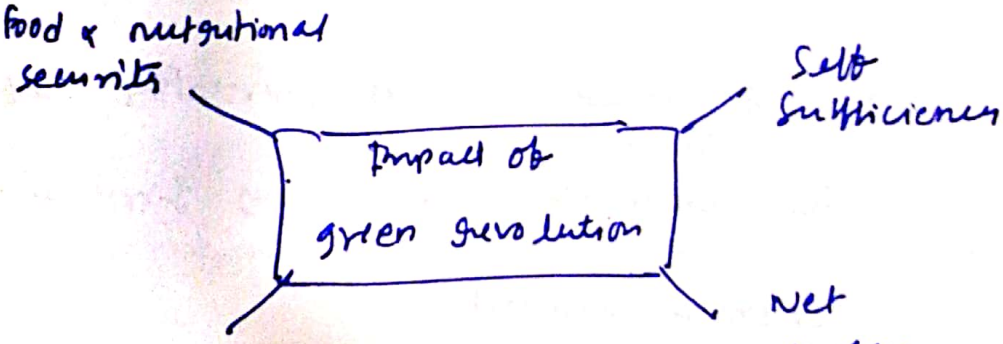
Q2 the need of the hour is Evergreen revolution in Indian agriculture to address the farmer distress. Discuss (10m)

Green revolution refers to promotion of new high yield variety seeds and associated reforms in Indian agriculture to gain self sufficiency. they were started in 1960s by MS Swaminathan



Brings 271 million out of poverty between 2005 - 2015

But despite green revolution farm distress is still rampant visible in frequent crop failures, farmers suicides and stagnant returns on farming among others.

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therefore there is a need to create Green revolution 2.0. Following steps may be considered.

① Diversification of crops to relieve competion among farmers communities and increase profits e.g. Pulses, oilseeds and vegetable oil are imported to the tune of 50 % of consumption.

② Allied activities, → Fisheries, Animal husbandary & forestry to give cushion during crop failure.

③ Input revolution → promotion of hybrid & transgenic crops for high yield.

④ Post harvest reforms → Removing APMC restrictions.

⑤ Inclusion of Green Aggri & ZBNF in revolution.

through these steps India would be able to double farmers income by 2022 as envisaged by Doubai committee.

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(Q1) Discuss the impact of liberalization on the Indian private sector. Is the Indian private sector competing with MNCs. (10m)

1991 LPG reform was the definite step that facilitated liberalisation. It refers to relaxation of state monopoly over the indian industries. It involved steps of removing licence, quota & permit system & strategic withdrawal of state from Enterprises.

Impact

① Economic survey 2020 - highlights that India has 3rd largest Startup ecosystem in world & 38 unicorns.

② Increased competition provided for better & cheaper services → e.g. lowest data rate in India.

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(7) Global competiveness - Indian industries make their own space in global economy e.g. Tata's acquisition of Corus steel plant.

(9) Rapid rise of Service sector

But these factors also created distortions:

① under-appriable growth of manufacturing

② High competion affecting profits eg. Telecom, aviation sector

Further the competiveness with MNC is not achieved

① Better technology & financial might of MNCs (India R&D → 0.69% of GDP)

② frequent import duty increase to protect domestic companies → Hardley Davidson taxing issue.

therefore, the Atmanirbhar Bharat vision provides for self sufficiency and competetiveness development by supporting Indian pvt sector.

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Q.4 How has the COVID 19 affected India's manufacturing sector? what measures would you suggest to boost the double digit growth rate for it? (15m)

COVID 19 is a infectious disease which affected Indian economic growth and affected all the sectors of economy. Budget 2020-2021 highlighted that manufacturing output has shrunk by 18% YoY.

COVID impact on manufacturing sector

① Breaking of global supply chains → affected raw material for manufacturing.

② Reduction in demand → due to lock down and increased tendency to save among consumers.

③ Reduced production → due to low manpower presence and physical distancing measures.

④ ~~of~~ Unorganised sector → which is close to 80% (MSME data 2019) suffered even more

due to non availability of credit and ineligible for govt relief.

(5) Increase in NPAs due to failure of ventures.

But few establishment also performed well:

(6) sectors such as pharma and medical supplies → high demand - high profits

(7) Increased opportunity of export of critical supplies eg. drugs, vaccines.

measures for double digit growth

Manufacturing sector contributes ~ 25 % to GDP. It amonted to 21 L crore in 2020 (Budget 2020) which is targeted to bring to 100 L crore in 2024. following measures can be considered:

(1) Economic survey 2019 recommendation to focus on labour intensive manufacturing sector can be targeted e.g. textiles.

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(1) Production linked subsidy scheme (PLI) can be extended to unorganised and smaller ventures.

(3) Guaging the international market to targeted manufacturing as per export potential → e.g. china - us trade war opportunity

(4) Resolving structural issues such as raw material by securing offshore mines e.g. Lithium mines in Africa.

(5) Supportive monetary policy (low interest) & taxation system

(6) Export promotion schemes & support.

through the above steps we can achieve double disit manufacturing growth which would enable us to achieve $5T dollar economy by 2024-2025.

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Q5

Access to affordable, reliable, sustainable & modern energy is the sine qua non to achieve SDGs. Comment on the progress made in India in this regard. (15 ms)

India in COP 26 reemphasised its commitments to prevent climate change and promote sustainable development.

Switching from fossil fuel based energy is critical component to achieve SDGs. therefore India has made following progress on the front of affordable, sustainable and modern energy:

① Ministry of New & Renewable Energy annual report 2020 → India has 39% renewable energy contribution to its energy basket.

② Rapid expansion on wind, solar and thermal power sectors

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2.1 In 2021 Solar power generation has crossed wind energy capacity.

2.2 Indian Renewable Purchase obligation (RPO) facilitated rapid growth of sector.

2.3 For the 1st time in 2020 the prices of renewable electricity came below the coal based electricity.

(3) Supportive schemes such as Rooptop Solar systems, Solar pump scheme through govt. subsidy, ~~[illegible]~~ KUSUM scheme for selling excess electricity through grid connectivity promoted.

(4) Extension of PLI scheme for production of Solar ~~[illegible]~~ panels and Electric vehicles and charging facility infrastructure.

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⑥ Agreements with Russia and USA (123 Agreement) to procude nuclear energy.

⑦ Honorable pm has declared Panchamrit commitment in line with the clean energy goals :

7.1 Carbon neutral by 2070
7.2 Renewable contribution 50% by 2030
7.3 Reducing emission intensity to 45% by 2030
7.4 Limiting 1 billion ton of carbon by 2030
7.5 Non fossil based energy to 45%

According to India's 2nd Biennial Update Report India is inline to achieve the goal of sustainable and reliable energy production through the following efforts.

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Q6 fair, just & independent monetary policy is essential for macroeconomic stability of the country. Analyze. (10m)

Monetary policy is the prerogative of RBI actioned through bimonthly meetings of Monetary Policy committee.



- Financial stability
- Credit Stability
- Inflation control.

Importance in macro-economic stability

① Policy rates such as Repo & Reverse repo critical for credit & liquidity of financial market.

② the policies rates influence debt market and capital market.

③ the RBI's MPC report provide future outlook of economy eg. Accomodative stance.

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④ Inflation control → determines the production & consumption thereby influences the manufacturing & growth

Besides these measures such as CRR, SLR and bank rate dictate the fluidness and liquidity of banks that determines credit flow to companies.

But monetary policy is only one of the essentials and not panacea for macro economic stability for the following:

① fiscal policy role.

② Structural issue such as NPAs, Twin Balance sheet syndrome and risk averseness prevent transmission of monetary policy.

③ External factors → US fed rate, Pandemic, global slow down & recession.

In view of these monetary policy even though critical but also require above mentioned conducive factor for stability.

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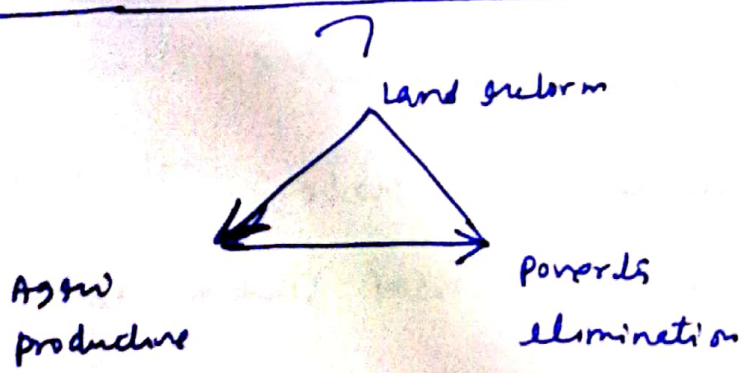
Q7 Estb rel^n b/w land reforms, agricultural productivity and elimination of poverty in the Indian economy. Discuss the difficulties in designing & implementation of agriculture-friendly land reforms in India. (15 m)

Post 1991 economic reforms India made rapid economic progress but the same reforms could not be replicated in agriculture sector and due to that its contribution has come down to 17% of GDP (Budget 2020)

Relationship among three components



① Agri Survey 2016 finds 85% farmers are in category of small & marginal farmers

↓

land reforms like Chakbandi would enable efficiency & economy in production

② Shanta Kumar committee & Swaminathan committee established goals of agricultural economy as anti dote to poverty as 45% of manpower is engaged and make up of majority of below poverty line population.

Difficulties in Bringing land reforms

① Agriculture is state subject → resistance by State Govts to any central reforms

② model tenancy code - was proposed by centre but not adopted by majority of states.

③ Apprehension of rural farmers of their land would get encroached by the large corporates.

④ Lack of maintenance of proper land records due to generational transfers.

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(5) Tribal community ownership e.g FRA, 2006

(6) Exclusion of vulnerable groups such as SC/STs and women from land holdings.

e.g. Economic Survey 2017 - feminization of agriculture but women are not property owners.

Reforms initated

(1) Svamitva scheme - Central Sector Scheme to make drone based surveys of rural habited land to make GIS maps.

(2) NITI Aayog @ 75 Strategy aims at GIS surveying across 100 million hectares by 2022.

But these reforms should be in consultation with communities and state govts for their acceptance. India shown due importance by making it the 1st Constitutional amendment agenda - same resolve would facilitate land reform and ultimately poverty elimination

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