1. Do you think privatisation of banks would dilute their welfare focus? Critically examine. Do you support the idea of privatisation of public sector banks?

Approach- Candidate can give context of privatisation in comparison to global credit availability and goal of welfare economics. By putting arguments for and against privatisation, way ahead can be given in the end.

Introduction

The new privatisation policy envisages that in each strategic sector, no more than four state-owned companies will exist. Currently, after the latest round of consolidation, there are 12 public sector banks (PSBs). This move has sparked debate of how this will affect the welfare focus of banking sector.

Body

What is the issue?

- The debate on the benefits and costs of public versus private banks is not new. Dating back to Alexander Gerschenkron in 1962, the development view sees government presence in the banking sector as a means to overcome market failures in the early stages of economic development.
- The core idea is that government-owned banks can improve welfare by allocating scarce capital to socially productive uses.
- By contrast, the political view argues that vested interests can commandeer the lending apparatus to achieve political goals. Political or special interest capture can distort credit allocation and reduce allocative efficiency in government-owned banking systems.
- Persuaded by the evidence that government ownership in the banking sector leads to lower levels of financial development and growth, waves of banking sector privatisations swept across emerging markets in the 1990s.
- Indeed, cross-country evidence suggests that bank privatisations improved both bank efficiency and profitability — specifically, increasing solvency and liquidity whilst reducing troubled or non-performing assets.

What has been the so far experience of India?

- Public sector Banks (PSBs) dominate Indian banking, controlling over 60 per cent of banking assets. The private-credit to GDP ratio, a key measure of credit flow, stands at 50 per cent, much lower than international benchmarks.
- In the US credit to GDP ratio is 190 per cent, in the UK 130 per cent, in China 150 and in South Korea it is 150 per cent. The quality of credit is problematic as well. India's Gross NPA ratio was 8.2 per cent in March 2020, with striking differences across PSBs (10.3 per cent) and private banks (5.5 per cent).
- The end result is much lower PSB profitability compared to private banks. Clearly, the rationale for privatisation stems from these considerations.

What can be done?

- Banks provide two functions at a fundamental level: Payments and deposit-taking on the liability side and credit creation on the asset side.
- The payment services function, a hallmark of financial inclusion, is similar to a utility business — banks can provide this service, a public good, at a low cost universally.
- The lending side, in contrast, is all about the optimal allocation of resources through better credit evaluation and monitoring of borrowers. Private banks are more likely to have the right set of incentives and expertise in doing so.
- It comes as no surprise that the PSBs in India are better at providing the public good functions, whereas private banks seem better suited for credit allocation.
- The optimal mix of the banking system across public and private boils down to what you need out of your banking system and the particular friction your economy faces.
- When the wedge between social and private benefits is large, as with financial inclusion, there is a strong case for public banks. At this stage, inefficiency in capital allocation seems to be a bigger issue for the Indian banking sector.

Way forward

- Public banks can be used for financial inclusion in line with the success of PMJDY in India. On the other hand, selective privatisation of inefficient PSBs is a welcome move for India's banking sector.
- In order to improve the governance and management of PSBs, there is a need to implement the recommendations of the PJ Nayak committee.
- There is a need to follow prudential norms for lending and NPAs can be tackled through the establishment of the bad bank and speedy resolution of NPAs through Insolvency Bankruptcy Code.

Conclusion

Privatisation of banks is an idea whose time has come. For India to grow at faster growth rate private credit availability is a crucial factor. Public sector banks has failed to provide that, while they were at forefront when it comes to welfare policies, but equal share of private presence is necessary. A fine blend of credit availability and financial inclusion will fuel the necessary economic growth and for that we need privatisation not harming goal of walfare.

2. There has been an enhanced impetus on making available potable water through various central and state level schemes. What are your views on their performance?

Approach:

Question is asking you to simply give your views so write your views in a well-structured manner covering all angles.

Introduction:

As per estimation of UNICEF, less than 50 per cent of the population in India has access to safely managed drinking water. Chemical contamination of water, mainly through fluoride and arsenic, is present in 1.96 million dwellings. One of the challenges is the fast rate of groundwater depletion in India, which is known as the world's highest user of this source due to the proliferation of drilling over the past few decades. Groundwater from over 30 million access points supplies 85 per cent of drinking water in rural areas and 48 per cent of water requirements in urban areas.

Body:

VIEWS ON AN ENHANCED IMPETUS ON MAKING AVAILABLE POTABLE WATER THROUGH VARIOUS CENTRAL AND STATE LEVEL SCHEMES

- In 2019, after Prime Minister Modi's re-election, the Ministry of Drinking Water and Sanitation (MDWS) was restructured under a new ministerial organogram, under which the MDWS's mandate became one of two pillars under a new ministry named Jal Shakti (meaning "power of water").
- With UNICEF's continued advocacy, technical assistance and engagement with Ministry of Jal Shakti, safe drinking water and sanitation remain high on the agenda of India's new government. UNICEF is currently working closely with the Ministry of Jal Shakti on the Jal Shakti Abhiyan and Jal Jeevan Abhiyaan.
- UNICEF focuses on community-managed drinking water, including water safety and security planning, in support of the NRDWP which is a centrally sponsored scheme funded on 90:10 basis by Central & State Govt.
- At the institutional level, UNICEF focuses on developing improved water quality monitoring systems and strengthening operation and maintenance of water supply infrastructures.
- One current initiative is Swajal, which seeks to enable communities to self-manage safe water sources within their habitations, and is supported by UNICEF through policy development, training of trainers, and communication campaigns.
- The Ministry of Jal Shakti launched "Swajal" as a pilot project that is designed as a demand-driven programme involving the community to provide sustainable access to safe drinking water to people in rural areas. The Swajal programme is empowering communities to plan, design,

implement and monitor single village drinking water supply schemes, and organize community ownership for operation and maintenance.

- The target population for Swajal in 117 aspirational districts across 28 states is about 0.5 million a year.
- This Programme has helped in prioritizing integrated water safety planning, behaviour change and community participation in most deprived aspirational districts, and Water Quality Monitoring (WQM). This contributed to achieving 18.6 million people gaining access to safe drinking water.
- Jal Jeevan Mission (JJM) is the Centre's flagship programme which aims to provide piped drinking water to all rural households by 2024. Besides providing piped water supply to all households, JJM emphasises on augmenting local water sources and recharging existing ones. It also promotes water harvesting and desalination.

Conclusion:

Around 2 lakh people die in India every year because of the immense water shortage and 600 million people of this country don't have access to clean drinking water. Every individual in India has the right to clean water and basic sanitation. The ultimate aim of present government's work in water, sanitation and hygiene is to ensure that all everyone fulfil this right, and that no one is left behind.

3. What are the ongoing insurance schemes of the central government? Do they provide an adequate safety net to the populace? Examine.

Approach

The student is expected to write the major insurance schemes of the central government and analyze their importance in providing the adequate insurance penetration in India for the population. The students should write the reasons of low insurance penetration and then conclude with the measures needed to improve the insurance penetration in India.

Introduction:

Insurance is the main element in the operation of national economies throughout the world today. It protects health and assets of the people and stimulates business activities to operate in a cost-effective manner. Citing this, the Insurance Regulatory and Development Authority (IRDA) has released guidelines for the insurance sector i.e. Saral Jeevan Bima (SJB). Saral Jeewan Bima provides for broad contours of a standard individual term life insurance product which must be adhered by insurance companies.While India's insurance sector has been growing dynamically in recent years, its share in the global insurance market remains abysmally low

Body:

Various government schemes in the insurance sector are:

- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY): Launched on 9th May, 2015, these schemes are offered/administered through both public and private sector insurance companies, in tie up with scheduled commercial banks, regional rural banks and cooperative banks.
- Pradhan Mantri Jeevan Jyoti Beema Yojana: It offers a renewable one-year term life cover of Rupees Two Lakh to all account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs. 330/- per annum per subscriber, to be auto debited from subscriber's bank account.
- Pradhan Mantru Swasth Beema Yojana: It offers a renewable one-year accidental death cum disability cover to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs. 12/- per annum per subscriber to be auto debited from subscriber's bank account. It provides a cover of Rs. Two Lakh for accidental death or total permanent disability and Rs One Lakh in case of permanent partial disability. The above schemes are on self-subscription basis and involves no Government contribution.
- Pradhan Mantri Fasal Bima Yojana (PMFBY): Ministry of Agriculture implements PMFBY and Restructured Weather Based Crop Insurance Scheme (RWBCIS). It

provides comprehensive crop insurance cover against non-preventable natural risks at an affordable rate to farmers. It is compulsory for loanee farmers availing crop loans for notified crops in notified areas and voluntary for non-loanee farmers. Uniform maximum premium of only 2%, 1.5% and 5% of the sum insured to be paid by farmers for all Kharif crops, Rabi crops and commercial/horticultural crops. The difference between premium and the rate of insurance charges payable by farmers is provided as subsidy and shared equally by the Centre and State.

- Pradhan Mantri Jan Arogya Yojana (PMJAY) – Ayushman Bharat: A centrally sponsored and entitlement based scheme. It covers poor and vulnerable families based on deprivation and occupational criteria as per SECC data. It provides health coverage up to Rs. 5 lakh per family, per year for secondary and tertiary hospitalization to over 10.74 crore poor and vulnerable families. It provides cashless and paperless services for the beneficiary at the point of service in any (public and private) empaneled hospitals across India. The ratio of premium under PMJAY is 60:40 between Centre and State except North Eastern States and 3 Himalayan States where the ratio is 90:10 with an upper limit for Centre. In the case of Union Territories, the Central contribution of premium is 100% for UTs without legislature, while it is 60:40 for those with legislature.

Do they provide adequate safety net in India?

There are many underlying issues which affect the insurance sector in India such as low penetration and density rates, inadequate investment in insurance products, and the dominant position and deteriorating financial health of public-sector players. Therefore, the goal of making insurance accessible to all will remain difficult to achieve, until the above mentioned issues are addressed.

- Prevalence of Insurance Gap: The insurance penetration (ratio of total premium to GDP (gross domestic product)) and density (ratio of total premium to population) stood at 3.69% and US$ 73, respectively for FY18 (fiscal year 2017-18), which is low in comparison with global levels.These low penetration and density rates reveal the uninsured nature of large sections of population in India, and the presence of an insurance gap.
- Public Sector Dominated: The insurance sector has transitioned from being an exclusive State monopoly to a competitive market, but public-sector insurers hold a greater share of the insurance market even though they are fewer in number.
- Nascent Non-life Insurance: Life insurance dominates the sector with a huge share of 74.7%, with non-life insurance accounting for the remaining 25.3%. In the non-life insurance sector, motor, health, and crop insurance segments are driving growth. India's non-life insurance penetration is below 1%.
- In addition, insurance products catering to speciality risks such as catastrophes and cyber security are at a nascent stage of development in the country.
- Rural-Urban Divide: Low insurance penetration and density rates prevail in India. However, Rural participation of insurers remains deficient, and life insurers, especially private ones, gravitate towards the urban population.

- Capital Starved Insurers: Insurers in India lack sufficient capital, and their financial health, particularly that of the public-sector insurers, is in a precarious state. Further, investment in the insurance sector got dwindled due to the crisis in banks and NBFCs (non-banking financial companies) sector.

Conclusion:

Insurance companies in India will have to show long-term commitment to the rural sector as well, and will have to design products which are suitable for rural people. In this context, government insurance schemes such as Pradhan Mantri Jan Arogya Yojana, Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Pradhan Mantri Jeevan Jyoti Bima Yojana are notable steps in right direction. There is a need for complementary thrust to spread awareness and improve financial literacy, particularly the concept of insurance, and its importance. Another area that necessitates regulatory scrutiny is that of application of technology in insurance. An example is the emergence of 'InsurTech', designed to make the claim process simpler and more comprehensible. The regulator needs to exercise vigilance on three other aspects. Demographic factors, coupled with increasing awareness and financial literacy, are likely to catalyse the growth of the sector. An enhanced regulatory regime that focuses on increasing insurance coverage is the need of the hour.

4. What is the current approach of the US in terms of its engagement in Afghanistan? How is India going to get impacted in the long run? Discuss.

Approach

The candidate needs to address the question in two parts where the first part explains the current approach of the US in terms of its engagement in Afghanistan while the second part discusses its impact on India in the long run.

Introduction

Afghanistan was elevated as a significant U.S. foreign policy concern in 2001, when the United States, in response to the terrorist attacks of September 11, 2001, led a military campaign against Al Qaeda and the Taliban government that harboured and supported it. Recently, the process for withdrawal of NATO forces is in process and the emerging dynamics will have far reaching effects on the region.

Body

- In the intervening 18 years, an elected Afghan government has replaced the Taliban, and most measures of human development have improved, although future prospects of those measures remain mixed.
- According to a June 2020 U.S. Department of Defence report, "The vital U.S. interest in Afghanistan is to prevent it from serving as a safe haven for terrorists to launch attacks against the U.S. homeland, U.S. interests, or U.S. allies."
- After months of delays, on September 12, 2020, Afghan government and Taliban representatives officially met in Doha, Qatar to begin their first direct peace negotiations, a significant moment with potentially dramatic implications for the course of the ongoing Afghan conflict.

The Joe Biden administration has proposed a new peace plan to the Afghan government and the Taliban, seeking to bring violence to a halt and form an interim government through the following means –

1. Involving other Stakeholders: US has proposed an UN-led conference of representatives of Russia, China, Pakistan, Iran, India and the U.S. "to discuss a unified approach to support peace in Afghanistan".
2. Written Proposal to enhance Trust: US will share written proposals with the Afghan leadership and the Taliban to accelerate talks.
3. Comprehensive Ceasefire and Inclusive government: US has urged both sides to reach a consensus on Afghanistan's future constitutional and governing arrangements; find a road map to a new "inclusive government"; and agree on the terms of a "permanent and comprehensive ceasefire".

4. Negotiations in third country: US has also proposed a senior level meeting of the Afghan government and the Taliban in Turkey to discuss power sharing, reduction of violence and other specific goals.

Here, India's inclusion in the regional conference format is a positive development. Overall, impact on India in the long term can be seen from the following points –

- India would be part of the regional conference, but the UN-led forum's role and its relationship with the intra-Afghan dialogue have not been spelt out. In the 2001 Bonn conference, regional players had been part of the actual negotiations in the same venue. Similar role can be considered in this time.
- Among all the regional states, India has been the only nation that has never been comfortable with the peace process advocated by the US, as New Delhi believes that it is predicated on the notion of providing "comfort to the Pakistanis".
- Indian assets in Afghanistan have been targeted by the Haqqani group, a major Taliban faction. India has also been able to invest in Afghanistan's future partially because of the presence of U.S.-led troops and the relative stability it brought. With this stability at risk, India needs to urgently reposition its priorities.
- Further, India needs to come out of its traditional approach towards assessment of Taliban and engage with them actively, considering the ground situation and imminent withdrawal of NATO forces. This will help in denying Pakistan gain a strategic depth in the region, to be used for anti-India purposes.
- The growing tentacles of China through its belt and road initiative are also a long term threat for Indian interests in Afghanistan as China seeks to deepen its role with the help of Russia and Pakistan. Countering these efforts in the long run, would need a strategic approach to leverage India's strengths.

Way Forward –

- Broader Diplomatic Engagement: India should consider appointing a special envoy dedicated to Afghan reconciliation.
- Continued Training and Investments: India should provide more military training to Afghan security forces and invest in longer-term capacity-building programs. India should expand its development assistance.
- Working With and Through Others: India should look to broaden its engagements with Iran and Russia, explore opportunities for cooperation.

Conclusion

Addressing Afghanistan's challenges requires a comprehensive approach, involving civilian and military actors, aimed not only at providing security but also at promoting good governance, the rule of law and long-term development where regional stability is prioritised through multilateral approach.

5. Examine the potential of India as an exporter of weapons. What can be its economic and strategic benefits? Examine.

Approach

Candidates are expected to write about current India's export capacity and India's potential in exporting the weapons. Also then examine the economic and strategic benefits of exporting weapons.

Introduction

India is at a crucial juncture of its journey towards self-reliance in defense production which started primarily with imports, then gradually progressed towards licensed production from the 1970s, took substantial form in 1980s and 1990s and now we are talking about indigenous design, development, manufacturing and export capabilities.

Body

Potential of India as an exporter of weapons:

- At first glance, with India's current status of defense imports, these objectives seem unlikely to succeed but careful observation reveals that India is making steady progress in reversing the existing trends.
- Throughout the last four and a half years, in between the headlines on some major trends about defense deals, some minor yet impactful moves and numbers remained out of focus. In the two fiscal years, 2017-18 and 2018-19, exports have witnessed a surge from 7,500 crore to 11,000 crore, representing a 40% increase in exports. Small naval crafts account for the bulk of India's major defence exports. However, export of ammunition and arms remain low.
- India has finalised a new system to speed up sale of military equipment to friendly countries like Bangladesh, Vietnam, Sri Lanka, Afghanistan, Myanmar and others through defence lines of credit (LoC).
- India is now looking at enhancing its defence exports targeting $5 billion of all defence exports to improve strategic relations with friendly foreign countries. The nation aims to achieve exporting defence equipment worth Rs. 35,000 crore by 2025, as per the defence production export promotion policy 2020.
- India is in advanced talks with several countries, especially the Philippines, Vietnam and the United Arab Emirates (UAE), amongst others like Argentina, Brazil, Indonesia and South Africa to sell them the BrahMos missile system.
- India has cleared 156 defence equipment for exports including the indigenous Light Combat Aircraft Tejas, artillery guns, battle tanks and missiles, anti-tank mines and explosives.

Economic and Strategic benefits of exporting the weapons:

- The new standard operating procedure (SOP) will substantially enhance the pace of utilisation of the defence LoCs extended to friendly countries. This will prevent third parties like China from undercutting India in countries like Bangladesh, Sri Lanka and Myanmar in terms of weapon supplies.

- India will also progressively leverage the various international collaborations it has built up through years of co-production and co-development as it joins global export control regimes such as the Missile Technology Control Regime (MTCR).
- Export of weapons is critical to national security also. It keeps intact the technological expertise and encourages spin-off technologies and innovation that often stem from it.
- Overall, India is likely to focus on a few key defence partners with which it has maximum strategic congruence for building up its position in the global defence market.
- In the last four and a half years, the contribution of small and medium scale sector to defence production has grown by 200 percent. India's defence export can the strengthen the emerging defence startups and Micro, Small and Medium Enterprise (MSME) and labor-intensive industries.
- For export potential setting up of Defence Investor Cell, Society for Indian Defence Start-ups, innovations for defence excellence platform (iDEX), different startup challenges, hackathons or the decision to establish defence industrial corridors in UP and Tamil Nadu, all these moves will have a long term implications on India's defence manufacturing.
- Defence exports will boost manufacturing that will lead to the generation of satellites industries that in turn will pave the way for generation of employment opportunities.
- Private Sector boost with exports can infuse efficient and effective technology and human capital required for modernisation of indigenous defence industry.

Wayforward:

- India need to invest in research and development, production facilities and quality standards to compete on platforms globally.
- Also strong export compliance programmes and intellectual property right protection measures to ensure defence exports will continue to be a long-term success story.

Conclusion

The economic, as well as strategic dividends of being a good defense exporter are numerous and for the first time, India seems to make some serious efforts in this direction. A continuous policy push, crucial administrative reforms and the responses from the industry give this hope that India can develop an ecosystem which is required for the growth and sustainability of our defense sector.