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CLEARED PRELIMS

NEXT IAS

(To be filled by candidate)

Name of Candidate : NESRIN P FASIM

Roll No. : ..... Contact No. .....

e-mail: ..... Date of Examination : .....

Exam Centre : Old Rajinder Nagar ☐ Online ☑

CSE (MAINS) TEST SERIES-2024

Test-04	ECONOMICS OPTIONAL
Dated : 23-07-2024	*Indian Economy before 1947,* *Indian Economy after 1991*

Time Allowed : Three Hours

Maximum Marks: 250

QUESTION PAPER SPECIFIC INSTRUCTIONS

(Please read each of the following instructions carefully before attempting questions)

*There are **EIGHT** questions divided in **Two sections** and printed in **ENGLISH**.*

*Candidate has to attempt **FIVE** questions in all.*

***Question No. 1 and** 5 are compulsory and out of the remaining, any **THREE** are to be attempted choosing at least **ONE** question from each section.*

The number of marks carried by a question/part is indicated against it.

Answers must be written in the medium authorized in the Admission. Certificate which must be stated clearly on the cover of this Question-cum- Answer (QCA). Booklet in the space provided.

No marks will be given for answers written in a medium other than the authorized one.

Word limit in questions, wherever specified, should be adhered to.

Attempts of question shall be counted in sequential order. Unless struck off. Attempt of a question shall be counted even if attempted partly. Any page or portion of the page left blank in the Question cum Answer (QCA). Booklet must be clearly struck off.

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Old Rajinder Nagar: 27-B, Pusa Road, Metro Pillar no. 118, Near Karol Bagh Metro, New Delhi-110060 | Phone: 8081300200
Mukherjee Nagar: 1422, Main Mukherjee Nagar Road, Near Batra Cinema, New Delhi-110009 | Phone: 8081300200
BHOPAL CENTRE: Plot No. 46 Zone - 2, M.P Nagar, Bhopal - 462011 | Phone: 8827664612, 8081300200
JAIPUR CENTRE: Plot No. 6 & 7, 3rd Floor, Sree Gopal Nagar, Gopalpura Bypass, Jaipur - 302015 | Phone: 9358200511
PRAYAGRAJ CENTRE: 31/31 Sardar Patel Marg, Civil Lines, Prayagraj, Uttar Pradesh - 211001 | Phone: 9958857757

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(For filling by Examiners only)

Q. No.	Page No.	Max. Marks	Marks	Total	Signature
1. (a)	4	10			
1. (b)	6	10			
1. (c)	8	10			
1. (d)	10	10			
1. (e)	12	10			
2. (a)	14	20			
2. (b)	18	20			
2. (c)	22	10			
3. (a)	24	20			
3. (b)	28	20			
3. (c)	32	10			
4. (a)	34	15			
4. (b)	37	20			
4. (c)	41	15			
5. (a)	44	10			
5. (b)	46	10			
5. (c)	48	10			
5. (d)	50	10			
5. (e)	52	10			
6. (a)	54	15			
6. (b)	57	15			
6. (c)	60	20			
7. (a)	64	15			
7. (b)	67	20			
7. (c)	71	15			
8. (a)	74	15			
8. (b)	77	20			
8. (c)	81	15			
Grand Total					

Remarks

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Observations

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SECTION-A

Write notes on the following in about 150 words each: **(10 × 5 = 50)**

Q.1 (a) Explain Ratio Controversy during British rule.

The British rule created a controversy in our monetary system through Gold standard and silver standard rather than Gold bullion standard.

This was aggravated by the presence of overvaluation of Indian currency by the British to promote costlier exports and cheaper imports.

Ratio controversy was solved by Gold Bullion standard by fixing the rupee's value to the gold ounces (quantity of gold).

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Q.1 (b) Explain V.K.R.V. Rao's contribution to measurement of National Income.

V.K.R.V. Rao was a prominent economist who contributed by and large to India's economic research.

He estimated National income during 1930s

Contributions to measurement of National income

① He was the first to employ the estimation sector wise → Primary, secondary and tertiary.

② Employed expenditure method of estimation along with income method and production method.

③ Used wide data from other data sources available at that time — trade valuation committee, RBI, etc..

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④ Acted as a guide for future formulation of policy by the policy makers post independence.

⑤ Separated the data of Burma to estimate National income for India.

⑥ Part of National Income Estimation committee with Mahalanobis and Gadgil.

⑦ Incorporated Marshall-Pigou analysis in his estimation.

V.K.R.V. Rao also had other achievements of incorporating data for other trends that led to identification of Drain of wealth.

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Q.1 (c) Explain the reasons for decline in agricultural production in India in the first half of 20th century.

Agricultural production was affected mostly by the British policies of Land revenue and commercialisation of agriculture.

Reasons for decline in agricultural production in first half of 20th century (1900 - 1950)

① Wide scale disruptions due to World war - I → lack of market for food crops and exploitation of British.

② Large scale tax collection for war needs (eg Tinkathia system)

③ Suppression of movements by British — mass movements.

④ Introduction of synthetic dyes → reduced demand for indigo

⑤ Less demand from international markets (eg British) due to

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agricultural revolution there.

(6) Presence of large scale money lenders who exploited peasants and production.

(7) Shift to monocropping in certain areas.

(8) Growth of industries oriented for certain products only.

(9) ~~Af~~ Increased differential treatment by railways → separate tariff for Indian goods - lack of integration of commodity markets and linkages reduced.

The distress continued after the independence in 1947, and still we continue to face the problems in agricultural development.

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Q.1 (d) Elaborate on development of railways in India. Explain the old guarantee system and new guarantee system.

The first railway started in India was Bombay-Thane railway line in 1853.

The railways started with the involvement ~~involved~~ of private seetor who were given the lender for 99 years as acreage and the gradual ownership by government after 25 years. ~~It~~ The railways were gradually brought into control in 1869 and complete nationalisation happened in 1924.

Old guarantee system

It was first adopted as a part of railway development where the private seetor was given guaranteed returns at 5%. by the Government. It lead to less efficiency due to higher control of private seetor

Participation Rate of women in

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in the railway industry and hence low credibility.

New Guarantee system

It was introduced later in 1869 with government reducing the guaranteed returns to 3.5% for the private players which led to increased ~~controlled~~ of government on the functioning of railways and bringing in operational efficiency. ~~Operational~~

The guarantee system was introduced for ensuring private players returns for their investment even if the railways never functioned well.

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Q.1 (e) Why did handicraft industry decline in India?

The handicraft industry refers to the industry where people were involved in production of small scale artistic items, people who were working in the sector as called artisans. They faced decline during British period, especially [1800-1900]

~~Dec~~

Causes of their decline

① Loss of [patronage] from the kings — many of the dynasties declined due to British rule.

② Competition from low cost British manufactured goods in the market (owing to Industrialisation in England).

③ ~~Lo~~ Differential tariff policy by British

↓

- Increased export tariff to Indian Goods
- Reduced import tariff to British goods.

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④ Commercial development and hence less need for handicraft goods.

⑤ Lack of demand at Britian due to high import tariff at Britian.

⑥ Deindustrialisation methods adopted by Britian.

⑦ Lack of skill upgradation and machineries in India for enhancing quality.

Hence, the handicrafts industry declined in India. But an attempt to improve it was made during Swadeshi movement.

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Q.2 (a) "Poverty in India was due to comprehensive exploitation of farmers in British India". Discuss. 20

The British rule spanning for around 200 years (1757-1947) resulted in the exploitation of farmers through their extensive policies on drain of wealth and commercialisation of agriculture.

Several economists like Dadabhai Naoroji, R.C. Dutt have pointed it out that the [poverty] and [famines] in India was due to this.

[Comprehensive exploitation of farmers] → leading to poverty.

① Introduction of [Permanent settlement system] (1793) — by [Lord Cornwallis]

→ British told to collect 35 lakhs pounds annually from Bengal Presidency alone as land revenue.

→ [Zamindars] exploitation ⇒ ₹ 1/11th portion to Zamindars & 10/11th portion to East India company was fixed — but [Zamindars] exploited

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the peasants through:

(i) Good harvest year - attaining a major part of their surplus.

(ii) Bad harvest year - peasants were forced to pay the tax even though they had no surplus.

(2) ~~Form~~ Other land revenue systems



(3) Commercialisation of agriculture

⇒ Farmers made to compulsorily cultivate Indigo and cotton.

(a) Tinkathia system for indigo cultivation → led to famine.

⇒ Immediate change in policies

(b) During American civil war in 1840 → Lancashire promoted cotton imports to Britian → but

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after the war → reversed their policy with 5% import duty ⇒ affected cotton cultivators to be suffering.

⇒ ~~Less~~ More cultivation of non-food crops and less cultivation of food crops → led to the problem of famines in 1865, 1883, etc.

(4) Credit market informalisation

→ Dependence on informal credit and ~~Non~~ bad money lendors → exploited them. they majorly depended on them because:

Farmers → cultivate cash crop → need higher capital → lack of money to buy food ~~cash~~

→ both led to borrowings → sufferings

(5) Interlinked labour and credit markets → one feeding another →

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~~Lab~~ Agricultural labourers exploited by landlords, being same as money lenders through high interest rates (Krishna Bharadwaj).

⑤ Differential tariff imposed for agricultural exports from India (~~too~~ high export tariff), whereas low import tariff to their own manufactured products to India.

⑥ Differential treatment at railways for using commodity markets
- Indian goods — high costs
- British goods — low costs

along with British ~~factors~~ policies, other factors like climatic vulnerability (dependence on monsoons) and farmers illiteracy were also major factors for poverty in India.

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Q.2 (b) Explain drain of wealth. 20

The Drain of wealth was introduced by Dadabhai Naoroji in his book, 'Poverty and UnBritish rule in India' (1793).

It simply means:

"The unconditional transfer of wealth from India to Britian without any quid-pro-quo"

It means → No returns at all for India.

→ Disproportionate returns for commodities/services exchanged.

~~PTAS~~ The studies were later ~~to~~ made by R.C. Dutt, William Digbey, V.K.R.V. Rao.

PHASES OF DRAIN OF WEALTH

Phase 1: Merchant capitalism (1757-1800).

⇒ Exploitation was mainly through

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commercialisation of agriculture.

⇒ They used methods like Permanent settlement system (rule to extract 35 lakh pounds per annum from Bengal presidency as land revenue).

⇒ Administrative drain using gifts to royalty, trade permits, etc..

William Digbey estimates that around 100 crore pounds were extracted from 1757-1815.

⇒ charging home charges.

Phase 2: Industrialisation phase (1800-1900) (Industrial capitalism).

⇒ In this period → British focused on deindustrialisation of Indian industries by reducing the growth of handicraft sector. They also overvalued Indian currency to make exports costlier and imports cheaper.

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⇒ They employed:

(i) High export tariffs for Indian made goods to Britian.

(ii) Low import tariff for British manufactured goods to India.

⇒ They mainly focused on creating Indian markets for manufactured goods reducing Indian manufactured goods.

⇒ Introduction of railways - further discrimination to Indian goods.

Phase 3 — Financial capitalistic phase (1900-1947)

⇒ Resulted in the drain of wealth through salaries of British officials extracted from India.

⇒ Large scale use of funds from India in world wars

⇒ Rao estimates around 85 crore pounds drain from 1900 - 1939.

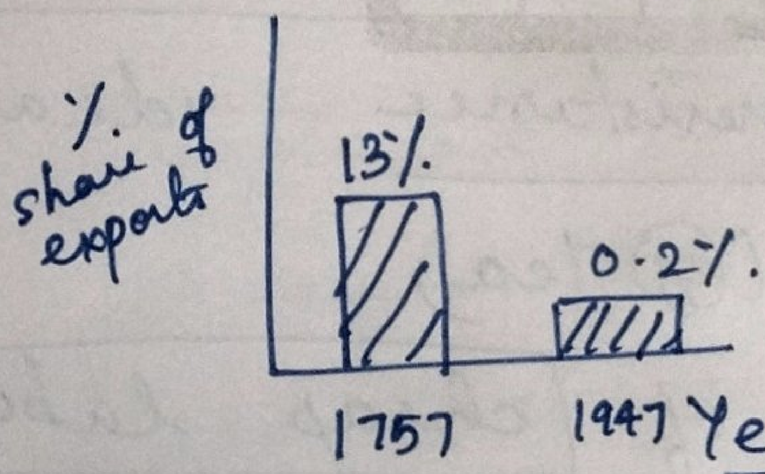
All these resulted in many effects in Britian & India

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Effect on Britian
- → high standard of living
- → able to attain Take off stage.
- → Agriculture & Industrial revolution happened
- → Improved infrastructure

Effects on India
- → Large scale impoverishment of peasantry.
- → Deprivation of living standards (Plague, famines)
- → Reduced export share in world markets.



Tax differentials in India & Britian. →

Britian	India
6%.	13%.

Hence the drain of wealth had drastic effects on Indian economy & society, which was mainly due to British regressive policies.

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Q.2 (c) What were the reasons for growth of plantation crops in India? 10

Plantation crops are those crops that are planted in a larger area and yield high returns in the local market & external markets.

Examples - Rubber, Tea, Oil seeds, Coffee, etc..

Reasons for growth of plantation crops in India:

① Ideal climate - tropical climate and frost resistance ideal for such crops. (eg Tea)

② Availability of cheap labour, especially in South India, North East, etc..

③ British's interests of export - their aim of export of such crops to world markets facilitated by opening up of Suez canal (1969).

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(4) Lack of land policies in India
→ British could exploit any land as they can.

(5) Presence of wealthy merchants in princely states interested to trade it.

(6) Presence of markets for India — especially at China, Afghan.

(7) Indentured labour used by British.

British exploited the plantation sector through:

→ lower wages
→ land degradation
→ Improper use of fertilizers on land.

Plantation sector is still prominent in India like Teak, tea, coffee, etc... with under export potential.

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Q.3 (a) "British period did not see growth of entrepreneurs in India because India remained a technologically less developed country". Elaborate. 20

The roughly 200 years of colonial rule exploited almost all the sections of the Indian society.

The entrepreneurial culture was also not developed due to many reasons, one being technologically less developed. ~~Reasons~~

This is evident through:

(1) Relied on traditional methods of production — fruits of industrial revolution didn't reach India. (eg steam engine, cars).

(2) Lack of huge machinery due to British monopolisation of companies — no raw material as capital for Indians.

(3) Lack of industrial goods at open markets for India to

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buy.

(4) Less development of industrial sector — deindustrialisation by British — by the promotion of cheap industrial goods to India → and making people at India reluctant to turn to entrepreneurship.

(5) Lack of proper irrigation technology or advanced agricultural methods → reduced agricultural output and hence no food processing industries.

(6) Lack of financial capital → due to low technical accounting methods → home charges as drain of wealth went to Britian → leading to low incentive to invest.

(7) Lack of connectivity → road networks were less

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developed in India for under connectivity of markets.

⑧ Lack of cheap connectivity machinery (eg telegraph - had higher cost and people also had cultural beliefs to not use it).

⑨ Less number of ~~conne~~ literate population → hence lack of upgradation of technology.

⑩

Apart from this these were other reasons for lack of entrepreneurship in India:

① Exploitation through commercialisation of agriculture.

② Low literacy rate.

③ Reduced ~~...~~ monetary back up for development → British never supported.

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Hence, the entrepreneurial spirit was reduced though lack of technological upgradation in India, by exploitation of British rule.

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Q.3 (b) Critically analyse the role of infrastructure development during the British period. 20

The British period showed several infrastructural development projects in India, which have boons & banes.

Role of infrastructural development in India

(1) RAILWAYS – started in 1853

Positive roles	Negative roles
① Integration of commodity markets	① Purely for their market interests – growth of British goods than Indian goods.
② Integration of national movement (eg Gandhi's all-country tour).	② Negatively affected environment.
③ Industrial development (wagon industries at Bombay, Bihar)	③ Had less backward linkages (especially at coal mine, etc..)
④ Employment generation (largest employment provider in organised sector in 1947).	

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(5) Connected rural pockets also.

(6) Better governance ensured — administrative need

~~(2)~~

(7) Reduced famines (after 1900).

(4) Differential rates for passengers at the trains.

(5) Further drain of wealth.

(6) Exacerbates class divide.

(2) Roads

→ Less number of roads are developed but they ~~are~~ ensured connections at administrative centres like Calcutta, Bombay & Madras

→ No equitable development.

Only 0.4 km/person.

(3) Communication systems (eg- Telegraph).

Positives	Negatives
→ Coordinate national movement (eg Mass movements)	→ Less accessibility to Indians.

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→ ensured administrative easiness.

→ misused by administrators through eavesdropping

(4) BUILDINGS

① Established several schools for western education, but also bred hidden ideology to build people who are Indians by colour, but British in actions.

② Ensured architectural distinctiveness in government buildings but also was limited for their needs.

③ Modern buildings were renovated from old architectural marvels.

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The infrastructural development helped to strengthen the markets but had certain negatives associated with it. but hindered India's equitable growth as a whole.

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Q.3 (c) Why did British period create the need for land reforms? 10

The British period mainly focused on drain of wealth from India through different means, ~~one~~ to leading to deprivation of India's land and agriculture.

Need for land reforms created by British period:

---

① Presence of Zamindars who exploited the peasants → by extracting huge rents was due to Permanent settlement systems by British.

② Lack of land records ~~exist~~ due to absentee landlordism and oral tenancy.

③ Accumulation of land with some people – by British policy of giving it to their dear servants.

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(4) Deprived peasants due to poverty and famine; due to British policy of commercial agriculture strengthening.

(5) Absence of reliable Land Patas.

(6) Presence of strong class of landlords who controlled judicial functions.

(7) High rents of lands - Around 80% of the produce went as rent.

(8) Impoverished agricultural labours who faced exploitation.

Thus, British administration led to huge impoverishment in agrarian sector which was later somehow corrected by Land reforms and Green Revolution.

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SECTION-B

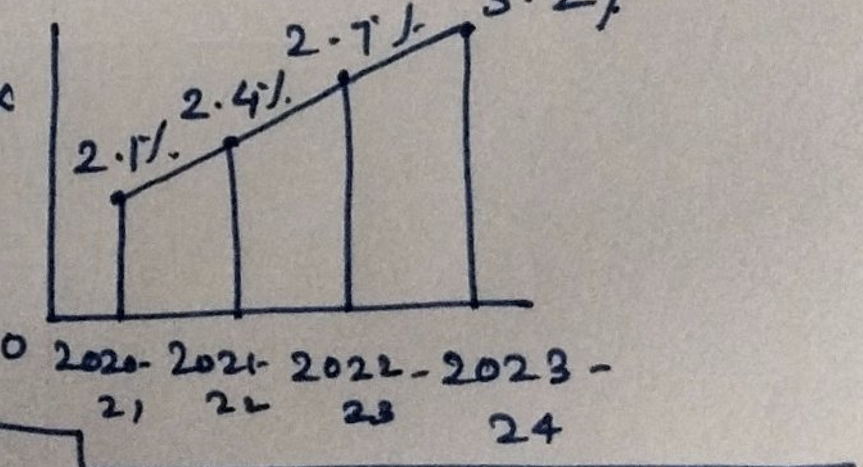
Write notes on the following in about 150 words each: **(10 × 5 = 50)**

Q.5 (a) What are the main reasons for declining logistical cost in India?

Logistical cost refers to the cost on transportation incurred in the economic development of a nation. Most of the freight transport in India is through railways than roads.

Reasons for declining logistical costs

① Increases infrastructure spending on capital development by government and government schemes.



PM-Gatishakti Scheme for multimodal connectivity.

② Large scale railway improvements (use of Kavach, Timely service, etc.).

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(3) Improved Private-Public partnership models (eg National Highway Authority of India opting PPPs)

(4) Make-in-India → less cost for raw materials for construction.

(5) Large scale development of ports. (eg Recent Vizhinjam port (transhipment port) at Kerala.

(6) Interconnected markets through digital methods (eg E-NAM in agriculture).

Challenges by logistic sector
- → lack of timely completion
- → PPP projects → sometimes lack funding
- → low ~~scale~~ use of roads for transport.

Hence, logistic sector is increasingly developing in India that promotes our prospects for a developed India by 2047.

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Q.5 (b) Elaborate on main features of 73rd and 74th constitutional amendment. Do you think it has led to decentralised governance?

73rd and 74th constitutional amendments, 1992 and 1993 were the torch bearers of decentralised governance in India.

Main features

~~73rd Amendment, 1992:~~

(1) Provision of Panchayat Raj system and 3 tiered governance — Panchayat, Block & Zila Parishad.

(2) Devolution of finances through State Finance Commission appointed by Governor (share of state's pool of divisible taxes).

(3) formation of Urban local bodies.

(4) Division of voluntary and compulsory provisions in functions — Article 243

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(5) Reservation of seats to marginalised sections and women.

Led to decentralised governance

Positives	Challenges
(1) Participatory governance through Gram Sabha and social audit (2) Increased representation of women (around 40% of LSGs governed by women)	(1) Curbing the collection of taxes (Octroi duty made under GST). (2) Lack of State Finance commissions proper devolution (3) Lack of timely elections.

The issues could be solved through CAG auditing of local bodies and better social audits (recommended by Suman Bose committee).

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Q.5 (c) Comment on role of digital public infrastructure in promotion of inclusive growth in India.

Digital Public infrastructure (DPI) refers to the public infrastructure which functions digitally such as E-governance initiatives and digital methods in banking, agriculture, and other sectors.

Role of DPI in inclusive growth:

① Data based governance → understanding inclusion and exclusion errors and finding solutions.

② Easy viability of schemes:

- enhancing accessibility
- providing equity in services.

eg E-district portals to apply for certificates.

③ Participatory governance can be enhanced through citizen-oriented

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suggestions to schemes.

(4) Addressing land reforms → by use of SWAMITVA platforms and digital land records

(5) Provision of DBT carrier —

(eg) Jan Dhan Yojana — Aadhar — Mobile trinity.

(6) Promotion of disabled friendly flat forms or equipments.

India follows many initiatives like E-NAM, i4C, CERT-IN, etc.. to promote digital infrastructure. The recent G-20 declaration on Digital Public infrastructure is a welcome step.

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Q.5 (d) Explain the reasons for high inflation in India.

India has been facing inflation of higher rate for the last year, especially food inflation, amounting to around 9% in the last quarter.

Reasons for high inflation

Demand side: (Demand pull)

① Rise of consumer base due to increase in pent-up demand after Covid-19.

② High growth of household income (recent HCES survey → reduced gap between rural-urban consumption expenditure).

③ Policy rates like Repo rates almost fixed stagnant.

④ International prices have been increased → reduced supply of crude oil (due to Russia-Ukraine

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war ~~and~~ ~~a~~ and Israel-Palestine conflict rising up the commodity prices.

Supply side: (Cost push)

(1) Unemployment rampant with ~~less~~ more wages ~~or~~ cost.

(2) High import bill for the ~~s~~ industrial raw material from countries like China.

(3) Increased land costs due to rampant urbanisation.

(4) ~~Fe~~ Fertiliser subsidies being rationalised and affecting farmers

(5) MSP - being discriminatory - favours wheat and rice.

(6) Monsoonal variations → crop productivity.

These could be solved through monetary mechanisms (Open market operations) and fiscal prudent measures (sticking to Fiscal deficit).

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Q.5 (e) What steps can be taken to increase Labour Force Participation Rate of women in particular and for all in general in India?

The female labour force participation remains at 37% according to recent PLFS estimates, which is much lower compared to developed countries.

Steps to improve female LFPR

① Reducing **patriarchal norms**

② Increasing funding for entrepreneurial activities (eg Stand up India, Mudra).

③ Providing Creche facilities and occupational safety at workplace according to Occupational Code, 2020.

④ Enhance equal wages through Equal wages act and realising **Article 39** (Equal pay for equal work).

⑤ Promote industry–academia linkages (eg Near to home working

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units for women.

(6) Promote gender quotas in educational institutions and workplace.

To all in general

(1) Increase skilling through PMKVY, Skill India mission

(2) Promote vocational education with industrially relevant skills

(3) Enhance growth of entrepreneurship by Start up India.

(4) Promote gig economy and its regulation.

Female LFPR and other LFPR should be promoted to attain demographic dividend of India and escape out of jobless growth.

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Q.7 (a) Explain the trend of inequality in India after 1991. 15

The LPG reforms of 1991 made India to open its economy to the world, furthering inequality in many sectors and among people.

Broad trends after 1991 — PICKETTY's work

% of population ↓	% of wealth owned.		
	1993-94	2004-05	2011-12
Top 10%.	34%.	41%.	56%.
Bottom 50%.	26%.	22%.	14%.

These broad trend explains that in India, the inequality has widened and around the top 50% of the wealth is owned by the top 10% of our population.

The major reasons for this increasing trend are:

① Unbalanced growth of the

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service sector and the lack of growth of industrial sector which cannot attract labour (skilled).

② Disguised unemployment in agricultural sector → leading to underdevelopment in rural areas

③ Lack of penetration of welfare programmes to lower sections

④ Farmer distress and lack of accurate extension support.

According to the latest PLFS reports from 2017-18, 2018-19 and 2019-20, studies estimate that the top 10% in India owns around 30-35% of total wealth.

Gini coefficient over the years have also been at 0.84* for wealth inequality in India.

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~~Now India is at the w~~

Measures to counter inequality:

① Improve tax rates slabs and rationalisation of subsidies → by reducing the subsidies on ~~accurate~~ extravagant and reduce inclusion errors in PDS.

② Enhance equality at all spheres

ⓔ Gender equality → through Nari-Vandhan Adhiniyam, schemes for women entrepreneurship (stand up India), etc.

③ Enhance growth of industrial sector. — formalisation of informal economy.

Hence, inequality addressed will also reduce in reducing poverty & and improving overall well being.

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(b) Explain the steps taken by government to develop allied sectors in agriculture. 20

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Agriculture and allied sectors contribute only about 17% of the GDP. Hence they need to be developed.

~~Governm~~
Allied sector include sectors connected to agriculture like poultry, fisheries, non-food crops and energy, etc...

Steps taken by government

① **White revolution** in 1980s for the growth of poultry sector led by Dr. Varghese Kurien.
⇒ It was aimed at increasing milk production and egg production.
⇒ As a part, several varieties of high milk providing cows were used and it has led

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to increased milk production, making India now the largest producer of milk in the world.

⇒ Concentrated on dairy farming units.

② Focused on including provision of poultry farming by women through women component plans in Gender budgeting → accessing to FEMINISATION OF AGRICULTURE

③ Schemes like Rashtriya Gokul mission, GOBARDHAN scheme incorporating energy development from the poultry and allied sector

④ In fisheries sector, government can come up with Matsya Sampada Yojana for cultivation of fishes — subsidised scheme.

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(5) Importance to Blue economy through the Chennai principles concluded in the latest G-20 summit.

(6) Promotion of sustainable practices in allied sector through:

PM Krishi Vikas Yojana

~~PMKSY~~ National mission on Sustainable Agriculture

Panchamrit, Beejamrit, etc.

(7) Provision of Mudra loans for starting investment in allied sectors

(8) National Biofuel policy and International Biofuel Alliance for enhanced production of biofuels.

(9) National Horticultural mission for the production of horticulture crops.

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(10) ~~Lack o~~

(10) Yellow revolution - for the growth of production of oil seeds.

(11) PM-KISAN scheme - including allied sectors.

Thus, the government's focus on allied sector is increasing; but it needs further improvement through better developments in upcoming budgets

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(c) Explain the main recommendations of the 12th Finance Commission. 15

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The 12th Finance Commission was constituted for the period of 2005 - 2010 under the chairmanship of Mr. Rangarajan. (According to Article 280)

Main recommendations of 12th Finance Commission:

① Vertical devolution — i.e., the share of states in central taxes were fixed at 30.5%, increased from 29.5% by 11th Finance Commission.

② Horizontal devolution — i.e., the share of ~~income~~ taxes & proceeds were fixed based on following criteria:

Income distance	50%
Population	25%
Area	10%
Tax efforts	7.5%
Fiscal discipline	7.5%

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(3) It increased the grants-in-aid to the states by 18% which was higher than last year.

(4) Recommended to strictly follow FRBM targets and to be stick onto 3.5% of fiscal deficit.

(5) Introduction of a National Calamity Fund for the management of disasters and calamities.

(6) Around ₹10,000 crores to be alloted to the development of not so developed states; and at amount of ₹1000 crors to be deployed every year without fail.

(7) Suggested for the creation of a Fiscal management council

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at the Centre to manage fiscal deficit.

⑧ Improve the spending for health and education (to around 6% of the GDP).

⑨ Around 1 lakh crores was devoted as divisible pool of taxes — including customs duty into it.

The 12th Finance commission is of utmost importance as it was instrumental in the ~~complete~~ fiscal devolution by increasing the states' share in the divisible pool of taxes with certain developmental perspectives.