

1. Inclusion can't be an afterthought of economic growth. Rather, inclusion is imperative for sustaining high levels of economic growth. Elucidate.

Approach

Candidates can start the answer with definition of inclusive growth and link it with economic growth. Need to mention issues with economic growth and trickledown economics and then how to avoid such narrow growth-based perspective with few recent examples.

Introduction

As per OECD (Organisation for Economic Co-operation and Development), inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all.

Body

Issues with economic growth and trickledown economics:

- According to the Oxfam Report, in India, the top 1% holds 51.53% of the national wealth, while the remaining 99% make do with almost 48%.
- The theory of Trickle Down represents an unhealthy obsession with GDP and Growth as the most reliable measure of economic success. The theory believes in the saying 'One size fit all'.
- It presumes that large wealth creators will create wealth that will trickle down to the masses. Evidence shows that the approach of increasing the overall size of the pie by reducing taxes at the top and then "redistributing" the wealth has not delivered benefits to people.
- Wealth has accumulated at the top with regressive tax policies along with deregulation. Government expenditure on social reforms has been reduced.

Inclusion and economic growth must go hand in hand and one leads to another and both leads to a sustainable future:

- Inclusion of youth in countries economic journey by providing them with skills and employment will contribute greatly in the long-term economic growth and fruits of this dividend can be enjoyed by this generation and generations to come.
- Women account for 49.5 % of the population of the country and their inclusion in the workforce and economic activities will greatly contribute to the growth and sustainability of the economy.
- Countries like India should increase public and private investment in their citizens' capabilities, which is the most important way they can durably lift their rate of productivity growth.

- Investing in social structures will not only boost growth (by fiscal stimulus) but will also create a healthy and capable generation to handle future work.
- People would feel more motivated and involved in the benefits of economic growth were allowed to flow into the pockets of lower strata of society.
- Recently with financial inclusion which is necessary for inclusive growth has led to the culture of saving, which initiated a virtuous cycle of economic development.
- China reached the levels of human development (health and education), which India is still striving to, 30 years ago when China's economy was much smaller than India's is now. Human development provided the foundation for China's remarkable growth.
- Schemes like Transformation of Aspirational Districts, BharatNet, Pradhan Mantri Kaushal Vikas Yojana, Mission Antyodaya, National Rurban Mission etc. will help attain Inclusive growth.

Conclusion

Through innovative partnerships with an international organization, civil societies, and private companies, inclusive and equitable growth can be targeted. Meanwhile state governments and local governments should continue to focus on eradicating poverty and achieving sustainable development in order to improve the lives of India's people.

Q-2 Examine the factors leading to regional disparity in per capita income in India ? what measures have been taken by government to bridge the regional gap .Discuss.

Approach -

In this question candidates need to write about the factors that leading to regional disparity in per capita income in India. In second part of answer write about what measures taken by government to bridge regional gap.

Introduction-

Regional development disparity is a continuous developmental challenge for Indian policy makers. It is reflected by the indicators like per capita income, the proportion of population living below the poverty line, etc. However government has taken various steps to bridge the gap.

Body-

Within democratic polity, growth and prosperity must exhibit regional balance. Thus a democratic government striving to achieve such balance is axiomatic.

- Goa has the highest per capita income among 33 Indian states and union territories, followed by northeast state Sikkim. Capital Delhi, Chandigarh, and

Haryana complete the top five list. Among the five richest economies of India, three are states, and two are union territories

- Among Top seven richest states/UTs, five have a population of less than two cr (20 million). And, one has a population below three crores.
- 6th ranked Karnataka has the highest figure among states population having more than three cr, followed by Kerala, Telangana, Gujarat, and Uttarakhand.
- All five South Indian states have higher gdp per capita than India's average. Bihar, Uttar Pradesh, Jharkhand, Manipur, and Assam are the top five poorest states.
- GSDP Per capita of Goa and Sikkim are above three times India's average. GSDP per capita of Bihar is three times lower than of India.
- In US Dollar, the GDP per capita of Goa is \$6,997 in 2019. Four states/UTs have GSDP per capita above \$5,000, and only Bihar has below \$1000.

Causes of Regional Disparity-

Historical Factors-

- 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.

Location Specific Advantages-

- Due to some locational advantages like availability of irrigation, raw materials, market, port facilities etc. some regions are getting special favour in respect of site selections of various developmental projects e.g. oil refineries are mostly located in close to sea.

Early Mover Advantage-

- New investment in the private sector has a general tendency to concentrate much on those regions having basic infrastructural facilities.

Failure of Planning Mechanism-

- Local needs; one size fits all approach, lack of adequate resources, poor implementation of plans, lack of planning capacity at state level reduced capacity of Planning Commission to ensure balanced development.

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, with adequate policy support from State Governments which other areas lacked and couldn't reap benefits of Green Revolution.

Law and Order Problem-

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- Extremist violence, law and order problem etc. have been obstructing the flow of investments into backward regions besides making flight of capital from backward states.

Government Interventions to Reduce Regional Disparities-

- Higher resource transfers from the Centre to the Backward States via, finance commission in the form of non-plan transfers.
- Since 1969 a Special Category status was introduced which was in operation till 13th Finance commission to provide greater percentage of grants to such states from Centre.
- 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.
- Development Programme- Programmes of agriculture, community development programme, Drought Prone Areas Programme, irrigation and power, transport and communications and social services aimed at providing basic facilities and services to people in all the regions.
- Provision of Facilities in Areas which Lag Behind Industrially- River valley projects and multi-purpose projects e.g. Narmada Dam for dry parts of Gujarat and Madhya Pradesh, proposed Ken-Betwa inter river link project for Bundelkhand region etc.
- Programmes for the Expansion of Village and Small Industries- Village and small industries are spread all over the country and various forms of assistance provided by the Central and State Governments are made available in the areas according to programmes undertaken.
- Diffusion of industrial activity and infrastructure- Subsidies, exemptions and tax breaks given to industries for investing in backward regions. For instance North East Industrial and Investment Promotion Policy (NEIIP) for Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura; Special Package Scheme for Himachal Pradesh, Uttarakhand and J&K.

Conclusion -

India's geographical diversity and different levels of development across regions mean that location specific targeted action would be required in less prosperous regions to ensure that a minimum acceptable level of prosperity.

Q-3 The government is going to present the annual budget in a couple of months. what according to should be top three areas of focus in next years budget .why do you think so ? substantiate your views .

Approach -

In this question candidates need to write about which areas should be remain in focus in upcoming budget and why should these sectors remain in focus, substantiate their views.

Introduction -

The Union Budget 2023-24 is being presented at a crucial juncture of geo-political uncertainties, high inflation and slowing world economic growth. At this juncture, calibrated steps to enhance domestic sources of growth would be crucial to maintain the steady economic growth trajectory,

Body -

The external scenario is likely to continue to be unfavourable for some time. Hence, we must broad-base our domestic economy by creating new sectors of growth and driving employment generation to boost domestic demand, inclusion, and growth.

- With the Indian economy doing well in first three quarters of FY22, when compared to FY21, and the government's determination to carry this momentum to the next financial year, the expectations from the Union Budget FY23 remains reasonably high.
- Three broad areas which could cement this growth would be in terms of domestic growth, facilitating export infrastructure, access to healthcare, while also supporting geo-economic preparedness.

Widening PLI-

- Trade has been the driving force for the prosperity of most economies across the globe. A lot of hope is on the PLI scheme, which advocates incremental production-based incentive, and has the potential to take India's exports to a new high, while also diversifying the export basket.
- In this context the government can consider enhancing the exposure under PLI and have more upcoming industries identified. For example, industries like aerospace, warehouse robotics, waste management, including maintenance, repair, and overhaul (MRO), amongst others, could be brought under the ambit of PLI.
- Hopefully the Budget FY23 will widen the PLI scheme while considering upcoming potential industries, especially while targeting India's exports to reach \$1 trillion by 2025.

Healthcare infrastructure -

- While hopefully the upcoming Union Budget will provide rebates on medical insurance premiums, and further inducements for R&D spend to boost pharma companies, it is important to strengthen the healthcare infrastructure in tier 2 and tier 3 cities. This lack of infrastructure was tragically exposed during the Covid-19 second wave.
- According to the National Health Profile 2018 in the country, the number of district hospital stands at 1,003, government hospitals in rural areas at 19,810, railways 136, and employee state insurance company 151.
- If these hospitals are strengthened on a public-private mode by extending attractive incentives, including exploring a tax holiday, the population of the country will be healthier. In fact, even if 5 per cent of these 21,000 odd hospitals get the attention for time-bound upgradation, the pressure on tier-1 cities will be much reduced.

Strategic institutions-

- While supporting exports have a multiplier effect like creating jobs, boosting manufacturing, earning foreign exchange, in today's emerging scenario exports also play a critical role amidst the changing geo-economics.
- As India aspires to move into producing EVs, mobile phone, solar panels, aerospace, etc. it is also important to acknowledge that there are many inputs like lithium which go into these but are not available in abundance in the country. So India would be glaring at a new form of dependency on imports. This revives the need to secure certain assets overseas.
- In this context Budget FY23 could explore having a dedicated financial institution like Exim Bank which can cater to such overseas strategic needs with government backing, something akin to Chinese government banks and institutions. Beneficiaries of such a support could be Indian PSUs and quasi-sovereign institutions.
- It may be mentioned that US, at the onset of the pandemic in December 2019, operationalised a new, 'Development Finance Corporation (DFC)' to pursue its strategic interests.
- This initiative is considered as an effort towards its needs, specifically countering China's influence on global trade and business, and furthering the US foreign policy goals whilst supporting US direct investments abroad.

Way forward-

Gross tax collections in this fiscal have been robust so far at ₹16.1 lakh crore (+18% YoY & 58.4% of FY23 budget estimates till October 2022), The key expectation from the finance minister is to maintain the growth path while keeping fiscal deficit and inflation in check.

Conclusion-

In this year government will reflect fiscal prudence and not resort to any big ticket radical announcements or reforms. It would continue the existing strategy of Infrastructure development, broad-based Capex and manufacturing-led growth as a sustainable way ahead for India.