

Q-11 'Invisible Hand of Market' conceptualised by Adam Smith means to the market forces of demand and supply that keeps the resources of the economy to be utilised efficiently and efficient price discovery.

India aspire to become a 5 trillion US\$ economy by 2025. To achieve it there needs a invisible hand of market which should be supported by a hand of Govt. Govt. should play a role of facilitator.

Markets or invisible hand of Market can provide

- Competition in the economy.
- Efficient allocation of resources.
- Efficient price discovery mechanism.

But markets cannot ensure equitable distribution of welfare and upliftment of down-trodden section of the society and inclusive participation in the economy. So, to provide all such facilities, Govt.

Should provide:-

- Strengthening the public sector banks (PSBs) so that they can provide easy credit and hence investment can occur.
- Solve the issues existing in the NBFCs sector - Roll over Risk.
- Better management and analyses of data. Recently, Statistical Standing Committee was constituted.
- Disinvestment of loss making PSUs or of those PSUs which can be replaced by better private industries.

This is how hand of trust can strengthen the hand of market. This hand of trust can be strengthened by-

- reducing Information Asymmetry
- strengthening regulatory mechanism like SEBI etc

Que-12 Inclusive growth can be defined as that growth which benefits all the sections of the society and which ensures the participation of every sector of the economy.

### Dimensions of inclusive growth

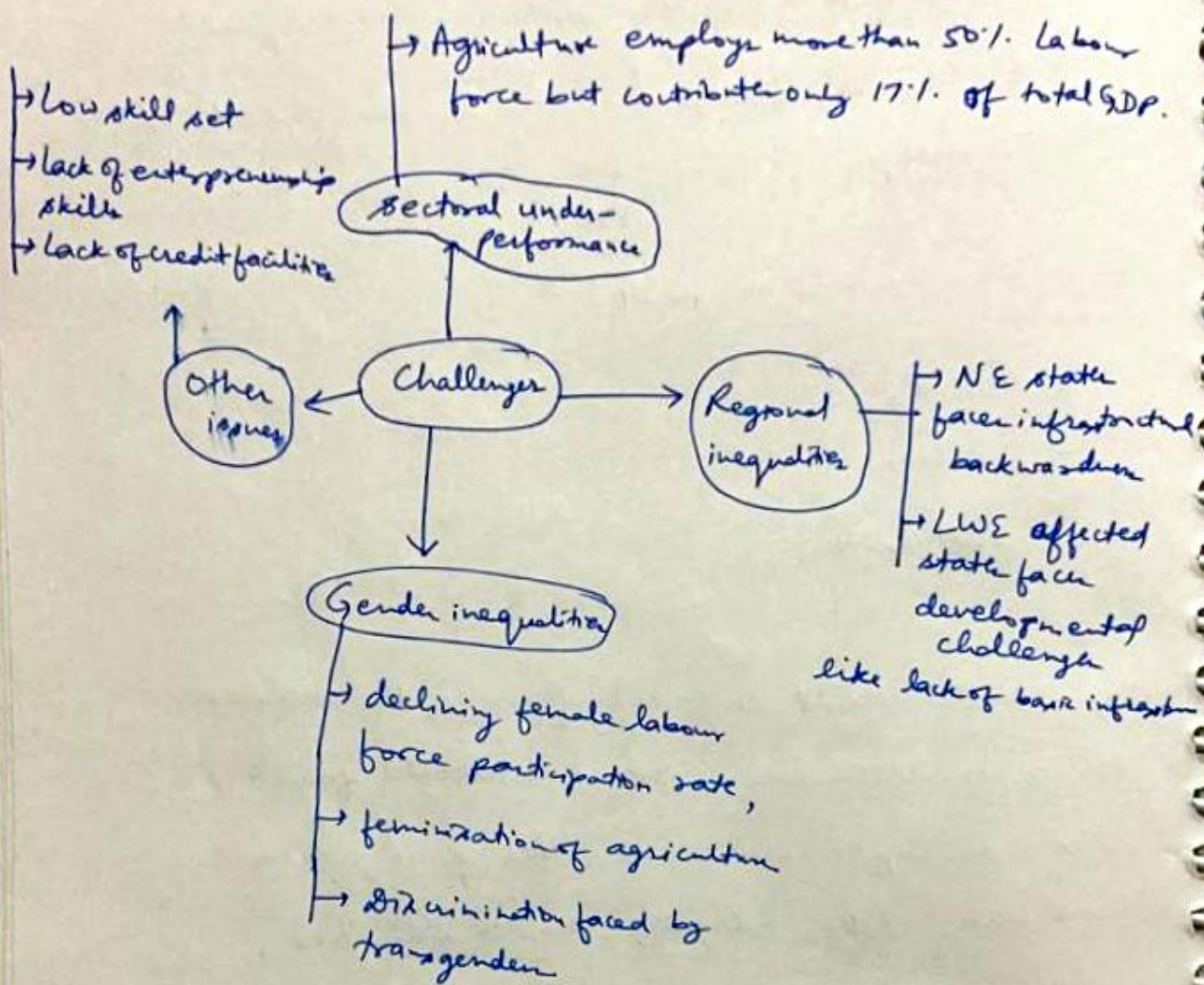
- Equity
- welfare
- Participation

So, growth should not only focus on the increase in the national income (GDP) but should focus on the per capita income and other socio-economic indicators like Education, Health indicators, skills, entrepreneurship, employability, labour force participation, gender inclusiveness, disability-inclusive, age-cohort inclusiveness etc.

### Obstacles for Inclusive growth in India :-

India being one of the fastest growing economy, having more than \$570 bn forex, still lags on indicators like Gender inclusive index of WEF,

Human Development Index (slipped to rank 131), etc.



So, in order to have inclusive growth, all 3 sectors of the economy Agriculture, Manufacturing and services need to have enhanced participation in both employment and GDP contribution. Every section of the society be provided better education, skills and employment opportunities like SC, ST, Dalits, women, transgender etc. Performance based incentives to be given to the states through FC devolution.

## Ques-13 Fiscal Responsibility and Budget Management (FRBM)

Act, 2003 was enacted to bring fiscal prudence in the Indian economy. It has brought states fiscal targets under the expected range but central targets are still to be achieved.

### Targets of FRBMA Act, 2003

- To reduce fiscal deficit to 3% of GDP by 2007-08.  
by reducing 0.3% of fiscal deficit annually.
- ~~To eliminate Revenue deficit i.e.~~

- To reduce Revenue deficit to zero% of GDP  
by reducing 0.5% of R.D. annually.

It was later changed to Effective Revenue Deficit -

- Central Govt. not to borrow from central bank except by ways & means advances.

### Performance and Analysis

- Due to Global financial crisis of 2008, the targets were not achieved and target years were postponed.

(As per Ahluwalia, the effect of 2008 crisis

is over but targets are still not achieved)

- States have reduced their fiscal deficit targets to their 3% of GDP except in 2016, 2017 due to ~~finance~~<sup>pay</sup> commission honours and honouring the loan burden of Discoms.
- There is no reason behind setting the fiscal deficit target of 3%. There are focus only on reducing the fiscal deficits but no measure on how to increase the tax revenue of the govt.

Recent pandemic has created a need to have fiscal incentives to boost aggregate demand in the economy and to pull out of the ongoing slowdown — high public spending, steep reduction in corporate tax etc. as fiscal deficit targets might exceed. In this scenario, focus should be on proper debt management through Public Debt Management Agency (PDMA) and efficient spending via Public Financial Management Strategy (PFMS)

Que-14 India during pre-colonial times had self sufficient villages, having subistence production, consumption and employment opportunities.

But British rule destroyed the self sufficiency nature of our villages by commercialization of agriculture, de-industrialization etc.

Now this COVID pandemic has led to reverse migration of labourers from urban areas to villages and slowdown of economy due to decreased demand and hence production. So, there is an urgent need to focus on the upliftment of the villages i.e.

Goan Swazaj:

Issues in village economy which needs to be corrected

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- ① stressed and overburdened Agriculture sectors
- ② Lack of skills with labour force and lack of employment opportunities.
- ③ Inadequate govt. support for public service delivery like PDS, MGNREGA etc.
- ④ Weak Governance by PRIs & inadequate funds with them.

- ⑤ Lack of credit facilities.
- ⑥ Poor performance by NMMEs.

What can be done to get 'Gram Swaraj' :-

### - Agriculture and allied sectors

- need attention as it employs largest section of labour force but very less contribution in GDP.
- Better credit facilities through RRBs, KCC etc. to be provided. (Scheme like PM Fasal Bina Yojna, PM Yojikisa, Maandhan Yojana etc.)
- Allied sector like livestock, fisheries etc to be focussed as it is labour intensive so proper skills, insurance facilities, food processing facilities etc. (PM Sampada Yojana)

### - Skilling of labour & employment

- PM Kaushal vikas Yojana
- DAY - National Rural Livelihood Mechanism through SHGs.



## - Strengthen PRIs

- Enhanced financial devolution.
- should actively be engaged in beneficiary identification, performance evaluation for various govt schemes
- Ex:- Andhra Pradesh has started a Village Secretariat scheme.

## - Credit facilities

- through SHGs, Bank linkages.
- through scheme like Atal Bim Yojana, PM Shram Maandhan Yojana etc.

## - MME upliftment

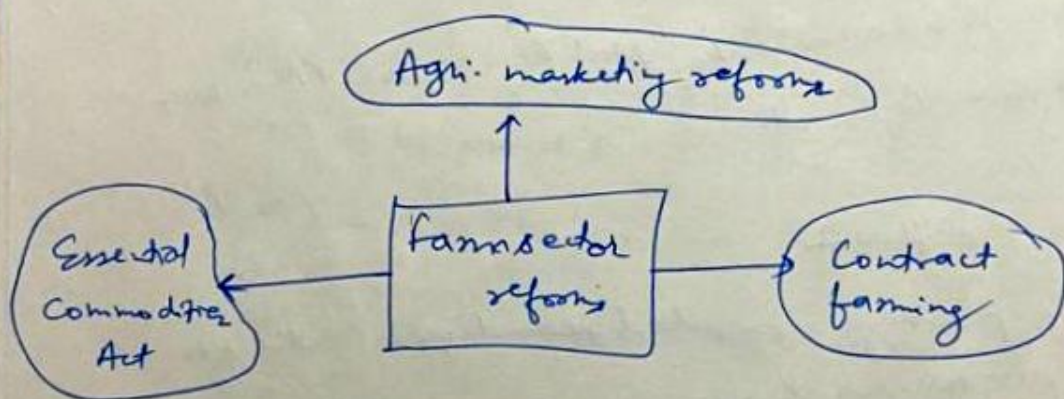
- by providing upgraded technology, credit etc
- PM Mudra Yojana,

This is how we can harness the potential of all such sectors and achieve the target of \$ 5 trillion economy by 2025.

Que-15 Farm sector is the lifeline of our economy in terms of Employment contribution, GDP contribution, food and raw material for industry etc.

But the distress in this sector needs to be addressed so that -

- farmers get remunerative price of their produce
- Consumers get quality and affordable food and other farm products.



Recently govt. has passed 3 farm bills -

- The Farmers' Produce Trade & Commerce (Promotion & Facilitation) Act, 2020.
- The Farmers (Empowerment & Protection) Agreement on Price Assurance Act, 2020.
- Essential Commodities Act, 2000 (Amendment)

① The FPTC (PF) Act, 2020.

Pros of the bill:

- It provides farmers opportunity to sell their

farm produce throughout the country. <sup>outside the existing APMCs</sup> So efficient price will be procured.

- There will be no intermediaries / Arhatiyas between the sellers and the producers so better price farmer will get and consumers will also get cheaper food products.

### Cons.

- States will lose their revenue from Manditax.
- APMCs will be less relevant & hence the dream of e-NAM may remain a distant dream.
- Lack of regulation outside the APMCs may exploit the farmer.

### ② The F (E&P) APA Act, 2020

#### Pros:

- Contract between the farmer and the seller for the crops produce, will provide farmer financial security and improved technology.

- ~~From~~ Food processing or other value addition partners will get good quality of food grains.

## Cons:

- No mechanism how the prices of the crops will be decided b/w farmers and the contractor firm.
- It may lead to cartelisation of contractors & hence reduced price of the output to farmer.
- Long <sup>& expensive</sup> adjudication may deter farmers to go for litigation if the contract terms are violated.

## ③ ECA (Amendment) Act, 2020.

The conditions to put stock limit & to declare commodities to an essential commodities have changed to war, arbitrary rise in price etc. Hence it will legalise hoarding and hence exploitation of farmer.

So, the need of the hour is to have farm sector reform by engaging all the stakeholders like states, FPO, Farmers union etc. so that overall farm sector issues are resolved.

Que-16 Indian economy targets to become a 5 trillion US\$ economy by 2025. But this pandemic has presented new challenges so there is an urgent need to deal with these issues.

Major Issues present in front of Indian economy

- Distressed farm sector.
- Stagnated Manufacturing sector.
- Poor performance of PSBs and NBFCs & less credit disbursement.
- Low investment in the economy.
- Decreased demand and exports due to COVID.
- Low skills and rising unemployment.

Suitable way out

For farm sector

- Ongoing reforms to be done in peaceful & inclusive manner so that distress in farm sector can be reduced.
- Allied sectors like horticulture, fisheries etc. should be promoted through enhanced fund like AIDF by NAFSAAD.  
(Fisheries & Aquaculture Infrastructure Development Fund)

- Boosting food processing facilities to avoid wastage & increase participation in global value chains.

Eg: Mega food parks - recently at Zorah, Mizoram

### For manufacturing:-

- focus on infrastructure building through recently announced National Infrastructure Pipeline (NIP) 2020.
- focus on attracting FDI through streamlining the processes like recent Mines & Minerals (Development & Regulation) Amendment Act which allowed foreign firms to invest in coal mining.
- focussing on labour intensive sectors like as suggested by Economic survey 2019 - integrating "Assemble into India" with "Make in India".

### For credit :-

- For solving the roll over risk of NBFCs, Economic survey suggested to design a 'health score' for NBFCs to foresee the health of them.

- For PSBs, recapitalisation & consolidation of PSBs is one solution & an economic survey 2019 suggested that we can build a PSBN on the lines of GSTN to deal with the issues of NPAs.

- For subdued demand & slowdown due to COVID :-

- Fiscal stimulus :- like already done - reduction in corporate tax rates, removal of DDT, angel tax etc.

- Increasing demand & investment through NIP.

This is how the Indian economy will be able to come out of the gloomy situation.

Ques-13 Green Revolution was started in 1965-66 to deal with the food crisis and because of this India became self sufficient in food crops & now exports of major crops like Rice, wheat etc.

### Achievements of Green Revolution

- It benefitted the states like Punjab, Haryana, U.P.
- The production of wheat & Rice grew more than double & India became self sufficient & have large bufferstock for PDS & unforeseen situations.
- Investment in agriculture infrastructure increased like in irrigation facilities etc.

But these front runner states like Pb., Hr. & UP are facing some challenges

- Because of increased power and irrigation subsidies these states changed their cropping pattern to water intensive crops like Rice.



- Because of increased <sup>chemical</sup> fertilisers use and enhanced irrigation, the soil quality here is deteriorated.  
~~because of~~
- Ground water level has dropped to adverse level and quality has also become bad due to fertilisers.
- Because of small land size holding & to reduce further division, social problems arose like sex selective abortions ~~etc~~ that can be seen by low sex ratios of these states.
- Other social problems - drug abuse, rising cases of cancer etc.

So, the Green Revolution not only benefitted these areas but also hampered them. So the need of the hour is to focus on the issues like decreasing farm subsidies & increase the public investment in agriculture (which is stagnant at mere 3% of GDP).

Que-18 India has the 4th largest network of Railway of about 65000 km after US, Russia & China.

It is the lifeline of India's growth history because of cheap mode of transport for passenger (social function) & freight movement.

The govt-decision to privatise Indian Railways have both pros & cons :-

— Pros :-

1. Due to cross-subsidisation of passenger fares, Indian Railways covers its expenditures from high freight fares. That's why Indian Railways (IR) have just 35% contribution in freight movement.
2. Old and outdated technology and rail wagoes requires private participation for its updation.
3. Private participation in IR will provide India-govt. a fiscal space to focus on other socio-economic sectors. & hence control rising fiscal deficit.
4. Private participation will also ~~not~~ induce efficiency in human sector because of public nature of IR, human personnel do not focus on skill updation, & efficiency.

## Cons:-

- 1- India's Railway is not a private entity that only functions on profit earning. It has always been a mode of transport of every section of society be it rich or poor. So performs social function.
- 2- At present Railway operations are not open to private sector because of safety reason while other operations like terminal operations, railway station management etc. are open to private sector.
- 3- It is one of the largest employer sector in the economy.

So, the way out can be to focus on increasing the freight movement contribution to 50% from present 35%. through Dedicated Freight Corridors (DFCs).

More projects like Tejas a private venture project by IRCTC can be started to see the viability of private participation.

Que-4 Recent times has attracted our attention to the global warming and its result to climate change. Fossil fuel consumption plays an major role in the global warming & climate change.

India is largely dependent on fossil fuel imports from countries like Saudi Arabia, Iraq, UAE etc.

It causes hardships for both environment as well as BoP situation.

In this context, Paris climate change Agreement, 2015 of UNFCCC plays a major role, where all its participants decided to work towards the climate change.

# Significance of "one sun, one world & one God":-

- Countries pledged to reduce their emission intensities. For eg. India aimed to reduce it by 33-35% of GDP by 2030 as compared to 2005 level. In this we targetted 100MW of solar energy.

- India & France made efforts to institutionalize International solar ~~grid~~ Alliance (ISA).

All the equatorial countries have signed & ratified for it & have pledged to contribute for the solar power generation.

- Solar power is efficient and have no harmful impact on environment & easily available raw material i.e. sunlight. It can be harnessed in 2 ways — solar heater & solar electricity.

- It can reduce dependence on fossil fuels. So need of the hour is to invest in R & D in solar energy & connecting the solar power generation points to the main grid.

India has taken few steps in this direction like Net metering, PM KUSUM Yojana & solar grid interconnection etc. This is how we can switch to renewable & green alternative of energy generation.

Que-7 Artificial intelligence refers to the ability

of a machine to perform cognitive tasks & have learning capacity. like Robots, chatbots etc.

## Significance of AI in Indian economy

### ① In finance sector

- To analyse the performance of assets of banks, to reduce NPAs.
- To predict and monitor the health of NBFCs.

### ② In Industry sector

- AI can replace human efforts in hazardous areas like mining etc.
- AI can monitor the supply chain and global value chain.

### ③ In meteorology

- In prediction of monsoon - intensity, droughts, advancement etc.
- In predicting disasters like cyclones etc.

#### ④ In defence sector

- for border surveillance & patrolling in difficult terrain.

#### ⑤ In Health sector

- AI can be used in pandemic situations like COVID to analyse the spread of the virus, in contact tracing etc.

#### ⑥ In Cinema

- AI can be used to improve the quality of the programmes.

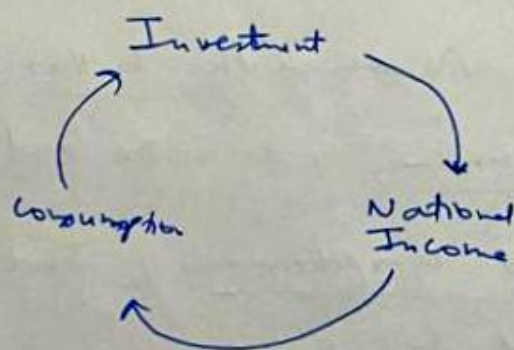
This is how AI can be the helping aid to the Indian economy so there is a need to focus on RnD in AI sector. as recent NITI aayog's AI policy.

Que-9 In order to become a 5 trillion U.S.\$ by 2025, there is an urgent need to focus on infrastructure development so govt. announced NIP of 102 lakh crore ₹.

## Significance of National Infrastructure Pipeline

### ① Increased Investment

It will trigger virtuous cycle of Investment.



### ② Foreign Investment

It will attract FDI in NIP as well as increased infrastructure will also attract more FDI.

↑ in FDI → BoP improved.



### ③. Increased employment opportunities

hence reduction in unemployment (as per PLFS-6.1% unemp. rate)

### ④. Ease of living

Because of :- Improved infrastructure like better housing facilities, better transport facilities, etc.

### ⑤. Ease of doing business

Enhanced infrastructure will remove the bottlenecks in investment & doing business, so EODB and also lead to increased competitiveness of Indian exports. due to improved logistics.

This is how NIP is going to be a boon in this recession situation and will boost India's economy. But the impediments like lack of finance to invest need to be resolved through steps like TVHAI Invets.

Que-8 Farming sector in India faces lot of challenges, lack of remunerative prices to the farmers for their produce is one of them.

Minimum support price (MSP) is announced by govt. at the starting of cropping season to provide better prices & income security to the farmers.

Pros of MSP :-

- Income security to farmers at the time of harvesting of crops. So that farmers do not suffer from price fluctuations.
- Prevent exploitation of farmers through cartelization of buyers.
- Due to assured purchase by the govt. motivates & incentivizes the farmers to invest in agriculture  
i.e. Gross Fixed Capital Formation.

## - Cons of MSP

- Announced only for 24 crops.
- It has changed the cropping pattern i.e. more focus on growing crops included under MSP like wheat, Rice etc.
- Only few crops are purchased by govt. specially Rice & wheat which are also needed for PDS.
- Increasing demand for include more crops under MSP & to raise MSP to be declared.
- Lack of awareness about MSP & only 10% farmers sell their produce under it.
- Financial & operational burden on FCI. which also leads to rotten grains.

So, the best strategy is to include the private entities in procurement (as recommended by Shankar Kumar Committee) and schemes like PM-AASHA scheme can be implemented (PM-Anudatta Aaya Sanrakshak Abhiyan) which includes Price Deficiency Payment Scheme.

## Ques 6 Participatory Irrigation Management (PIM)

refers to the cooperation and involvement of farmers in operation, management & maintenance of irrigation system. by organising themselves into formal bodies.

### Features of PIM :-

- To create ownership of water & irrigation among users to promote efficient use of water.
- ~~Ensure~~ Equity in water distribution.
- Increase water use efficiency for the crops.  
So increase in agriculture productivity.
- To reduce operational costs of irrigation facility.

### Constraints of PIM

- Uncertainty of water availability.
- Fear of financial viability.
- Lack of legal backup & policy change.

As, India is a water scarce nation so need to focus on irrigation system as high dependence on monsoon is there which provides water for only 4 months in a year. To overcome the lacunae,

there is a need of public sector investment in major & medium irrigation projects as such projects cannot be undertaken

by private bodies. As per Das & Siskar, the output

elasticity of Gross fixed capital formation in projects like

irrigation is more than output elasticity of Agricultural

subsidy.