1. How does regional imbalance growth affect the economic interests of the nation? Explain.

Approach-

Candidates need to write about the regional imbalance in India. Explain how regional imbalance growth affects the national economic interest.

Introduction

Regional imbalance is an alarming issue in India, and it has been widening in spite of various policy initiatives by the government to develop backward areas. 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

Regional imbalance growth impedes economic interest of nation in the following way:

- Growth becomes unsustainable: depressed rural agricultural regions with poverty and unemployment lower purchasing power of people. As a result, overall demand in the economy comes down affecting other two sectors of economy.
- Unproductive use of resources in backward regions: Additional financial support to special category states has not yielded any desired results and has further perpetuated poor governance. For example Bihar despite being mineral rich state has lower levels of development. Lack of education and health infrastructure result into poor social indicators. And hence the available human capital is unable to contribute to the growth of the region.
- Concentration of industries in urban areas also affects economy: Overdeveloped urban areas with over saturated infrastructural capacities negatively affect industries by diseconomies of congestion and higher infrastructure cost thus lowering their competitiveness.
- Concentration of investment by government and private sector in major cities are at risk due to natural calamities like cyclones. It results into massive economic losses at one go thus diversion of resources to rebuild these growth centres. For example coastal cities like Chennai are prone to cyclonic disturbances.
- Lack of inclusive growth leads to rise in social unrest, conflicts and left wing extremism. Thus needs diversion of government resources towards security.
- Growth of Regionalism: growing dissent against labours from other states affect industries. Example: recent migrant labour issue in Gujarat. Lack of cheap labour affects MSME's.

Way forward and government recent initiatives to reduce regional imbalance:

- 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

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 the decision to tax cryptocurrency transactions is a progressive move? Substantiate your views.

Approach

Students are expected to write about the recent tax announcement on crypto highlight the debate around it and present the views with challenges and wayforward.

Introduction

While presenting the Union Budget 2022 government proposed a tax of 30 per cent on virtual assets, effectively legitimising trading of private cryptocurrencies and non-fungible tokens. This is broadly in line with the Centre's plans to have a fiat digital currency, while disallowing use of private virtual coins as legal tender.

Body

- The power to levy taxes is prescribed under Article 246 which grants power to the Parliament as well as state legislatures to impose taxes.
- Article 265 provides that no tax can be imposed or collected without the authority of law.
- Today, with the rise of cryptocurrencies and its underlying technology, the world stands at the helm of another such revolution.
- Cryptocurrencies like bitcoin are decentralised, digital currencies relying on a peer-to-peer network which operates without the need for a third-party intermediary like the Reserve Bank of India.
- Coupled with lack of regulatory guidance, its unique technical aspects create huge complications in its taxation.
- While the government wishes to actively encourage blockchain technology, it has been resisting popular usage of cryptocurrency because once the unit of account of one of these transactions changes from rupees to any cryptocurrencies, then the possibility of recovery of tax would become farcical.
- So, if the government wishes to reap the revenues from blockchain transactions, it will have to recognize cryptocurrency, and not just INR, as a unit of account.

Challenges:

- Absence of explicit tax provisions has led to ambiguity and uncertainty: Lack of clarity as to whether the GST on crypto transactions is applicable only on Rupee transactions alone or even on transactions through crypto currencies.

- Difficult to impose tax due to cross-border transactions: Usually, taxpayers may cryptocurrencies and store in online wallets, on servers outside India. In such cases, it becomes difficult to pinpoint which jurisdiction's tax laws would become applicable.
- Anonymous transactions: The identities of taxpayers who transact with cryptocurrencies remain anonymous and hence it becomes quite difficult to keep a tab on the individuals who are trading in cryptocurrencies. Usually, tax evaders have been using crypto transactions to park their black money abroad and fund criminal activities, terrorism, etc.
- Difficult to track down on tax evaders: One of the most efficient enforcement tools in the hands of Income Tax Department is CASS or 'computer aided scrutiny selection' of assessments, where returns of taxpayers are selected inter alia based on information gathered from third party intermediaries such as banks.

Wayforward:

- To Impose a 1 per cent tax deduction at source (TDS) of transactions above a monetary threshold to trace the transition.
- The US government has made it mandatory for all tax payers and third party intermediaries (Exchanges, wallet providers, miners etc) to disclose all the cryptocurrency related transactions.
- Explicit and Unambiguous provisions should be incorporated in the Income tax act.
- The existing international legal framework for exchange of information should be strengthened to enable collecting and sharing of information on crypto transactions.

Conclusion

The country should regulate these transactions in a manner that permits a reasonable balance between consumer security and legitimacy. A streamlined tax regime will be essential in the formulation of a clear, constructive and adaptive regulatory environment for crypto currencies.

3. Protecting livelihoods is the next frontier for India in the fight against climate change. Comment.

Approach-

Candidates need to comment about how Protecting livelihoods is the next frontier for India in the fight against climate change.

Introduction:

At Glasgow, India committed to net-zero carbon emissions by 2070 at the COP26 in Glasgow. India also asked developed countries to put a trillion US dollars a year into the climate fund. For a developing country like India, climate change is a big challenge. On the one hand, it would mean putting sectors like energy, transport, infrastructure and manufacturing on a path of lower carbon emissions. On the other hand, it would require building resilience to disasters without compromising on meeting goals of growth, development and poverty reduction. These two considerations have underpinned the policy discourse in the country.

Protecting livelihoods is the next frontier for India in the fight against climate change:

- India is exposed to a whole range of climate- and weather-related hazards — floods, droughts, cyclones, heat waves, lightning, glacial lake outburst floods and so on.
- There is mounting evidence that due to climate change some of these hazards are becoming more frequent and severe.
- More than 57 per cent of India's farmland face the onslaught of extreme weather on a regular basis.
- Not only have severe cyclonic storms increased over the northern Indian ocean, there is a rise in cyclonic storms in the Arabian Sea. These are projected to rise.
- So, while India prepares to set out on the path to lower emissions, at the same time, it has to protect its people and their livelihoods from the ravages of more intense, frequent and unpredictable disasters.
- Participation and governance at the local level is the key to building resilience. We need to understand how the signals that the climate system is delivering are affecting the biophysical systems and how they respond to those signals.
- Similarly, we need to understand the inherent social, economic and cultural vulnerabilities of people, and how these come together to produce risk at the local level.

- Money for resilience can be used in different ways, and must be done imaginatively.
- The Finance Commission has given states resources to address the whole spectrum of disaster risk management needs, not just response, and this has to be used creatively.
- In cyclone- and heat wave-related work there has been an effort to connect science to society.
- For adoption of new practices science has to be presented in an understandable, actionable, usable fashion.

Conclusion:

India has had remarkable success in saving lives from climate- and weather-related disasters. Protecting livelihoods is the next frontier. We need to learn lessons from the past, anticipate the future, and create more resilient systems, society and economy.