

**1. Examine the significance of entrepreneurial spirit for the development of a middle income country like India. What is your assessment of the prevailing policy environment aimed at promoting entrepreneurship?**

**Introduction**

Entrepreneurship is the act of creating a business or businesses while building and scaling it to generate a profit. With a target of \$5 trillion economy by 2024, entrepreneurship is a buzzword which can help India to be in a trajectory to achieve the same and helps developing countries to achieve sustainable development.

**Body**

**Significance of entrepreneurial spirit:**

As our prime minister observed “India need more job creators than job seekers”. This is especially significant for developing countries like India for the reasons:

- **Employment:** World bank report states that India needs to generate at least 2 million jobs every year. Unemployment rate has been a 4-decade high at 6.1% as per the NSSO survey. Entrepreneurship is significant in this context generating new jobs.
- **Utility of demographic dividend:** Mean age of working population in India is around 27 years. New business and entrepreneurship will help utilize the demography productively in developing countries which usually have young working population.
- **Secondary and tertiary sector development:** Most developing countries depend on primary sector for employment (e.g. India – around 50% in agriculture) and entrepreneurship helps them to move in to manufacturing and services sector which more profit and employment opportunities.
- **Development of global level industries:** the GAFA (Google, Apple, Amazon, Facebook) companies were started by small entrepreneurs and have contributed/contributing enormously to the development of their parent countries. The same applies to developing countries as well which can be possible only by promoting entrepreneurship.
- **Research and innovation:** Entrepreneurship thrive in innovative ideas and this promote research, development of new technologies and so on. This in turn will help utilize the natural and human resources of the developing countries more productively.
- **Global presence:** Entrepreneurship helps in increasing the global presence of Indian entities and also helps in addressing fiscal deficit, reserves etc., by increasing domestic production and increasing exports.
- **Mobilization of resource:** especially capital where in small savings can be mobilized and productively used investing in new businesses.
- **Reduces brain drain** which helps in more innovation, research development in India.

**Prevailing policy environment:**

India was ranked 69/137 countries in the previous Global entrepreneurship index which is a reflection of entrepreneurship support by the government through policies.

- The government has supported by providing finance to MSME entrepreneurs through schemes like Mudra loans, SHG promotion through NABARD-SHG-Bank linkage, PSB loan in 59 min etc.,
- Hand-held support to the new entrepreneurs is done by schemes like Skill India mission with sub-missions which includes launching of incubation centers, skill development schemes etc.,
- Concessions to entrepreneurs through schemes like start-up India, Stand up India which includes tax remissions, streamlining in labour laws, audit procedure etc., E.g. Relaxation in Angel tax, corporate tax reduction, GST.
- Government is promoting innovation through various schemes like Atal Innovation mission, IPR policy guidelines, patent filing procedure streamlining etc., which drives entrepreneurship.
- The international collaborations like the recently signed MOU between Atal innovation mission and Russian Sirius programme etc., are helping in global collaborations and innovations.
- The state wise ranking of EODB, organizing state wise investor summits, Global entrepreneur summits etc., is promoting competitive federalism and is helping entrepreneurs.

Though government is determined to use entrepreneurship as a vehicle of development, there are some issues as well as challenges like

- Issues in government schemes has caused problems for sustenance of business or even availing the benefits available. E.g. in the first 2-3 years, only around 10 companies were able to get the benefits under start-up India.
- The credit needed for the entrepreneurs is still inadequate and mostly cornered by big entrepreneurs/companies than new entrants in the field.
- In the recent global innovation Index report – Corruption, tax terrorism and red-tapism are listed as the biggest hurdles to entrepreneurship/start-ups in India.
- Entrepreneurs still face issues in some of the areas like getting electricity, land acquisition, prolonged court litigations etc., hampering the business environment.

**Conclusion**

As world Bank observed “India is falling into a middle-income trap” and with the turbulent global economic scenario, domestic reliance with entrepreneurship promotion is prudent also recognized by the government. A conducive entrepreneurship environment in the long run improves the domestic economy and

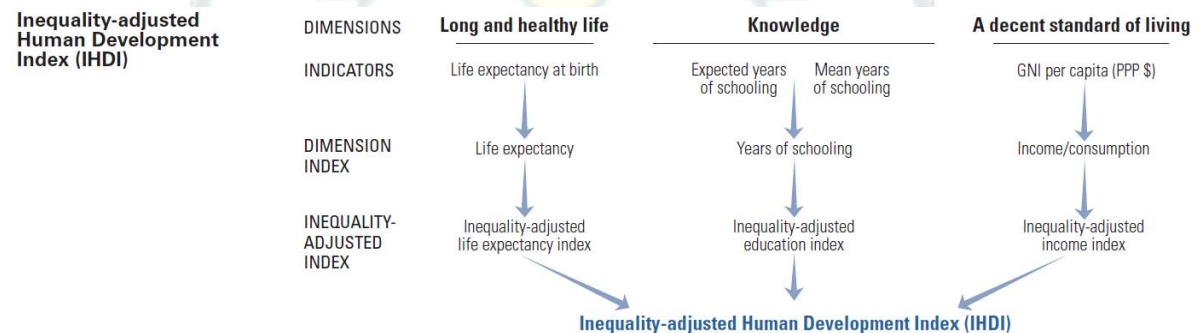
eventually brings in human development. Thus, the government has to take short and long-term measures to address the issues.

**2. Why is Inequality-adjusted Human Development Index (IHDI) a better measure of development? Explain with the help of suitable examples.**

**Introduction**

The IHDI combines a country’s average achievements in health, education and income with how those achievements are distributed among country’s population by “discounting” each dimension’s average value according to its level of inequality. Thus, the IHDI is distribution-sensitive average level of human development. Two countries with different distributions of achievements can have the same average HDI value. Under perfect equality the IHDI is equal to the HDI, but falls below the HDI when inequality rises.

The difference between the IHDI and HDI is the human development cost of inequality, also termed – the overall loss to human development due to inequality. The IHDI allows a direct link to inequalities in dimensions, it can inform policies towards inequality reduction, and leads to better understanding of inequalities across population and their contribution to the overall human development cost. A recent measure of inequality in the HDI, the Coefficient of human inequality, is calculated as an unweighted average of inequality across three dimensions.



**Body**

**Inequality-adjusted Human Development Index (IHDI) a better measure of development**

- While the HDI can be viewed as an index of average achievements in human development dimensions, the IHDI is the level of human development when the distribution of achievements across people in the society is accounted for. The IHDI will be equal to the HDI when there is no inequality but falls below the HDI as inequality rises. The difference between the HDI and IHDI, expressed as a percentage of the HDI, indicates the loss in human development due to inequality.
- IHDI show if inequality is getting better or worse. By analyzing the trend in the IHDI one can assess the direction of the change.
- One of the key properties of the approach is that it is ‘subgroup consistent’. This means that if inequality declines in one subgroup and remains

unchanged in the rest of population, then the overall inequality declines. The second important property is that the IHDI can be obtained by first computing inequality for each dimension and then across dimensions, which further implies that it can be computed by combining data from different sources, thus it is not necessary that micro data on all components come from the same survey.

- The IHDI allows a direct link to inequalities in dimensions of the HDI and the resulting loss in human development. Thus, it can help inform policies towards inequality reduction and to evaluate the impact of various policy options aimed at inequality reduction.
- The average global loss in HDI due to inequality is about 22.9 %—ranging from 5.5% (Finland) to 44.0% (Angola). People in sub-Saharan Africa suffer the largest losses due to inequality in all three dimensions, followed by South Asia and the Arab States and Latin America and the Caribbean. Sub-Saharan Africa suffers the highest inequality in health (36.6%), while South Asia has the highest inequality in education (41.6%). The region of Arab States also has the highest inequality in education (38%), Latin America and the Caribbean suffers the largest inequality in income (36.3%).
- The IHDI and its components can be useful as a guide to help governments better understand the inequalities across population and their contribution to the overall loss in the level of human development due to inequality.
- The IHDI can be adapted to compare the inequalities in different subpopulations within a country, provided that the appropriate data are available. National teams can use proxy distributions for indicators, which may make more sense in their particular case.

Generally countries with less human development also have more multidimensional inequality and thus larger losses in human development due to inequality, while people in developed countries experience the least inequality in human development.

The East Asia and the Pacific Region performs well on the IHDI, particularly in access to healthcare and education, and former socialist countries in Europe and Central Asia have relatively egalitarian distributions across all three dimensions.

### **Conclusion**

Though insightful, the index does not reckon several factors, such as the net wealth per capita, the relative quality of goods, CO2 emissions, crime rate or risk of insolvency in a country. Accounting for these will lower the rank for some of the most advanced countries, such as the G7 members and others. However IHDI is still one of the best indicators of Human development.

**3. In what ways can technology be leveraged in the development industry? Illustrate with the help of suitable examples.**

### **Introduction**

The development industry involves international organizations, government departments, NGO's, international charities, and social movements, who are all working to fight against the causes of poverty and inequality.

### Body

In the last few years, governance in India across sectors has been redefined through business process reengineering, technology and data analytics. Technology is reshaping the way government is designing and implementing programmes. The use of technology has brought in better systems, greater efficiency and is beginning to have a profound impact on governance. Some of the areas where digital technologies are transforming lives and revolutionizing governance are:

- Direct Benefit Transfer (DBT) India has combined the use of unique biometric identifiers and financial inclusion for effectiveness in social benefits and to reduce the vast number of illegitimate beneficiaries under welfare programmes. The Direct Benefit Transfer (DBT) has been implemented across 437 schemes, and helped save Rs 83,000 crore till date. Its implementation has led to 2.75 crore duplicate, fake or non-existent ration cards being deleted and 3.85 crore duplicate and inactive consumers for liquefied petroleum gas (LPG) subsidy being eliminated.
- Artificial Intelligence can expedite achievement of the SDGs. For example Population Foundation of India is carrying out a project in North India using AI to give adolescents access to sexual and reproductive health information.
- Using Cisco's video conferencing technology, specially trained teachers of APD deliver lessons during weekends and holidays to disabled students spread across districts of Karnataka enabling these students to continue their education who might have otherwise discontinued because of huge challenges that they face every step of the way.
- Unified Payments Interface (UPI) and Bharat Bill Payment System (BBPS) have triggered a plethora of private sector-innovated apps, which have significantly eased citizens' bill payments towards services provided by Gol. Digital payment transactions have now become extremely simple, thanks to the Bharat Interface for Money (BHIM) UPI.
- Akshaya Patra, Bengaluru-based NPO, strives to eliminate classroom hunger by organizing mid-day meal schemes in government schools. As of now, they serve about 2 million children from over 14,000 schools across 12 states. With growing numbers, the Akshaya Patra is using data analytics efficiently to serve the children and make productive use of their funds. Data analytics is helping them in solving logistic problems like figuring out the optimum route to deliver food.
- Save Life Foundation - Road accidents led to the death of more than 10 lakh Indians in the last decade. Save Life Foundation, therefore, commissions nation-wide surveys to gauge the public perception about road safety in

India. These surveys serve as blueprints for initial diagnosis and the data collected will be used to analyse, predict and eradicate the risk-prone areas.

- "Seva Kitchen": Food sharing app – To fight against food poverty, a NGO has designed an app called "Seva Kitchen" which helps you to share excess food to the needy group. Foods are wasted at larger quantities during marriages, functions & parties and the rationale behind is to share the same with those who are in real need of the food. Although they started off by making meals accessible to relatives of patients in hospital, the "Seva Kitchen" continues to cover a broader ambit of addressing hunger needs.
- Ayushman Bharat - The Ayushman Bharat scheme will digitally link primary and community health centres with district hospitals. Along with the Rs 5 lakh health insurance, which will cover 50 crore Indians, it will ensure healthcare

### Conclusion

For years, India has been a complex nation, making it difficult for the common man to access services. The rapid adoption of technology across sectors is making things easy and eliminating all forms of human intervention. This has a major impact on the efficiency and effectiveness of governance.

### 4. Small changes can have a multiplier effect on the development processes. Do you agree? Substantiate with the help of suitable examples.

#### Introduction

In economics, a multiplier broadly refers to an economic factor that, when increased or changed, causes increases or changes in many other related economic variables. In terms of gross domestic product, the multiplier effect causes gains in total output to be greater than the change in spending that caused it. Such an increase effects the development process positively through small changes.

#### Body

- Every time there is an injection of new demand into the development process there is likely to be a multiplier effect. This is because an injection of extra income leads to more spending, which creates more income, and so on. The multiplier effect refers to the increase in growth arising from any new injection of spending.
- The multiplier concept can be used in any situation where there is a new injection into an economy. Examples of such situations include:
  1. When the government funds the building of a new infrastructure
  2. When there is an increase in exports abroad
  3. When there is a reduction in interest rates or tax rates, or when the exchange rate falls.
- Multiplier effects generated by the creation of a new type of economic activity in a given area, for example a large new manufacturing facility, are of particular interest. The example of the impact of companies located in a

Special Economic Zone (SEZ)s shows the magnitude of the multiplier effect expressed in terms of the number of jobs created which is the result of small changes in policy affecting the developmental process.

- The magnitude of multiplier effects varies substantially depending on their trigger and location. Multiplier effects tend to be stronger in services than in the manufacturing sector. Local companies tend to possess extensive local linkages resulting in stronger local multiplier effects than large companies doing business in many different regions and countries
- Entrepreneurial sector successes are also important for their multiplier effect. The IT industry, pioneered by companies such as TCS, Infosys, and Wipro, fostered an entrepreneurial mind-set that is powering the latest boom in India's e-commerce sector. This was possible through small changes in policy leading to better outcomes for the economy.
- A change in fiscal policy has a multiplier effect on the economy because fiscal policy affects spending, consumption, and investment levels in the economy. The multiplier effect is the amount that additional government spending affects income levels in the country. The two major mechanisms of fiscal policy are tax rates and government spending. Typically, fiscal policy is used when the government seeks to stimulate the economy.
- Two areas in which higher public investment will easily be absorbed are housing and infrastructure. Investment in housing, especially in urban areas, will create very large multiplier effects in the economy. Investment in physical infrastructure will address longstanding deficiencies faced by the economy.
- The industrial development of any nation depends upon the presence of a vibrant steel industry. Steel finds its use in a wide range of applications. In India, steel has an output multiplier effect of nearly 1.4X on GDP and employment multiplier factor of 6.8X. The aim of National Steel Policy, 2017 is to steer the steel industry achieve its full potential as well as enhancing the steel production while being globally competitive.
- MULTIPLIER EFFECT IN MEDICAL TOURISM - In the multiplier process, direct multipliers flow from what visitors actually spend, while indirect multipliers are created by tourist industry expenditure. The cascading effect of tourists money being spent throughout the host economy, begins at frontline tourist establishments, eg hotels, restaurants and taxis.
- The majority of Self-Help Groups comprise of women members. There is evidence that formation of self help groups has a multiplier effect in improving women's status in society as well as in the family.

### Conclusion

Ultimately, multiplier effects resulting from any change in economic activity in a given area are important, regardless of when it started. One must not forget that multiplier effects may produce not only positive outcomes but also negative ones. Reductions in output and the liquidation of companies lead to lower incomes and lower employment at suppliers as well as business entities serving the needs of the

employees made redundant thus necessitating a balanced approach towards the use of small changes for multiplier effects in the development processes.

## 5. Critically evaluate the recent measures taken by the government to ensure the development of the North-Eastern region.

### Introduction

The North East States are categorized as Special Category States and receive central assistance on a liberal 90:10 sharing pattern. The Central Government is also supplementing development efforts of States in NER through Special Central Assistance (SCA) and Special Plan Assistance (SPA) through State Plans.

### Body

The Ministry of Development of North Eastern Region (DoNER) has made the following schemes for the development of North-Eastern region during the last three years:

- **North East Special Infrastructure Development Scheme (NESIDS)**  
The Government has approved a 100% Central Sector Scheme to be implemented till March 2020, named North East Special Infrastructure Development Scheme (NESIDS) for development of North-Eastern region to be implemented by the Ministry of Development of North Eastern Region (DoNER). A sum of Rs.1600 crore has been allocated for funding physical infrastructure relating to connectivity, power, water supply enhancing tourism and social Infrastructure relating to education and health sectors in North Eastern States. Till date, 6 (six) projects costing Rs.272.31 crore have been recommended for sanction for North Eastern States under this scheme.
- **Schemes of North Eastern Council (NEC) and North East Road Sector Development Scheme (NERSDS)**  
The Government has also approved schemes of North Eastern Council (NEC) and North East Road Sector Development Scheme (NERSDS) at a total cost of Rs.4500 crore for 3 years i.e. 2017-18 to 2019-20. Under NERSDS, 3 (three) projects have been taken up and 1 (one) has been completed while 2 (two) are ongoing.
- **North East Venture Fund (NEVF)**  
North Eastern Development Finance Corporation Ltd. (NEDFi) under the Ministry of Development of North Eastern Region (DoNER) has set up the North East Venture Fund (NEVF) for North East Region. The capital commitment to the fund is Rs.100.00 crore with an initial contribution of Rs.75.00 crore consisting of Rs.45.00 crore from Ministry of DoNER and Rs.30.00 crore from NEDFi. The balance fund of Rs.25.00 crore has been committed by Small Industries Development Bank of India (SIDBI) in-principle. The proposals are considered by the NEVF. For investment decisions, an Independent Investment Committee is formed, comprising of



experts from the field of venture capital financing, banking, technocrats and representatives of investors, which regularly monitor the implementation of the projects. So far, the NEVF has approved eight proposals for start ups in various sectors ranging from health to media with an investment commitment of Rs.1092.5 lakh.

- **Science & Technology Interventions in the North East Region (STINER)**

STINER aims to bring relevant technologies developed by the academic, scientific and research institutions to the artisans and farmers especially women. The Ministry has sanctioned funds to disseminate some identified technologies developed by IITs such as Feed block machine; Eri-Cocoon opener; Hank to bobbin winding machine; Chaff Cutter; Dryer; Potter's wheel; Puffed Rice making machine and Fish cage structure.

- **North Eastern Region Vision 2020**

This document provides an overarching framework for the development of the North Eastern Region to bring it at par with other developed regions under which different Ministries, including Ministry of Development of North Eastern Region have undertaken various initiatives.

- a. Mandatory earmarking of at least 10% of GBS of Central Ministries/Departments for North Eastern Region (NER) and creation of Non-Lapsable Central Pool of Resources (NLCPR) has augmented resource flow to the region.
- b. An allocation of Rs.59,369.90 crore (BE) during 2019-20 has been made for the North Eastern Region, including Ministry of DoNER.
- c. Strengthening infrastructure and connectivity is a major thrust area identified by the Vision document.
- d. For Road, Under the Special Accelerated Road Development Programme (SARDP-NE) including Arunachal Package of Roads and Highways, 1,514 km of road length worth Rs.20,065 crore has been completed in the last five years in the North East Region (NER). Under Bharatmala Pariyojana (BMP) roads stretches aggregating to about 5,301 km in NER have been approved for improvement. Out of this, 3246 km road length has been approved for development of Economic Corridors in the North East. Under Pradhan Mantri Gram Sadak Yojana (PMGSY), road length of 20,708 km has been constructed at a cost of Rs.9033.76 crore, thereby connecting 3,123 habitations in North Eastern Region.
- e. In respect of Rail Connectivity, during the last four years the entire North East Region has been converted to the Broad Gauge (BG) network. In respect of Air Connectivity, modernization and development of Airports have been taken up. This includes construction of a new integrated terminal building at Guwahati, Imphal and Agartala Airports etc.
- f. Moreover, Regional Connectivity Scheme (RCS-UDAN) has been launched to provide connectivity to unserved and underserved Airports within the country and to promote regional connectivity by making the airfare affordable through Viability Gap Funding (VGF). The North East has been kept as a priority area under RCS-UDAN.

- g. Under Swadesh Darshan Scheme of Ministry of Tourism, projects worth Rs.1400.03 crore have been sanctioned for the North East Region in the last five years and Rs. 896.12 crore has been released for the same.
- h. Ministry of Civil Aviation has granted 'Site Clearance' and 'In-principle' approval on 18.01.2019 for setting up a New Greenfield Airport at Holongi, Itanagar, for which Airports Authority of India (AAI) has already initiated preparation of bidding documents.
- i. Other major initiatives taken up in the North-East Region inter alia include Promotion of MSMEs in North Eastern Region and Sikkim, Comprehensive Telecom Development Project (CTDP) for the North-Eastern Region, Comprehensive Scheme for strengthening of Transmission and Distribution Systems (CSST&DS), North Eastern Region Power System Improvement Project (NERPSIP), Mission Organic Value Chain Development for North Eastern Region scheme, North East Region Textile Promotion Scheme (NERTPS), National Sports University at Imphal, Agartala-Akhaura Rail-Link to connect the existing Agartala station in Tripura to Akhaura Station of Bangladesh Railways, development of Brahmaputra and 19 new waterways including Barak.

### Challenges

1. The Northeast region does not attract big industries because the region is resource deficit, and does not have economies of scale to match. Moreover, the security situation in the whole of the region has not improved uniformly.
2. The North East Council (NEC) and the Ministry for the Development of the North East Region (DoNER) have become fund disbursing agencies instead of strategic planning agencies.
3. The North East still remains inward looking focussing primarily on internal conflicts. There is no discussion on the benefits that could accrue to the region from the Look East Policy.
4. The international borders in the North east are extremely porous. Thus, cross border infiltration of militants, and smuggling of arms are rampant in the region.
5. Poverty, High rate of unemployment, inadequate health care, public unrest adds to the challenges in the region.

### Conclusion

Given the north-eastern region's strategic location, India has been keen to involve countries of South East Asia and East Asia in its development. The ten key areas for development of north east are highways, railways, power, internet, BPOs, Organic food, assistance, timely implementation of projects for job creation, tourism and development of rural areas. The pro-active approach in the north east region is the key to give fillip to development of the region.

