1) Recently there was a proposal to tax agricultural income, in light of this critically analyse whether it is prudent to tax agricultural income.

Approach:-

1. This is a coin and has two sides hence you need to take a balanced view. The conclusion should we can tax the affluent yet very small number of farmers but we should not tax the small and marginal farmers as yet.

Answer Script:-

India has not taxed agriculture since the country got independence from British rule in 1947, and taxing farmers heavily was always seen as the trademark of colonial oppression. At that time, Indian politicians, all of whom were associated with the freedom struggle, made a conscious decision not to tax agricultural income.

At a time when the government is trying to shore up its revenues so that it can carry on its ambitious projects, a key sector that has been left out of taxation is agricultural income. Policy makers need to take a sharp look at exempting agricultural income from taxation as there is a possibility of the well-heeled taking this route to pay less tax.

The comptroller and auditor general (CAG) has now started an audit of entities claiming tax exemption on agricultural income following suggestions from some political parties and income tax authorities that a blanket exemption be done away with and tax be levied after a threshold.

It is never too late to begin taxing agricultural income, an emotive subject which political parties are normally afraid to touch. After all, once taxation starts on agricultural income, farmers will be impacted and politicians of all hues don't want to touch this hot potato.

The logic for taxing agriculture income is quite simple – if you earn, then pay taxes. The moment exemption is introduced; it is bound to open up a channel for the rich to avoid paying higher taxes. Lawmakers need to promptly shut that exemption route, so that everyone who earns pays up.

In India, as per section 10(1), agricultural income earned by the taxpayer in India is exempt from tax. Agricultural income is defined under section 2(1A) of the Income-tax Act. As per section 2(1A), agricultural income generally means:

- Any rent or revenue derived from land which is situated in India and is used for agricultural purposes.
- Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.
- Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A).

Debate In Parliament:-

Recently Biju Janata Dal floor leader B Mahtab, during the debate on the Finance Bill, had asked: “Does it make any sense providing support to the big farmers, not taxing the agriculture produce of the farmers is one thing but not taxing the companies who are earning thousands of crores of rupees?”

Trinamool Congress member Saugata Roy too said that rich farmers should be brought under the tax net to widen the tax base.

Finance minister Arun Jaitley said that large farm-based income was rare and people using agriculture as a front to hide income from other sources need to be dealt with by the tax authorities.

What is quite known is that there are more than 4 lakh taxpayers claiming exemption from agriculture income in the assessment year 2014-15. The biggest were seed giants like Kaveri Seeds - which claimed 186.63 crore exemption and made a profit of 215 crore before tax—and multinational Monsanto India, which claimed 94 crore as exemption from agriculture income and earned 138 crore profit before tax

The idea to tax the agricultural income is not a new one. In fact, it has repeatedly come up even in the recent past.

In June, the income tax department had proposed to target farmers with non-agricultural income above a certain threshold. This was one of the suggestions made by tax officers to pPime minister at Rajasva Gyan Sangam, a two-day conference of tax administrators.

“Tax officials made a specific suggestion that the government should consider taxing agricultural income, not fully but partially. It was said that people having a regular income alongside agricultural income above a certain threshold can be brought under the tax net,”

Taxing agricultural income won’t be easy, even if politicians agree to do so.

A 2004 **World Bank report** “**Taxing agriculture in a developing country: A possible approach” by Indira Rajaraman** said that agriculture is a hard-to-tax sector everywhere.

> “In developing countries like India, the task becomes even harder. Books of accounts are not maintained except in the plantation sector. Cash transactions not routed through the banking system pose barriers to verification and assessment of self-declared income. Together these add up to an insurmountable information vacuum.”
>
> More effective taxation of agriculture is central to the development issue.
>
> The paper argued that agriculture can become possible, if never easy, to tax “if it is attempted at the lowest, local level of subnational government. The information vacuum

that confounds any attempt to tax agriculture is least formidable at local level, and compliance incentives exist when taxes paid are jurisdictionally retained for provision of productivity-enhancing local public goods".

Though it is clear that taxing agricultural income is an uphill task, fraught with political pitfalls, it is indeed creditable that the government of the day has finally come around to pondering over this issue which has been hanging for decades. A beginning has been made, it remains to be seen whether the government has political gumption to pull it off.

The Economic Survey, the government's annual publication preceding the budget, also made a case for taxing agricultural income of the well-off.

---

2) What are the various issues plaguing the banking sector of India. Discuss Government of India's response to these issues and various programs to revive the banking sector.

Approach:-

1. Discuss the state of Indian Banks – High NPA
2. Then directly delve into how they are creating NPA
3. Then suggest a way forward along with other issues like lower rural penetration etc.
4. Indradhanush Plan

Answer Script:-

Banks in India are considered to be the lifeline of the economy. They play a catalytic role in activating and sustaining economic growth. As per KPGM-CII report, India's banking sector is expanding rapidly and has the potential to become **the fifth largest banking industry in the world by 2020** and third largest by 2025.

Status of Banking Sector at a glance

• The Indian banking system consists of **26 public sector banks, 20 private sector banks, 43 foreign banks**, 56 regional rural banks, 1589 urban cooperative banks and 93550 rural cooperative banks.

• The Indian **banking sector's assets reached 1.8 trillion US dollars in 2014-15** from 1.3 trillion US dollars in 2010-11, with 70 per cent of it being accounted by the public sector.

• Total lending and deposits increased at a compound annual growth rate **(CAGR) of 20.7 per cent and 19.7 per cent, respectively, between 2007 and 2014** and are further poised for growth, backed by demand for housing and personal finance.

• Indian Banks have successfully adopted **the Basel II norms** of international banking supervision and as per the Reserve Bank of India (RBI) majority of the banks have already met **Basel III capital norms** prior to its deadline of 31 March 2019.

Factors promoting growth of Banking Sector

• **Emergence of Universal Banking System:** Services provided by banks have expanded rapidly in the last decade. In addition to the traditional "savings and loans", banks started providing a wide gamut of financial services like insurance, investment, asset management, etc which increased their in the economy.

• Through partnerships and acquisitions, banks are trying to integrate financial services, wallets, payments, shopping services etc., there by adding depth to their financial services.

• **Economic growth:** Over 9 percent GDP growth in the pre global financial crisis period (2009-10) and over 7 percent in the last two years largely facilitated the growth of this sector.

• **Globalisation:** As India is moving towards closer integration with the world economy, India's merchandise trade, service exports and remittances are growing at a faster pace. In order to serve these 'new needs' banks have evolved and redeemed themselves in India and abroad.

• **Policy initiatives:** The Banking Laws (Amendment) Act, 2012 at the monetary front, and large scale infusion of funds into the public sector banks by the government in recent years fuelled the growth of this sector.

• For the government, the banking sector is at the core of governance. Initiatives like Jan Dhan Yojana and Direct Benefit Transfer are case in point.

• **Usage of technology:** Information and communication technologies including the mobile phones and internet connectivity are the prime reason for expanding the reach of banking sector to the youth and rural habitations.

Issues and Challenges

Amidst the signs of progress, the Indian banking sector has been facing multiple challenges in recent times. Few of them are -

Non Performing Assets

• NPAs have become a grave concern for the banking sector in couple of years and impacted credit delivery of banks to a great extent.

• As per a survey, net NPAs amount to only 2.36 percent of the total loans in the banking system. However, if restructured assets are taken into account, stressed assets account will be **10.9 percent of the total loans in the system.** As per the International Monetary Fund (IMF), around 37 percent of the total debt in India is at risk.

• India's largest lender **State Bank of India (SBI)** reported a massive 67 per cent fall in consolidated net profit at 1259.49 crore rupees in the third quarter of the 2015-16 financial year and classified loans worth 20692 crore rupees as having turned bad.

• As per an estimate, the cumulative gross **NPAs** of 24 listed public sector banks, including market leader SBI and its associates, stood at **393035 crore rupees as on 31 December 2015.**

• **The Economic Survey 2015-16** also alarmed the policy makers about growing bad debts with the banks and their potential to disrupt the growth prospects in the future.

• **Reduced profits:** The banking sector recorded slowdown in balance sheet growth for the fourth year in a row in 2015-16. Profitability remained depressed with the return on assets (RoA) continuing to linger below 1 percent. Further, though PSBs account for 72 percent of the total banking sector assets, in terms of profits it has only 42 percent share in overall profits.

Issue of Monetary Transmission

Like reduced profits, this is also an off-shoot of burgeoning NPAs in the system. With the easing of inflation and moderation in inflationary expectations, the RBI reduced the repo rate by 100 basis points between January and September 2015.

However, change in the key policy rate was not reflected in lending rates as banks are not willing to transmit the benefits of low interest policy regime due to low-availability of liquidity against the backdrop of high NPAs.

Corruption

Scams in the **erstwhile Global Trust Bank (GBT) and the Bank of Baroda** show how few officials misuse the freedom they granted under the guise of liberalisation for their personal benefit. These scams have badly damaged the image of these banks and consequently there profitability.

Crisis in Management

Public-sector banks are seeing more employees retire these days. So, younger employees are replacing the elder, more-experienced employees. This, however, happens at junior levels.

As a result, there would be a virtual vacuum at the middle and senior level. The absence of middle management could lead to adverse impact on banks' decision making process.

Steps taken by Government and Banking Sector

To effectively address the above issues the Government including the RBI and the Supreme Court and the Banks themselves have taken many initiatives. Some of them are –

• The Ministry of Finance in its Economic Survey 2015-16 suggested **four R's - Recognition, Recapitalization, Resolution, and Reform** to address the problem of NPAs.

• The Union Government unveiled plans **to infuse 70000 crore rupees** in the next few years, but PSU banks would need at least 1.8 lakh crore rupees by 2019-20.

• In October 2015, the Government announced **Mission Indradhanush** under which 7 key strategies were proposed to reform public sector banks (PSBs).

• In May 2015, **the RBI advised all PSBs to appoint internal Ombudsman** to further boost the quality of customer service and to ensure that there is undivided attention to resolution of customer complaints in banks.

• The Government announced its intention to introduce a comprehensive **Insolvency and Bankruptcy Bill** in the Parliament based on the recommendations of **the Dr T K Viswanathan-headed Bankruptcy Law Reforms Committee (BLRC).**

• In order to rein in corruption, **the Supreme Court** on 23 February 2016 ruled that the top officials and employees of private banks will be considered as public servants for the purposes of **the Prevention of Corruption Act, 1988.**

• The RBI is also facilitating rectification of procedural flaws in the system through a number of well-thought-out initiatives like restricting incremental non-performing assets through early detection, monitoring, corrective action plans, shared information, disclosures, etc. In this regard, **the RBI's resolve to clean banks books by 2017** is commendable.

Conclusion

Banks are at the core of any economic system whether developed or developing. Essentially, a technologically advanced, transparent and efficient banking system is the need of the hour for the growing economy like India.

In our country, need for qualitative banking surpasses the conservative economic or financial logic as the **financial inclusion** is still a distant dream. In addition to the provision of traditional services, many social functions are attached to the banking system financial inclusion and inclusive growth.

In order **to achieve the goal of faster and inclusive growth,** it is high time the government and banking industry undertake a comprehensive relook into the existing policies and structures.

Indradhanush Plan :-

The seven key Reforms –

1) Appointments

2) Bank Board Bureau

3) Capitalization

4) De-stressing PSBs

5) Empowerment

6) Framework of Accountability

7) Governance Reforms

3) The Insolvency and Bankruptcy code, 2016 is hailed as one of the key reforms as far as Indian economy is concerned. Discuss its significance and the challenges.

Answer Script:-

Passage of Bankruptcy Code; Code is a comprehensive and systemic reform, which will give a quantum leap to the functioning of the credit market and would take India from among relatively weak insolvency regimes to becoming one of the world's best insolvency regimes; Vision of the new law is to encourage entrepreneurship and innovation.

'Insolvency and Bankruptcy Code,2016'-With the passing of this Bill, India has crossed an important milestone in becoming a world class economy.

Hitherto India was lacking the legal and institutional machinery for dealing with debt defaults as per the global standards. The recovery proceedings by creditors, either through the Contract Act or through special laws such as the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, has not had desired outcomes.

Similarly, action through the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the winding up provisions of the Companies Act, 1956 have neither been able to aid recovery for lenders nor restructuring of firms.

Laws dealing with individual insolvency, the Presidency Towns Insolvency Act, 1909 and the Provincial Insolvency Act, 1920, were almost a century old. This has hampered the confidence of the lender and development of the credit markets in India. Resultantly, credit by banks is the largest component of the credit market in India and corporate bond market has not yet developed to the desired level.

The Government decided to embark on a fundamental and systemic reform which would address this problem, both commercially and judicially. The idea was to come up with a comprehensive solution, which would encompass borrowing by firms and by individuals. In recognition of the fact that major sub-components of lending are done by non-banks, in particular the corporate bond market which serve infrastructure projects, bankruptcy reforms needed to have a consistent treatment of default. While the systems of well-functioning advanced economies were studied, the design that was implemented for India reflects a careful judgment about what would work under India conditions.

The new law aims to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation and provide for their reorganization and resolution in a time bound manner for maximization of value of their assets. Such consolidation will provide for a greater clarity in law and facilitate the application of consistent and coherent provisions to different stakeholders affected by business failure or inability to pay debt. This law will thus promote entrepreneurship, availability of credit and balance the interest of all stakeholders.

The vision of the new law is to encourage entrepreneurship and innovation. It is true that some business ventures will always fail, but such failures will be handled rapidly and swiftly. Entrepreneurs and lenders will be able to move on, instead of being bogged down with decisions taken in the past. The Code empowers the operational creditors (workmen, suppliers etc.) also to initiate the insolvency resolution process upon non-payment of dues. In order to develop the credit market in India, in case of liquidation, financial debts owed to unsecured creditors have been kept above the Government's dues in the list of priorities (waterfall).

Facilitating early resolution and exit is as important as facilitating investment. The essential idea of the new law is that when a corporate entity defaults on its debt, control shifts from the shareholders/promoters to a committee of creditors, who have 180 days (extendable by 90 days in deserving cases) to evaluate proposals from various players about resuscitating the company or taking it into liquidation. When decisions are taken in a time-bound manner, there is a greater chance that the corporate entity can be saved as a going concern, and the productive resources of the economy (labour and capital) can be put to the best use. This is in complete departure from SICA regime where there were delays leading to destruction of the value of the firm.

The Code separates commercial aspects of the insolvency proceedings from judicial aspects. While Insolvency Professionals (IPs) will deal with commercial aspects such as management of the affairs of the corporate debtor, facilitating formation of committee of creditors, organising their meetings, examination of the resolution plan, etc., judicial issues will be handled by proposed Adjudicating Authorities (National Company Law Tribunal / Debt Recovery Tribunal). One more important institution created under the Code is the 'Information Utility' which would store financial information and data and terms of lending in electronic databases. This would eliminate delays and disputes about facts when default does take place.

The Code also provides a fast track insolvency resolution process for corporates and LLPs. This will be an enabler for start-ups and small and medium enterprises (SMEs) to complete the resolution process in 90 days (extendable to 45 days in deserving cases).

The Code also addresses the important issue relating to cross border insolvency by providing the enabling mechanism on the subject. The Government, at an appropriate time, will come out with a detailed framework for cross border insolvency.

The Insolvency and Bankruptcy Code is thus a comprehensive and systemic reform, which will give a quantum leap to the functioning of the credit market. It would take India from among relatively weak insolvency regimes to becoming one of the world's best insolvency regimes. It lays the foundations for the development of the corporate bond market, which would finance the infrastructure projects of the future. The passing of this Code and implementation of the same will give a big boost to ease of doing business in India.

4) Recently “organic farming” has become“rhetoric” rather than a “practice”. Discuss its relevance and potential in India. Do you really think we can feed more than 1 billion populations through organic farming?

Approach:-

1. Discuss briefly what organic farming is.
2. Then discuss can it will be able to feed the population of the world and particularly of India.
3. Base your arguments in short term immediate gain from non-organic farming vis-a-vis long term benefits of organic farming. Take example of Green revolution and how it enhanced food production in short term but destroyed the ecosystem in long run.

Answer Script:-

Organic Farming:-

Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasises the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system." (**FAO/WHO Codex Alimentarius Commission, 1999**).

Can Organic Farming Feed us All :-

In 1971, then US Secretary of Agriculture Earl Butz uttered these unsympathetic words: “Before we go back to organic agriculture in this country, somebody must decide which 50 million Americans we are going to let starve or go hungry.” Since then, critics have continued to argue that organic agriculture is inefficient, requiring more land than conventional agriculture to yield the same amount of food. Proponents have countered that increasing research could reduce the yield gap, and organic agriculture generates environmental, health and socioeconomic benefits that can’t be found with conventional farming.

Organic agriculture occupies only 1% of global agricultural land, making it a relatively untapped resource for one of the greatest challenges facing humanity: producing enough food for a population that could reach 10 billion by 2050, without the extensive deforestation and harm to the wider environment.

The study, Organic Agriculture in the 21st Century, published in Nature Plants, is the first to compare organic and conventional agriculture across the four main metrics of sustainability identified by the US National Academy of Sciences: be productive, economically profitable, environmentally sound and socially just. Like a chair, for a farm to be sustainable, it needs to be stable, with all four legs being managed so they are in balance.

It is found that although organic farming systems produce yields that average 10-20% less than conventional agriculture, they are more profitable and environmentally friendly. Historically, conventional agriculture has focused on increasing yields at the expense of the other three sustainability metrics.

In addition, organic farming delivers equally or more nutritious foods that contain less or no pesticide residues, and provide greater social benefits than their conventional counterparts.

With organic agriculture, environmental costs tend to be lower and the benefits greater. Biodiversity loss, environmental degradation and severe impacts on ecosystem services – which refer to nature's support of wildlife habitat, crop pollination, soil health and other benefits – have not only accompanied conventional farming systems, but have often extended well beyond the boundaries of their fields, such as fertilizer runoff into rivers.

Overall, organic farms tend to have better soil quality and reduce soil erosion compared to their conventional counterparts. Organic agriculture generally creates less soil and water pollution and lower greenhouse gas emissions, and is more energy efficient. Organic agriculture is also associated with greater biodiversity of plants, animals, insects and microbes as well as genetic diversity.

Despite lower yields, organic agriculture is more profitable (by 22–35%) for farmers because consumers are willing to pay more. These higher prices essentially compensate farmers for preserving the quality of their land.

Studies that evaluate social equity and quality of life for farm communities are few. Still, organic farming has been shown to create more jobs and reduce farm workers' exposure to pesticides and other chemicals.

Organic farming can help to both feed the world and preserve wildland. In a study published this year, researchers modeled 500 food production scenarios to see if we can feed an estimated world population of 9.6 billion people in 2050 without expanding the area of farmland we already use. They found that enough food could be produced with lower-yielding organic farming, if people become vegetarians or eat a more plant-based diet with lower meat consumption. The existing farmland can feed that many people if they are all vegan, a 94% success rate if they are vegetarian, 39% with a completely organic diet, and 15% with the Western-style diet based on meat.

Realistically, we can't expect everyone to forgo meat. Organic isn't the only sustainable option to conventional farming either. Other viable types of farming exist, such as integrated farming where you blend organic with conventional practices or grass-fed livestock systems.

More than 40 years after Earl Butz's comment, we are in a new era of agriculture.During this period, the number of organic farms, the extent of organically farmed land, the amount of research funding devoted to organic farming and the market size for organic foods have steadily increased. Sales of organic foods and beverages are rapidly growing in the world, increasing almost five fold between 1999 and 2013 to $72bn.

Scaling up organic agriculture with appropriate public policies and private investment is an important step for global food and ecosystem security. The challenge facing policymakers is to develop government policies that support conventional farmers converting to organic systems. For the private business sector, investing in organics offers a lot of entrepreneurial opportunities and is an area of budding growth that will likely continue for years to come.

In a time of increasing population growth, climate change and environmental degradation, we need agricultural systems that come with a more balanced portfolio of sustainability benefits. Organic farming is one of the healthiest and strongest sectors in agriculture today and will continue to grow and play a larger part in feeding the world. It produces adequate yields and better unites human health, environment and socioeconomic objectives than conventional farming.

India's Case:-

1. Ecosenstive practices has been part of our farming system, however we took up non – organic farming methods when faced with food shortage in the decades of 1960s.
2. The Green revolution brought us the much needed relief from food scarcity however it destroyed our lands and farming ecosystem in the long run. The adverse impacts are visible now.
3. Hence there needs to be a balanced farming system and a fine tuned organic farming with better water utilization method can go long way to serve food security for our nation. The question is not how to produce bumper crops but to how to produce the bumper crops year after year and decade after decade, and for that organic farming along with scientific methods can help us all.

---

5) It has been said that "mega food parks" can be of great value addition to the nascent "Food processing Industry" what "Software parks" were for "Information technology Industry". In light of this, discuss the importance of mega food parks and enumerate its significance from Indian perspective.

Approach:-

1. Quote few data , for instance we waste 30% of our food production each year as we could neither store them nor process them
2. We don't have great food processing industries of world class
3. Benefits of food processing industry and mega food parks

Answer Script:-

Food Parks:-

Mega Food Parks scheme is considered to be an inclusive concept aimed at establishing "direct linkages from the farm to processing and on to the consumer markets", through a vast network of collection centres and Primary Processing Centres. The purpose is to achieve a target of processing of perishables from the present six per cent to 20 per cent, and to increase the country's share in global food trade to at least three per cent by 2015.

Benefits:-

These Mega Food Parks are expected to provide high quality food processing infrastructure near the farms. These included logistics, transportation, and central processing centres so as to ensure -

- Direct as well as indirect employment generation in rural areas
- Exposing farmers to a more systematic, market driven and profitable farming activities
- Generation of additional income for the farmers
- Reduction in post harvest losses
- Maintenance of value chain from the farm to the market

History of Mega Food Park in India:-

It was on 10th July 2012 when India's first Mega Food Park — Srini Food Park, was inaugurated by the then union agriculture minister Sharad Pawar at Chittoor in Andhra Pradesh – the largest fruits and vegetables cluster in India.

On par with software parks, this new-age facility in a sprawling 147-acre space has been equipped with modular cold storage, advanced testing laboratories, state-of-the-art facility for pulping, bottling, tetra packing, and warehousing facilities. It offered supply chain infrastructure, cluster farming backed by field collection centre, self help groups and individual farmers. Today it has emerged as an ideal destination for food processing units.

Even the Mega Food Park at Tumkur is spread across 110 acres. With 22,000-tonne storage capacity, 30 food processing companies are expected to generate 4000 jobs besides benefiting farmers from the adjoining districts of Kolar, Shimoga and Tumkur, which are rich in vegetables, fruits, millets, and oilseeds.

Economics of Food Park:-

The Indian food processing industry is at present growing at the rate of seven per cent and it is expected to grow from US$ 200 million in 2008 to US$ 310 million in 2015 with the highest growth being recorded in the Fruits and Vegetables sector (20 percent).

Another study by McKinsey & Company suggests that the Indian food market is poised to grow to $310 billion by 2015 and $ 344 billion in 2025.

Requirement to set up a Mega Food Park

The extent of land required largely depends upon the business, which may vary from region to region. Under the scheme, the government provides a grant of up to Rs 50 crore for each Food Park to be implemented by a consortium of companies. It is expected that each mega food park would have about 30-35 food processing units with collective investment of about Rs 250 crore that would eventually lead to an annual turnover of Rs 400-500 crore and generate employment (direct and indirect) for about thirty thousand people.

Obviously, Mega Food Parks, with their immense potential for expansion, can help India meet the food demands of future.

Mega Food Parks can check agricultural wastage

Despite an agrarian economy — agriculture contributes 18 per cent to the country's Gross Domestic Product (GDP) — farming has remained in unorganised sector for decades resulting in poverty of the farmers (about 70 per cent of Indian population is engaged in farming) in the absence of infrastructural support such as rural connectivity, storage and warehousing facilities to reduce high percentage of agricultural wastage.

India is the most richly endowed agricultural nation in Asia. With one-tenth of world's arable land (160.5 million ha) and one fifth of world's irrigated land (59 million ha), it is world's second largest food producer.

How can Mega Food Parks provide a fillip to the farm sector?

It may be mentioned that the total food production in the country is likely to be doubled in next decade or so. Yet at present the country accounts for less than 1.5 per cent of international food trade and lack of processing facilities means that there is wastage of about 35 per cent of the agricultural produce worth about US $ 10 billion.

It is in this backdrop that food parks have become a necessity to provide the crucial link between the farmers and traders. Studies have shown that the food processing industry has an untapped domestic market of one billion consumers in the country, and hence has been accorded the status of priority sector in the new trade policy of the government.

It was in September 2008 when the then Cabinet Committee on Economic Affairs approved the Food Park scheme. Its aim was to encourage public-private partnership in creating rural infrastructure in food processing sector and the scheme was taken up under the 10th five-year plan. However, it was revised and renamed as Mega Food Park scheme for the 11th Five Year Plan Period to meet the requirement of the Vision 2015 of the Ministry of Food Processing Industries.

The government has thus far sanctioned 42 Mega Food Park projects throughout the country. And 25 of them are being implemented in various states. For the remaining 17, which are expected to attract investments to the tune of Rs. 2,100 crore, the government has received 72 expressions of interest.

6) Recently there has been a great push to revive industrial sector of India, however the efforts at policy level are not resonated on the ground .In light of this discuss the challenges before "Make in India" programme and suggest a way forward.

Answer Script:-

Make in India:-

1. A Major National Initiative.
2. Designed To Facilitate Investment.
3. Foster Innovation.
4. Enhance Skill Development.
5. Protect Intellectual Property.
6. And Build Best-In-Class Manufacturing Infrastructure.

Make in India was launched by Prime Minister against the backdrop of this crisis, and quickly became a rallying cry for India's innumerable stakeholders and partners. It was a powerful, galvanising call to action to India's citizens and business leaders, and an invitation to potential partners and investors around the world. But, Make in India is much more than an inspiring slogan. It represents a comprehensive and unprecedented overhaul of out-dated processes and policies. Most importantly, it represents a complete change of the Government's mindset – a shift from issuing authority to business partner, in keeping with Prime Minister's tenet of 'Minimum Government, Maximum Governance'.

The government launched "Make In India" initiative which aims at promoting India as an investment destination and to establish India as a global hub for manufacturing, design and innovation. The initiative aims to provide favorable environment to the business community so that they can devote their resources, efforts and energy in productive work. A number of steps have been taken by the government to improve the ease of doing business in the country. Rules and procedures have been simplified and a number of products have been taken off licensing requirements.

Government has opened up a number of sectors for FDI. The Policy in defence sector has been liberalized and FDI cap has been raised from 26% to 49%.

100% FDI has been allowed in defence sector for modern & state of the art technology on case to case basis. 100% FDI under automatic route has been permitted in construction, operation and maintenance in Rail Infrastructure projects.

Further, liberalization norms for Insurance and Medical Devices has been done. 'Make in India' program represents an attitudinal shift in how India relates to investors; not as a permit-issuing authority, but as a true business partner. An Investor Facilitation Cell has been created in 'Invest India'. A dedicated team of the Investor Facilitation Cell is there to guide and assist first-time investors.

It is time for India to focus on building competitive advantage on global scale in sectors where we have a large domestic market and certain inherent capabilities. Strategy is all about making choices. The top five priority industries are- Defence, electronics hardware, construction, health care and agro-industries.

However, for India to become a manufacturing nation, it has to quickly move beyond rhetoric to create a clear strategy and favourable policy environment for manufacturing to take off. The government has chosen to quietly dismantle the sclerotic National Manufacturing Competitiveness Council (NMCC) but it needs to foster a more vibrant think tank in its place.

A close dialogue and partnership between government and the private sector, both domestic and foreign, is critical. Indian companies along with Chinese, Japanese, German, American and Swedish companies are all vital partners and we must create an environment that is open and welcoming.

In many of the Indian industries, people insist for manual skill because they apprehend that adoption of advanced technology will result in redundancy of human resource, which is abundantly available in India. As such they resist the change and introduction of new technology.

However, technology driven processes with minimum human intervention will guarantee manufacturing excellence. From technological point of view India is lagging behind the western world, as far as manufacturing is concerned.

Experts say, India is still about a decade behind advanced countries, when it comes to usage of technology and manufacturing excellence. But this situation can be turned to our advantage. The country can learn from the mistakes of the western world and try to adopt the best ever technology in the years to come.

Make in India necessarily involves the drive to boost the manufacturing sector. However, the investors are wary of prevalent labor laws and bureaucratic hassles in India and as such, unless conducive atmosphere is created on these fronts the investments will not come as expected and Make in India drive will not accomplish desired results.

In order to make this initiative a great success, we need to be at par with the advanced world as far as usage of modern technology is concerned and we need to have more clarity, maturity and intensity on quality aspects of our products.

Creating healthy business environment will be possible only when the administrative machinery is efficient. India has been very stringent when it comes to procedural and regulatory clearances. A business-friendly environment will only be created if India can signal easier approval of projects and set up hasstle-free clearance mechanism. India should also be ready to tackle elements that adversely affect competitiveness of manufacturing. To make the country a manufacturing hub the unfavorable factors must be removed. India should also be ready to give tax concessions to companies who come and set up unit in the country. India’s small and medium-sized industries can play a big role in making the country take the next big leap in manufacturing. India should be more focused towards novelty and innovation for these sectors. The government has to chart out plans to give special sops and privileges to these sectors.

India must also encourage high-tech imports, research and development (R&D) to upgrade ‘Make in India’ give edge-to-edge competition to the Chinese counterpart’s campaign. To do so, India has to be better prepared and motivated to do world class R&D. The government must ensure that it provides platform for such research and development.

India is ranked 132nd out of 185 economies in Doing Business 2013 by the World Bank. India’s restrictions on foreign equity ownership are greater than the average of the countries covered by the Investing Across Sectors indicators in the South Asia region and of the BRIC (Brazil, Russian Federation, India, and China) countries.

India imposes restrictions on foreign equity ownership in many sectors, and in particular in the service industries. Sectors such as railway freight transportation and forestry are dominated by public monopolies and are closed to foreign equity participation. With the exception of certain activities specified by law, foreign ownership in the agriculture sector is also not allowed. These restrictions need to be eased for making India better place for doing business.

Infrastructure tops the list of most surveys on doing business in India. In particular, chronic deficiencies in transportation and power impose prohibitive costs and lower business competitiveness.

Multiple enterprise surveys have identified electricity as the biggest constraint. Further, India lags behind on every measure of transport connectivity. Though there have been considerable recent successes spurred by private participation, much needs to be done. However, introduction of UDAY scheme is a good step in this regard.

Sound macroeconomic policies are necessary to create a low-inflation, low-interest rate and high-growth environment that is essential for the country’s global manufacturing competitiveness. Given the huge size and vast diversity of the country, a diagnostic for each state may be a more prudent strategy.

In any case, instead of big-bang reforms, sustained efforts in multiple directions, which cumulatively generate large effects, are required to relax these constraints so that we can realise the goal of making in India.

In Sum Challenges to Make in India can be described in the following heads:-

1. Skill-employment gap
2. Shrinking global economy and negative investor sentiments
3. Even after the big push , the program is yet to show turn around results due to the aforementioned factor
4. Land acquisition problems and environmental impact assessment issues
5. Automation vis-a-vis employment
6. Challenges before small and medium scale industry is unique as they don;t have the competitive advantage to compete in global scale

7. Few industries such as solar manufacturing are at their nascent stage requiring protection and challenges of geopolitics emanating from protectionism.

8. Policy and statutory challenges - although challenges are being removed at lightning speed.

---

7) "Genetically Modified crops are the foods of the future". Critically analyse.

Answer Script:-

GM Food is a food product that has been derived from a genetically modified organism (GMO). This organism or life form can be anything starting from crop plants to animals and even microscopic organisms. The 'genetic modification' or 'genetic reconstitution' of these life forms is based on the advanced form of Genetic Engineering, Recombinant DNA technology, which attempts to improve the food-yield (from the organism) – both quality and quantity wise – by combining genes from different organisms.

GM food crops thus are high-grade crops with superior quality and taste. The genetically modified food crops are planned to be nutritionally rich. GM not only improves the quality of the yield, you get increased produce and that in less time. Genetic modification also endows the crops with greater resistivity to common diseases and harsh weather conditions. Genetic modification of animals, likewise, improves animal health, minimizing their chances of being affected with common infections. Naturally, the improved breeds give better yields of eggs, meat and milk.

GM Food – The Story Of Progression

Genetically modified foods arrived in the market in the recent past – in the early 1990s. The first genetically modified food crop grown on a commercial scale was the tomato called FlavrSavr (created by Calgene in 1992). It was released in the US market post FDA approval in 1994. A slightly different variant of the FlavrSavr was introduced in Europe in a paste form in 1996.

An agriculture-statistics shows that the total land being cultivated with GMOs was 17,000 km² (4.2 million acres) in 1996. In contrast, a 2003 report shows a massive increase, spread over a land area of 676,000 km² or 167 million acres. Although, USA lead the production of transgenic or GM crops in 2003 with a huge share of 63%, at least 18 nations all over the world involved themselves with GM cultivation. The other major contributors were Argentina (21%), Canada (6%), Brazil (4%), and China (4%), and South Africa (1%)

The chief GM food crops being farmed these days are herbicide and insecticide-resistant soybeans, canola, corn and cotton. Other agricultural produces like a sweet potato (resistant to a virus that has been destroying most of the African harvest), an iron and vitamin-enriched rice variety (to combat widespread malnutrition in Asian nations) and a variety of plants able to withstand extreme weather conditions are being field-tested prior to being launched in the market. Genetically modified fruit and nut varieties that attain maturity early and bear fruits for long (or twice a year) have also been introduced.

Apart from agricultural produces, genetic modification is also being practiced to develop fast maturing varieties of fish and poultry. As said earlier, genetic reconstitution is also at work to increase milk production (e.g. Monsanto recombinant version of the bovine growth hormone Somatotropin, which when injected into dairy cattle, increases milk production from 10% up to 40%.

Future

Although the industrialized countries are leading GM food production from the front now, the developing nations are exhibiting a strong inclination for GM foods of both plant and animal origin. This owes as much to the positive impacts of transgenic production in maintaining ecological balance as to its potentiality to provide for the ever-growing population.

---

8) Even after seven decades of targeted policy making, India was ranked very low globally on most of the parameters for inclusive growth and development. Analyse the problems associated with achieving inclusive growth in India and suggest solutions for it.

Answer Script:-

The concept of 'Inclusive Growth' finds place more frequently in the debates and discussions at different forums. The Government aimed at promoting 'inclusive growth' as it recognized that high national income growth alone did not address the challenge of employment promotion, poverty reduction and balanced regional development or improving human development.

The subject of inclusive growth has been in the spotlight recently, for very obvious reasons. This orientation is most visibly manifested in the theme of the Eleventh Five-Year Plan. The theme is 'towards faster and more inclusive growth,' which clearly reflects the need to find a sustainable balance between growth and inclusion. Many people view 'inequality' and 'exclusiveness' as being the same thing.

The Eleventh Plan defines inclusive growth to be "**a growth process which yields broad-based benefits and ensures equality of opportunity for all**".

The inclusive growth and development vision as envisaged in the Five Year Plan also reflected the budgetary and political commitment of the government. Though, efforts and progress in the direction of inclusive growth and development appears to be quite satisfactory, however, challenges, problems and constraints in achieving the goals of inclusive planning have emerged that require multiple approaches and strategies to address them effectively and efficiently.)

Inclusive Growth:-

Inclusive growth is a major concern for human development in India with rising inequalities.

Despite tremendous growth of economy, failure on distributive front has aggravated the progressive journey towards collective well-being.

Inclusive growth has become the buzzword in policy-spheres with recent phenomenon of rapid growth with characteristic patterns of exclusion. Exclusion continued in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc.

The sectoral, social and spatial inequalities have raised questions about welfare approaches of Government planning, and emphasized the role of the private sector in addressing development issues in the country.

Employment generation, social and developmental infrastructure, health-care and rural diversification are some of the major concerns.

Due to faulty approaches and often politically motivated policies, growth has generated inequalities. It is imperative for the planners and policy-makers to make growth inclusive through adoption of pragmatic policies.

The journey towards balancing the outcome of economic growth involves many challenges. The dominant challenges include the imperative of maintaining the acceleration of economic growth without compromising on human development and sustainability.

The Eleventh Five Year Plan Strategy is 'Towards Faster and More Inclusive Growth'.The Approach Paper states that the Plan provides "an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on brining the various divides that continue to fragment our society."

These are the broad objectives that successive Five Year Plans in India have sought to achieve in some form or the other right from the beginning. Of course, the context of economic reform, involving changes in the economic policy framework since 1991, has called for a careful scrutiny of the distributional consequences of the growth process and an appropriate strategy to deal with the emerging issues.

WHAT IS INCLUSIVE GROWTH?

The Eleventh Plan defined inclusive growth as a "growth process which yields broad-based benefits and ensures equality of opportunity for all" it stands for "equitable development" or "growth with social justice".

WHY INCLUSIVE GROWTH?

While it is quite evident that inclusive growth is imperative for achieving the equity objective, what is, perhaps, not so obvious is, why inclusive growth is now considered essential even to sustain the growth momentum.

Majority population living in rural areas, it is often identified with the agriculture sector. However, it is the unorganised non-farm sector that is increasingly absorbing most of the labour force.

This sector has huge potential for growth once there is sufficient investment in infrastructure ensuring linkage to markets and easier access to assets and skills. Infusion of appropriate technology, skills, and easier access to credit, especially start-up capital, apart from facilitating market development, can make this segment an expanding base for self-sustaining employment and wealth generation and also foster a culture of creative and competitive industry.

Entrepreneurial development has to be encouraged by having an enabling competitive environment and easy availability of finance for newer projects and enterprises.

In Prof. C. K. Prahalad's words, "If we stop thinking of the poor as victims or as a burden, and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole world of opportunity will open up."

Thus, there are several factors to be considered for inclusive growth. Uppermost among these, is the need for raising the allocative efficiency of investment and resource use across different sectors of economy – this can be met by addressing two basic supply-side issues viz.

(i) effective credit delivery system to facilitate productive investment in employment impacting sectors especially, agriculture, micro, small and medium enterprises and

(ii) large scale investment in infrastructural facilities like irrigation, roads, railways, communication, ports, power, rural/ urban reconstruction and in social infrastructure such as health care, education and sanitation.

INCLUSIVE GROWTH IN INDIA

From an annual average growth rate of 3.5 per cent during 1950 to 1980, the growth rate of the Indian economy accelerated to around 6.0 per cent in the 1980s and 1990s.

Reflecting the high economic growth and a moderation in population growth rate, the per capita income of the country also increased substantially in the recent years. An important characteristic of the high growth phase in recent years is its resilience to shocks.

The Indian economy, for instance, successfully avoided any adverse contagion impact of the East Asian crisis, sanctions like situation post-Pokhran nuclear test, and border conflict with a neighboring country during May-June 1999 and recent economic crisis in USA.

Despite the impressive numbers, growth has failed to be sufficiently inclusive, particularly after the mid-1990s. Agricultural sector which provides employment to around 60 per cent of the population lost its growth momentum from that point, though there has been a reversal of this trend since 2005-06.

The percentage of India's population below the poverty line has declined from 36 per cent in 1993-94 to 26 per cent in 1999-2000. The approach paper to the Eleventh Plan indicated that the absolute number of poor is estimated to be approximately 300 million in 2004-05.

Concerns about financial exclusion, especially in rural areas have surfaced in India in recent years following the results of the NSSO's All-India Debt and Investment Survey (AIDIS), 2002.

According to the Survey results, though the share of non-institutional sources of credit for the cultivator households had declined from 92.7 per cent in 1951 to 30.6 per cent in 1991, it had increased to 38.9 per cent in 2002 mainly due to increase in moneylenders' share. Simultaneously, the share of institutional sources such as commercial banks, co-operative societies, etc. increased from 7.3 per cent in 1951 to 66.3 per cent in 1991, before declining to 61.1 per cent in 2002.

It is expected that the doubling of agriculture credit and other measures since 2004 would have led to some improvement in the share of institutional sources.

CHALLENGES AHEAD AND SOLUTIONS:

The challenge is expressed in different ways—"improving quality of public expenditures" or "increasing institutional capacity" or "more effective implementation" or "better service delivery".

In sixty five years since its independence, India has been successful on a number of fronts: the country has maintained electoral democracy, reduced absolute poverty by more than half, dramatically improved literacy, and vastly improved health conditions. Its achievements have, however, created new challenges. Two of the most prominent are:

1. **Improving the delivery of core public services:** As incomes rise, citizens are demanding better delivery of core public services such as water and power supply, education, policing, sanitation, roads and public health. As physical access to services improves, issues of quality have become more central.

There are four avenues for reform: internal reform of public sector agencies; producing regular and reliable information for citizens; strengthening local governments and decentralizing responsibilities; and expanding the role of non-state providers. It however cautions that planned reform alone cannot bring about the desired changes - ultimately implementation is everything.

2. **Maintaining rapid growth while making growth more inclusive:** With growing disparities between urban and rural areas, prosperous and lagging states, skilled and low-skilled workers, the primary medium term policy challenge for India is not to raise growth from 8 to 10 percent but to sustain rapid growth while spreading its benefits more widely.

CONSTRAINTS TO OVERALL GROWTH:-

Infrastructure: India needs to invest an additional 3-4 per cent of GDP on infrastructure to sustain current levels of growth and to equalize its benefits. Although this will clearly require a government role, the relative roles of the government and private sector need to be defined.

The massive demands now on power networks, transport, urban infrastructure, and ports are the result of India's success in promoting economic growth. The danger is that poor economic infrastructure now will put a brake on that overall growth. Infrastructure is also important to equalize growth—investments that raise productivity and farmer incomes in agriculture, infrastructure that help jobs move to people, as well as the infrastructure that is needed to connect rural India with the benefits of a growing economy.

Fiscal deficit: The excess expenditure over income is to be funded almost wholly through government borrowing. Fiscal discipline is vital to contain this problem.

REFORMS TO IMPROVE ECONOMIC EFFICIENCY

Labor regulations: India's restrictive labor regulations have constrained the growth of the formal manufacturing sector. Better designed regulations can attract more labor- intensive investment and improve the job prospects for India's unemployed millions, those trapped in poor quality jobs, and the 80 million new entrants who are expected to join the work force over the next decade.

Financial sector: Problems in accessing finance are a major impediment to the performance of small and medium size businesses in India. Improving financial intermediation and ensuring broader access to financial services is critical for equalizing growth. Inclusive growth needs financial institutions to be strong and efficient.

The experience with cooperative banks under dual regulation, and deposit taking NBFCs with poor governance, points out the challenges in ensuring effective regulation and supervision of entities allowed to access public deposits.

While aligning regulation with international best practices, a more relaxed approach is adopted in India for smaller units such as regional rural banks and small urban cooperative banks operating within a district, without compromising on solvency and liquidity principles.

AGRICULTURE AND THE RURAL ECONOMY

Raising agricultural productivity requires a return to investments in agricultural technology and infrastructure. Getting the rural economy moving will also require facilitating rural-non farm entrepreneurship.

LAGGING STATES

Faster economic growth has seen rising inter-state disparities. Lagging states need to bring more jobs to their people by creating an attractive investment destination.

Reforming cumbersome regulatory procedures, improving rural connectivity, establishing law and order, creating a stable platform for natural resource investment that balances business interests with social concerns, and providing rural finance are important.Good understanding and coordination between the government machinery is essential for development and inclusive growth.

RIGHT TO INFORMATION ACT

This Act will make awareness among the people about different schemes introduced by the government from time to time and their implementation. This will help them for better utilization of the schemes.

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships (PPP) can play an increased role in the provision of services of all types, from telecommunications to health, from airport modernization to primary education. As with all other service delivery reforms merely involving the private sector (which could be either for profit or for non- profit (e.g. NGO)) cannot be expected to improve services unless it increases account abilities.

SOCIAL DEVELOPMENT

- In social sector, significant achievements in education and health.
- In the HDI index of India ranked at 119 in 2010. India belongs to Medium Human development category. UNDP 2010 report says that Indian income grows, but not development and it also pointed

out that income inequalities are increasing.
• Social indicators are much lower for Scheduled castes and Scheduled tribes.
• Malnutrition among children is one major problem (46% of children suffer from malnutrition) are to be given top priority for inclusive growth.

ENVIRONMENT
• Degradation of land, water. Increase in pollution levels
• Challenges of climate change
• Consumption patterns of rich
•Higher economic growth should not lead to decline in our environment

EMPOWERMENT AND OPPORTUNITY
In order to achieve inclusive growth, policy reforms should focus on empowerment and opportunity—enabling all Indian citizens to engage with the emerging economy on fair terms. Expanding rural infrastructure is good, but without complementary investments in empowerment and opportunity will not be enough. Increased access to rural finance can be important, but only if embedded with other reforms to make the rural economy work for the poor.

ACCOUNTABILITY OF REFORMS
Outlays do not necessarily mean outcomes. The people of the country are concerned with outcome. Emphasis should be laid on the need to improve the quality of implementation and enhance the efficiency and accountability of the delivery mechanism. The fruits of reforms are now being enjoyed by the rich and to some extent by the middle class and they are not reaching the poor. Hence, efforts should be made in this direction.

INCLUSIVE GROWTH WITH RESPECT TO EMPLOYMENT

• Generation of productive employment (decent work) for labour force in the economy, as employment is a key to inclusive growth,
• Employment generation in all sectors, regions and for all socio-economic groups
• Particularly (1) for poorer sections of population, (2) backward regions, (3) lagging sectors and (4) ST / SC / OBC / women etc
• Inclusion of small enterprises / producers preferably in a decentralized framework
• Controlling inequalities and disparities. In this context, NREGA is yielding good results, but the following loop-holes should be paid immediate attention.
• It lacks a long term perspective in designing and in implementation.
• Weak planning component: (1) lack of perspective planning, (2) lack of convergence and (3) lack of multi- level planning.
• Designing problems of NREGA: Role of institutions / social mobilization not recognized
• Lack of commitment, and poor supervision & monitoring
• Lack of political strategy to address structural issues
• Corruption.

LAND
While raising agricultural productivity is a must to cope with the shrinkage of agricultural land, the very slow growth of non-farm opportunities for employment (The rising demand for industrialization, including SEZs, and for housing in expanding urban areas) and livelihoods and social

security for small holders poses a challenge and argue for a careful and calibrated approach for land acquisition.

SOCIAL SECURITY
Providing social security is a challenge. As in the previous plans, the 11th Plan proposes targeted livelihood support programmes aimed at increasing productivity and incomes of the poor in several low income occupations, such as small and micro enterprises weavers, artisans, crafts men, etc. Lack of concern and commitment by the government poses a threat for the plight of these unorganized sections.

The recent suicides of weavers in certain parts of the country reflect lack of concern. In this context, the recommendation of National Commission for Enterprises in the unorganized Sector NCEUS 2006) assume significance.

The Government has introduced schemes to provide social security coverage through life cover, health insurance and old age pension on the lines recommended by NCEUS, but by restricting to sections of below poverty line (BPL) house holds. It will be better if this is extended to middle class house holds also.

INCLUSIVE GOVERNANCE
Governance has to be viewed and shaped in the context of ongoing social change through the functioning of our democratic system. Experience has amply demonstrated that anticipatory or inclusive governance is indispensable for achieving inclusive growth.

Creation of legal entitlements for an individual's right to work has added to resilienceand dynamism in our rural economy. The right to information and the right to education are effective tools of empowerment for removing social imbalances. The country has carried for long enough the burden of hunger and malnutrition.

After detailed consultations with all stakeholders including State Governments, we are close to the finalisation of National Food Security Bill (NFSB) which will be introduced in the Parliament during the course of this year.

To conclude, inclusive growth is a wider connotation encompassing social, economic and political factors. Socially, lack of inclusive growth leads to unrest among many people. The measures which raise equity also promote economic growth.

The political argument is that no government in a democracy can afford to ignore large sections of workers and non-working population. If it is not inclusive it can generate very severe social tensions. Thus, politically, for having a stable and democratic society one needs to have inclusive growth.

Components of Inclusive Growth :-

1. Agriculture Development
2. Industrial Development

3. Environment
4. Protection
5. Poverty Reduction
6. Employment Generation
7. Reduction in Regional Disparities
8. Equal distribution of income
9. Social Sector Development
10. Governance
11. Justice must reach the poor

Benefits of Inclusive Growth :-

1. Lower incidence of poverty.
2. Broad-based and significant improvement in health outcomes.
3. Universal access for children to school.
4. Increased access to higher education and improved standards of education, including skill development.
5. Better opportunities for both wage employment and livelihood.
6. Improvement in provision of basic amenities like water, electricity, roads, sanitation and housing.

9) "India's jobless growth is undermining its ability to reap the demographic dividend". Substantiate.

Answer Script:-

The last quarterly survey by the Labour Bureau showed that India has never created so few jobs, since the survey started in 2009, as in 2015: Only 1.35 lakh jobs compared to more than nine lakh in 2011 and 4.19 lakh in 2013 in eight labour-intensive industries (the only ones that are surveyed).

These figures are particularly alarming since almost one million new people enter the job market every month. As President Pranab Mukherjee said last month, "The Indian economy today needs to generate 115 million non-farm jobs over the next decade to gainfully employ its workforce and reap its demographic dividend." That is not the direction in which India is going.

In fact, the Economic Survey last year showed that during the last decade (2001-11), the growth rate of the labour force (2.23 per cent) was significantly higher than the growth rate of employment (1.4 per cent), which itself was several-fold less than the growth rate of the economy. According to Census 2011, the average growth rate of the economy was 7.7 per cent per annum, when it was only 1.8 per cent for employment.

This jobless growth, which has been more dramatic in the last two years, is probably the main issue of the Indian economy today.

It is largely responsible for demonstrations by young Patels of Gujarat and Jats of Haryana in the name of reservations. Since they can't get jobs in the private sector, they fall back on government jobs.

But the public sector is shrinking: Government jobs, which were 19.5 million in 1996-97, are about 17 million today. Not only are jobs fewer than before but those that are created are precarious and badly paid because of the informalisation of the economy. In fact, the share of registered manufacturing in employment peaked in 1984.

Jobless growth may be explained in many different ways, but two factors in particular need to be highlighted.

First, India has an employability problem. While the services can rather easily recruit skilled white-collar workers (IT engineers, English-speaking people for the call centres, etc), the industry cannot transform peasants into factory workers so quickly. Such a transition requires basic training, which is missing.

The 2015 Economic Survey assessed that "6.8 per cent persons aged 15 years and above are reported to have received/ be receiving vocational training". These data reflect a larger problem: Primary and secondary education, where the dropout rate remains very high, provides a poor education.

In this context, the minuscule increase in the share of education in the 2015-16 budget, from 3 to 3.1 per cent, will hardly make any significant difference.

The fact that the government seems to rely on private initiatives in this domain also stands in stark contrast to an obvious reality: No country has developed without a robust public education system.

The **second** factor that needs to be pointed out pertains to the small and medium enterprises (SMEs). Their labour intensity is four times higher than that of large firms. The multinationals are particularly capitalistic, as evident from the commitments/ promises expressed during the last "Make in India Week" in February.

While the investment commitments were impressive at $225 billion over five years, the fact that they would translate into the creation of 6 million jobs only was not trumpeted. In fact, the Make in India programme is revealing of the jobless growth syndrome: Highly capitalistic multinationals will start factories in India to sell their products to the white-collar middle class but will not create the manufacturing workforce the country is longing for.

SMEs, which employ 40 per cent of the workforce of the country and which represent about 45 per cent of India's manufacturing output and 40 per cent of India's total exports, are in a better position to do so — but they are not treated well.

First, Issues in SME financing approximately 95 per cent of units still require to be brought into banking fold". As a result, they get a small share of the net credit of India's domestic banks, whereas these banks are mandated to register at least 20 per cent year-to-year growth in credit to micro and small enterprises. Instead of increasing their loans to SMEs, public banks are asked to lend money to big companies.

Second, the SMEs are badly affected by the erosion of state protections which harked back to the Gandhian era.

Moreover ,the growth is led by consumption and lack of enough investment in enhancing human capital along with lack of turnaround of industrial sector are seen as the obstacle to reap the demographic dividend of India.

---

10) "We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another". In light of this statement assess India's preparedness to reap the benefits of the much touted "Fourth Industrial Revolution".

Answer Script:-

The big buzz at the World Economic Forum (WEF) in Davos this year is about the 'Fourth Industrial Revolution', described by the founder and executive chairman of WEF, Klaus Schwab, as a "technological revolution that will fundamentally alter the way we live, work and relate to one another".

The fourth industrial revolution is conceptualised as an upgrade on the third revolution — and is marked by a fusion of technologies straddling the physical, digital and biological worlds. In a paper on The Fourth Industrial Revolution: what it means, how to respond, Schwab says that three things about the ongoing transformation mark it out as a new phase rather than a prolongation of the current revolution — velocity, scope, and systems impact. The speed of change is utterly unprecedented, it is disrupting almost every industry in every country, and it heralds "the transformation of entire systems of production, management, and governance".

Case of India:-

In 1750 AD, India's share of global industrial output was 25%; by 1900, this had declined to 2%. The reasons were the chaos triggered by the decline of the Mughal empire, colonization by Britain and the first industrial revolution.

Like China, India missed out on the industrial revolution which saw the invention of the steam engine and powered looms and unleashed a productivity revolution. As a result, our handloom industry was decimated; India became deindustrialized and fell into abject poverty. China has re-industrialized with a vengeance, while India is still struggling to catch up.

This bit of history is more relevant than ever. The industrial revolution was a massive disruption. Countries that drove it or embraced it went from rags to riches, while those that missed out went from riches to rags.

Today, we are in the midst of the fourth industrial revolution that promises to be profoundly more disruptive. The question is whether India is positioning itself to ride this tidal wave or whether once again we will be swept away by it.

The world is at the beginning of a revolution where there are huge advances in genomics, artificial intelligence, materials and manufacturing technologies. Machines are closing in on human ability with astonishing speed. Robots are replacing humans not just on factory floors but in homes too. Reusable rockets promise to make space travel and colonies on Mars and the moon a reality.

Possibly in our own lifetime, we will reach a point called "singularity" where machines become as smart as humans and then keep getting smarter. We will soon be able to edit genes to create favourable traits and new life forms. Science fiction is becoming reality.

As with previous industrial revolutions, new technologies will create new jobs and simultaneously destroy many old ones. The rise of machines, from robots to smart software, threatens to impact not just low-skilled factory workers, but everyone including software engineers, stock traders and taxi drivers.

Even chief executive officers are not exempt; a recent McKinsey study estimates that half the tasks done by CXOs can be automated. While in the long run, it is possible that more jobs will be created than are destroyed; in the medium term, the opposite will be true.

An Oxford study estimates that 47% of the jobs in the US, 69% of the jobs in India and 77% of the jobs in China will not exist in 25 years. This is not conjecture. China's factories are adding robots faster than they are hiring people. India's information technology sector is already witnessing jobless growth and total employment may have peaked.

The really vital question is this. While lots of people will lose their jobs all over the world, where will the new jobs be?

Today, much of the world's fundamental research and innovation is happening in the US. Disruption is being driven very disproportionately by American companies such as Google, Amazon, Tesla, Illumina or First Solar.

The chances are quite high therefore that the bulk of the new jobs will be created in the US. This is important. In the first industrial revolution, Britain and Europe were able to export the job losses created by machinery to colonies such as India. Productivity growth and trade eventually resulted in enormous job and wealth creation in Europe even as it resulted in famine and devastation in India, China and Africa.

Let us assume that all the new developments will create five new high-end jobs and destroy 10. Current trends would suggest two of these will be in the US, two in China and perhaps one in Europe. If this is true, do countries like India once again become colonies? Not of countries perhaps but of companies such as Google, Pfizer or Monsanto? Do we simply become markets for innovations developed elsewhere? Will the vast majority of our people then live on subsistence-wage service jobs? Is India doomed to remain a low-middle-income country?

India is already facing a severe jobs crisis. The consequences of the fourth industrial revolution are truly frightening unless, of course, we learn to ride this wave. But what exactly does that take?

People often wistfully wonder whether India will have its own Microsoft or Google. This is exactly like wondering when we will win an Olympic gold medal. If we win a gold medal, it will be because of a freak event—a person of extraordinary ability and tenacity—not because of the system.

What allowed Apple, Microsoft and Google to emerge is fundamental scientific research at world-class corporate labs such as Xerox PARC or Bell Labs and universities such as Stanford and Massachusetts Institute of Technology. The US government has played a vital role in underwriting high-risk, long-term research projects through institutions such as Defense Advanced Research Projects Agency and National Science Foundation; virtually all the technology in the iPhone was funded this way.

Sensible immigration policies attracted the brightest minds from India, China, Russia and Hungary to these labs. Finally, a vibrant entrepreneurial ecosystem allowed the commercialization of research.

The contrast could not be more stark. There is almost no understanding or discourse on these matters in India; our policymakers, scientists and business leaders are firmly stuck in the old paradigm.

Not one Indian university is ranked in the global top 300. It is hard to think of a single Indian company that is at the leading edge of any of the disciplines that matter to the future. To do cutting-edge work in most scientific and engineering disciplines, our finest minds have either to join the research and development centre of a multinational company or leave the country. Government funding for science-based technology research has been minuscule. It is no wonder that all our entrepreneurial activity is restricted to me-too businesses rather that game-changing ideas.

The fourth industrial revolution simultaneously poses the biggest opportunity and the largest threat to a prosperous future. India cannot afford to squander this moment. What we need urgently is a national mission like the Apollo space programme.

---

11) "e-NAM - the e-trading platform for the National Agriculture Market can be a great enabler as far as farmer's income is concerned, however there are some bottlenecks to harvest the benefits of e-NAM". Discuss.

Answer Script:-

Indian agriculture has traditionally been marred by sub-scale farming operations, over-dependency on monsoons and poor supply chains, resulting in inadequate price realizations.

Every central government has juggled between guaranteeing minimum prices for farmers and managing food inflation. The compounding effects of these issues have kept Indian farmers struggling for subsistence incomes.

The central and state governments have attempted to manage this complex supply-demand equilibrium of agricultural produce through minimum support prices, buying produce directly for the Food Corporation of India (FCI) stocks from the farmers and repeatedly urging APMCs to unshackle their stringent rules.

The small-scale farmers, however, continue to be condemned to running a difficult commercial operation, the alternatives being a search for temporary farm wage jobs or migrating to cities.

In 2003, the government under prime minister Atal Bihari Vajpayee tried to reform the APMCs. The government created a model act, which asked states to enact laws to:

1. · Remove licences for APMC agents
2. · Permit creation of new APMCs outside of the existing ones like the cooperatives
3. · Remove multiple levies
4. · Permit contract farming for bulk buyers
5. · Create special markets for different types of commodities with varying restrictions, especially opening up the markets for non-perishables
6. · Goad APMCs to invest in modern supply chains from the profits they make

7. · Allow direct sale of farm produce to large buyers

States have since moved in this direction at varying pace. Most of the more than 7,300 APMCs in the country, including the 600-odd district-level APMCs, continue to be run by a middlemen network that is busy choking farmers' access to the buyers in the supply chain.

The programme has opened up an opportunity after 13 years of Vajpayee's stillborn efforts to reduce Indian agrarian distress. **To ensure that e-NAM gets adopted in spirit and benefits the small-scale farmers across the country, the government still has some way to go. Here are 10 areas that should be a point of focus in the next couple of years:**

1. Encouraging states to participate in e-NAM

2. Enabling large *mandis* to lead the way

3. Achieving success early

4. Standardisation of quality of produce

A key aspect that can delay adoption will be the differing quality of the same commodity across the markets. When a buyer purchases a share of a blue chip on an electronic stock market, the share has the same characteristic as that bought by every other buyer on that market. This is not true for agriculture commodities. The type of wheat in Punjab and MP will differ significantly. Even the type of wheat in western and eastern MP will differ from each other.

While the e-NAM will have the provision of quality assessors to certify the produce, there has to be an institutional attempt for quality standardisation, like the option of buying and selling half-a-dozen types of wheat, aggregated for similar characteristics. These teething issues should be addressed on priority.

5. Clearing, settlement and counter guarantees

All trading markets have an associated element of clearing (matching buyers and sellers and assigning trades) and settlement (exchange of the traded commodity and money between buyers and sellers). While there is a network of banks that will participate in the e-NAM for the financial operations, there may be initial hesitation for participants to sign up due to the opaqueness of counter guarantees in place.

As of now, the middlemen in the *mandis* perform these functions, and personal trust is key underwriting element despite the routine financial gouging involved. The government may have to spend time and resources in educating potential participants in the market, making features and associated fallbacks of e-NAM.

When Indian Railways first launched online ticket booking, the traditional agents who used to facilitate physical ticket bookings did not lose business. They just started operating online terminals, still charging the small one-off ticket buyers for the facility. The APMCs and their intermediaries may well replicate this same behaviour. Admittedly, it will be a more transparent operation for farmers, but the government must strive to scale up e-NAM like the fully functional IRCTC website sooner rather than later.

6. Standardisation of quantities

Electronic markets of all kinds have a concept of lot sizes – the minimum quantities that can be traded. In the case of agricultural commodities, this is a big issue, especially for the small farmers. While a farmer may be willing to sell his produce on the e-NAM, the operation has to be practical – the seller should not incur very high transportation and shipment charges; it would make his price untenable. With the logistics business booming across the country, there's a case for the government to address this issue with the help of technology and private participation.

7. Storage facilities and supply chain technology

Since most APMCs have not invested in basic facilities like warehouses, cold storages and inventory management systems, storing agricultural produce before or after trading is very difficult for farmers. Today's systems are based on the assumption that the farmer will not store the produce anywhere except at the farm gates, and then transport it a short distance to the nearest *mandis.* However, proper price discovery and national trading needs to be backed up by massive investment in storage sites and facilities. The 2016-17 Union Budget opened up the food-processing sector for foreign direct investment (FDI). This change coupled with the logistics boom should reflect in the agricultural supply chains in the short-term.

8. Easier transportation of agricultural produce

Most farmers today use small vehicles to take their produce to the nearby *mandis.* However, national markets would require movement of the agricultural produce, including perishable ones, across the district and state borders. The maze of permits, the condition of the road network, the ability of the railways to transport commodities at a scale – are some of the areas the central government has to focus on, on priority. Else, the APMC middlemen may cite impracticality of transport options as proof against e-NAM being an effective replacement for their committees.

9. Investment in special transportation vehicles

As India looks to scale up manufacturing, the government can creatively bridge the lack of specialised agricultural produce transportation vehicles with the help of the 'Make In India' programme. If private players can be encouraged to spend on research and development on "mobile cold storages" and large farmers, APMCs or transport operators can be encouraged to buy fit-for-purpose vehicles, the reach of the e-NAM may widen fast. Ultimately, the farmers will benefit in spite of the geographical boundaries.

10. Short-term financing

The APMCs and their agents today perform a central function in the supply chain, which is to make short-term finances available at high rates of interest. These middlemen are also the first port-of-call for many farmers for their day-to-day as well as long-term (e.g. marriage, education) cash requirements, thus doubling up as moneylenders. Financial inclusion has naturally been a key area for the Modi government, with a slew of measures adopted to bring the bottom of the pyramid population into the financial net. The government should find a way to extend these inclusion programmes for agricultural credit, which can ultimately make the adoption of e-NAM successful.

The adoption of e-NAM is a test of implementation for the Modi government. The eventual success of the market will also depend on the enthusiasm and participation of the state governments. The central government has been able to create a fairly broad consensus and a sense of competition among the states in areas like ease of doing business, power distribution reforms and smart cities. The same zeal and a federal outlook need to be urgently applied to the e-NAM. The good news is that there are examples of targeted success already in this area. The *e-choupal,* run by the consumer goods major ITC for many years, has addressed many of the above issues already.

The ministries concerned – agriculture, food processing, food and civil supplies, road transportation and highways and finance – have to come together to create fully-packaged solutions with a long-term vision. The Ministry of Agriculture can lead this effort with the help of sector experience, innovative ideas, technology, and the capacity for risk-taking and entrepreneurship, and usher in real rural transformation.

---

12) "India has been a political union for many decades, now the time has come for India to become economic union". Discuss it in light of the recent developments with respect to Goods and Services Tax.

Approach:-

1. Discuss the implications of GST
2. Then discuss how it can make an economic union

Answer Script:-

In recent times, India has been abuzz with criticism on its archaic taxation structure and there is push for a simpler, flat tax structure that will potentially do away with the complicated policy. As the next level policy reform in indirect taxation, Goods and services tax (GST) has taken a centre stage in this respect and is hoped to iron out the wrinkles in the existing tax system. Tax policies play an important role on the economy through their impact on both efficiency & equity and its high time India braced itself for a relook at the current status.

Historically, India has relied too much on indirect taxation because of political compulsions, an agrarian economy, low income levels and lack of infrastructure to track personal income. In order to simplify and rationalize indirect tax structures, government of India attempted various tax policy reforms at different points of time.

While VAT was a welcome change during 2005, over the years, people have identified shortcomings in the structure while levying VAT both at Central level and State level. Also, CENVAT has the limitation of non-inclusion of several taxes such as VAT, ACD, surcharge etc. In the present state-level VAT scheme, there is a cascading effect on account of CENVAT element.

Lastly, there is lack of integration of VAT on goods with tax on services at the state level and hence the cascading effect of service tax.

To address such issues cited above, a comprehensive tax reform (GST is a part) having an extensive base to kick-start the applicability of an efficient and harmonized consumption tax system has been proposed.

While the lower house has cleared the passage of the bill, it's still pending in the upper house. GST has been commonly accepted around the world and more than 140 countries have acknowledged the same which ranges between 15%- 20% in most of the countries.

GST is a value added tax which will be levied on both goods and services (except for a list of exempted goods and services) at both the centre and state level (Central GST and State GST respectively).

This is going to be one single tax which will be levied on the product or service which is being sold. In effect, multiple taxes like CENVAT, central sales tax, state sales tax, octroi etc. will be replaced by GST.

This comprehensive tax will cover all stages during production to sale and will be levied only on the value added at each stage of the process. What will GST achieve as a policy reform measure?

Economic union of India: The debate about India as one republic union versus a federation of states will be put to rest. Goods can easily move across the country with diffused state boundaries and that will encourage businesses to focus on pan-India operations.

Simpler tax structure: By merging all levies on goods and services into one, GST acquires a very simple and transparent character with less paperwork and reduction in accounting complexities. A simple taxation regime can make the manufacturing sector more competitive and save both money and time.

Uniform tax regime: With only one or two tax rates across the supply chain as against multiple tax structure at present, state specific advantages/disadvantages are gone. This provides a fair play ground for all stakeholders and focus can be brought in to efficiency rather than vantage points.

Greater tax revenues: A simpler tax structure can bring about greater compliance, thus increasing the number of tax payers and in turn tax revenues for the government. By removing cascading effect, layers of taxes and simplifying structures, the GST would encourage compliance, which is also expected to widen the tax base.

Competitive pricing: A cursory look at the retail price of any product manufactured in India reveals that the total tax component is roughly 25-30% of the cost of the product. GST will effectively mean that the tax paid by the final consumer will come down in most cases and will help in boosting consumption, which is again beneficial to companies.

Push to exports: With fall in production cost in domestic market, the competitiveness of Indian goods in international market will increase. This bodes well for exporters, who compete with global manufacturers which operate on very different cost structures.

Keeping all these potential benefits in account, a study by the National Council of Applied Economic Research says that GST will boost India's GDP growth by anywhere around 0.9% to 1.7% and virtually every media report cites expert opinion to potentially add up to 2% to India's GDP.

However, there are sticky issues like taxation on inter-state services, stock transfers, integration of few central & state taxes etc. which need attention before India makes a decisive move.

Conclusion:-

In terms of growth, price, current account and budget balance, the macroeconomic impact of a change to the introduction of the GST will be significant. With a burgeoning services sector and a high economic growth trajectory that India is in today, a shift in income based tax to consumption based tax is going to provide substantial fillip to source of revenue.

Of course, there will be a short lived limited price impact on the larger economy with introduction of GST. However, a larger impact is expected on the administrative compliance cost of GST which is likely to increase tax revenue from the "parallel" or "black" economy.

In an era where the administration is treading cautiously on fiscal deficit management, a complete failure to implement GST would result in surging deficit to around 4-4.2% during FY16-17 from 3.99% today. So the question that all of us should ponder over is how soon we can bring in GST than whether we should.

---

13) Discuss the various challenges faced by major ports in India. How can the recently proposed Sagarmala initiative be able to overcome this hurdles?

Answer Script:-

Problems faced by port sector in India:

- A recent study by the Bureau of Research on Industry and Economic Fundamentals (BRIEF) titled 'Bridging Infrastructural Deficits at Select Trade Ports in India' observed that seaports displayed specific patterns of issues based on differences in geography, infrastructural capacity, operational aspects, contractual arrangements, and so on.
- For instance, the Haldia Dock Complex in Haldia, West Bengal, being a riverine port, faces the **natural challenge of heavy siltation and inadequate dredging capacities**.
- The issue of **semi-mechanisation and manual handling of critical processes** having a cascading effect on overall operational efficiency is evident at another eastern port — the Paradip Port in Odisha.
-
    - The process of unloading from ships to evacuation through rakes entails the use of outdated equipment cranes and grabs with low-evacuation capacity and is **impeded with operational glitches** such as the process of manual loading of cargo on rakes.

- **Congestion at the approach roads** is a common problem observed at quite a few Indian port like the Jawaharlal Nehru Port in Maharashtra.
-
    - The study findings report heavy congestion en route to the port as well as inside the port, leaving trucks stranded for days — with queues extending to as long as 12 km — thereby leading to inordinate delays and increased transaction costs.
- Some of the ports provide insights into **certain regulatory and policy aspects that deserve attention.**
-
    - For example, the royalty/revenue share issue at the V.O. Chidambaranar Port (VOCPT) can be seen as a classic example providing incisive details as the country takes forward its port privatisation programme in the years to come.
    - The prolonged tryst between the terminal operator and the port authorities over royalty coupled with contractual ambiguities has continually **marred infrastructural utilisation, restructuring and modernisation** as well as operational improvements at the terminal.
- **Underutilisation of physical infrastructure** in particular though is extremely prevalent at another private terminal — the Vallarpadam International Container Transhipment Terminal — at the Cochin Port.
-
    - The major issue faced at the port, however, **is its tariff structure**. The tariff determined for the port by the Tariff Authority for Major Ports (TAMP) was reported to be almost three times that of other major ports, which renders the port uncompetitive

Measures taken so far :-

- **Sagarmala programme**-leads to port led development ,improve coastal economy,modernize ports and integrate them with SEZ.it reduces the logistic costs of shipping
- Industrial clusters are being created along the coast.
- **Port rail connectivity corporation** has been created with the responsibility of connecting industrial hubs to various ports by trains.
- **Make in India** gives impetus to the ship building industry
- **Port mechanization and modernization programme** in order to enhance port infrastructure.
- Recognising the important role port-led development can play in India, the Central government has undertaken several initiatives such as development of new ports,

modernisation and mechanisation of the existing ones, and reduction of logistics costs through the implementation of increased waterways transport. These are also in line with the vision of initiatives such as 'Make in India'.

Measures needed:-

- In terms of **infrastructure**, it is important to maintain **draft to serve bigger vessels, ensure mechanisation of ports through introduction of new equipment and procedures**, build new facilities, upgrade existing facilities and automate systems/procedures.
- In terms of **policy and regulatory reforms**, it is important to streamline tariff determination by TAMP along with a provision for periodic revisions
- ensure **transparent and effective contractual arrangements in PPPs**
- implement strengthened communication platforms for seamless information flow among stakeholders
- strengthen system integration, ensure paperless clearance of procedures and transactions, develop user information portals, and so on.

Sagarmala:-

Apart from reviving the ports currently operational, these measures, if duly incorporated, promise to sufficiently bolster prospective ventures as the country moves towards an optimistic maritime trade regime.

The Sagarmala project seeks to develop a string of ports around India's coast. The objective of this initiative is to promote "Port-led development" along India's 7500 km long coastline.

- It aims to develop access to new development regions with intermodal solutions and promotion of the optimum modal split, enhanced connectivity with main economic centres and beyond through expansion of rail, inland water, coastal and road services.
- The **Union Ministry of Shipping has been appointed as the nodal ministry** for this initiative.

The Sagarmala initiative will address challenges by focusing on three pillars of development, namely:

- Supporting and enabling Port-led Development through appropriate policy and institutional interventions and providing for an institutional framework for ensuring inter-agency and ministries/departments/states' collaboration for integrated development.
- Port Infrastructure Enhancement, including modernization and setting up of new ports.
- Efficient Evacuation to and from hinterland.

Other objectives:

- In addition to strengthening port and evacuation infrastructure, it also aims at simplifying procedures used at ports for cargo movement and promotes usage of electronic channels for information exchange leading to quick, efficient, hassle-free and seamless cargo movement.

- It also strives to ensure sustainable development of the population living in the Coastal Economic Zone (CEZ). This would be done by synergising and coordinating with State Governments and line Ministries of Central Government through their existing schemes and programmes such as those related to community and rural development, tribal development and employment generation, fisheries, skill development, tourism promotion etc.

---

14) "By and large land reforms in India enacted so far and those contemplated in the near future are in the right direction; and yet due to lack of implementation the actual results are far from satisfactory". Substantiate.

Answer Script:-

If China has continued to be stable in spite of its size, defying the biological dictum that corpulence is a sign of decay, China watchers ascribe it to their land reforms. In India everyone was talking about land reforms but this vital area has taken a back seat with nothing being done.

Land reforms have been half-heartedly attempted at various times and this has proved to be a case of the remedy being worse than the disease. Commenting on the process of land reforms, Prof. M.L. Dantwala observes; "By and large land reforms in India enacted so far and those contemplated in the near future are in the right direction; and yet due to lack of implementation the actual results are far from satisfactory".

Joshi observes: "There is no doubt that during the past twenty five years land reforms in India have not assumed the form of gigantic revolutionary upheaval as in China, or that of a dramatic change brought about from above as in Japan. But from this to jump to the conclusion that the land reforms programme has been a hoax or a total fiasco is to substitute assertion for a detailed empirical examination. India has also witnessed important changes in the agrarian structure, which have gone unnoticed because of the absence of a down-to-earth approach in assessing these changes.

Evaluating the Indian land reforms, a recent comment from G.S. Balla is apt. He observes: "The Indian Government was committed to land reforms and consequently laws were passed by all the State Governments during the Fifties with the avowed aim of abolishing landlordism, distributing land through imposition of ceilings, protection of tenants and consolidation of land-holdings. One of the significant achievements of these acts was the abolition of absentee landlordism in several parts of India. However, land reforms were half-hearted with regard to the imposition of ceilings and security of tenure. Consequently, the skewness in land distribution was not reduced in any significant manner. Further, a very large number of tenants were actually evicted in the name of self-cultivation. In spite of it, land reforms brought about a significant change in land relations in so far as self-cultivation, rather than absentee landlordism, became a predominant mode of production.

The Government of India is aware that agricultural development in India could be achieved only with the reform of India's rural institutional structure. It was said that the extent of the utilisation of agricultural resources would be determined by the institutional framework under which the various inputs were put to use. M. Dandekar observed: "Among the actions intended to release the force which may initiate or accelerate the process of economic growth, agrarian reform usually receives high priority". The First Five-Year Plan stated:"This (land reform) is a fundamental issue of national importance. The former Prime Minister, Indira Gandhi, emphasised: "Land Reforms is the most crucial test which our political system must pass in order to survive." Land reforms therefore became one of the vital aspects of the agricultural development policy especially after the concept of the Five-Year Plan came to stay.

The important objectives of land reform measures in India were: (1) to enhance the productivity of land by improving the economic conditions of farmers and tenants so that they may have the interest to invest in and improve agriculture, (2) to ensure distributive justice and to create an egalitarian society by eliminating all forms of exploitation, (3) to create a system of peasant proprietorship with the motto of land to the tiller and (4) to transfer the incomes of the few to many so that the demand for consumer goods would be created.

The Second Five-Year Plan emphasised the objectives of the land reforms thus:

i. To remove the impediments in the way of agricultural production as may arise from the character of agrarian structure and to evolve an agrarian economy conducive of high levels of efficiency and productivity;

ii. To establish an egalitarian society and to eliminate social inequality;

Again in the Third Plan, the Planning Commission summed up the objectives of land reforms thus "The first is to remove such impediments to increase in agricultural production as may arise from the agrarian structure inherited from the past. This should help to create conditions for evolving as speedily as possible an agricultural economy with a high level of efficiency. The second objective, which is closely related to the first, is to eliminate all elements of exploitation and social injustice within the agrarian system to provide security for the tiller of the soil and assure equality of status and opportunity to all the sections of the rural population". Thus the land reforms in India aimed at the redistribution of ownership holdings and reorganising operational holdings from the view point of optimum utilisation of land. It has also aimed at providing security of tenure, fixation of rents and conferment of ownership.

After Independence, attempts had been made to alter the pattern of distribution of land holdings on the basis of four types of experiments, namely;

i. Land reforms "from above" through legislation on the lines broadly indicated by the Central Government, enacted by the State legislators, and finally implemented by the agencies of the State Government.

ii. Land reforms "from above" as in the case of Telengana and the naxalite movement also to some extent in the case of the "Land Grab" movement.

iii. Land reforms through legislative enactments "from above" combined with peasant mobilisation "from below" as in the case of controlled land seizure in West Bengal and protection of poor peasants in Kerala.

iv. Land reforms "from below" through permission of landlords and peaceful processions by peasants as in the case of Bhoodan and Gramdan.

The land reform legislation was passed by all the State Governments during the Fifties touching upon these measures;

1. Abolition of intermediaries.
2. Tenancy reforms to regulate fair rent and provide security to tenure.
3. Ceilings on holdings and distribution of surplus land among the landlords.
4. Consolidation of holdings and prevention of their further fragmentation and
5. Development of cooperative farming.

The Zamindars acted as the intermediaries. Until Independence, a large part of agricultural land was held by the intermediaries under the zamindari, mahalwari and ryotwari systems. Consequently, the tenants were burdened with high rents, unproductive cultivation and other forms of exploitation.

By 1972, laws had been passed in all the States to abolish intermediaries. All of them had two principles in common: 1) abolition of intermediaries between the state and the cultivator and 2) the payment of compensation to the owners. But there was no clear mention about just and equitable compensation. Therefore, the Zamindari Abolition Act was challenged in the High Courts and the Supreme Court. But the Government accomplished the task of abolishing intermediary tenures bringing nearly 20 million cultivators into direct contact with the state. Nearly 57.7 lakh hectares were distributed to landless agriculturists after the successful completion of the Zamindari Abolition Act. The abolition also had a favourable economic impact on the country. By conferring the ownership of land to the tiller, the Government provided an incentive to improve cultivation. This paved the way for increase in efficiency and yield. This was an important step towards the establishment of socialism and the Government revenue increased. It also ushered in cooperative farming.

The efficacy of the legislation was, however, considerably reduced for the following reasons;

1. The act did not benefit sub-tenants and share croppers, as they did not have occupancy rights on the land they cultivated.
2. Intermediaries were abolished, but the rent receiving class continued to exist.
3. Many landlords managed to retain considerable land areas under the various provisions of the laws. Benami holdings became the order of the day in many States.
4. The problems of transferring ownership rights from the actual cultivators of the land, the tenants, the sub-tenants, share croppers, therefore, remained far from resolved.

Result, land reforms remain incomplete and unfinished.

The tenancy reform measures were of three kinds and they were 1) regulation of rent 2) security of tenure and 3) conferring ownership to tenants.

After independence, the payment of rent by the tenants of all classes and the rate of rent were regulated by legislation. The first Five-Year Plan laid down that rent should not exceed one-fifth to one-fourth of the total produce. The law along these lines has been enacted in all the States. The maximum rate of rent should not exceed that suggested by the Planning Commission in all parts of the States. Maximum rents differed from one State to another - Rajasthan, Maharashtra and Gujarat fixed one-sixth of the produce as maximum rent. In Kerala, it ranges between one-fourth and one-third and in the Punjab one-third. In Tamil Nadu, the rent varies from one-third to 40 per cent of the produce. In Andhra Pradesh it is one-fourth for irrigated land. The rent could be paid in cash instead of kind.

With a view to ensuring security of tenure, various State Governments have passed laws which have three essential aims 1) Ejectment does not take place except with the provisions of law, 2) the land may be taken over by the owners for personal cultivation only, and 3) in the event of resumption the tenant is assured of the prescribed minimum areas.

The measures adopted in different States fall in four categories; First, all the tenants cultivating a portion of land have been given full security of tenure without the land owners having any right to resume land for personal cultivation. This is in operation in Uttar Pradesh and Delhi. Secondly, land owners are permitted to resume a limited area for personal cultivation, but they should provide a minimum area to the tenants. This is in vogue in Assam, Maharashtra, Gujarat, Punjab and Rajasthan. Thirdly, the landowner can resume only a limited extent of land and the tenant is not be entitled to any part of it. This is operating in West Bengal, Jammu and Kashmir.

In Tamil Nadu, Karnataka, Kerala, Andhra Pradesh and Orissa, measures in the form of an order for staying ejectments have been adopted to give temporary protection to the tenants.

Fourthly, ligislative measures have also indicated the circumstances under which only ejectments are permitted. These grounds are (a) non-payment of rent (b) performance of an act which is destructive or permanently injurious to land (c) subletting the land (d) using the land for purpose other than agriculture and (d) reclamation of land for personal cultivation by the landlords.

The ultimate aim of land reforms in India is to confer the rights of ownership to tenants to the larger possible extent. Towards this end, the Government has taken three measures: (1) declaring tenants as owners and requiring them to pay compensation to owners in suitable installments (2) acquisition of the right of ownership by the State on payment of compensation and transfer of ownership to tenants and (3) the states' acquisition of the landlords' rights bring the tenants into direct relationship with the States.

As a result of all these measures, 92 per cent of the holdings are wholly owned and self-operated in the country today. In spite of the progress made in this regard, the tenancy reforms are still plagued by deficiencies some of which are: 1) the tenancy reforms have excluded the share croppers who form the bulk of the tenant cultivators, 2) ejection of tenants still takes place on several ground 3) the right or resumption given in the legislation has led to land grabbing by the unscrupulous 4) fair rents are not uniform and not implemented in various States because of the acute land hunger existing in the country 5) ownership rights could not be conferred on a large body of tenants because of the high rates of compensation to be paid by the tenants. The proof of continuous possession for 12 consecutive years to get occupancy rights also led to tardy implementation of tenancy reforms.

One of the controversial measures of land reforms in India is the ceiling on land holding. By 1961-62, ceiling legislation had been passed in all the States. The levels vary from State to State, and are different for food and cash crops. In Uttar Pradesh and West Bengal, for example, the ceiling on existing holding is 40 acres and 25 acres and on future acquisitions 121/1 acres and 25 acres respectively. J In Punjab, it ranges from 27 acres to 100 acres, in Rajasthan 22 acres to 236 acres and in Madhya Pradesh 25 acres to 75 acres. The unit of application of ceiling also differs from State to State. In Andhra Pradesh, Assam, Bihar, Punjab, Haryana, Uttar Pradesh, West Bengal, Madhya Pradesh and Maharshtra, it is on the basis of a 'land holder', whereas in the other States it is one the basis of a 'family'.

In order to bring about uniformity, a new policy was evolved in 1971. The main features were:

a. Lowering of ceiling to 28 acres of wet land and 54 acres of unirrigated land

b. A change over to family rather than the individual as the unit for determining land holdings lowered ceiling for a family of five.

c. Fewer exemptions from ceilings

d. Retrospective application of the law for declaring benami transactions null and void; and

e. No scope to move the court on ground of infringement of fundamental rights

Besides, national guidelines were issued in 1972, which specified the land ceiling limit as;

i. The best land 10 acres

ii. For second class land 18-27 acres; and

iii. For the rest, 27-54 acres with a slightly higher limit in the hill and desert areas

According to the figures available till the beginning of the Seventh Plan, the area declared surplus is 72 lakh acres; the area taken over by the Government is 56 lakh acres; and the area actually distributed is only 44 lakh acres. Thus, 28 lakh acres of land declared surplus have not been distributed so far. Of this, 16 lakh reserved for specific public purposes.

The process involved in the distribution of surplus land was complicated and time consuming thanks to the intervention of the court. Many land owners surrendered but only inferior and uncultivable land. The allottees, in many cases, could not make proper use of the land as they did not have the money to improve the soil.

Several States have passed the Consolidation of Holdings Act. Statistics reveal that 518 lakhs of hectares had been consolidated in the country at the beginning of the Seventh Five Year Plan, which constitute about 33% of the cultivatable land. The food and the agricultural organisation (FAO), after studying the position in Punjab and Uttar Pradesh regarding the operation of the consolidation of holding act, remarked;" A significant reduction in the cost of cultivation, increased cropping intensity and a more remunerative cropping pattern were developed in these two States."

The Planning Commission in the first three Five Year Plans, chalked out detailed plans for the development of cooperative farming. Only two per cent of the agriculturists have formed cooperative societies farming only 0.2 per cent of the total cultivable area. Cooperative farming has certain difficulties to surmount. The big and marginal farmers are sceptical and the small peasants are not easily convinced that the movement would help them.

Assessed from the point of view of two broad objectives namely, social justice and economic efficiency, land reforms, one might say, has been partially successful. Since the adoption of land reforms, the pattern of ownership in the country is changed but one wonders whether it will ensure social justice in the country. Indian agriculture is in a stage of transition, from a predominantly semi-feudal oriented agriculture characterised by large-scale leasing and subsistence farming to commercialised agriculture or marker oriented farming. Another noteworthy feature is the emergence of modern farmers who are substantial landholders and cultivate their land through hired labourers using new techniques.

One of the major negative features of agrarian transition in India is the continued concentration of land in the hands of the upper strata of the rural society. This has not undergone any change in the past five decades, despite the reforms. In fact, leasing in by the affluent farmer is common place.

An outstanding development of Indian Agriculture was the rapid growth of landless agricultural labourers. They constitute about 10 per cent of the agricultural population and make up about 25 per cent of the labour force.

It may be inferred that the steps taken by the Government have not made any significant impact on the agrarian structure to reduce, let alone eliminate the inequality in the distribution of land or income or to afford to lend the poor the access to the land. It is also true that the land reforms did not seriously jeopardise the interest of the landholders. The structural impediments to production and equitable distribution of rural resources are very much in existence. Social, political and economic power still rests with the elite group who were elite prior to 1947 also.

On the question of increasing productivity, it is difficult to assess the exact contribution of land reforms because productivity has been more related to the technical revolution ushered in the Indian agricultural sector. As Dhingra says, "It is difficult to say either (a) that land reforms did not contribute at all to an increase agricultural production or b) that institutional arrangements alone should be credited with an increase in agricultural production. It is for the future research workers to determine what has been the relative share of institutional and technological factors in agricultural development.

There are many factors responsible for the tardy progress but important among them are the lack of adequate direction and determination, lack of political will, absence of pressure from below, inadequate policy instrument, legal hurdles, absence of correct-up-dated land records and the lack of financial support.

In order to achieve success, the Asian Development Bank has recommended a strategy on these lines; political commitment at the top, administrative preparedness including the improvement of the technical design of enactments, the provision of financial resources and the streamlining of the organisational machinery of implementation, creation of necessary supporting service for the beneficiaries and finally the organisation of beneficiaries themselves.

In this background, the following suggestions may be considered for improvement; breaking up the landlord-tenant nexus, effective implementation of ceiling legislation and distribution of surplus land and simplifying legal procedures and administrative machinery and lastly the potential beneficiaries should be made aware of the programmes.

It is time we thought seriously of land reforms when especially a "humble farmer" is on top. If in the new century we still talk of reforms without effective implementation we will surely miss the bus.

---

15)"Merger of banks considered to be the panacea for the ills plaguing banking sector of India". Evaluate.

Answer Script:-

India's largest lender State Bank of India (SBI) formally started merger of 5 associative banks and Bharatiya Mahila Bank with itself. The merged entity will have India's one-fourth of the deposit and loan market.

Post-consolidation, SBI's market share will increase from 17 per cent to 22.5-23 per cent, while the total business of the merged entity will be over 35 lakh crore rupees. Against this backdrop, it is pertinent to analyse pros and cons of consolidation in the Indian banking sector.

Benefits of Merger:-

•India is the fastest growing major economy in the world. To sustain this growth, there is a need for mega banks that only will ensure investments into the large scale infrastructure projects.

• At present, there are a total of 27 public sector banks (PSBs) in the country. Apart from the SBI, all the remaining banks are regional banks. Hence, consolidation helps in leveraging the benefits of economies of scale.

• Banking sector is suffering from non performing assets (NPAs) problem. To overcome this, the government is resorting to capital infusion. Consolidation will increase capital efficiency, apart from improving the ability of banks to recover bad loans.

• Consolidation will help in leveraging the synergies among the banks that have diverse portfolios, focus areas and coverage areas.

• As the government is the only common owner of all the PSBs, the process of consolidation is much easier and effortless.

• Indian companies are going global. Now we are home to many multinational companies that have presence in various sectors of the economy. Again this context, big-ticket Indian banks are the most proper platforms to deliver financial services to them.

• At present, there is not a single Indian bank in the top 50 global banks list. The consolidation is expected to fill this gap, and, consequently, help build the 'Brand India' among international investors.

• International experience is also favourable towards consolidation. Banks in Japan gained a lot as a result of large scale merger and acquisition process between 1990 and 2004.

However, although it is hailed as the panacea for the banking sector in India, there are few challenges:-

- The present process of consolidation is not driven by the inherent strength of the banking system. It is resorted to escape from the problem of NPAs.
- There are apprehensions among the labour unions that the consolidation will lead to job losses.

In sum, the benefits of merger will augur well for the economy, customer and employee at large. Of course there are few challenges in the pathway but they can be ironed out through judicious decision making and proactive identification of problems and their fixing thereof.

16) "Interlinking of rivers is neither economically viable nor environmentally sustainable."Critically analyse.

Answer Script:-

India's incredibly ambitious—and some say, incredibly reckless—Rs11 lakh crore ($168 billion) project to interlink its rivers is finally underway.

On Sept. 16, the Godavari and Krishna rivers—the second and the fourth longest rivers in the country—were linked through a canal in Andhra Pradesh. The project was completed at a cost of Rs1,300 crore ($196 million). A second scheme, the Ken-Betwa river project—estimated to cost Rs11,676 crore ($1.7 billion)—is currently under development, with completion likely by December this year.

This is a part of the government's plan to revive the river-linking project, which was first envisioned in 1982, and actively taken up by the Bharatiya Janata Party government under prime minister Atal Bihari Vajpayee in 2002.

Here is how the river-linking project works:

The big idea is to connect 37 Himalayan and peninsular rivers. So, water-surplus rivers will be dammed, and the flow will be diverted to rivers that could do with more water. In all, some 30 canals and 3,000 small and large reservoirs will be constructed with potential to generate 34 gigawatt of hydroelectric power. The canals, planned between 50 and 100 meters in width, will stretch some 15,000 kilometres.

If we can build storage reservoirs on these rivers and connect them to other parts of the country, regional imbalances could be reduced significantly and lot of benefits by way of additional irrigation, domestic and industrial water supply, hydropower generation, navigational facilities etc. would accrue, India's National Water Development Authority describes the project on its website.

The project is expected to create some 87 million acres of irrigated land, and transfer 174 trillion litres of water a year. Also, half a million people are likely to be displaced in the process.

Ecologists and environmentalists warn that the project is imprudent and dangerous, especially since there is little clarity on the ultimate impact on such a massive undertaking.

Firstly, there is no concept of deficit and surplus. That's what we are making it to be. A river has a natural course and for years it has been following that. Who are we to say it has a surplus and it has a deficit? The river will carry as much as it can.

Secondly, a river isn't a pipe that we can control. You can't compare a Ganga to another. It has different characteristics. And when you build a canal to flow the water that is diverted, you are displacing far too many human lives and the eco-system.

For instance, in the **Ken-Betwa project**, the core area of the Panna national park will be affected. The government, wanting to do the project for political reasons without any sort of clearances, is basically, redrawing the entire geography of the country. Even if there is a surplus and flood, every river needs that. Thats how the natural ecosystem works.

There has been no scientific basis to say that. All we have is an incomplete study that says this is good for the country. One has to exhaust all options and potentials before concluding that river-linking is the best alternative.

Exhaust options such as **watershed development, rainwater harvesting, ground water recharge, optimising existing infrastructure and cropping methods and then we can conclude that water-linking might be good**.

But there has been no assessments done. For instance, look at Maharashtra and Andhra Pradesh. The Marathwada region in Maharashtra is the worst drought-hit state in India today, and belongs to the Godavari basin. But at the same time, we want to divert water from Godavari to Krishna. It doesn't make sense. There has to be assessment done because there is huge impact on the nature.

The hydrology of the rivers is changing and we are ignoring the cultural and ecological significance. Even the cost that the government is talking about, of Rs5.6 lakh crore ($85 billion) is based on old reports.

Now the cost would be much more and would at least be Rs10 lakh crore. The bigger question is, who is going to fund this? Is the private sector going to do that? And if they do, they will only have interest in the land. The other thing is, there is no social impact assessment done on the livelihood of the people who are living in these areas. They don't even engage the gram sabhas while taking decisions.

The interest in river-linking now is due to the big bucks involved in it for dam builders. A canal is not a river and it cannot support an ecosystem. What happens to everything that is living in the river? When water flows, there are a number of factors associated with it. There are micro organisms and there is marine life. We are taking away all of that by building dams and diverting water for something that is not even natural. When we build dams, we are displacing too many people. What will they do? They land up in slums in cities.

The basic concept of linking of rivers in India is to transfer water from where there is a surplus to a place where there is a deficit. But when such transfer of water takes place, there is a significant community displacement that happens along with it.

Another major issue in India vis-a-vis river-linking is that **water is a state subject.** Now states that have surplus water are not ready to give it to other states and there is a huge logjam which is cropping up time and again because of this. Even though the government is thinking of intra-state river-linking processes—where a river of a state is connected to another on in the same state—the environmental issues relating to these projects are very huge.

There is a big problem of desilting and there is no clarity on where the silt be actually dumped. Will it be somebody's farm and will the farmers be affected or not? The government has not come clear on any of those points.

The issues discussed above renders the river interlinking as a not a viable option- economically and ecologically. Instead, the better course of action should be to create run-of-the-river projects throughout the course of a river and only few big dams/reservoirs where it is absolutely necessary.

---

17) "The recent liberalization in FDI will help India to attain the commanding heights of its economic potential". Comment

Answer Script:-

The Union Government has radically liberalized the FDI regime recently, with the objective of providing major impetus to employment and job creation in India.

Now most of the sectors would be under automatic approval route, except a small negative list. **With these changes, India is now the most open economy in the world for FDI.**

Briefly pick few of the below details to quote in answer:-

1. <u>Radical Changes for promoting Food Products manufactured/produced in India</u>

It has now been decided to permit 100% FDI under government approval route for trading, including through e-commerce, in respect of food products manufactured or produced in India.

2. <u>Foreign Investment in Defence Sector up to 100%</u>

Present FDI regime permits 49% FDI participation in the equity of a company under automatic route. FDI above 49% is permitted through Government approval on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country. In this regard, the following changes have inter-alia been brought in the FDI policy on this sector:

i. Foreign investment beyond 49% has now been permitted through government approval route, in cases resulting in access to modern technology in the country or for other reasons to be recorded. The condition of access to 'state-of-art' technology in the country has been done away with.

ii. FDI limit for defence sector has also been made applicable to Manufacturing of Small Arms and Ammunitions covered under Arms Act 1959.

3. Review of Entry Routes in Broadcasting Carriage Services

FDI policy on Broadcasting carriage services has also been amended. New sectoral caps and entry routes are as under:

<table>
<tr><th>Sector/Activity</th><th>New Cap and Route</th></tr>
<tr><td>5.2.7.1.1
(1)Teleports(setting up of up-linking HUBs/Teleports);
(2)Direct to Home (DTH);
(3)Cable Networks (Multi System operators (MSOs) operating at National or State or District level and undertaking upgradation of networks towards digitalization and addressability);
(4)Mobile TV;
(5)Headend-in-the Sky Broadcasting Service(HITS)</td><td rowspan="2">100%

Automatic</td></tr>
<tr><td>5.2.7.1.2 Cable Networks (Other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))</td></tr>
<tr><td colspan="2">Infusion of fresh foreign investment, beyond 49% in a company not seeking license/permission from sectoral Ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require FIPB approval</td></tr>
</table>

4. Pharmaceutical

The extant FDI policy on pharmaceutical sector provides for 100% FDI under automatic route in greenfield pharma and FDI up to 100% under government approval in brownfield pharma. With the objective of promoting the development of this sector, it has been decided to permit up to 74% FDI under automatic route in brownfield pharmaceuticals and government approval route beyond 74% will continue.

5. Civil Aviation Sector

(i) The extant FDI policy on Airports permits 100% FDI under automatic route in Greenfield Projects and 74% FDI in Brownfield Projects under automatic route. FDI beyond 74% for Brownfield Projects is under government route.

(ii) With a view to aid in modernization of the existing airports to establish a high standard and help ease the pressure on the existing airports, it has been decided to permit 100% FDI under automatic route in Brownfield Airport projects.

(iii) As per the present FDI policy, foreign investment up to 49% is allowed under automatic route in Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline and regional Air Transport Service. It has now been decided to raise this limit to 100%, with FDI up to 49% permitted under automatic route and FDI beyond 49% through Government approval. For NRIs, 100% FDI will continue to be allowed under automatic route. However, foreign airlines would continue to be allowed to invest in capital of Indian companies operating scheduled and non-scheduled air-transport services up to the limit of 49% of their paid up capital and subject to the laid down conditions in the existing policy.

6. Private Security Agencies

The extant policy permits 49% FDI under government approval route in Private Security Agencies. FDI up to 49% is now permitted under automatic route in this sector and FDI beyond 49% and up to 74% would be permitted with government approval route.

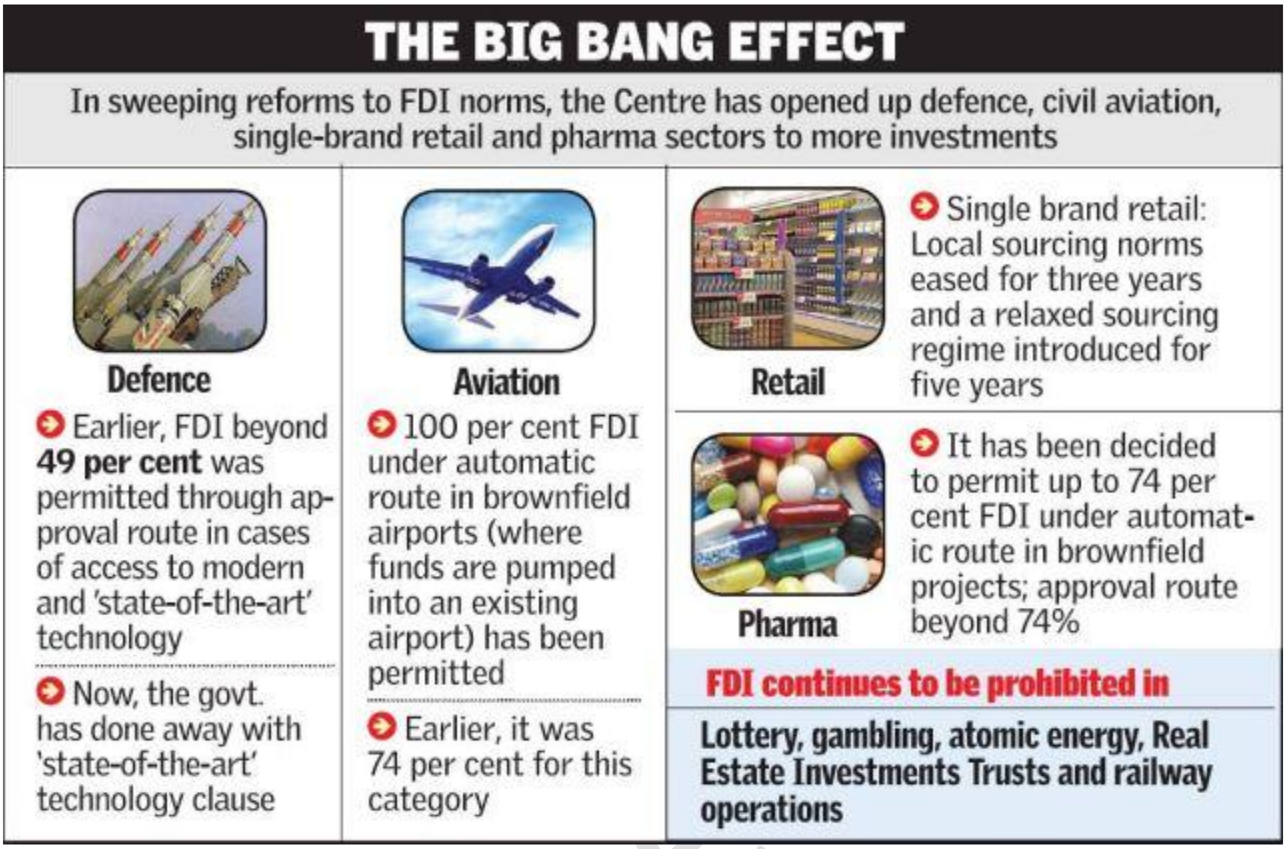
7. Establishment of branch office, liaison office or project office

For establishment of branch office, liaison office or project office or any other place of business in India if the principal business of the applicant is Defence, Telecom, Private Security or Information and Broadcasting, it has been decided that approval of Reserve Bank of India or separate security clearance would not be required in cases where FIPB approval or license/permission by the concerned Ministry/Regulator has already been granted.

8. Animal Husbandry

As per FDI Policy 2016, FDI in Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture and Apiculture is allowed 100% under Automatic Route under controlled conditions. It has been decided to do away with this requirement of 'controlled conditions' for FDI in these activities.

9. Single Brand Retail Trading -It has now been decided to relax local sourcing norms up to three years and a relaxed sourcing regime for another five years for entities undertaking Single Brand Retail Trading of products having 'state-of-art' and 'cutting edge' technology.



The amendments to the FDI Policy are meant to liberalize and simplify the FDI policy so as to provide ease of doing business in the country leading to larger FDI inflows contributing to growth of investment, incomes and employment.

---

18) The challenges faced by PPP projects in India can be resolved through the effective implementation of the recommendation of Vijay Kelkar Committee. Discuss.

Answer Script:-

Highlights of the report:-

PPPs in infrastructure represent a valuable instrument to speed up infrastructure development in India. This speeding up is urgently required for India to grow rapidly and generate a demographic dividend for itself and also to tap into the large pool of pension and institutional funds from aging populations in the developed countries.

Public Private Partnerships (PPPs) in infrastructure refer to the provision of a public asset and service by a private partner who has been conceded the right (the "Concession") for the purpose, for a specified period of time, on the basis of market determined revenue streams, that allow for commercial return on investment.

The Government may take early action to **amend the Prevention of Corruption Act, 1988 which does not distinguish between genuine errors in decision-making and acts Measures** may be taken immediately to make only **malafide action by public servants punishable, and not errors, and to**

guard against witch hunt against government officers and bureaucrats for decisions taken with bonafide intention. The government may speed up amendment of the Prevention of Corruption Act, Vigilance and Conduct rules applicable to government officers

Experience has also underlined the need to further strengthen the three key pillars of PPP frameworks namely Governance, Institutions and Capacity, to build on the established foundation for the next wave of implementation.

The Committee recommends setting up these independent regulators with a unified mandate that encompasses activities in different infrastructure sub sectors to ensure harmonized performance by the regulators

The dominant, primary concern of the Committee was the **optimal allocation of risks across PPP stakeholders**. **Inefficient and inequitable allocation of risk in PPPs can be a major factor in PPP failures, ultimately hurting the citizens of India.** The Committee notes that the adoption of the Model Concession Agreement (MCA) has meant that project specific risks are rarely addressed by project implementation authorities in this "One-size-fits- all" approach. A rational allocation of risks can only be undertaken in sector and project-specific contexts.

For the next generation of PPP Contracts, the Committee suggests the following broad guidelines while allocating and managing risks: 1) *an entity should bear the risk that is in its normal course of its business; 2) an assessment needs to be carried out regarding the relative ease and efficiency of managing the risk by the entity concerned; 3) the cost effectiveness of managing the risk needs to be evaluated; 4) any overriding considerations/stipulations of a particular entity need to be factored in prior to implementing the risk management structure*

Typically infrastructure PPP projects span over 20-30 years and a developer often loses bargaining power related to tariffs and other matters in case there are abrupt changes in the economic or policy environment which is beyond his control. The Committee feels strongly that the private sector must be protected against what have been called "**Obsolescing Bargain**"-**the loss of bargaining power over time by private player in PPPs**

KEY RECOMMENDATIONS:

Revisiting PPPs: Achievements and Challenges

1. Contracts need to **focus more on service delivery instead of fiscal benefits**
2. Better identification and allocation of **risks** between stakeholders
3. Prudent utilization of **viability gap funds** where user charges cannot guarantee a robust revenue stream .
4. Improved fiscal reporting practices and careful monitoring of performance . **Given the urgency of India's demographic transition**, and the experience India has already gathered in

managing PPPs, the government must move the PPP model to the next level of maturity and sophistication.

Why it is Urgent for India to get Infrastructure PPPs.

1. The Committee feels strongly that maturing the PPP model in India is an urgent priority also to take advantage of this historical conjunction of India's infrastructure needs and the availability of long-term funding

2. PPPs have the potential to deliver infrastructure projects both faster and better. Building on India's 15 years of experience with PPPs, there is need to iron out the difficulties in the performance of PPP at every stage of the contract.

Re-balancing of risk Sharing :

Full disclosure of long-term costs, risks and potential benefits;

Comparison with the financial position for government at the time of signing the Concession Agreement;

Comparison with the financial position for government at the time prior to renegotiation.

Resolving Legacy Issues

Only a **statutorily established credible empowered multi-disciplinary expert institutional mechanism** can deal with the complex issues involved .

- An **Infrastructure PPP Project Review Committee ("IPRC") may be constituted** to evaluate and send its recommendations in a time-bound manner upon a reference being made of "**Actionable Stress**" in any Infrastructure Project developed in PPP mode beyond a notified threshold value.

- An **Infrastructure PPP Adjudication Tribunal ("IPAT")** chaired by a Judicial Member (former Judge SC/Chief Justice HC) with a Technical and/or a Financial member, where benches will be constituted by the Chairperson as per needs of the matter in question

In case procurement of land or clearance is pending from government authorities for more than prescribed number of days, the outstanding work should be descoped (under the provisions of Change in Law of Concession Agreement), and allow rest of activities for completed work. Balance work could be completed on a cash-contract basis, provided land and required clearances are in place.

Cancel projects that have not achieved a prescribed percentage of progress on the ground. **Rebid** them once issues have been resolved or complete them through public funds and if viable, bid out for Operations and Maintenance.

Generic, Including Legacy Projects

Sector specific institutional frameworks may be developed to address issues for PPP infrastructure projects . An entity should bear the risk that is in its normal course of its business (for instance, acquisition of land is a normal course of business for public entities).Overriding considerations/ stipulations of each entity to be factored in prior to implementation of risk management structure.

Learnings from the Highways sector to be utilized for other sectors to customize and adopt such frameworks .

Umbrella guidelines may be developed for stressed projects that provide an overall framework for development and functioning of the sector specific frameworks paragraph.

DEA to finalize a national PPP Policy document.

Unsolicited Proposals ("Swiss Challenge") to be discouraged to avoid information asymmetries and lack of transparency.

Strengthening Policy, Governance and Institutional Capacity

Amend the Prevention of Corruption Act, 1988 to distinguish between genuine errors in decision-making and acts of corruption

Set up an institution for invigorating private investments in infrastructure, providing guidance for a **national PPP policy and developments in PPP, developing a mechanism to capture and collate data for decision making, undertaking capacity building activities**. The **3P-I institute for PPPs announced in 2014 may be set-up without delay.**

An institutionalized mechanism like the **National Facilitation Committee (NFC) to ensure time bound resolution of issues** including getting timely clearances/approvals during implementation of projects for smooth running of such projects.

Ministry of Finance to coordinate with other implementing ministries may **develop a policy to promote secondary market for operational assets.**

Essential to set up **independent Regulators in sectors going in for PPP**.

Discourage government participation in SPVs(Special Purpose Vehicle) that implement PPP projects **unless strategically essential.**

Scaling- Up Finance

Banks to build up their own risk assessment/appraisal capabilities .

RBI may provide **guidelines to lenders on encashment of bank guarantees**

Monetisation of viable projects that have stable revenue flows .

Equity in completed, successful infrastructure projects may be divested by offering to long-term investors.

Ministry of Finance to **allow banks and financial institutions to issue Zero Coupon Bonds** which will also help to achieve soft landing for user charges in infrastructure sector.

Revitalising Contractual Processes

a) Need for **review of the MCAS : Model Concession Agreement**

b) Sample s**uggestions for generic changes, including for resolution of disputes, and sector-specific changes**

Reinvigorating the Sectors:

Independent sector regulators essential

Build upon maturing landscape in **Roads** and Ports PPP and move into the next phase: Roads: avoiding delays, institutionalized dispute resolution, improved project development activity, monetization of operational assets, efficiency and transparency by electronic tolling, etc

Ports: review of role and need of Tariff Authority for Major Ports (TAMP), review of MCA, quicker clearances, rationalized leases and stamp duties

Airport: PPPs to be encouraged where viable in **Greenfield and brownfield projects,** have policy that addresses potential demand for airport services in the country, notify a unified regulatory structure, clarity in delineation of Till policy,

Encourage use of PPPs in sectors like Railways, Urban, etc. Railways to have an independent tariff regulator, tap potentially useful PPP opportunities including brownfield assets.

Fast Forward PPPs

Set up an **institute of excellence in PPP to inter alia guide the sector, provide policy input, timely advice and undertake sustainable capacity building** .

Ensure **integrated development of infrastructure with roadmaps for delivery of projects.**

India's **demographic deadlines are staring at us**. There are **only two or three decades left to complete the transition from a country that has just attained middle-income status to that of a high-income and developed economy**. Besides the basic problems for provision of adequate infrastructure, the **middle-income trap** is also to be averted. Without adequate infrastructure, this will simply not be possible. India is currently in a global win-win situation with a large young population that will need good jobs and a huge pool of global savings that can be tapped for building out our infrastructure. PPPs are an important policy instrument that will enable India to compress time in this journey towards economic growth and development. A successful and growing stream of PPPs in infrastructure will go a long way in accelerating the country's development process.

---

19) In a country that endures bouts of floods and droughts every now and then, a shift from subsistence live stock farming to commercial live stock farming can go a long way in not only securing farmers' livelihood but also ensuring nutritional security of India..

Answer Script:-

1. Live stock farming provides 30% of the farmers' total income
2. Yet, commercial farming of livestock is very rare in India
3. 68% of India is drought prone hence livestock farming can provide the much needed relief.
4. India , being a tropical country does not have enough grasslands, however this impediment to livestock farming can be changed through different methods
5. Methods of livestock farming that can augur well for India :-
    a. Integrated rice and fish farming
    b. Dairy projects
    c. Mud crab and Shrimp farming
    d. Poultry and piggery etc
6. The crux is to show how Indian farmers are practicing subsistence livestock farming and how they can improve upon them so that they can do commercial live stock farming and the ways to do it with few examples as mentioned above.Then link it with how it can assure nutritional security to Indians.
7. Briefly mention **National Livestock Mission:-**
    a. The National Livestock Mission (NLM) has started from 2014-15. The Mission is started to cover all the activities required to ensure quantitative and qualitative improvement in livestock production systems. This Mission is having the objective of sustainable development of livestock sector, focusing on improving availability of quality feed and fodder. The National Livestock Mission is implemented in all States.
8. Animal Husbandry & Dairying may be regarded as a source to create the employment in rural areas all round the year. Indian Agriculture is mainly dependent on monsoon and hence agriculture field faces certain bottlenecks to provide employment during such periods. On an average Agriculture sector may provide 200 days employment to the rural persons. This means they have to find alternate source of employment for income during the rest of the year. Dairy farming, sheep and goat rearing, poultry production, pig farming rabbit rearing are the alternate sources of mix farming. It may be possible to generate the employment for the farmers as well as land less labourers who can do this job themselves, or it may be possible to employ young and the old family persons as a side business. Many of the operations in Animal Husbandry and Poultry Farming can be done by the rural women. It is

estimated that on an average 35 million human years/annum employment generation has been potential through this sector.

---

20) What are "Payment Banks"? Discuss their role in bringing financial inclusion, the challenges they face and suggest a way forward..

Answer Script:-

What are Payment banks:-

New stripped-down type of banks, which are expected to reach customers mainly through their mobile phones rather than traditional bank branches.

What they can and can't do:-

-They **can't offer loans** but **can raise deposits of upto Rs. 1 lakh**, and **pay interest** on these balances just like a savings bank account does.

-They can **enable transfers and remittances through a mobile phone.**

-They can offer services such as **automatic payments of bills, and purchases in cashless, chequeless transactions through a phone.**

-They can **issue debit cards and ATM cards usable on ATM networks of all banks**.

-They can **transfer money directly to bank accounts at nearly no cost being a part of the gateway that connects banks.**

-They can provide **forex cards to travellers, usable again as a debit or ATM card all over India**.

-They can offer **forex services at charges lower than banks.**

-They can also offer **card acceptance mechanisms to third parties**

Who has Reserve Bank granted in-principle approval to be a payment bank?

Note- (The list as such is not important , but we recommend just go over it so that if the questions comes you can give one or two examples)

-Aditya Birla Nuvo Ltd

-Airtel M Commerce Services Ltd

-Cholamandalam Distribution Services Ltd

-Department of Posts

-Fino PayTech Ltd

-National Securities Depository Ltd

-Reliance Industries Ltd

-Dilip Shantilal Shanghvi

-Vijay Shekhar Sharma

-Tech Mahindra Ltd

-Vodafone m-pesa Ltd

Why are they going to be a game-changer?

This is for the first time in the history of India's banking sector that RBI is giving out **differentiated licences for specific activities**

The move is seen as a major step in **pushing financial inclusion** in the country.

The Reserve Bank expects payment banks to target India's **migrant labourers, low-income households and small businesses, offering savings accounts and remittance services with a low transaction cost.**

It hopes payments banks will enable poorer citizens who transact only in cash to take their **first step into formal banking.**

It could be **uneconomical for traditional banks** to open branches in every village but the **mobile phones coverage is a promising low-cost platform for quickly taking basic banking services to every rural citizen**. The innovation is also expected to accelerate India's journey into a cashless economy.

Payment banks **can also play a crucial role in implementing the government's direct benefit transfer scheme, where subsidies on healthcare, education and gas are paid directly to beneficiaries' accounts.**

What has the experience been in other countries?

Payment technologies have proved hugely popular in other developing countries. **In Kenya, the most cited success story, Vodafone's M-Pesa is used by two in three of adults to store money, make purchases and transfer funds to friends and relatives**

The major challenges they face:-

1. Lack of digital literacy
2. Lack of banking penetration in rural areas
3. Lack of basic understanding of financial products- financial literacy