



1. Discuss the persisting issues related to fiscal stability of states in India. Also, suggest measures that need to be taken to address these issues. (Answer in 150 words, 10 marks)

India is a state that supports fiscal federalism by different ways. However, the states persistently face issues ~~related~~ related to fiscal stability.

### Issues

- ① centralisation of tax collection  
eg. GST removed sources of revenue in states in many sectors.
- ② Levies, ~~ees~~ surcharges that are not shared with state governments
- ③ Delay in releasing GST compensation funds
- ④ states ~~to~~ own fiscal capacity is reduced due to non-willingness of taxing agricultural income etc.
- ⑤ Political economy - short sighted

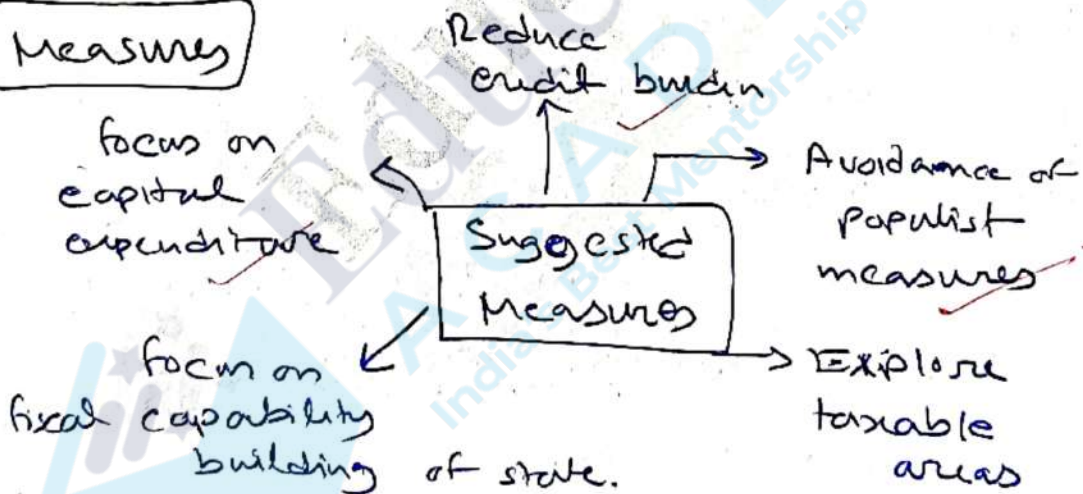


economic spendings that are unsustainable — done ~~by~~ <sup>with</sup> populist intentions — bring fiscal burden to states.

⑥ Tied funds → Reduces states capability to focus on locally felt needs

⑦ Centrally sponsored schemes — states other than NE & hilly states have to bear a major share of the schemes.

Measures



Prescribes "Revdi" culture

States healthy fiscal capability is a must for ensuring a healthy fiscal federalism in India.



2. While the government has taken several steps to encourage investment in India, discuss why the domestic private sector investment continues to be muted. (Answer in 150 words, 10 marks)

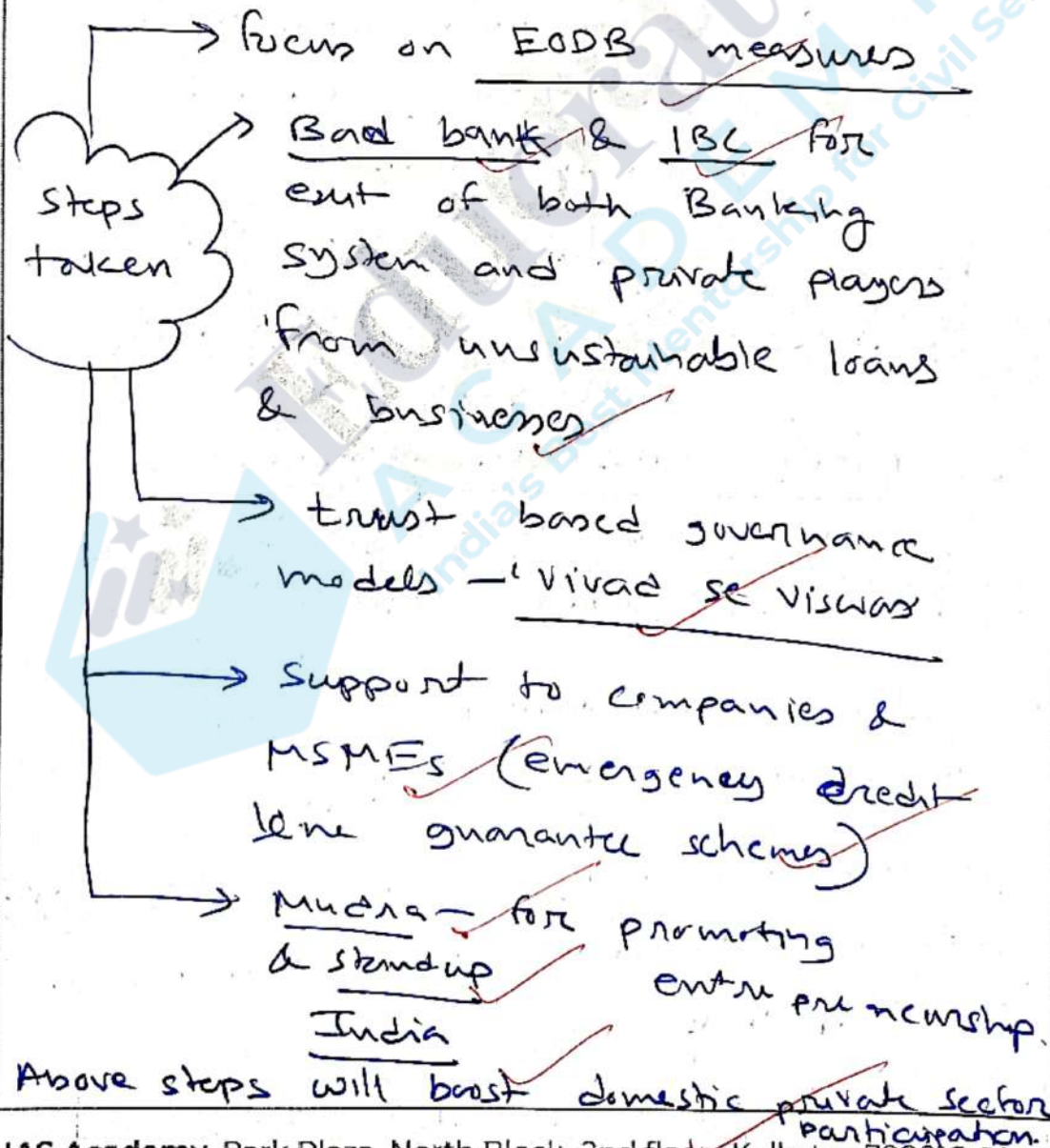
Indian government has taken several steps for improved private investments in India. However, the following issues remain —

- ① Dwarfism → incentives to stay small rather than incentives to grow make companies remain small.
- ② policy uncertainty — makes domestic private investors apprehensive
- ③ regulatory cholesterol — though on a decline due to various efforts taken by government.
- ④ small based limited avenues of participation → emerging sectors like space, nuclear energy don't ~~are~~ ~~not~~ have much domestic participation.



⑤ Exit issues - In spite of increased efforts for ease of doing business (EDB) & Insolvency Bankruptcy code, exiting from unsustainable / loss-making business remain a problem

- This breeds skepticism towards entrepreneurial ventures.





3. The Production Linked Incentive (PLI) Scheme is a cornerstone of the government's push for achieving an Atmanirbhar Bharat. Discuss. Also, mention the challenges in realizing its objectives. (Answer in 150 words, 10 marks)

### Production linked incentive (PLI)

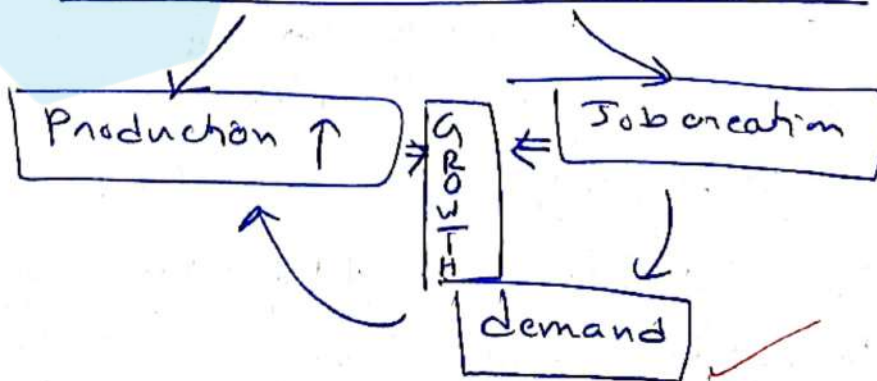
Good introduction  
scheme is a significant move from India's 'Export only' focus to 'Production led export' focus that is bound to improve India's self reliance.

### PLI scheme - opportunities

① Boost to production → <sup>tax</sup> support & other incentives to increase production

② crowding in of private players

→ increase in pvt investment





- ③ boost to employment generation
- ④ skilling, upskilling, reskilling  
→ better positioned to reap demographic dividend
- ⑤ India's push to become part of global value chain (China+1) strategy.
- ⑥ competitive advantage in Leather & apparel sector to be leveraged.

Good points

challenges

- ① global supply chain shocks
- ② logistic issues
- ③ Limited to specific sectors
- ④ Lack of 'sunset clause'  
↳ fiscal burden on state exchequer.

Thus, resolving these challenges would help India make the best of its PLI scheme.



4. A resilient and prosperous MSME sector is essential for making a big impact on India's inclusive growth story. Discuss in context of the issues faced by the sector. (Answer in 150 words, 10 marks)

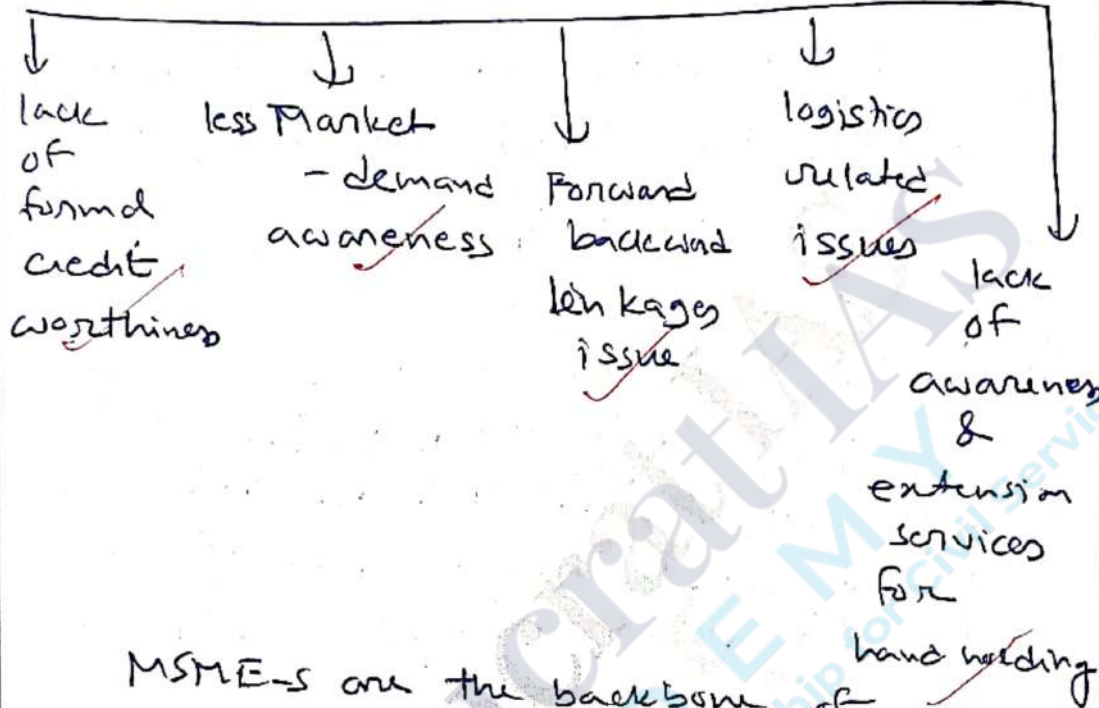
Micro, small, medium enterprises are a key to India's inclusive & shared growth story.

### Reasons

- 1. rural development
- 2. stops rapid urbanisation  
(thus reducing pressure on land & resources)
- 3. gender equity (60% MSMEs owned by women)
- 4. women empowerment →  
(power to → power with → power within)
- 5. Involves India's traditional cultural knowledge and expertise
- 6. key to green growth →  
greener than major industries
- 7. shared growth rather than redistributive model of growth.



Challenges faced by MSME Sector



MSMEs are the backbone of India's shared growth story. PM 170516 PM has marked them as growth engines of Indian rural economy. Achieving their full potential will accelerate India's march toward a 5 trn \$ economy.

5. What is Central Bank Digital Currency (CBDC)? Discuss the policy implications of introducing it in India. (Answer in 150 words, 10 marks)

Central Bank Digital currency (CBDC) is proposed digital currency by Reserve bank of India (RBI) which will be a national legal tender - issued digitally.

Policy implications

Opportunities → ① targeted currency

↳ less chance of counterfeit currency, fake currency.

→ ② trackable transparent system

→ reduction in corruption, black money

→ ③ Boon for Internal security challenges

→ reduction of terror financing, arms smuggling etc.

④ environment friendly

green currency

→ reduced soiling, printing of currency.



6. According to  
booming in  
by glo

Challenges → ① Lack of digital literacy & digital penetration in all parts of the country

② Digital divide across gender, ages, literacy levels.

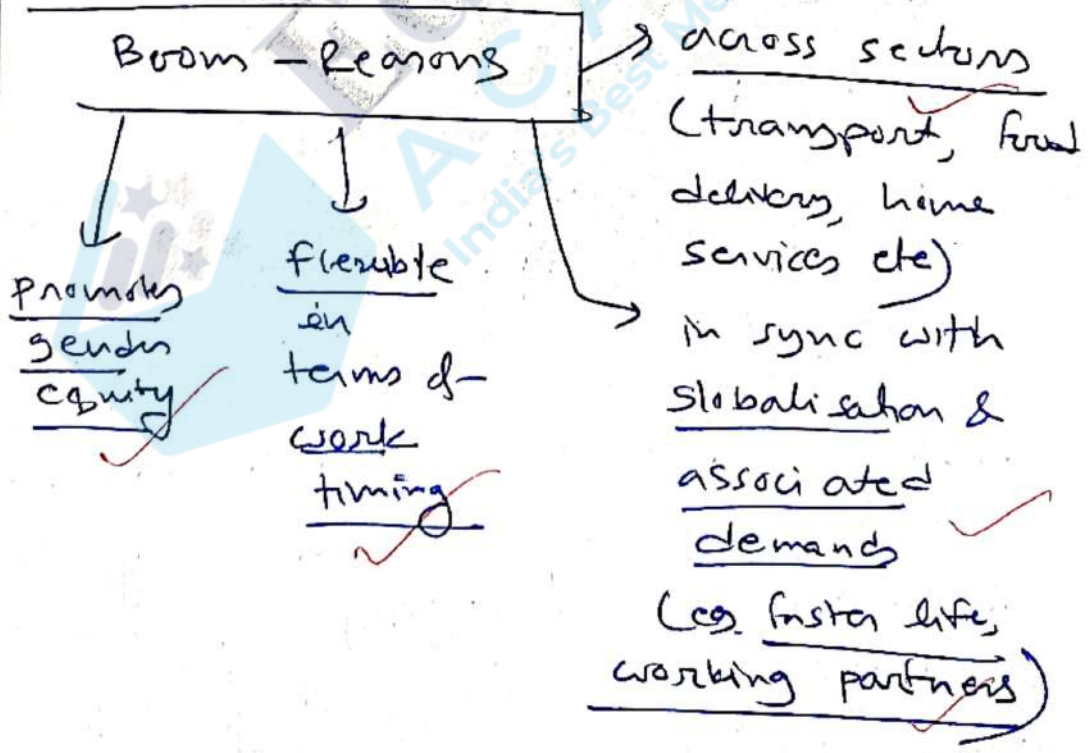
③ cost of digital devices

④ focus on digital currency is vulnerable to cyber attacks, threats on digital public infrastructure (eg - launching of UIDAI website in recent past)

Need → Mixed focus on both digital & physical currency and ~~phase~~ phase wise implementation with frequent analysis and feedback mechanism is need for successful implementation of CBDC.

6. According to recent reports, the Indian gig economy will be booming in the next decade. In this context, discuss the issues faced by gig workers in India and policy measures required to address them. (Answer in 150 words, 10 marks)

Gig economy is a form of mixed economic system between formal and informal economy. Where formal platforms provide flexible employment opportunities to informal sector workers in a free lance contract based, no-work no pay model. (eg. services on platforms like ola, uber, swiggy)





challenges

- ① Inappropriate social security net
- ② Lack of women safety
- ③ merit based market system  
- non inclusive towards the disadvantaged
- ④ Overly dependent on customer feedbacks → causes employee exploitation (eg. Zomato delivery by harassment)

Policy measures to address

- ① push for policy support to ensure safety net adequacy
  - ② push for employee unions, welfare organisations for unity of voice of workers of the system.
  - ③ push for path of career advancement
- These steps can help significantly in achieving true potential of the gig economy sector.



7. While internationalisation of rupee has many advantages, it is not devoid of risks. Discuss. (Answer in 150 words, 10 marks)

With the growing situation of multipolar ~~ecore~~ world and emerging world order, there is an increasing trend of de-dollarisation of economics and internationalisation of domestic currencies.

Positives

- ① → Reduced dependency on dollars
- ② → more open trade opportunities across globe
- ③ → Non reliance of polarised dollars shows an emerging world order → places India at centre of it
- ④ → Placing India as an important global player



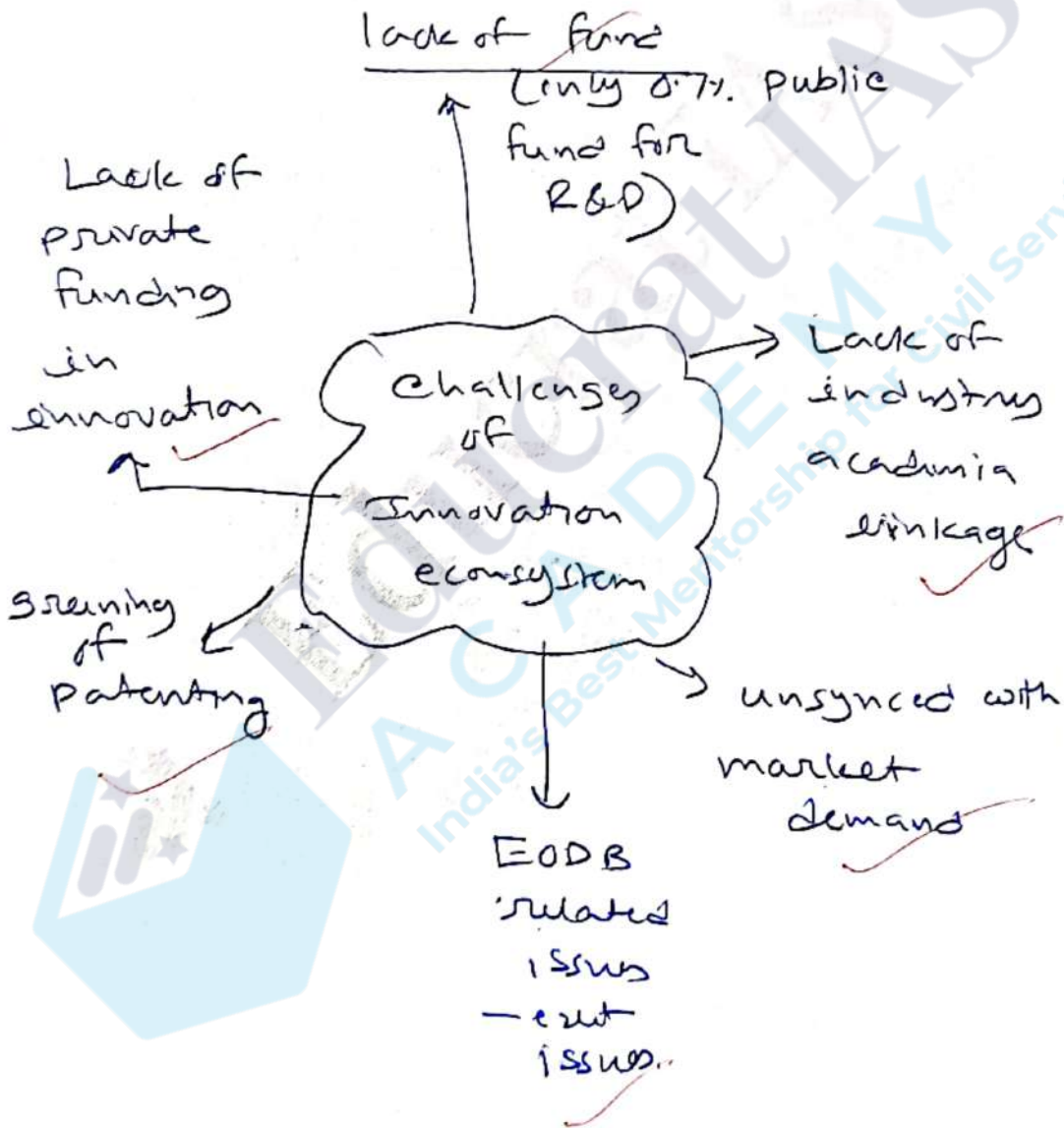


## Challenges

- Absence of trade settlement in domestic currency agreements world wide
- No global consensus & mechanism
- Challenge of ~~Korea~~ Yuanisation of economics with soaring chinese aggression - debt trap diplomacy
- Risk of international criminal organisations utilising domestic currencies for weapon dealing, terrorism, drug trafficking etc.

Conclusion?  
With proper safeguards  
Internationalisation of Indian  
rupee can be pushed forward.

8. What are the various challenges that India's innovation ecosystem faces? How can these challenges be addressed? (Answer in 150 words, 10 marks)







9. Audit reports on  
frequently hi  
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n.





9. Audit reports on various development initiatives in India have frequently highlighted inefficiencies in public expenditure. Identifying these inefficiencies, suggest measures that can be taken to address them. (Answer in 150 words, 10 marks)



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10. Priority Secto-  
context, dis-  
words





10. Priority Sector Lending in India faces several challenges. In this context, discuss its utility as a policy instrument. (Answer in 150 words, 10 marks)



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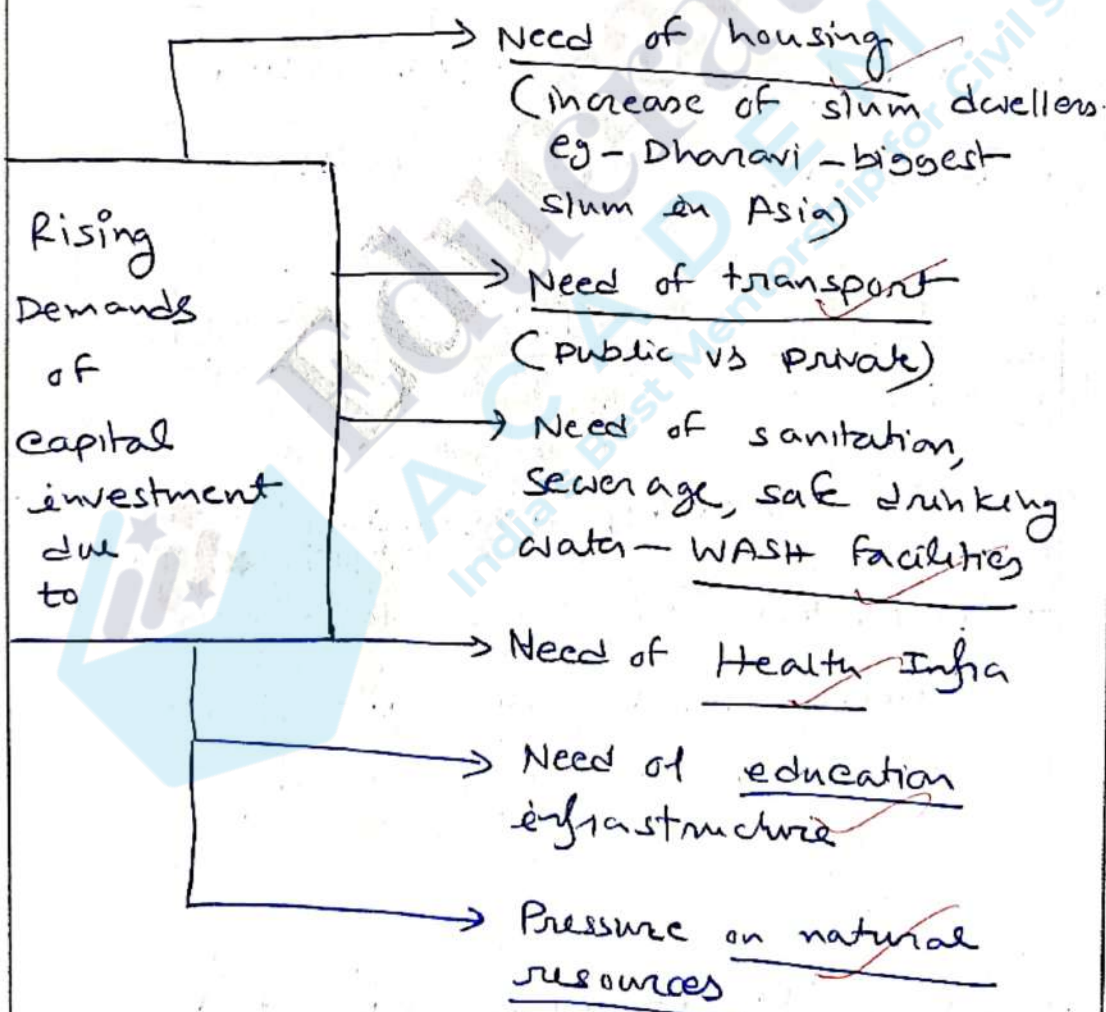


11. In view of Indi-  
tap into mu-  
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11. In view of India's rapid urbanisation, it has become imperative to tap into municipal bonds to meet the rising demand of capital investment in urban areas. Discuss. (Answer in 250 words, 15 marks)

Urbanisation refers to the increase of people living in urban areas and associated increase in infrastructure, transport, etc. By 2030, 70% of people in India would be living in urban areas.





In India, most of the urban local bodies are dependent on the central or state govt. devoluted funds. Rural local bodies ~~are~~ earn only 5% of their expenditure. This makes

Municipal Bonds imperative.

- Municipal bonds are debt instruments issued by the urban local bodies to collect funds.

Need of Municipal Bonds for Capex:

- ① self sustaining finances
- ② Devoluted funds are tied funds - Hence that does not allow to focus on locally felt needs.
- ③ Idea of grass root level

Democracy, bottom up approach of governance & finances

- ④ 'Jan-Bhagidari' or funding of social assets - creates sense of responsibility among citizens.
- ⑤ Improves fiscal federalism.
- ⑥ Empowers local governance - Gandhiji's idea of 'swaraj'

Way forward/  
other methods

→ should keep be backed by state/centre to engrain public confidence.

→ usage of MPLADS/MLALADS funds to create infra

→ focus on timely completion ~~of~~ ~~of~~ projects & keep them operational.

Thus Municipal bonds along with other supportive measures can be helpful for capex push in ULBs.



12. Despite the Union Budget 2022-23 being growth-oriented and credit positive, it poses several fiscal challenges. Discuss. (Answer in 250 words, 15 marks)

The Union - Budget has been extremely growth oriented (by allocating the highest amount till date to capital expenditure) and credit positive.

However, it poses several challenges

### Fiscal challenges

- ① Small size of the pie - India's tax base is smaller than its potential tax payer base.
- ② Low tax to GDP ratio → only 25% as compared to 30% in US.
- ③ Missing taxpayers → by changing threshold limit for tax paying

Less than  
mission

(eg from 5 Lac to 7 lacs) India misses on taxpayers who are eligible to pay taxes.

④ India's precocious growth model

Unlike USA, European countries India started redistribution of wealth much before its economic conditions were strong. (eg. PDS, other social security efforts)

↳ This hampered rapid growth of India

⑤ India's pre-mature de-industrialisation:

Move from Agriculture to service sector (that requires high skill) without making optimal use of its natural advantage of cheap low skill labour in manufacturing sector.



13. India has achieved parameters such as fertility rates, Participation

## Bright spot

Inspite all these challenges, India is on a path of 7% growth, is the 5th largest economy, 3rd in PPP terms and IMF has recognised it as a bright spot for being resilient to global shocks of pandemic, Russo-Ukraine war & inflation in major economies.

India's growth model continues to be a shared growth model and with the priority area of 'inclusive growth' as enshrined in

Budget 22-23, India is on its path of becoming a developed economy during its 'Amrit Kaal'





13. India has achieved significant strides in various development parameters such as economic growth, women's education, and fertility rates. However, the country's Female Labour Force Participation Rate (FLFPR) remains amongst the lowest in the world. Discuss. Also, suggest measures to improve the FLFPR in India. (Answer in 250 words, 15 marks)

Female Labour force participation rate denotes the <sup>Percentage number</sup> of working age female (15-65) either working on actively looking for work. India's female Labour force participation rate (FLFPR) is much below the desired levels.

### Reasons

- ① Dual burden of family & work.
- ② Increased economic status of families → lead to women dropping out from work force.
- ③ Gender wage gap → women are paid 34% less than men for the same work. Women



or Animal  
Counted

constitute ~~the~~ lowest 60% of the  
lowest paid workers.

④ glass ceiling → perception &  
employees about household roles  
of women — only 17% of top earners  
are women

⑤ Sexual Harassment at workplaces  
safety, transport, non-flexible  
work schedules (eg #Metro women  
- women's issues)

⑥ 90% of working women are  
in informal sector (NSSO)

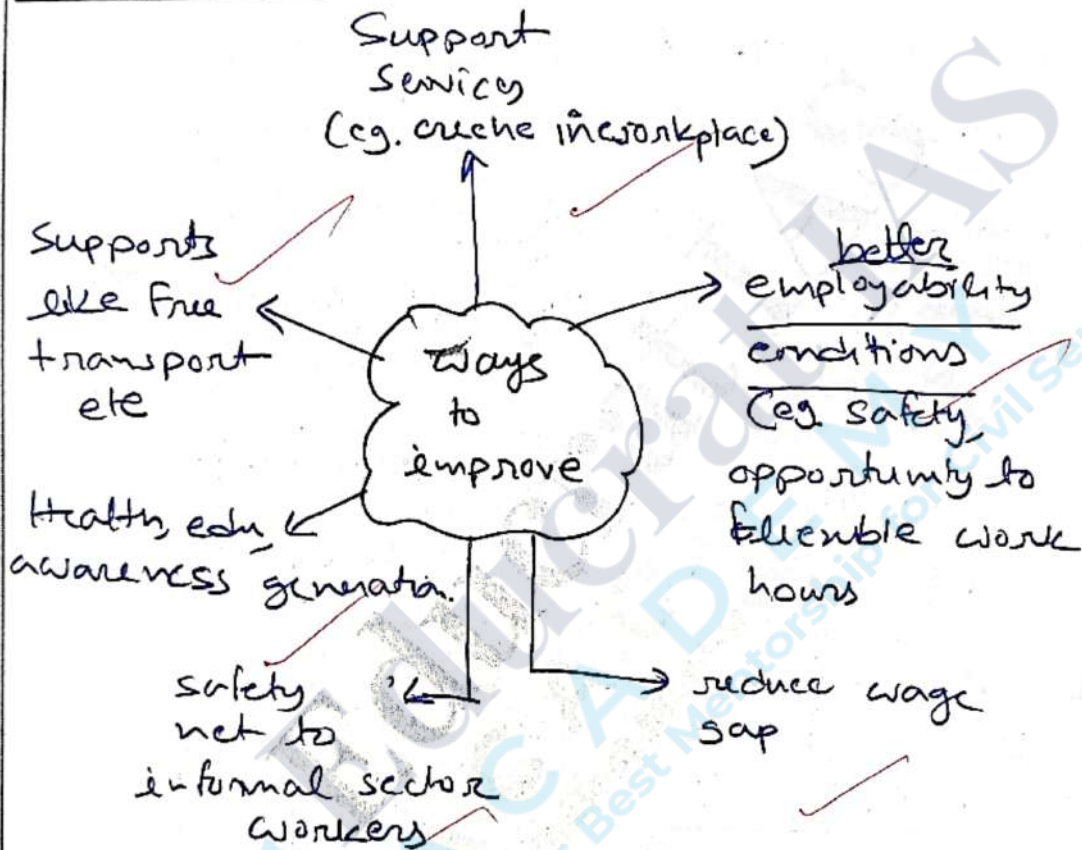
⑦ 80% of working women are  
engaged in Agriculture — where they  
do not have land rights  
(feminisation of duties but not  
rights)

⑧ under reporting — NITI Aayog argues that  
broad classification of work like  
household work with getting <sup>fire</sup> wood for



or animal rearing are often not counted as productive work.

### Ways to improve FLFPR



ILO Data denotes that India will add about 37 bn \$ to its economy just by attaining gender parity in LFPR. It is high time India gets its Female labour force on field to attain gender inclusive shared growth.



Q. No. 14

14. Foreign Direct Investment (FDI) can act as an important source of non-debt finance for India's economic development. Discuss in the context of steps taken to boost FDI in India. (Answer in 250 words, 15 marks)

Foreign direct investments are investments by foreign entities (individual or companies) in less than 10% equity of the company. Though India's FDI saw a blight because of US - Fed tapering recently, there are several steps taken by India to boost FDI.

① Revised FDI guidelines

- many sectors opened / expanded scope for FDI

② Focus on Ease of Doing business

- Single window processing

③ Strong institutions → democracy, strong regulating bodies are a

enticing factor for FDI.

4) India's credit debt servicing

India has never failed its debt obligations (not even during its Balance of Payment crisis)

- This shows a strong capability and will for econ fiscal sanctity.

5) Bilateral dialogues, Negotiations & actions - with several countries including Australia, USA

6) Codified labour laws

7) Increased capex push by government → crowding in of private players.

8) resilient economy, big market, high pent up & continuous demand.



③ GIFT city, IFSC & other initiatives  
like de-dollarisation of  
domestic economies  
(es. Rupee-Ruble agreement)

All these steps, along with  
India's strong and resilient  
economy is acting as a driver of  
FDI in India.

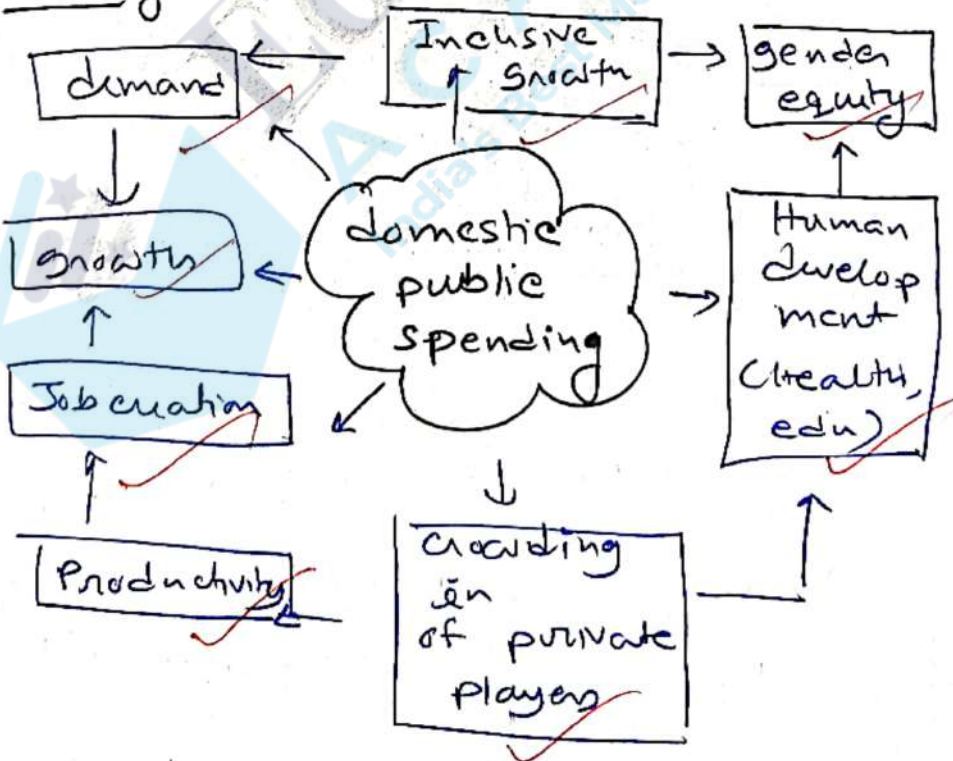
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15. Adopting an inclusive, low-emission, and climate resilient growth agenda would significantly boost the effectiveness of India's domestic public spending. Discuss in the context of climate-responsive budgeting in India. (Answer in 250 words, 15 marks)

India has been continuously pushing for inclusive, low emission climate resilient growth models in international forums. In domestic spending as well, India has supported climate-responsive growth.

How inclusive growth boost effectiveness of domestic public spending





## Climate responsive budgeting in

### India

#### ① Agriculture sector

①.1 PM - Pranam - Push for chemical free fertilisers

1.2 PM - BJP - Bhartiya Jaiwa Utsarale -

1.3 PM - KSK - Krishi Samridhi Kendras - Push for precision farming, drip irrigation, data driven agriculture

1.4 push for technology in agriculture.

#### ② Manufacturing, service & transport sector

2.1 → move for green hydrogen mission, ethanol blending

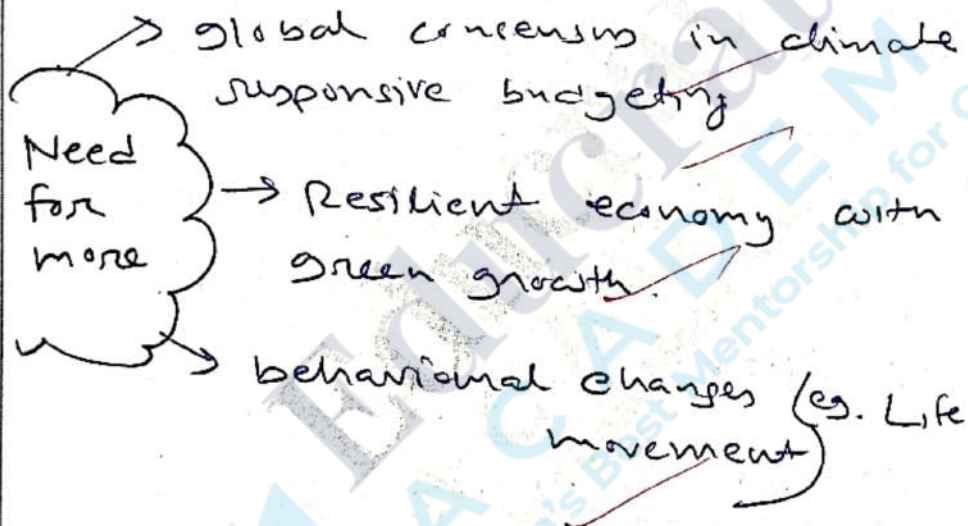
2.2 push for FAME (electric vehicle - faster adoption)





(3) International response building  
on climate justice, ISA, CDRI  
initiatives.

(2) Panch-pran → being Net zero  
emitter by 2070 & 50% of all  
energy needs ~~for~~ from renewables  
by 2030.



climate responsive budgeting &  
focus on inclusive growth has  
been reaping India its due  
benefits and is sure to help  
India on meeting its SDG goals  
#13, #14, #15 of climate justice  
life on land and below water.





16. Highlight the issues associated with the Special Economic Zones (SEZs) in India. Do you think that the Development of Enterprise and Service Hubs (DESH) Bill, 2022 can be a possible game changer in this regard? (Answer in 250 words, 15 marks)

Special Economic Zones were built in late twentieth century to give a boost to the country's export potential and return create more jobs and increase foreign reserves.

### Issues with SEZs

- ① Less productivity of companies in SEZs than expected.
- ② Domestic imbalance of duty free manufacturing in SEZ & otherwise in other parts of the country
- ③ Labour movement issues - need of high skilled labour which is not a comparative advantage for India.
- ④ Logistic issues



④ Need of sunset clauses to focus resources on more promising emerging sunrise industries

⑤ International economic shocks

↳ disrupted global value chains  
(es. nanochips, semiconductors)

→ growing protectionism of countries

→ China's aggressive economic advancement

How DESH Bill can Help

① Improved productivity

② Better utilization of resources

③ Logistic support

④ Plug-in-play facilities for SEZs

⑤ Decentralisation of manufacturing hubs and tax exemption, other supports



17. The collaboration of successful development infrastructure

⑥ changed focus from 'export only' manufacturing to marketable manufacturing,

⑦ Better policy support

These steps could definitely be help India's SEZs to achieve their potential growth levels.



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17. The collaboration of private and public sector is the key to the successful development of an investment model related to urban infrastructure. Discuss. (Answer in 250 words, 15 marks)

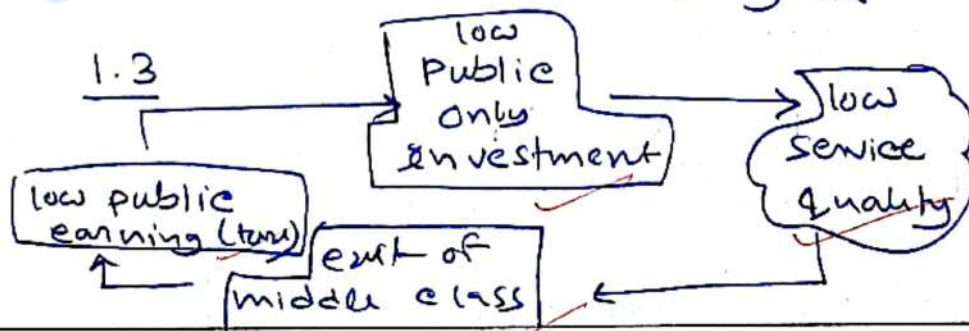
Private and public sector collaboration (PPP model) is an important emerging dimension in investment for urban infrastructure development.

### Need for PPP model

① Public sector cannot be the sole investor in all urban development projects because—

1.1 Requires trade off between social sector investments and capital expenditure

1.2 Results in crowding out of private players.





② expertise, domain knowledge &  
time bound professional  
delivery bound working process  
of private organisations

→ brings better public service.

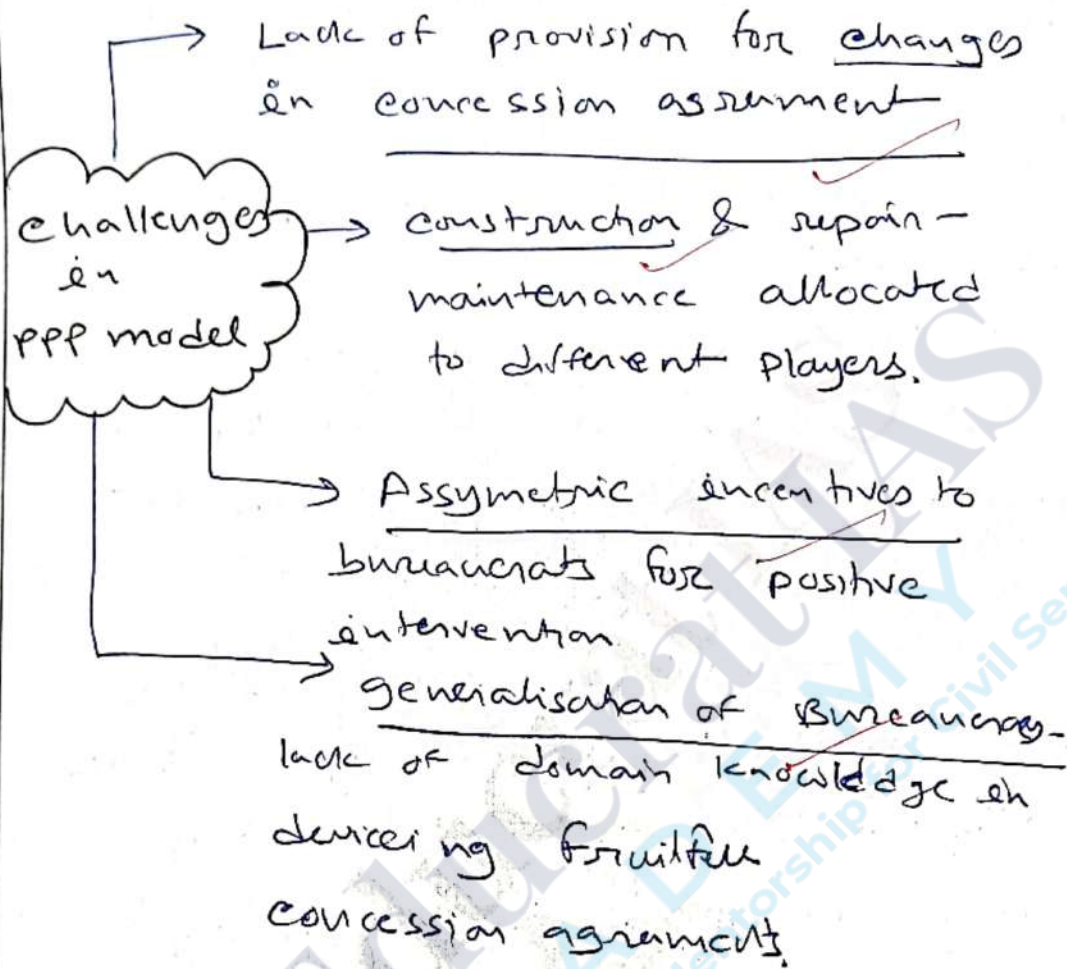
③ partners in growth

PPP Promotes ~~Joint~~  
concept of partnered growth  
model - from beneficiaries of  
services to partners in services

④ Allows public  
investments to  
be focused on  
safety net and  
social expenditures  
thus ensuring  
a equitable  
shared growth

PPP  
Models

- HAM - hybrid  
Annuity model
- BOT - Build  
operate transfer  
model



The above issues need to be resolved for effective gains of PPP models in urban infrastructure building.



18. The newly launched National Logistics Policy not only has the potential to transform India's logistics ecosystem but also accelerate employment creation. Discuss. (Answer in 250 words, 15 marks)

National Logistics Policy  
aims to -

"America does not have good roads because it is developed - America is developed because it has good roads"

— This aptly shows the need for proper and effective logistics to improve a country's growth ecosystem. India's newly launched National Logistics Policy is focused towards accelerating growth by improving its logistics ecosystem.

Push for better logistics

- ① multimodal connectivity  
by Bharatmala, Sagarmala  
& Parikramala (ropeway system)



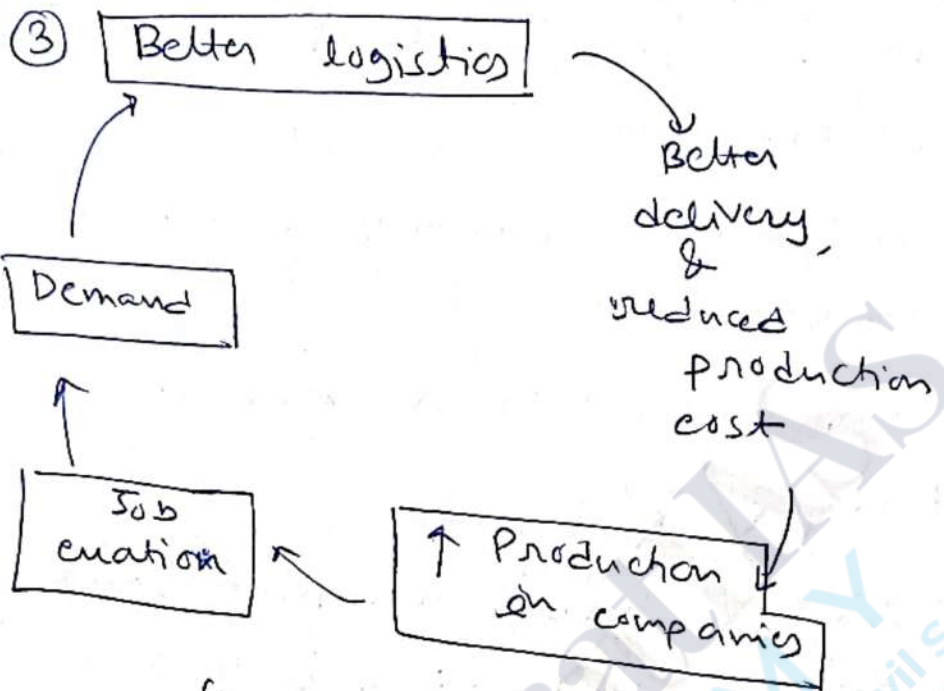
- ② focus on decentralised storage hubs ✓
- ③ Networked products & delivery chains ✓
- ④ Improved focus on coastal transport ✓
- ⑤ Improve coastal & port based development ecosystems to decrease logistic cost & time ✓
- ⑥ Focus on alternative models of logistical development. ✓

How it helps in employment generation

- ① Direct employment in logistic sectors. ✓
- ② push for gis-economy, divide commerce → employment ↑ ✓
- ③ → gender equity in employment opportunities. ✓



19. Do you agree with the statement that India has a demographic dividend? Justify your answer with suitable objectives.



It's virtuous cycle of logistics led employment & growth model

④ Better freight & people movement → improved time of transport → increased productivity → boost to growth & employment.

Thus, New Logistics Policy will significantly boost India's employment generation helping India reap its demographic dividend.





19. Do you agree with the view that declining fertility rates leave India with a nano demographic window to achieve its socio-economic objectives? What should be the policy focus to reap the demographic dividend in the years to come? (Answer in 250 words, 15 marks)

India has surpassed China in population with a current 142.36 mn (UN population report). India has also achieved a replacement level total fertility rate (2.1) which means India has a short window of time where it needs to achieve its socio-economic objectives. (2,0)

Short Demographic window - reasons

- ① India has a young population now - with 65% of population in working age group - most of them below 35.
- ② countries like China are facing an aging population with increased pension and care burden & increased wages of labour - These countries are retreating on

their population control policies.

(3) In India also, the southern states are having comparatively greater elderly population &

below replacement level, TFR

where as Northern states like

Bihar, UP has more than 2.1 TFR and younger population.

(4) India is expected to have a overall greater no of aging population by 2060s.

Thus, India has a 'short timespan' till 2060s to achieve its desired socio economic targets and escape the middle income trap.

(The butterfly wants moments not months and has time enough)

Focused, well planned growth strategy can help India achieve this in the given timeframe.



Suggested policy focus

Short term

→ ① Increased public expenditure → demand

↓  
economic growth

② capital expenditure for crowding in of private players & Ease of doing business

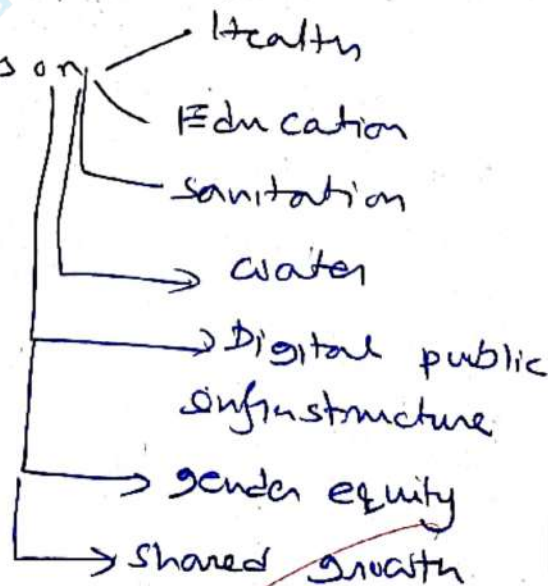
③ focus on employment generation

where India has comparative advantage (eg Leather, apparels) → cheap low skilled labour

④ Leveissian growth model of movement from agriculture to other sectors.

Long term

→ focus on



These realigned focuses could help India reap its demographic dividend in the open timeline.



20. With focus on the methodology used by different committees, explain how the estimation of poverty has evolved in India since its independence. (Answer in 250 words, 15 marks)

Economic survey defines poverty as the <sup>expenditure</sup> earning consumption levels of the lowest level of the society.

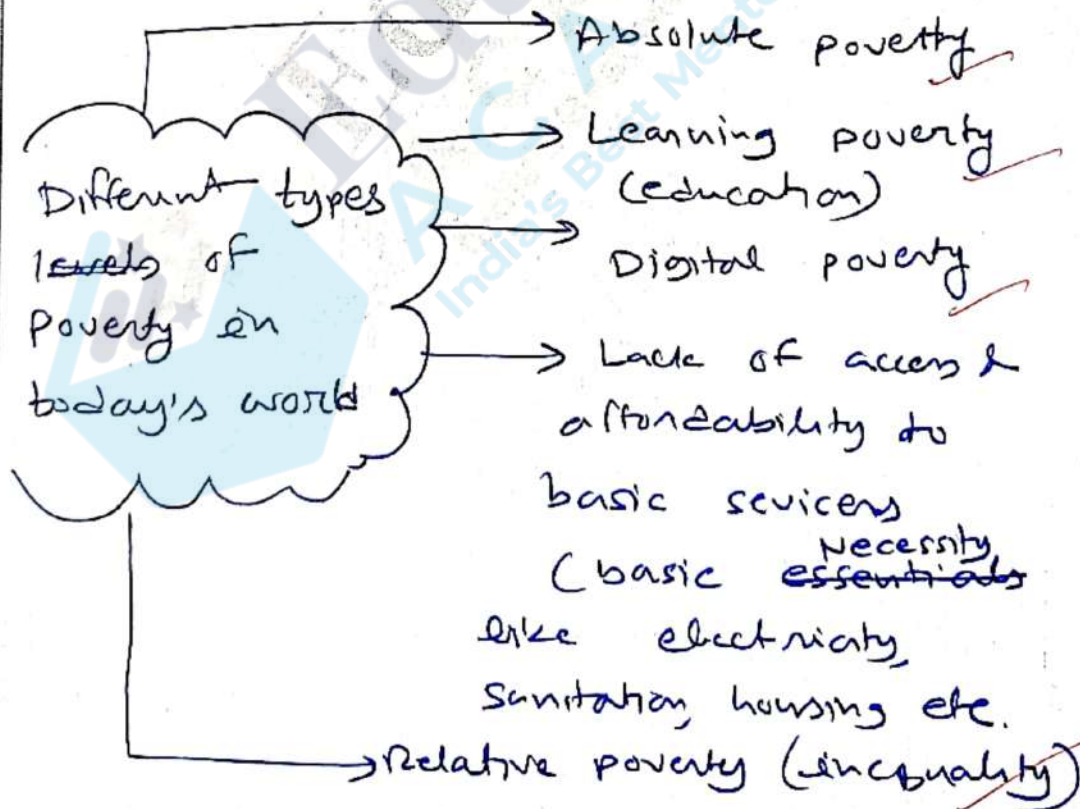
Poverty can be divided as absolute poverty and relative poverty whereas absolute poverty focuses on the people below a demarcated level of daily earning/consumption at a given time in a given country. Relative poverty tries to measure the ~~the~~ inequality of inequality in income & consumption levels of people at various levels.

Post Independence India has tried multiple ways of measuring poverty - most of them have focused on removing absolute

poverty.

Tendulkar committee, Ranganathan committee have calculated poverty in absolut Absolute terms.

Amartya sen has given different concept of capability approach i.e. building capability & Agency (decision making power) to ~~be~~ by giving people health, education, essential services to bring people out from poverty.



*Other committees*

With the evolving definition of poverty, India has changed its focus and efforts of multidimensional poverty. Recently published multidimensional poverty index (on 10 indicators) by NITI Aayog has shown that India has reduced its MPI to almost  $\frac{1}{3}$ rd in last few years.