

1. What are the factors responsible for the prevalence of wide regional disparity in terms of economic development? Explain.

Approach

Candidates are expected to write about the regional disparity and then explain the factors responsible for the prevalence of wide regional disparities in terms of economic development.

Introduction

Regional disparities are an alarming issue in India, and it has been widening in spite of various policy initiatives by the government to develop backward areas. The fruit of high growth have not been distributed fairly across India's different regions and have given rise to the threat of regional inequality. Disparities in social and economic development, employment, and infrastructure amenities across the regions and within regions have been a major challenge to policy makers and economists.

Body

Factors responsible for prevalence of wide regional disparity in terms of economic development –

- **Historical Factor:** The British government and industrialists developed only those regions of the country which possessed rich potential for prosperous manufacturing and trading activities. Thus port cities like Bombay, and strategically important areas like Calcutta and Madras received initial development. In the absence of proper land reform measures and proper industrial policy, the country could not attain economic growth to a satisfactory level.
- **Geographical Factors:** The difficult terrain surrounded by flood prone areas, hilly terrain, rivers and dense forests leads to increase in the cost of administration, cost of developmental projects, besides making mobilization of resources particularly difficult. Himalayan states like Himachal Pradesh, Northern Kashmir, Uttarakhand, North-Eastern states remained mostly backward due to its inaccessibility and other inherent difficulties.
- **Restricted Success of Green Revolution:** Green revolution improved the agricultural sector to a considerable extent through the adoption of new agricultural strategy of high yielding variety seeds, assured irrigation, provision of technical knowhow etc. However, the benefit of green revolution were restricted to Punjab, Haryana and western Uttar Pradesh as this belt had advantage of irrigation facilities, were traditionally wheat growing states, State Government support which other areas lacked.
- **Failure of Planning Mechanism:** Although balanced growth has been accepted as one of the major objectives of economic planning in India since the Second Plan onwards but it did not make much headway in achieving this object.

Rather, in real sense, planning mechanisms has enlarged the disparity between the developed states and less developed states of the country.

- **Lack of Growth of Ancillary Industries in Backward States:** The Government of India has been following a decentralized approach for the development of backward regions through its investment programmes on public sector industrial enterprises located in backward areas. But due to lack of growth of ancillary industries in these areas, all these areas remained backward in spite of huge investment made by the Centre.
- **Political Instability:** Another important factor responsible for regional imbalance is the political instability prevailing in the backward regions of the country. Political instability in the form of unstable government, extremist violence, law and order problem etc. have been obstructing the flow of investments into these backward regions besides making flight of capital from these backward states. Thus this political instability prevailing in some backward regions of the country are standing as a hurdle in the path of economic development of these regions.
- **Intra Regional Disparity:** An important aspect of regional disparities in India is the significant level of disparities, which exist within different States. For example, Vidarbha in Maharashtra, Saurashtra in Gujarat.

Way forward and government recent initiatives to reduce regional disparity –

- The large weight given to "Income Distance" by 14th Finance commission is an important step towards plugging the gaps in per-capita income between states.
- For North east region East West Corridor project, Special Accelerated Road Development Project (SARDP-NE) and Trans Arunachal Highway for increasing connectivity.
- Backward Region Grant Fund (BRGF) is a Programme implemented in 272 identified backward districts in all States of the country to redress regional imbalances in development.
- NITI Aayog's Three Year Action Agenda underlines the specific action for North Himalayan states, North-Eastern states, Coastal regions and Islands and Desert & Drought prone areas this action plan should be diligently implemented.

Conclusion

Inequalities in the income caused the greater disparities in the living standard of all-over India as well as poor regions. The challenges that India faces in reducing inequality in the future and more effectively than it has in the past are an enormous one. India has met and mastered other major challenges and is pursuing its goal of higher Economic growth in all regions with the policies of structural adjustment programmes. India need to focus on deregulating sectors on which depends the livelihood of many of the poor and on improving the provision of resource allocation and creation of more employment to the underprivileged regions like Eastern and Central India.

2. Do you think industrial expansion is an effective strategy to bring in economic growth in the hill states of India? Critically comment.

Approach

Candidate can elaborate on idea of development and economic growth in hilly areas. With the help of some examples, ideal growth model can be given.

Introduction

The Indian Himalayan region covers ten states and four hill districts of India, viz. Jammu & Kashmir, Uttarakhand, Himachal Pradesh, Sikkim, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland, Tripura, among the states and the hill districts of Dima Hasao, Karbi Anglong in Assam and Darjeeling, Kalimpong in West Bengal. The uncontrolled demand-driven economic growth has led to haphazard urbanization, environmental degradation and increased risks and vulnerabilities, seriously compromising the unique values of Himalayan ecosystems.

Body

What are the development problems hill states are facing?

- The hill areas are characterised by inaccessibility because of poorly developed infrastructure as it is expensive to lay roads and rail lines in the hilly terrain.
- Because of inaccessibility, the areas are sparsely populated and the level of economic activity is low. Investment is also difficult to come by. Education, health and housing facilities in these regions reflect their underdeveloped nature. The fragile communication links that these regions have come under strain, often getting broken at times of heavy rains, snowfall, landslides, floods, etc.
- Because of intrusion of outsiders with commercial intentions in these regions, deforestation and reckless construction activities are becoming increasingly common. This is threatening the fragile eco-system of hilly areas, causing widespread soil erosion and siltation of streams.
- Increasing disparity in levels of development in these areas and the rest of the country has given rise to a sense of alienation in some areas. The fact that the hilly regions of India are located along its borders, creates a sense of alienation in the people. This, in turn, often gets transformed into secessionist movements. Also, many of these areas are inhabited by tribals which makes the issue of development of hill areas even more significant.

What can be done?

- The demands of hilly areas are different as they have unique topography and fragile environment and hence the strategy for growth cannot be same like that of the plains.

- The recent events in Uttarakhand have shown, more than ever, that we need a development strategy for the Himalayas that takes into account the vulnerability of the region and the need for environment protection. There is no doubt that the region needs economic growth. But this development cannot come at the cost of the environment.
- It is also clear that these strategies will have to be based on the regions natural resources—forests, water, biodiversity, organic and speciality foods, nature tourism—but will need to address the specific threats so that growth does not come at the cost of the environment.
- In Himachal Pradesh where there is lot of pharmaceutical industries is showing promising results of economic growth. In Himalayan states where the economy is mainly dependent on tourism sector industrial growth can be alternative but the same model cannot be replicated everywhere.
- The regions other key resource is the water that flows from high glaciers and mountains to the plains. This resource has to be discussed, both in terms of its opportunity and as a threat to its ecology and economy. Currently, there is a mad rush to build run-of-the-river projects and dams across the region. India has witnessed one of the worst disasters and dams aggravated the disaster.
- For the hilly areas, Tourism has existed for a very long time. Apart from pilgrimage tourism, modern tourism in the IHR region, which is represented by mass tourism, largely limited to sightseeing and visiting major tourism hubs, is also putting severe stress on the ecology and ecosystem services of the Himalaya as well as on local social structures.
- In the 11th Five-Year Plan of Indias Planning Commission: Tourism is the largest service industry in the country. Its importance lies in being an instrument for economic development and employment generation, particularly in remote and backward areas.
- Industrial expansion will bring with it the permanent damage to ecosystem and threat to biodiversity. Cluster based approach can be beneficial for the small and effective industrial development.
- Developing self help groups, empowering marginalised communities through focused approach on backward areas will reap benefits.

Conclusion

Himalayan region represents unique ecosystem and exact models of growth cannot be replicated blindly. The new models will have to be developed with local models of development. For example model developed by Sonam wangchuk involving local population. Niti aayog report on the same can be referred for the future path.

3. What are the challenges of development in tribal pockets of India? Discuss the recent government initiatives for ensuring inclusive growth of tribal areas.

Approach

Question is asking you to discuss, it requires you to write a debate where one has to use your skill at reasoning, backed up by deliberately selected evidence to make a case for and against an argument.

Introduction

The greatest challenge that the Government of India has been facing since independence is the proper provision of social justice to the scheduled tribe people, by ameliorating their socio-economic conditions. Scheduled Tribes, Scheduled Castes and denotified tribes constitute the weakest section of India's population, from the ecological, economic and educational angles. They constitute the matrix of India's poverty. Though the tribals are the sons of the same soil and the citizens of the same country, they born and grow as the children of the nature. From the historical point of view, they have been subjected to the worst type of exploitation social. They are practically deprived of many civic facilities and isolated from modern and civilized way of living since so many centuries.

Body

THE CHALLENGES OF DEVELOPMENT IN TRIBAL POCKETS OF INDIA –

- **Loss of Control over Natural Resources:** Before the coming of the British, the tribals enjoyed unhindered rights of ownership and management over natural resources like land, forests, wildlife, water, soil, fish, etc. With the advent of industrialisation in India and the discovery of mineral and other resources in tribal inhabited areas, these pockets were thrown open to outsiders and state control replaced tribal control.
- **Lack of Education:** According to the 1991 Census, nearly 70 per cent of the tribals are illiterates. Although it cannot be denied that education can act as the instrument for betterment of the tribals ensuring greater participation for them in the development process, still there are certain factors which inhibit the tribals from taking to education.
- **Neglect and lack of special attention of tribal and scheduled areas** inspite of constitutional provision
- **Very inadequate allotment of fund** in both general and special sectors to cover all aspects of development of the tribals areas.
- **Displacement and Rehabilitation:** After independence, the focus of the development process was on heavy industries and the core sector. As a result, huge steel plants, power projects and large dams came up—most of them in the tribal inhabited areas. The mining activities were also accelerated in these areas. Acquisition of tribal land by the government for these projects led to

large scale displacement of the tribal population. The tribal pockets of Chhotanagpur region, Orissa, West Bengal and Madhya Pradesh suffered the most.

- Inadequate administrative machinery to integrate all the sectoral programme coupled with the lack of co-ordination and integration at inter and intra departmental levels within the state as well as state vs. central sectoral levels.
- Lack of effective personnel policy of the government which finds reflected in frequent transfer of key personnel in administration, inadequate incentive to work in and for tribal areas, lack of specialized training in tribal culture as well as the inculcation in them the spirit of social service.
- Problems of Health and Nutrition: Because of economic backwardness and insecure livelihood, the tribals face health problems, such as prevalence of disease, like malaria, cholera, tuberculosis, diarrhoea and jaundice, problems associated with malnutrition like iron deficiency and anaemia, high infant mortality rates, low levels of life expectancy, etc.
- Lack of reliance on the part of the government to adopt scientific planning and ensure implementation based on research findings.
- Excessive politicization of the tribal issues and failure on the part of the tribal societies to throw in dedicated, articulate, and enlightened local leaders.
- Erosion of Identity: Increasingly, the traditional institutions and laws of tribals are coming into conflict with modern institutions which create apprehensions among the tribals about preserving their identity. Extinction of tribal dialects and languages is another cause of concern as it indicates an erosion of tribal identity in certain areas.

RECENT GOVERNMENT INITIATIVES FOR ENSURING INCLUSIVE GROWTH OF TRIBAL AREAS –

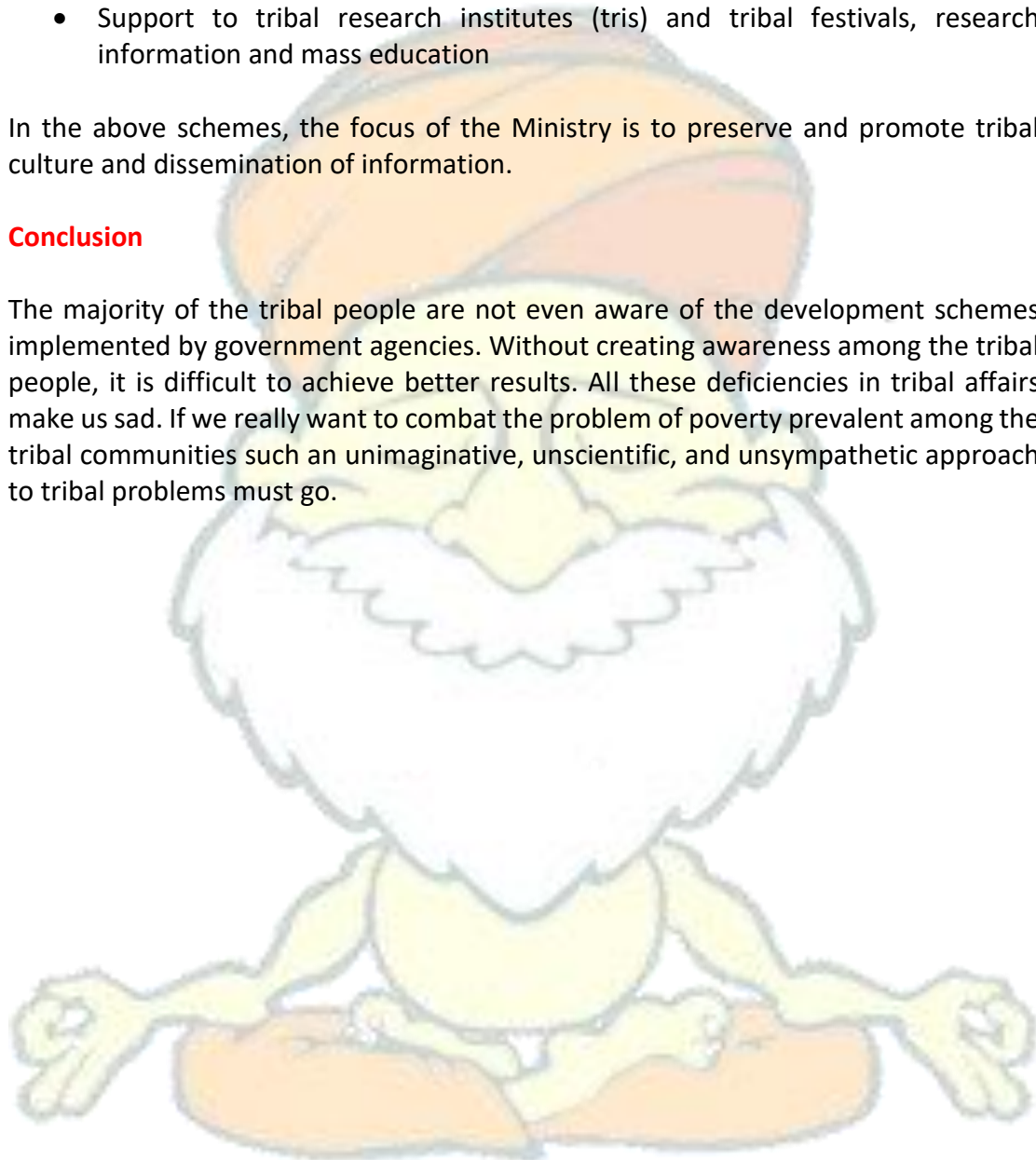
- There was considerable progress in digital mechanisms and online monitoring systems especially for scholarship schemes and expenditure of funds for tribal welfare.
- Tribal medicine emerged as another priority area along with tribal research. Expansion of eklavya model residential schools was stepped up this year while empowerment of tribals through schemes like van dhanyojana and aadi mahotsavas also remained on the forefront.
- Affirmation of tribal rights and their role in forest development was another important highlight this year.
- Ministry of tribal affairs launched the tribal health and nutrition portal swasthya and opened national overseas portal and national tribal fellowship portal. The e-portal on tribal health and nutrition named swasthya, is a first of its kind e-portal, providing all health and nutrition related information of the tribal population of India in a single platform. Swasthya will also curate innovative practices, research briefs, case studies, and best practices collected from different parts of India to facilitate the exchange of evidence, expertise and experiences.

- The scheme of development of PVTGS covers 75 identified PVTGS in 18 states and UT of Andaman & Nicobar Islands for the activities like housing, land distribution, land development, agricultural development, animal husbandry, construction of link roads, installation of non-conventional sources of energy for lighting purpose, social security including Janashree Bima Yojana or any other innovative activity meant for the comprehensive socio-economic development of PVTGS.
- Support to tribal research institutes (TRIS) and tribal festivals, research information and mass education

In the above schemes, the focus of the Ministry is to preserve and promote tribal culture and dissemination of information.

Conclusion

The majority of the tribal people are not even aware of the development schemes implemented by government agencies. Without creating awareness among the tribal people, it is difficult to achieve better results. All these deficiencies in tribal affairs make us sad. If we really want to combat the problem of poverty prevalent among the tribal communities such an unimaginative, unscientific, and unsympathetic approach to tribal problems must go.



4. Should the government stop depending on petrol, diesel taxes to bridge its fiscal deficit? Share your views.**Approach**

Question is straight forward in its approach students are expected to share their views on should government stop depending on petrol and diesel taxes to bridge its fiscal deficit, also it is important to suggest other means of deficit financing if views are otherwise.

Introduction

Taxes constitute a high proportion of the retail price of petrol. When tax revenues were hit hard by the Covid-19 pandemic, the government raised the excise duty on petrol and diesel in March 2020 and again in May 2020 to garner revenues. Households did not feel the pain of the rise in excise duties because global crude oil prices had crashed. Despite a slump in international crude oil prices due to the pandemic, the prices of petrol and diesel did not decline. The gains were adjusted against the excise duty hike to provide a cushion to the government's tight fiscal situation.

Body**Components of the price structure of petrol and diesel in India –**

- Retail prices of petrol and diesel in India are revised by oil companies on a daily basis, according to changes in the price of global crude oil. However, the price paid by oil companies makes up 51% of the retail price in case of petrol, and 61% in the case of diesel.
- The revenue composition of the last few years shows that oil has become a significant source of revenue for the government. The share of tax revenues from oil in the government's gross tax revenue has shown a steady increase. Between 2014 and 2016, when global crude oil prices were declining, the government raised the excise duty on petrol and diesel on multiple occasions.
- While excise duty rates are uniform across the country, states levy sales tax/value added tax (VAT), the rates of which differ across states. The different tax rates levied by states on petrol and diesel, which results in their varying retail prices across the country. For instance, the tax rates levied by states on petrol ranges from 17% in Goa to 39% in Maharashtra.

Impact of high duty on petroleum products –

- First, it hurts consumer pockets and can be inflationary. The rise in crude oil prices in recent weeks, amid the elevated excise duties, is causing retail prices of petrol and diesel to rise. High fuel prices will feed into higher inflation. This could happen through two channels: Directly, as crude products feature as

constituents in the Consumer Price Index basket (in the fuel and light and transport and communication category), and indirectly, as higher transportation costs due to increase in the price of fuel. The latter would impact the price of other products ranging from vegetables, egg, meat, milk, to cement, fertilisers, chemicals etc. The prices of services could also likely rise due to an increase in fuel prices.

- Second, it creates excessive fiscal dependence on petroleum products. Petrol and diesel have been easy targets for raising revenues for the government.
- Thirdly it may affect industrial growth – the cost of inputs is going to increase and since these are important raw materials, it will have a limiting impact on the growth.
- Political Costs – the opposition parties have hammered the government targeting this issue. The price of petrol in Delhi in 2014 was around ₹ 52 and today has crossed ₹ 95. On the face of it, the difference is too large but adjusted with inflation the differential will be marginal, but for the price-sensitive common man in India, this difference is too big a burden and represents a failure on the part of the government of the present day.
- The RBI's MPC has raised concerns over the inflationary impact of rising crude oil prices and high indirect taxes on petrol and diesel. The MPC has called for a calibrated reduction in high indirect taxes on petrol and diesel to contain the build-up of inflationary pressures in the economy.

Views on government's dependence on petrol and diesel taxes –

- Excessive fiscal dependence on oil can discourage the move towards renewable sources of energy. Further, until public transport that depends on renewable power is created, increasing fuel prices by higher excise is only going to pinch pockets without offering a long-term solution.
- Easing access to alternate sources of energy is required to save billions of resources on imported fuel, to prevent a surge in trade deficit and to guard against oil-price shocks.
- Another area that can help reduce the dependence on fuel is incentivising the use of electric vehicles (EVs). This will also provide a boost to India's efforts at reducing air pollution. The voluntary vehicle scrappage policy announced in the Budget aims to phase out private and commercial vehicles that are more than 15 and 20 years old. The removal of these old cars would give space for fuel-efficient and environment-friendly vehicles and will also help reduce the huge import bill.
- Environmentalists concerned about global warming may not object to high taxes on petrol and diesel as they constitute a carbon tax and discourage greater use. Studies indicate that India's oil needs will be more than any other country by 2040. But carbon taxes are inadequate to move towards renewable sources of energy. There is also a need to incentivise the use of alternate energy sources like natural gas and solar power.
- Bringing petrol-diesel under GST will lead to a sharp fall in current prices the highest slab under the existing GST rates is 28%. Even if petrol and diesel were

to be taxed at the highest rate, the post-tax price will be much lower than what it is currently. This will not impact government much in terms of revenues rather will allow government to go for other means of bridging the revenue gap like disinvestment, push for clean energy usage and domestic exploration of petroleum.

Conclusion

The government's ability to give relief is only when its finances are strong, while on the other hand in an election year the spending cut is not an option since it would hamper the government's spending on development schemes. Over dependence on single source of revenue is sometimes fatal for economy there are other measure like rationalising subsidies, increasing tax base(both direct and indirect) etc to increase economy's health, however it would not be prudent to decrease the tax rate on petroleum products sharply when economy is going through tough phase and government in need of more revenues, calibrated approach is necessary to balance the revenues and manage the oil prices bringing the petroleum under GST will enhance uniformity and will definitely ease burden on common man as well.



5. Ensuring a stable and predictable policy environment is a prerequisite for sustained economic growth. Do you agree? Substantiate.

Approach

The candidate needs to give his/her opinion about the proposition that prerequisite for sustained economic growth being a stable and predictable policy environment and also substantiate the views.

Introduction

Economic growth and policy stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable policy environment may reduce investment and the pace of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest.

Body

The Economic Survey of India (2018-19) explains how economic policy uncertainty peaked in 2011-12 coinciding with the years of policy paralysis. It goes on to establish the correlation between the Economic Policy Uncertainty Index and foreign investment. Thus, too much uncertainty is the natural enemy of long-term investment, which itself is the key for economic growth. Consequently, the necessity for a stable and predictable policy environment as a prerequisite for sustained economic growth can be seen from following points –

- Frequent upheavals in the marketplace or uncertainty about the terms and directions of competition add a significant element of risk to longer-term business decisions, which drives companies to seek recovery of their investments in the shorter period of time and dampens investment activities.
- On the one hand, stable and predictable policy regulation for worker and consumer safety and protection of the environment can drive important and innovative developments with positive long-term consequences.
- Waste and emissions standards establish fixed targets for improving processes and, as such, can encourage innovative approaches to problem solutions; for example, product innovation in the automobile industry to reduce pollution has resulted in major innovations.
- On the other hand, frequent changes in tax policy, regulatory structures, government licensing practices, and other forms of government interaction with industry can be quite damaging due to the efforts required in adhering to the changes newly encountered.
- The use of regulation to create or stabilize markets is an important public role in encouraging long-term investment. Government regulation plays an important role in creating safe and reliable financial and air transport markets, albeit the definition of safety in the two markets is quite different.

- Government's ability to create a monopoly (often regulated and designed to be temporary) during certain stages of an industry's development is another tool to promote policy stability. This tool has been used with AT&T and the U.S. telephone system as well as with innumerable local activities such as electric power, gas, water, sewer, and taxicab services.

But at the same time, policy stability and predictability has limited role to play in sustained economic growth. This is evident from the following points –

- While the Central government has been making frequent changes in the FDI policy, many Indian trade bodies have been making allegations against large foreign e-commerce companies to be violating norms and doing business. Here, policy stability can lead to skewed business practices where correction efforts are pushed to the background.
- While the peaceful environment that policy stability may offer is a desideratum, it could easily become a breeding ground for cronyism with impunity. Such is the dilemma that many countries with a fragile political order have to face.
- Democratic regimes, like all political regimes, are fragile. Irrespective of policy regimes, if a country does not need to worry about conflicts and radical changes of regimes, the people can concentrate on working, saving, and investing.
- Some see policy stability as a condition that not only precludes any form of change, but also demoralizes the public. Innovation and ingenuity take a backseat.

Way Forward: Three recommendations to reduce policy uncertainty include –

- Policymakers must ensure that policy actions are predictable by providing forward guidance and reducing arbitrariness in implementation.
- Policymakers must monitor economic policy uncertainty index. The government must encourage creation of sub-indices to capture policy uncertainty in areas such as fiscal policy, tax policy, monetary policy, trade policy and banking policy.
- Quality assurance of processes in policymaking is critical. Government departments must be mandated to seek quality certifications to reduce uncertainty at policy implementation level.

Conclusion

Government policies and investments are a pervasive, important, and often positive influence on the business environment and economic development where it is clear that government policies play a crucial role in creating a stable environment for investment and should be thus prioritised to make it more stable and predictable.