

1. Inclusive growth is the growth that has a high elasticity of poverty reduction. Elucidate.

Approach

Since question is asking you to Elucidate it means you have to explain in detail/to make clear. You have to bring out the connection more clearly by citing evidence and examples.

Introduction

The concept of inclusive growth involves ensuring that fruits of growth and development reach the poor and marginalized sections as well by focussing on equitable growth for all sections of society. Inclusiveness is a multi-dimensional concept. Inequalities that include, social exclusion, discrimination, restrictions on migration, constraints on human development, lack of access to finance and insurance, corruption – are sources of inequality and limit the prospect for economic advancement among certain segments of the population, thereby perpetuating poverty.

Body

INCLUSIVE GROWTH IS THE GROWTH THAT HAS A HIGH ELASTICITY OF POVERTY REDUCTION

- Inclusive growth requires full respect for human rights. Inclusive growth generates decent jobs, gives opportunities for all segments of society, especially the most disadvantaged, and distributes the gains from prosperity more equally.
- The first priority of inclusive growth is to create opportunities for good and decent jobs and secure livelihoods for all including poor. This will make growth inclusive and ensure that it reduces poverty and inequality.
- A development strategy anchored in inclusive growth will have two mutually reinforcing strategic focuses. First, high, sustainable growth will create and expand economic opportunities for poor. Second, broader access to these opportunities will ensure that even the poor members of society can participate in and benefit from growth.
- It involves proper attention and planning for growth that reach the impoverished who remain excluded by circumstance, poor governance, and other market-resistant obstacles.

- Achieving inclusive growth in developing countries includes investment in infrastructure to achieve high sustainable economic progress, connect the poor to markets, and increase their access to basic productive assets.
- Provide the opportunity for poor to improve their standards of living, thereby contributing to economic growth, poverty reduction, and the mitigation of extreme inequalities.
- It emphasizes gender equality and the empowerment of women majority of whom are poor as fundamental elements and is aimed at providing these women with better access to education and other economic resources, such as credit.

Conclusion

Economic growth is critical for poverty eradication. Yet, an expanding economy does not mean that everyone benefits equally. Economic growth has to be inclusive to ensure the wellbeing of the entire population. Two of the Millennium Development Goal Achievement Fund encouraged practices related with inclusive growth, especially providing opportunities for the most vulnerable: youth, employment and migration and private sector and development. Some programmes on culture and development also tried to boost the economic potential of cultural industries to create livelihoods. Lessons learned from these programmes have been translated into a broader perspective on inclusive growth as a means of poverty reduction.

2. What are the key elements of inclusive and equitable growth? Discuss. What are the challenges of inclusive economic growth in India? Examine.

Approach:

As the question is very straight forward in its approach, students are expected to briefly explain the inclusive and equitable growth in India in Introduction also proper explanation of the points is needed, Also in the second part of the answer mention challenges as well with proper explanation .

Introduction:

Inclusive growth means economic growth that creates employment opportunities and helps in reducing poverty. It means having access to essential services in health and education by the poor. It includes providing equality of opportunity, empowering people through education and skill development. The concept of inclusive growth is based on the recognition that economic growth must be increasingly 'pro-poor'. The concept represents recent thinking on development, and supplants the ideas of 'trickle-down development' advocated in the 1950s and 1960s. The concept of equitable growth entails the inclusiveness with equal proportion of the growth percolation among the population. It also encompasses a growth process that is environment friendly, aims for good governance and helps in creation of a gender sensitive society.

Body:

Key Elements of inclusive and equitable growth:

Economic Growth-

- India is among the fastest-growing major economies in the world. However, currently Indian economy is facing slowdown due to both cyclic and structural challenges. Economic growth is the main element of inclusive and equitable growth because without growth trickle down is not possible at all.

Financial Inclusion-

- Financial Inclusion is the process of ensuring access to financial services to vulnerable groups at affordable costs. Financial inclusion is necessary for inclusive growth as it leads to the culture of saving, which initiates a virtuous cycle of economic development.

Technological Advancement-

- It is an important aspect of inclusive and equitable growth in terms of decreasing the growth divide between Rich and poor and between

government and the people, Initiatives in this regard such as Digital India mission, use of JAM trinity in delivery of services has been quite effective in bringing transparency and accountability in governance also with industrial revolution 4.0 new technological advancements can be revolutionary in bringing governance very close to people . Technology can help combat challenges in Agriculture by making value chain more efficient and competitive also new innovative digital technologies can be used by increasing accessibility and adaptability of learning. Technology can also bring a sea-change in sectors like Health and manufacturing through changes in the production process and remote health services.

Social development and environment protection-

- Protection of the marginalised sections like women, tribal groups, minorities and other weaker sections is also an important aspect of inclusive and equitable growth it helps in bringing population towards the mainstream economy and increase their accessibility in growth process and ease of living. Economic growth through reckless use of resources and at the cost of environment cannot be inclusive it must be sustainable as well.

Skill development and employment opportunities-

- Harnessing the demographic dividend and growth for all that is the participation of people in the growth process will depend upon the availability of jobs and development of skills. India is facing a dual challenge of providing enough employment opportunities and enhancing skill level of the employable youth.

Challenges of inclusive growth:

Poverty-

- As per multi dimensionality index India lifted 271 million people between 2005-06 and 2015-16 out of poverty despite these massive gains still 22% of the population lives below poverty line.

Unemployment-

- As per Periodic labour force Survey total unemployment rate in India stands at 6.1% with the impact of COVID pandemic and the measures taken to curb it like complete lockdown unemployment rate further shifted towards the upperside thus creating more severe challenge of reaping the benefits of demographic dividend and inclusive growth.

Agricultural issues-

- Around 44% of the population depends on the agriculture with low income levels its contribution towards GDP stands at 16.5%. Almost 60% of agriculture is rainfall dependent thus making it more vulnerable to natural climatic extremities.

Issues in social development-

- Significant regional, social and gender disparities, Low level and slow growth in public expenditure particularly in health and education, The

poor quality delivery system, Social indicators are much lower for OBC, SC, ST, and Muslims, Malnutrition among the children – India still ranks at 102 in the Global Hunger index.

Maintaining rapid growth while making growth more inclusive-

- The growing disparities between urban and rural areas, prosperous and lagging states, skilled and lowskilled workers. New challenges brought by COVID 19 pandemic like increased fiscal deficit, unemployment less production and consumption has further aggravated the challenges to increase growth levels in a sustainable manner.

Improving the delivery of core public services-

- The incomes rise, citizens are demanding better delivery of core public services such as water and power supply, education, policing, sanitation, roads and public health. As physical access to services improves, issues of quality have become more central. There are four avenues for reform: internal reform of public sector agencies, producing regular and reliable information for citizens, strengthening local Governments and decentralizing responsibilities; and expanding the role of non-state providers. It however cautions that planned reform alone cannot bring about the desired changes-ultimately implementation is everything.

Regional disparities-

- Factors like caste, inequality, availability of resources, corruption contributes to the regional disparities where some specific groups hold more privileges than others. This creates a big challenge in bringing inclusiveness in growth pattern in India.

Conclusion:

The post reform period witnessed increase in disparities across regions and social groups and between rural and urban areas. There is a need to have a broad based and inclusive growth to benefit all sections of the society. The challenges in most important elements of inclusive growth are agriculture, poverty and employment, social sector and regional. There are strong social and economic reasons for achieving broader and inclusive growth. To inclusive growth is a wider connotation encompassing social, economic and political factors. Through innovative partnerships with an international organization, civil societies, and private companies, inclusive and equitable growth can be targeted. Inclusive growth will help in the empowerment of vulnerable and marginalized populations, improve livelihoods, and augment skill-building for women. New India is the India of aspirations, Inclusiveness in the growth process is must for the prosperity of all.

3. Can inclusive growth be ensured without a sustained and high growth rate? Critically comment.

Approach

Candidate needs to comment upon the argument that inclusive growth can be ensured without a sustained and high growth rate and also give points counter to the discussion in question through proper substantiation in terms of facts, examples, etc.

Introduction

Inclusive growth is the equitable allocation of resources with an aim to ensure the development of every section of the society. It includes the inclusion via poverty reduction, agriculture development, and social sector development including education, health, environmental sustainability etc. where many debate its relation with high and sustained growth rate of economy for overall prosperity.

Body

Inclusive growth results in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. It is also reflected in better opportunities for both wage employment and livelihood, and an improvement in the provision of basic amenities like water, electricity, roads, sanitation, and housing.

High economic growth has raised living standards around the world and is a necessary criteria to overcome the burden of poverty and inequality and move towards the goals of inclusive growth.

- High pace of growth is important, but how growth is generated is critical for growth sustainability and for accelerating employment creation and poverty reduction. For example, China grew in double digits for sustained period of time to bring majority of its population out of poverty.

- Rapid pace of growth and employment can be achieved through extensive growth, which requires expansion of capacity, but for this type of growth to be sustainable and for employment to be productive, there must be periods when growth is intensive and accompanied by productivity improvements and innovation.
- For growth to be sustainable in the long term, it should be broad-based across sectors. Issues of structural transformation for economic diversification therefore take front stage. However, some countries may be an exception and continue to specialize as they develop due to their specific conditions (e.g., small states).
- It should also be inclusive of the large part of the country's labour force, where inclusiveness refers to equality of opportunity in terms of access to markets, resources, and unbiased regulatory environment for businesses and individuals.
- Inclusive growth should focus on productive employment rather than income redistribution. Hence, the focus is not only on employment growth, but also on productivity growth.
- Inclusive growth should not be defined in terms of specific targets such as employment generation or income distribution. These are potential outcomes, not specific goals.

But modern economies have lost sight of the fact that the standard metric of economic growth, gross domestic product (GDP), merely measures the size of a nation's economy and doesn't reflect a nation's welfare. This kind of focus on singular factor to measure economic growth leads to many issues, some of which are discussed below –

- The debate between growth and equity and redistribution is one of the oldest in economic development. The common citizens of any country care more about the real impact of growth in terms of improvement in their standard of living, provision of basic facilities such as electricity, drinking water, healthcare systems etc.
- Focus on sustained and high growth rate invariably leads to focusing exclusively on GDP and economic gain to measure development which ignores the negative effects of economic growth on society, such as climate change and income inequality.
- Ineffective trickle down of benefits earned from high economic growth. There is increasing disconnect between economic growth and social development. As per popular development economist Jean Dreze, India's high economic growth has failed to bring about any significant improvement in the quality of life of the common people.
- Despite the high growth rates in India, almost half of the children younger than 5 years are stunted due to improper nutrition and sanitation. As of 2018, more than 163 million Indians do not have access to safe drinking water. As per the Tendulkar methodology, 22% of Indians live on less than \$1.25 a day.

- For ensuring inclusive growth, economic growth of lower strata should be faster than the affluent class. However, India has experienced one of the highest rates of growth of inequality. As per OXFAM survey India's richest 1% holds four times of the wealth held by 70% of bottom population which is around 1 billion.
- Certainly focus on only high growth fails to account pie of growth of shared by different sections of society which makes it ineffective indication of national progress. Though, it is necessary to generate wealth in the first place to redistribute it, however overemphasis on high growth rate may create huge inequality and disparity.
- Sustained and high economic growth cannot differentiate between an unequal and an egalitarian society if they have similar economic sizes. Thus, rising inequality is resulting in a rise in societal discontentment and increased polarization.

India need alternative metrics to complement GDP in order to get a more comprehensive view of development and ensure informed policy making that doesn't exclusively prioritize economic growth. E.g. - Bhutan's Gross National Happiness, and UNDP's Human Development Index (HDI). Further, India is also beginning to focus on the ease of living of its citizens which is evident from –

- Rural development with Agriculture centric approach. E.g. Rain-fed area development program, integrated rural development programme.
- Electrification to every house under Saubhagya Yojana.
- Targets of reducing infant and under-5 mortality rate under swachh bharat mission than just building toilets.
- Emphasis on Last mile reach: for instance, the target under 100% immunisation target under Mission indradhanush and follow up under Intensified Indradhanush scheme.
- Preventive approach than curative by addressing the core issues. E.g. emphasis on primary health care under Ayushman Bharat by creating health and wellness centres.
- Gender inclusion: At present, the element of gender equality as a part of inclusive development is more focussed. E.g. Gender budgeting, women empowering schemes like Kanyashree Prakalpa of West-Bengal etc.,

Along with these fundamental measures for social sector, the focus is also on improving the business environment in the nation through efforts like improving ease of doing business ranking as well as schemes like Make in India as well as Production Linked Incentive's (PLI's) recently announced in budget.

Conclusion

As a practice of good governance, it has been always incorporated in India to – ‘wiping every tear from every eyes’ to the latest with the objective of ‘Sabka sath sabka vikas’ which encapsulates the core philosophy of inclusive growth to overcome the tag of a 1% economy where the end goal is to be more just and equitable society that is economically thriving and offering citizens a meaningful way of life.

4. Why is it important to have a stable tax regime? Analyse.

Approach

Students are expected to write about stable tax regime and analyse the importance to have a stable tax regime.

Introduction

Paying taxes is a mark of civilisation. Stability is one of the three fundamentals for policymakers to consider when trying to design and implement a good tax system, alongside simplicity and certainty. For individuals and businesses alike, stable tax regime is fundamental to effective planning and efficient compliance.

Body

One of the likely reasons for India to suffer a relatively poor reputation in larger global community of investors was when it comes to the stability of its tax regime. By not tinkering with tax rates in this budget 2021 whether corporate tax, personal income tax, peak rates of Customs duty or GST the Government has sent out a strong signal to the that India is indeed a stable tax regime where they should be looking to invest.

Importance of stable tax regime:

- **Create Ease of doing business:** Stable and moderate tax regime will give thrust and a clear road map to ease of doing business. The Economic Survey suggested that the measures that need to be taken soon should include a clear, transparent, and stable tax and regulatory environment.
- **Refrain from retrospective taxation:** While governments often use a retrospective amendment to taxation laws to “clarify” existing laws, it ends up hurting companies that had knowingly or unknowingly interpreted the tax rules differently. For example Vodafone case. With

stability in tax regime government provide simple, predictable and transparent tax regime that stands beneficial for companies and well nurture the economy.

- Tax terrorism to tax transparency: Domestic tax laws allow the authorities to issue 'demand notices' even to people who have paid all their taxes for the year and have dutifully filed their returns. But with stable tax regime less fluctuations in tax rules set efficient tax administration and increase the tax transparency.
- Bring about certainty: Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of tax slabs will lend greater certainty to taxation system.
- Increase in disposable income: With stability in tax regime disposable income increases, households have more money to either save or spend, which naturally leads to a growth in consumption. Consumer spending is one of the most important determinants of demand; it creates the demand that keeps companies profitable and hiring new workers.
- Increase tax Compliance and broaden tax base: Certainty with stable tax regime will enhance environment for compliance as all returns are to be filed on stable rate. Compliance increase will also help in broaden tax base. The improved compliance and increased tax base have resulted in a rise in the tax to GDP ratio. The same has reached 12%, which is the highest in the recent past (the ratio was 10.1% in 2013-14).
- Helps in streamline taxation: Through stability in tax regime there is harmonisation of laws, procedures and rates of tax between Centre and States and across States. It is expected to reduce cost of taxation and inflation in the economy.
- Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry. World Bank believes that the implementation of the stable tax regime with Goods and Service Tax (GST), is the most crucial reform that could improve competitiveness of India's manufacturing sector.
- Reducing pendency: Stability in tax regime especially when coupled with the increasing digitalisation of tax compliance creates mechanisms for early dispute resolution reduce pending tax litigation in Tax Appellate Tribunal should serve to improve investor sentiment.
- Stable and predictability: A stable tax regime is welcome as we believe that a predictable policy environment is critical for sustained growth and to attract more investments into the country.

Conclusion

Overall, India's long-running objective of achieving stability in tax regime and minimising disputes, appears to have been achieved in this Budget. Taxes for

the upcoming Budgets should focus on mainly clarity in law, simplification of procedures and reduction of litigation, facilitating business transitions apart from exemptions and deduction will in turn promote ease of doing business in the country. It is hoped that these measures pave the way for a thriving national economy in the near future.

5. What can be the possible implications of the recent regime change in Myanmar for India? Discuss.

Approach- Question requires candidate to understand history of military rule in Myanmar. Answer can be framed giving a short background behind events and how things will play out for India and the region in the future.

Introduction

In the early hours of Monday, Feb 1, 2021 Myanmar army's TV station said power had been handed over to commander-in-chief Min Aung Hlaing. Ms Suu Kyi, President Win Myint and other leaders of the National League for Democracy (NLD) were arrested in a series of raids. A coup was organized by military establishment.

Body

What are the possible implications for India?

- For India, the return to military rule by Myanmar's Tatmadaw (Army) and the arrest of Aung San Suu Kyi and the political leadership of the National League of Democracy (NLD), are a repeat of events thirty years ago, but the Modi government's reaction, is likely to be starkly different to India's strong public criticism of the Junta's actions in 1989-90.
- India does care about democracy in Myanmar, but that's a luxury it knows it will not be able to afford for the time being. The only option will be to engage, building on its outreach in recent years via the security and defence establishment

- India has successfully worked with the Tatmadaw, Myanmar's military, to contain ethnic insurgencies in its own North East. The Tatmadaw has, moreover, pushed back against China's influence, increasingly cultivated by Aung San Suu Kyi as she faced a hostile West.
- In 2019, India emerged, for the first time, as the Tatmadaw's leading arms supplier, selling \$100 million of equipment compared with China's \$47 million.
- In Myanmar's eternal crisis, had the great virtue of providing legitimacy for endless military rule. In 1988, large-scale pro-democracy protests led the Tatmadaw to commit to democratization. There was, however, a significant gap between the promise and its realization.
- The 2008 Constitution, which finally paved the way for the election of Aung's National League for Democracy, gave the Tatmadaw an institutional stake in power. The Constitution reserved for it a quarter of seats in both houses of the Assembly of the Union, the country's parliament, as well as the ministries of defence, home affairs and border affairs.
- The NLD, though, proved more successful than the Generals had bargained for, winning by the elections of 2015 handily. Su Kyi's party cashed in on the rising ride of majoritarian nationalism. Following the genocidal anti-Rohingya violence in 2017, Su Kyi positioned herself as a defender of ethnic-Bamar identity and the Myanmar nation. The result was a head-on challenge to the Army's legitimacy as the sole guardian of the country's unity—yielding a landslide win for the NLD in the 2020 elections.
- Su Kyi also proved successful in containing the fallout from Western sanctions after 2017—expanding the country's economic relationship with China and using Beijing's diplomatic heft to ward off international pressure. This, in turn, irked the Tatmadaw, which believed Beijing had failed to act against insurgent networks operating from China.
- Apart from strategic concerns, India has cultivated several infrastructure and development projects with Myanmar, which it sees as the "gateway to the East" and ASEAN countries. These include the India-Myanmar-Thailand Trilateral highway and the Kaladan Multi-modal transit transport network, as well as a plan for a Special Economic Zone at the Sittwe deep-water port.
- India still hopes to help resolve the issue of Rohingya refugees that fled to Bangladesh, while some still live in India, and will want to continue to engage the Myanmar government on that.
- In the past decade, the balance between engaging Myanmar's civil and military establishment became easier, once Ms. Suu Kyi was released and the NLD was allowed to form the government in 2015.
- In Myanmar, India faces a tightrope walk, A pro-military tilt, moreover, risks alienating democratic forces in Myanmar, pushing them closer to China, and giving that country greater popular legitimacy.
- An escalation in violence will, inexorably, draw the energies of the

Tatmadaw away from the borders with India's North-East and will cause more headache for country.

Conclusion

India faces a tough call, as more unstable neighborhood will give rise to insurgency, and for that they will need support of military, on other hand we cannot compromise installation of democracy. Hence the choice for India between democratic ideals, that it has expressed in Nepal and Maldives recently, and 'Realpolitik', to keep its hold in Myanmar and avoid ceding space to China, will be the challenge ahead.

