

**1. Do you think the policy of liberalization has attained its full potential in India?
Critically examine.**

Approach- Question is analytical in nature. Student can give a brief evolution of liberalization in the beginning and then analyse the impact policy made on Indian economy and society. Future path of economy can be given in later half of the answer.

Introduction

“No power on earth can stop an idea whose time has come,” said then finance minister Manmohan Singh quoting Victor Hugo while presenting the Union Budget on 24 July 1991. And with these words started the long and painful process of economic liberalisation in India.

Body

The liberalisation was aimed at ending the licence-permit raj by decreasing the government intervention in the business, thereby pushing economic growth through reforms. The policy opened up the country to global economy. It discouraged public sector monopoly and paved the way for competition in the market.

- In 1991 India embarked on major reforms to liberalize its economy after three decades of socialism and a fourth of creeping liberalization.
- Twenty-five years later, the outcome has been an outstanding economic success. India has gone from being a poor, slow-growing country to the fastest-growing major economy in the world.
- The World Economic Outlook for 2016 says that the United States and India are the two pillars of strength today that are helping hold up a sagging world economy.
- Yet those successes have been accompanied by significant failures and weaknesses in policies and institutions. The past 29 years of liberalization are largely a story of private-sector success and government failure and of successful economic reform tarnished by institutional erosion.
- The quality of government services remains abysmal, and social indicators have improved much too slowly. The provision of public goods — police, judiciary, general administration, basic health and education, and basic infrastructure has seriously lagged improvements in economic performance.
- India's economic reforms have been highly successful in moving the country from low-income to middle-income status, despite little improvement in its institutions and quality of public goods. To sustain rapid growth and to become a high-income country, India will need major reforms to deepen liberalization and build high-quality institutions.
- India is about to reap a demographic dividend that will give it a big edge over rivals. The number of working-age people between 15 and 60 is expected to rise by 280 million between 2013 and 2050.

India and liberalization

- India's working-age population has started rising, yet participation in the workforce has actually fallen in recent years, especially for females. It is partly because, as families rise from low-income to lower-middle-income status, they pull their women out of manual work as a mark of social superiority.
- Economic liberalization has benefited Dalits, the lowest of the Hindu castes, once condemned to the dirtiest work, such as cleaning latrines, cremating the dead, and handling dead animals and their hides. A seminal survey in two districts of Uttar Pradesh revealed striking improvements in the living standards of Dalits in the past two decades.
- In the two decades since 1991, India's literacy rate has shot up by a record 21.8 percentage points, to 74 percent.
- Leftist critics accuse India of going down the path of neoliberalism. The actual process could better be called neo-illiberalism. Although many old controls and licenses have indeed been abolished over the past 25 years, many new controls and bureaucratic hurdles have appeared, mostly in such areas as the environment, forests, tribal rights, and land and in new areas like retail, telecom, and Internet-related activities.
- Markets cannot function without good governance. With almost no exceptions, the delivery of government services in India is pathetic, from the police and judiciary to education and health.
- Justice is supposed to be blind. In India, it is also lame. India holds the world record for legal case backlogs (31.5 million), which will take 320 years to clear, according to Andhra Pradesh high court judge V. V. Rao. India's Law Commission has recommended the appointment of 50 judges per million population. The current sanctioned judicial strength is just 17 per million, and unfilled vacancies are as high as 23 percent in the lower courts.
- Many infrastructure areas earlier reserved for the government were opened to private-sector participation, often in public-private partnerships, and many of them were bedeviled by crony capitalism.
- The quality of the delivery of government services remains poor. The big improvements in private-sector competitiveness are not even remotely replicated in government service competitiveness. India's social indicators remain dismal.

Conclusion

Liberalization remains unfinished agenda in Indian context. Though we have successfully crossed many socio-economic barriers, we still lack in building robust social infrastructure to be able to deliver fruits of liberalization to our population. India lags far behind in social indicators and many policies hurt free flow of capital and goods. Road of freedom is only half travelled and lot needs to be done to be able to realize our full potential.

2. What are the key challenges being faced by India's MSME sector? Analyse. What are the recent steps taken to promote MSMEs in India? Discuss.

Approach

Since question is asking you to Discuss, it necessitates a debate where reasoning is backed up with evidence to make a case for and against an argument and finally arriving at a conclusion.

Introduction

With a sustained growth rate of over 10 per cent in the past few years, the MSME sector has come to represent the ability of the Indian entrepreneur to innovate and create solutions despite the logistical, social, and resource challenges across the country. Because of its huge contribution to the economy, the MSME sector is called the growth engine of the nation.

Body

THE KEY CHALLENGES BEING FACED BY INDIA'S MSME SECTOR

Despite the rising importance of the MSME sector in the Indian economy, the sector is grappling with several challenges that are hindering it from performing to its optimum. These challenges include:

- The lack of adequate and timely access to finance continues to remain the biggest challenge for MSMEs and has constrained their growth.
- Lack of access to working capital. A large number of MSMEs often require regular sources of working capital to stay afloat.
- Technology is a big issue for MSMEs. Concerted efforts are needed to apprise MSMEs of new developments and technologies and how these can be usefully employed by them keeping in view the local conditions, in the language and mode which the locals can understand and assimilate.
- GST has emerged as the biggest compliance issue before the MSMEs. Given their small size, they are unable to be a part of the GST network, and, as a result, they are not obliged to maintain a set of financial records. It is time that the GST issues/bottlenecks are addressed and resolved at the earliest.
- Then there are issues related to labour, research, infrastructure and others for MSMEs. Some new labour law codes are already in place and some others are in the pipeline. Equally important is to sensitize the state governments/local bodies not to impose undue compliance burden on these units.

- Lack of access to markets access to marketplaces is crucial for the growth of any enterprise. Most MSMEs of India in pre-covid-19 times were known to carry out their operations solely through a brick-and-mortar model, which is known to limit the outreach to their geographical location, and also productivity.
- Poor productivity from inefficient processes and unskilled workforce while the MSME sector employs a large section of the non-farm workers, a majority of them hire fewer than five workers, with the world bank pegging this number to be nearly 94.6 percent of all MSMEs.

THE RECENT STEPS TAKEN TO PROMOTE MSMEs IN INDIA

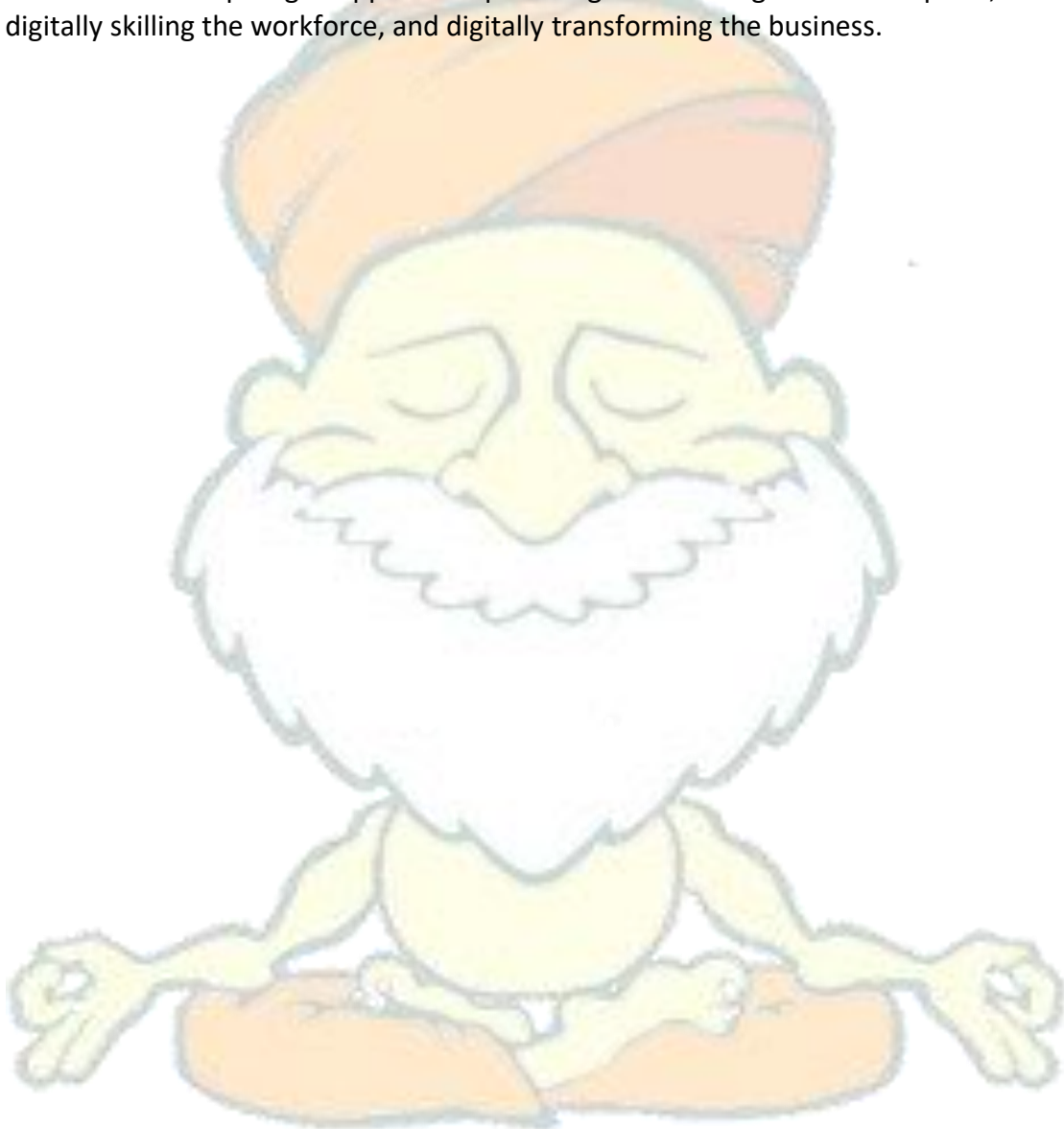
The government seems to have taken issues related to MSME on a priority now. Following are the steps:

- Collateral-free Automatic Loans up to INR 3 Lakh Crore
- Government has introduced collateral-free automatic loans up to INR 3,00,000 Crore. MSMEs can borrow emergency credit from banks and NBFCs up to 20% of their entire outstanding credit.
- In order to address the problem of unfair competition between Indian MSMEs and foreign companies, the government has taken the decision to not allow global tenders in procurements up to INR 200 Crore. The foreign companies who are far ahead in size and strength thus become a threat to our home companies. This will help MSMEs to cope up during this time of crises.
- The finance ministry has given an assurance that the government and the central public sector enterprises will release all pending MSME payments/dues in 45 days.
- In order to address the problem of unfair competition between Indian MSMEs and foreign companies, the government has taken the decision to not allow global tenders in procurements up to INR 200 Crore.
- To help MSMEs government has announced to launch E-commerce portal 'Bharat Craft' that will act as a direct interface between sellers and buyers.
- To boost employment opportunities, the MSME ministry has launched a scheme of 'second financial assistance' to help the PMEGP and Mudra units expand or upgrade.
- Finance Minister revised the definition of MSMEs to a new one so as to address the developing fear of out-growing in size and losing out on the benefits. According to the new definition, there will be no bifurcation.

Conclusion

Amid fears of a slowdown, cut in jobs in various industries and rising unemployment,

the MSME sector can play a big role, if aided and supported ably by the government as well as others. Many stakeholders from the private sector are also contributing their efforts for the growth of MSMEs. Key among them is the Global Bharat Movement. This is a unique initiative by SAP in association with NASSCOM Foundation, United Nations Development Program (UNDP) and Pratham InfoTech Foundation. The Global Bharat Movement is envisaged as a catalyst for MSMEs, driving greater efficiencies and augmenting business value. By helping reassess critical processes, the movement enables these companies to become future-ready. It follows a three-pronged approach – providing access to a global marketplace, digitally skilling the workforce, and digitally transforming the business.



3. Can India emulate the Chinese model of export led growth strategy? What are the challenges on this front? Discuss.**Approach:**

Above question has two parts first part is about suitability of export led growth strategy for India and the second one is challenges, students are expected to give a brief about what export led growth strategy means in introduction and then explain its suitability for India and challenges of implementation. Arrive at a balanced logical and forward looking conclusion at the end.

Introduction:

Export led growth is where a significant part of the expansion of real GDP, jobs and per capita incomes flows from the successful exporting of goods and services from one country to another. In recent years a number of countries have experienced rapid growth across a number of export industries which has helped to fuel their long-run expansion. These nations include China, Ireland, South Korea, Singapore, Hong Kong, Vietnam, Ethiopia and other emerging countries. The opposite of an export led growth is import substitution where countries strive to become self sufficient by developing their own industries.

Body:

China's strategy for growth-

- China's export- led growth is rooted in a double transition of structural change and demographic transition. China began to adopt the ELG model in the early 1980s with features like trade liberalization, Reindustrialization, focus on processing trade all led to a successful trade strategy and helped China to achieve a sustained growth for over a decade.
- China's emergence as a low cost manufacturing hub and leading merchandise exporter was enabled by a relatively favourable international economic factors, major consuming markets like USA, the EU and Japan were relatively open and expanding .
- China has become increasingly integrated into the global supply chains of multinational conglomerates like Apple and Microsoft. The supply chains consist of production facilities spread across number of countries, India's participation in these supply chains is weak.

Can India emulate the Chinese model-

- The idea of turning the Indian economy into an export-led economy is not new. This idea is visible in the objectives of Make in India program and Economic Survey has proposed the creation of a Shenzhen-style Autonomous Employment Zones (China), which would be characterized by a highly entrepreneur-friendly regime with respect to land, labour, enforcing contracting and international trade. China was the last country to lift itself out of poverty by becoming the factory to the world, but economic experts

doubt that global demand in the post-covid era will be enough to accommodate another manufacturing giant to arise.

Due to the different geo-economic scenario today, it is contemplated that the export-led growth may not be viable for India because of the following reasons-

- Many global economists are of the opinions that today's world is unlikely to sustain export-led growth, due to the problem of : depopulation, declining productivity, high debt, and deglobalization. Demand in most parts of the developed world will not grow too fast, as they are ageing (Japan, northern Europe), and demand in the developing world will also decline in the near future. As the US is turning protectionist and the EU has in place many trade barriers, this will further reduce demand for developing countries' exports.
- The developed countries are increasingly turning to high tech to produce cheap consumer goods, which require fewer workers and are therefore cost-effective. Thus, manufactured goods in developed countries are slowly replacing the cheap imports from developing countries.
- The structural reforms like labour reforms would have had a significant impact in 1991, but are unlikely to provide the same growth boost today. This is because businesses have found other ways to deal with inflexible labour laws, as technology seems to have replaced all other factors of production as the main driver of growth.
- Most of the goods in India are produced in the medium and small enterprises and have poor quality. This is because the labour involved in the production is lacking adequate training in skills, education, and is less disciplined than in India's competitor countries.
- A large part of India's growth story in the past decade has been due to a rise in India's exports from 9.3% of gross domestic product (GDP) in 2000-01 to 16.8% of GDP in 2013-14. But, with export growth turning negative in recent months, there are signs that the export push is running out of steam.
- COVID 19 pandemic has forced countries to change strategies for achieving high growth India has been in the forefront of steering economy from what experts called a technical recession, with the disruption of global supply chains and rise of protectionism, Atmanirbhar Bharat is the new strategy in place to make India self reliant in the production process and to increase domestic demand.

Conclusion:

The idea of the export-led economy has been very successful for many East-Asian countries (also called East-Asian Miracle). In the 1960s and 70s, these countries transformed their economies rapidly from developing countries to become middle-income countries through high export. However, the viability of a new export-based economy, that India aspires to be, depends on policy restructuring, reaping demographic dividend and leveraging its domestic market.

4. Do you think disinvestment of public sector units can bring in efficiency and promote competition? Critically comment.

Approach

Define disinvestment of PSUs and comment on whether disinvestment of PSUs can bring in efficiency and competitiveness or not. We need to deliberate on both sides of the argument.

Introduction

Budget 2021-22, set a disinvestment target of Rs 1.75 lakh crore. As per government perspective disinvestment means sale or liquidation of assets by the government, usually Central and state public sector enterprises, projects, or other fixed assets.

Body

Currently public sector units (PSUs) are infested with inefficiencies and uncompetitive practices like government interference, low capacity utilisation, huge debt burden, inability to innovate, substantial time and cost overruns, slow decision making process, low work ethics, unequal playing field for private sector, etc.

Disinvestment can bring in efficiency and competitiveness in following ways and means –

- Encourage private participation and investment in PSUs operations.
- Minimizing debt: Debt of both PSUs and government can be reduced with disinvestment revenues.
- Attracting Investment: Funds for scaling up and up-gradation.
- Rise in capacity and profit: Hindustan Zinc saw a 100 fold in its profits and six fold rise in capacities.
- Technology adaptation: disinvestment funds can be used to adopt latest technologies.
- Accountability and Transparency: Disinvestment increases scrutiny and answerability towards corporate and retail stakeholders.
- Social sector investment: Disinvestment revenue can be used for implementing social programs in health and education sectors

However, disinvestment has following issues –

- Inefficient and low valuation of PSUs: Disinvestment of PSU stakes and assets at rates below its real or potential market value. E.g.: Disinvestment of IRCTC.
- Strategic concerns: Disinvestment in defence, oil exploration, nuclear facilities, etc. may cause national security issues.
- Fear of crony capitalism and monopolies.
- Rise in economic and social inequalities.

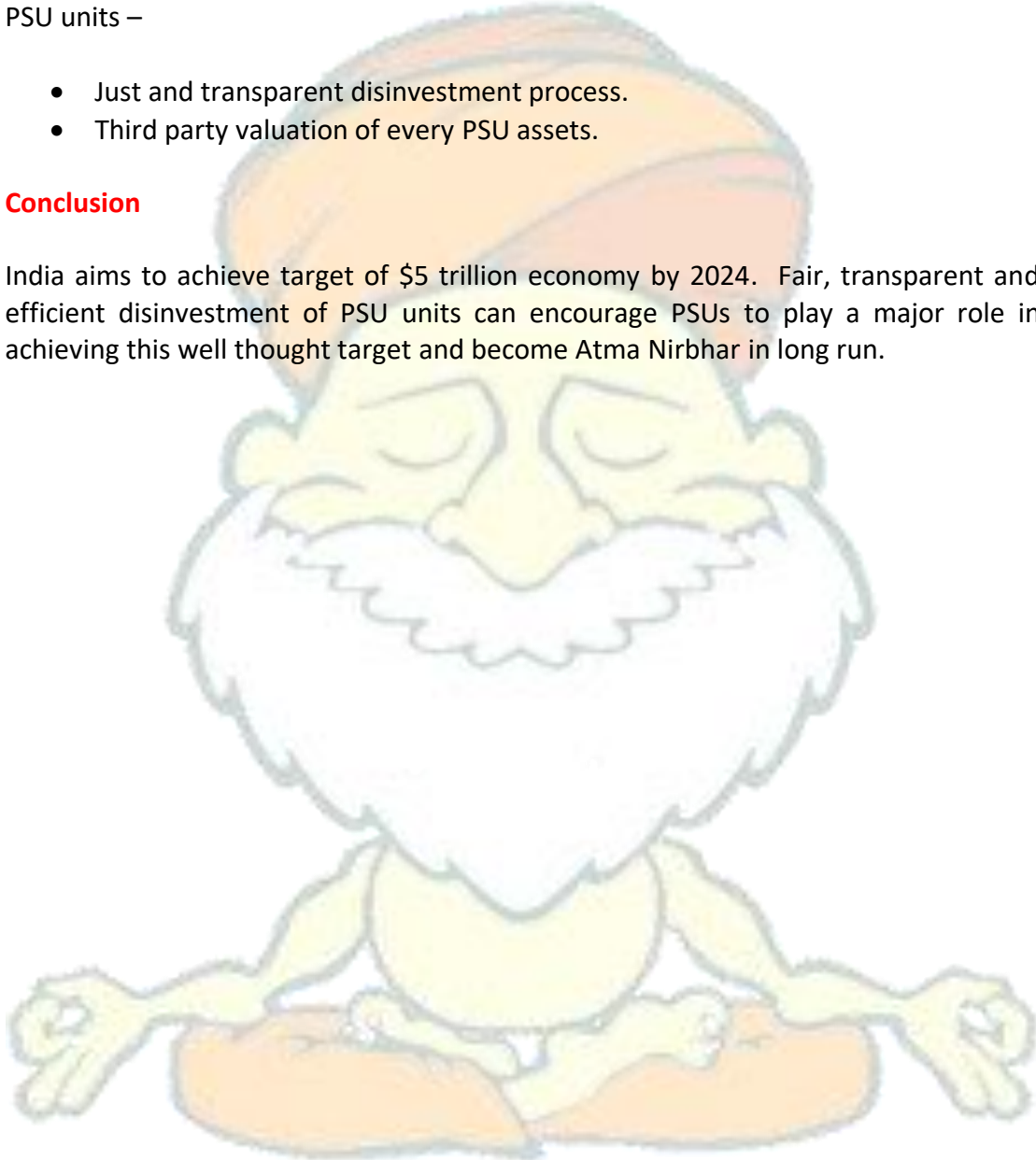
- Loss of revenue (i.e. profit and dividend) to the government.
- Encourage regressive fiscal practices: Increased dependency on disinvestment revenue is an unhealthy and a short term practice.
- Lack of assurance: Disinvestment does not always ensure efficiency and competitiveness.

Government need to take following measures to ally concerns of disinvestment of PSU units –

- Just and transparent disinvestment process.
- Third party valuation of every PSU assets.

Conclusion

India aims to achieve target of \$5 trillion economy by 2024. Fair, transparent and efficient disinvestment of PSU units can encourage PSUs to play a major role in achieving this well thought target and become Atma Nirbhar in long run.



5. What is an avalanche? How does it occur? Explain.

Approach

Question is straightforward students are expected to write about the what is avalanche and explain how does it occur.

Introduction

In India, Himalayan region is well known for occurrence of snow avalanches particularly the Western Himalayan region snowy regions of Jammu and Kashmir, Himachal Pradesh and Uttarakhand. In the Kargil district, the Indian Army has another big adversary besides Pakistan. Over 1,000 Indian soldiers, including over 35 officers, have lost their lives in the Siachen Glacier-Saltoro Ridge region since April 1984.

Body

Avalanche:

- An avalanche is a mass of snow that slides rapidly down an inclined slope, such as a mountainside or the roof of a building. Avalanches are triggered by either natural forces (e.g. precipitation, wind drifting snow, rapid temperature changes) or human activity. In mountainous terrain, they are among the most serious hazards to human life and property.
- There are various kinds of avalanches: Such as rock avalanches (which consist of large segments of shattered rock).Ice avalanches (which typically occur in the vicinity of a glacier).Debris avalanches (which contain a variety of unconsolidated materials, such as loose stones and soil).

An avalanche is typically triggered when material on a slope breaks loose from its surroundings; this material then quickly collects and carries additional material down the slope. Let us study in detail how Avalanche occur:

- Steeper Slopes: An avalanche is caused by the influence of gravity. If gradual snowfalls accumulated on the slopes of the mountain then it prone to rush downs the slopes at greater speeds.
- Layering of Snow: The gradual snowfall creates layer by layer accumulation of snow that hypersensitive the snowpack. If something catastrophic events happen then these layers of snow falls down that leads to avalanche.
- Due to Snowstorm and Wind Direction: Heavy snowstorms are more likely to cause Avalanches. The 24 hours after a storm are considered to be the most critical. Wind normally blows from one side of the slope of the mountain to another side. While blowing up, it will scour snow off the surface, which can overhang a mountain.
- Due to Heavy Snowfall: Heavy snowfall is the first since it deposits snow in unstable areas and puts pressure on the snowpack. Precipitation during the summer months is the leading cause of wet snow avalanches.

- Earthquakes: It is one of the important factors that triggered the layer of accumulated snowpack because earthquakes generate seismic waves that cause the ground to vibrate.
- Movements or Vibrations Produced by Machines and Explosives::During the developmental activities, the terrain vehicles in regions with unstable layers of snow can dislodge the layers from the surface and cause them to slide down under gravity.
- Deforestation-Deforestation, clearance, or clearing for developmental activity makes the mountain region an avalanche-prone area more susceptible to deadlier avalanches.
- Human Activity: Humans have contributed to the start of many avalanches in recent years. Winter sports that require steep slopes often put pressure on the snowpack, which it cannot deal with. Combined with the heavy deforestation and soil erosion in mountain regions, it gives the snow little stability in the winter months. They can also be triggered by skiers, snowmobiles, hikers, vibrations from machinery or construction.

Mitigation steps in Avalanche prone areas:

- Accurate avalanche prediction requires an experienced avalanche forecaster who often works both in the field to gather snowpack information and in the office with sophisticated tools such as remotely accessed weather data, detailed historical weather and avalanche databases, weather models, and avalanche-forecasting models.
- Setting up Quick Response Teams (QRTs) from local administration and the NDRF, equipped with standard avalanche equipment and devices such as GPS, Radio Beacons, and shovels, etc.
- The Border Road Organization (BRO) keeps vigil for keeping the highways clear after avalanches, particularly in the Rohtang Pass and the Baralachala Pass.
- SASE which is a laboratory of the Defence Research and Development Organization (DRDO) has issued an Avalanche warning to Leh in Ladakh region.
- Construction of power lines, highways and railroads must be avoided, if done then minimum impact designs should be implemented.

Conclusion

India's unique geo-climatic conditions and high socio-economic vulnerability to calamities are responsible for increased frequency in natural disasters. Disasters are no longer to be considered as occurrences that are to be managed through emergency response services. So, there is a need to foster a culture of prevention and identification of the key issues to be addressed especially in the development process. The path ahead for managing disasters is to bring in a people-centered development strategy with decentralised planning, implementation and monitoring and control.