

**1. Can lack of inclusive growth in India lead to economic slowdown in the long run? Critically Analyze.****Approach**

Start with basic definition of the inclusive growth and explain economic slowdown. Then critically analyse how lack of inclusive growth can led to economic slowdown with various factors also give a alternative view on it other factors responsible for economy slowdown. In the end before conclusion give some suggestions.

**Introduction**

As per OECD, inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all. 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. It also encompasses a growth process that is environment friendly growth, aims for good governance and helps in creation of a gender sensitive society.

**Body**

Economic slowdown:

- The latest annual report of the RBI for the fiscal year 2018-19 (or FY19) confirmed that the Indian economy has indeed hit a rough patch. The GDP growth rate of the economy has slipped to 5 per cent in the first quarter of FY20, the lowest in over six years.
- However, currently Indian economy is facing slowdown due to both cyclic and structural challenges.

Lack of inclusive growth in India can lead to economic slowdown in the following ways:

- Financial inclusion: Financial Inclusion is the process of ensuring access to financial services to vulnerable groups at affordable costs due to lack of inclusive growth it may hamper culture of saving, which disrupts a virtuous cycle of economic growth.
- Empowerment: Empowerment can be done by improving institutions of the social structure i.e. hospitals especially primary care in the rural areas, schools, universities, etc. With lack of Investment in social structures will not boost growth (by fiscal stimulus) and will also create a unhealthy and incapable generation to handle future work.
- Private consumption: The private final consumption expenditure (PFCE) has slumped to 3.1 per cent in Q1FY20, the weakest level since Q3FY15.
- Savings by household sector: Have gone down from 35 per cent (FY12) to 17.2 per cent (FY18).
- Unemployment: As per the Periodic Labour Force Survey (PLFS) of NSSO, the unemployment rate among the urban workforce was 7.8%, while the unemployment rate for the rural workforce was 5.3% totaling the total

unemployment rate at 6.1%. Low jobs can led to low investment savings which can Impact the economy.

- Automobile slowdown: During April to June 2019, car sales fell by 23.3% in comparison to the same period in 2018. A slowdown in car sales negatively impacts everyone from tyre manufacturers to steel manufacturers to steering manufacturers etc., when it comes to the backward linkages that car manufacturers have. As far as forward linkages are concerned, many auto dealerships are shutting down or shrinking.
- Banking retail loans: During April to June 2019, the retail loans of banks grew by 16.6% in comparison to the same period last year. During the same period last year, they had grown by 17.9%. There has been a marginal fall in growth.
- FMCG companies: The volume growth or the number packs sold, of fast-moving consumer goods (FMCG) companies has slowed down over the last one year showing lack of demand. If we look at Hindustan Unilever Ltd, the volume growth between April and June 2019 was at 5%.

However, lack of inclusive growth in India may not be the only reason for economic slowdown. The other reasons can be:

- Cyclical slowdown: It is a period of lean economic activity that occurs at regular intervals. Such slowdowns last over short-to-medium term, and are based on the changes in the business cycle. Example: interim fiscal and monetary measures, temporary recapitalisation of credit markets, and need-based regulatory changes are required to revive the economy.
- Structural slowdown: It is a more deep-rooted phenomenon that occurs due to a one-off shift from an existing paradigm. The changes, which last over a long-term, are driven by disruptive technologies, changing demographics, and/or change in consumer behaviour.
- Tight monetary and fiscal policies: Since 2016-17, the monetary policy was focused on inflation control, which ensured interest rates remained hard. The combined fiscal deficit of the Centre and the state was high. And the government committed to lowering its fiscal deficit, left little wiggle room for government to increase its spending to pump-prime the economy.
- Jolt of reforms: Just as the effects of DeMo & GST were petering out, the IL&FS crisis triggered the Non Banking Financial Companies' (NBFC) credit crunch in 2018. By 2018-end, weakening global trade and GDP growth, led by US- China tariff wars, had caught up, amplifying the impact.
- Financial sectors still in a mess: The NPA ratio worsened throughout the UPA-II term and is still quite high. But no sooner did the NPA ratio start improving in fiscal 2019, the NBFC stress started building up. Stress in NBFCs percolates faster than public banks, because of its greater interconnectedness to mutual funds, banks, and corporate sector.

Following steps can be taken to improve the economic condition:

- Cut in repo rate: The Reserve Bank of India (RBI) has repeatedly cut the repo rate to revive demand and has also taken other measures to ease the availability of credit
- Up skilling of mid-level workers: There is a structural shift in many industries because of technology or shift in consumer preferences.

- Consolidation of the PSBs: It is a structural reform much needed, long overdue and may reduce the recapitalisation requirements.
- Auto sector: Give auto sector incentives to invest and shift to electric vehicles. Incentives should be given to auto sector employees to up skill on electric vehicles.
- Focus on real estate, construction: Since the real estate and construction sectors offer employment to a large pool of people, economists believe that the government should introduce some temporary boosters.

### **Conclusion**

Through innovative partnerships with an international organisation, civil societies, and private companies, inclusive and equitable growth can be targeted. Inclusive growth will help in the empowerment of vulnerable and marginalised populations, improve livelihoods, and augment skill-building for women.



**2. What reasons can be attributed to the economic gap between India's northern and southern states? Why is it a cause of concern? Analyze.****Approach**

Try to give background and facts on economic gap between north and south states. And highlight the reasons for it. In the before conclusion address the cause of concerns due to such economic gap.

**Introduction**

From the time of Independence, the south has been ahead of the north in literacy, infant mortality, life expectancy, fertility rate and other factors that contribute to greater productivity. Quality of governance and better leadership has led to southern states surging ahead of their northern counterparts, widening the gap in terms of per capita income and poverty between the South and North.

**Body**

In terms of Net State Domestic Product (NSDP) the monetary value of all goods and services produced in the state during a financial year all five southern states (Tamil Nadu, Karnataka, Kerala, Telangana and Andhra Pradesh) feature in the top 10.

Reasons for economic gap between northern and southern states:

- Revenue management: This has meant that the northern states are constrained in their ability to raise revenues, and are unable to spend much less per capita on investments in human and physical capital compared to the southern states, thus perpetuating the cycle of inequality. The differences in spending on health and education are particularly stark, with northern states spending far less per person compared to southern states.
- Demographic: The southern states have moderate population showing signs of fourth stage of demographic transition, compared to northern states that are in third stage of demographic transition and thus having population explosion.
- Developmental: The southern states have been well developed with many industrial activities and high state GDP thus giving effect to a virtuous cycle resulting in more economic growth. Post-1990 reforms, there was an increase in inter-state inequality between these states.
- Climate: Due to favourable climatic and topographical conditions, northern states have dominance of agricultural activities, which have a low economic contribution.
- Physical infrastructure: The southern states have better built in infrastructure, like roads, railways, economic corridors, special economic zones etc. giving push to economic activities.
- Connectivity: Sea ports provide connectivity for exports and imports, thus aiding the economy of southern states as such, and also by acting as a transition point for export and import from northern states via sea routes.



- **Sectored transition:** Due to favourable social, economic and political factors the transition from agriculture to manufacturing and services has been more in southern states, thus registering a higher growth rate.
- **Post-1990 reforms:** There was an increase in inter-state inequality after 1990's reforms. This was mainly along the axis of the North-South divide. Thus states like Tamil Nadu, Karnataka, Andhra Pradesh made use of the opportunities provided by reforms to develop, states like Bihar, UP, Rajasthan, Madhya Pradesh, Jharkhand, Chattisgarh left behind.
- **Women:** Female fertility rate is below 2 in southern states, increasing the participation of women in economic activities.
- **Fiscal factors:** Welfare schemes in southern India like Amma canteens, free distribution of goods etc., have been implemented well compared to their northern counterparts.

#### Causes of concern:

- **Internal migration:** Increasing disparity has resulted in high migration flows from northern states (poor) like U.P. and Bihar to southern states (rich) like Maharashtra and Karnataka and resultant changes in demographic patterns.
- **Regionalism:** The economic gap has resulted in regionalism and widening the North-South divide, demand for separate state flag by Karnataka.
- **Separatist tendencies:** Resurgence in the concept of Dravida Nadu due to perceived neglect of southern states by Union. There is a risk of a magnifying N-S divide in the current situation, as there is a national political formation that is inadequate to manage cultural difference, simultaneously party structures in states are becoming fragile.
- **Reservation for localites:** Demands of local population to provide for reservation to the local populace in jobs as has been done in Andhra Pradesh will further widen the divide.
- **Crisis in north India:** Due to southwards migration, there can be a shortage of agricultural labour in Northern India, increasing cost of agricultural wages and pushing the food price upwards.
- **Political conflicts:** Southern states despite being economically powerful have fewer seats in parliament and thus less say in policy formation, which will be further fuelled by the Terms of Reference of 15th Finance Commission.
- **Social conflicts:** Increasing violence against migrants like that in Maharashtra by Shiv Sena is an example.
- **Dichotomy:** Political leaders from South are not given adequate representation in political milieu of centre vis-a-vis political leaders from North. This creates a dichotomy as the economic centre of gravity is shifting towards the south at the same time the political centre of gravity is shifting north.
- **Welfare:** There is difference in welfare spending on population in northern and southern states, with former lacking even in basic parameters like health and communicable diseases, e.g. case of child deaths in Gorakhpur hospital.

#### Conclusion

Thus the unity of India depends on mutual trust and cooperation of all states,

facilitated by the centre. Labour, resources, capital, geography, all the determinants of development is available within the borders of Indian territory. We need to leverage these through cooperative federalism, rather than mobilizing around divisive and arbitrary fault lines, through proper policy actions.



### **3. Is it the moral responsibility of public figures and celebrities to promote the inculcation of good habits? Comment in the light of the recent incident involving a celebrity footballer and a soft drink brand.**

#### **Approach**

Candidates can start with referring to recent incident of Ronaldo in press conference, then highlight on positive and negative impact on the people by actions of public figures candidates can give various suitable examples. In the end before conclusion candidates can address different institutions moral social responsibility of inculcation and socialisation of good habits and standards of living.

#### **Introduction**

Recently Cristiano Ronaldo removed the soft drinks from the view of the cameras and replaced them with a water bottle. This was to convey his disdain towards cola and urge people to instead drink water for good health. This is not the first time that any celebrity has taken such step, previously Pulella Gopichand and Virat Kohli had also refused to endorse Pepsi brand of soft drinks. These issues bring into debate the role public figures and celebrities should play to inculcate good habits in their fans and people at large for a better society.

#### **Body**

Celebrities and public figures have a wide impact on society. People want to be as famous as they are. If any celebrity promotes a particular product in society, the sale of that particular product grows manifold. People want to be like them, follow their behaviour and want to look like them. Therefore it becomes the responsibility of these celebrities to persuade people towards good behaviour for following reasons:

- The review of economics literature showed that celebrities can catalyze herd behavior, and help distinguish endorsed items from competitors. Celebrities characteristics are transferred to endorsed products which lends credibility to these products. Thus if a celebrity endorses products which are good for health then it can have a positive impact while a harmful product can deteriorate the health of people.

For example: The endorsement of fairness creams, junk foods, and alcoholic & tobacco products have overall a negative effects on people therefore when celebrities like Saif Ali Khan, Juhi Chawla endorse Kurkure and Lay's it imparts credibility to such products which have high content of salt and preservatives which are harmful to health. Similarly the endorsement of iodine salt by Amitabh Bachchan leads people to avoid disease such as goitre.

- The review of psychology literature showed that people are conditioned to react positively to celebrity advice and that are subconsciously pushed to follow it to

avoid cognitive dissonance and to become more like those celebrities they admire. Therefore how a celebrity talks and what are his/her opinion on different issues of society ranging from religion, health, race, caste and inequality can have a profound impact on the mindset of people.

For example : Actions of certain celebrities such as Lance Armstrong to take drugs and cheat can lead or incentivise youngsters to take shortcuts in life for fame and success. While examples of Neha Goyal player of Indian women's hockey team who from defied abject poverty can serve as role model and make people believe in hardwork for success.

- Finally, the sociology literature explained how the spread of celebrity advice through social networks increases its influence and that people follow this advice to acquire celebrities' social capital. This shows that it doesn't only have influence on immediate fans but a larger society.

For Example: Many celebrities in the age of fake news are forwarding many messages without any query which have lead to fear, confusion and also unscientific theories on the recent pandemic. This was seen by Donald Trump literally saying no to wearing masks. While on other side there have been leaders such as prime minister Narendra Modi who have tried to persuade people to adopt COVID appropriate behaviour on regular basis.

Therefore as celebrities and public figures have hold over people's mindset and a wider public to influence it becomes important for them to adhere to morally responsible behaviour and brand endorsements so that to have a positive effect on their followers and society at large.

But this doesn't mean that it's only the sole responsibility of public figures and celebrities to inculcate moral behaviour. The following institutions should also need to be focused for all round development of society:

- The education system in a society such as India needs to sensitise students to the problems of patriarchy, caste violence, inequality to motivate students to eradicate traditional inequalities and prejudices.
- The family system is the basic unit of socialisation and therefore the values of integrity, honesty, and gratitude needs to be inculcated from childhood itself.
- The governance system needs to eradicate corruption and political leaders should have an ethical conduct in public and private life as they have a huge influence in society like India and also world.

### **Conclusion**

Therefore celebrities and public figures being ubiquitous on social media and television have a moral responsibility to inculcate moral behaviour and good habits in people. But the inculcation of good habits is not the sole responsibility of celebrities and larger institutions such as family, education system and government should take up the task to educate, incentives and motivate good habits for a egalitarian and ethical society.