



**An Institute for Civil Services**

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**VYOM BINDAL**

**RANK - 141**

**INDIAN ECONOMY +  
INTERNAL SECURITY  
TEST - 7**



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## INDIAN ECONOMY + INTERNAL SECURITY

Time Allowed: 3 hrs.

Max. Marks: 250

| Q.  | Marks | Instructions to Candidate  |
|-----|-------|--|
| 1.  |       | <ul style="list-style-type: none"><li>• There are 20 questions.</li><li>• All questions are compulsory.</li><li>• The number of marks carried by a question is indicated against it.</li><li>• Answers to questions no. 1 to 10 should be in 150 words, whereas answers to questions no. 11 to 20 should be in 250 words.</li><li>• Keep the word limit indicated in the questions in mind.</li><li>• Answers must be written within the space provided.</li><li>• Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.</li></ul> |
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1. Invigilator Signature

2. Invigilator Signature

Name VYOM BINDAL

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Mobile No. \_\_\_\_\_

Date \_\_\_\_\_

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## REMARKS

**GS SCORE**

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Improve legibility

## Section - A

Q1. The credit rating agencies are criticized by many on various grounds, yet their importance cannot be denied. In this context, discuss the importance of the credit rating agencies for developing countries and briefly elaborate on criteria used by them. (10 Marks)

Economic Survey of India had criticised the big three rating agencies currently dominating the rating market because:

1) They had not taken into account the progress made by India in stable macro-economic indicators, growth prospects while rating India.

2) They deploy the data and figures more suited to developed countries while giving ratings.

However, they remain important to evaluate the risk associated with debt market instruments, give information

Conflict of interest  
- Payment based rating  
- Bias  
- subjective analysis  
- discriminatory policies

Remarks

~~about~~ about ~~points~~ potential risks to the investors.

Keeping these in mind India has proposed setting up of a BRICS credit rating agency for a more fair evaluation of developing countries and their markets.

3

Remarks

Q2. With mounting NPAs, Reserve Bank of India had introduced Strategic Debt Restructuring (SDR) scheme along with other measures. In this context, elaborate on reasons that led to discontinuation of SDR. (10 Marks)

growing NPAs in banking sector hurt the prospects of economic growth, credit off take and specifically dent financial prospects of small enterprises.

To clean up the bank balance sheets, RBI came up with SDR scheme which allowed banks to gain controlling stakes in defaulting companies and dispose off or sell company to recover their

dues. However, it had been discontinued along with measures like CDR, S4A because

1) Banks lack experience to run companies after acquiring them

4) There was lack of agreement among different number of lenders to manage company.

Remarks

- 3) Since SDR entailed selling the company at huge discount, banks, especially the public sector banks were under fear of getting under scanners of investigating agencies for corruption.
- 4) These schemes were not showing intended results, they could dispose off only less than 5% of NPAs.
- 5) Government brought a new Insolvency and Bankruptcy Code to expedite the resolution of defaulter companies. Hence RBI scrapped earlier schemes to prevent overlap with insolvency code.
- Insolvency Code promises a time bound resolution of NPAs, which is necessary to pick start investment growth in Indian economy.

Remarks

Q3. What is Corporate Governance? Discuss the changes proposed by Uday Kotak-led SEBI committee in corporate governance norms? (10 Marks)

Corporate governance refers to set of norms, good practises to be followed by the companies in order to protect the investor's interest. Good corporate governance is necessary to attract investment in companies, prevent market failure and boost economic growth.

Uday Kotak panel proposed following changes:

- 1) Transparent accounting practises by the corporates.
- 2) Oversight of the board by independent directors with minimal financial stake in company.

Remarks

- 3) Greater amount of information to be released in disclosure and investor protection norms while going public.
- 4) Stricter punishment for insider trading and related party transactions.
- 5) Independence and autonomy to the external auditors.

(3's)

- separate not CEO, chairman  
 - woman director not  
 risk, audit & IT committee

Remarks

Q4. MUDRA has been termed as a game changer for micro finance sector in the country. What are the objectives of MUDRA? Is there a need of ~~such~~ an institution when there already are multiple schemes and institutions operating for the same purpose?

(10 Marks)

MUDRA scheme had been introduced to focus on micro-financing the activities for self-employment. Its objectives are:

- 1) Promoting access to institutionalised finance for self employment activities.
- 2) It specifically targets marginalised sections like women, SCs, STs, OBCs. In fact 70% of MUDRA beneficiaries had been women.
- 3) It aims at providing cheap, collateral free loan with minimal documentation.
- 4) It wants to reduce the unemployment in India and unleash the entrepreneurial spirit of rural Indians.

Remarks

Already many schemes like interest subvention scheme, SHG-bank linkage scheme, Micro-finance institutions exists however, MUDRA is different because :

- 1) It provides loan in three slabs of Shishu, Kishore and Tarun, which is as per growing requirements of a business.
- 4) It has specific focus on the marginalised sections of society.
- 3) It also provide hand-holding support to the micro-entrepreneurs.

expansion of formal credit supply  
no FS

Success of the scheme can be gauged from fact that it over-achieved its lending target previous year and present budget had set target of disbursement of 3 lakh crore rupees. ~

Remarks

Q5. The developmental model in India should include rural development schemes that are "demand driven" rather than "programme driven". Examine with respect to the design of various social sector schemes. (10 Marks)

Despite India becoming world's fastest growing economy, around a quarter of rural Indians live below poverty line. To address this growth paradox government had introduced several schemes such as National Rural Livelihood Mission, SP Mukhyee Rurban Mission etc.

However, there is need for greater "demand driven" schemes like MGNREGS because:

- 1) It helps eliminate the problem of fake beneficiaries, as here only those who are willing to work will be provided benefit.
- 2) Due to demand driven nature, people's stake gets involved in ensuring transparency, preventing leakages. This reduces corruption.

Remarks

and ensure effective monitoring by the beneficiaries themselves.

- 3) It also helps in building productive capital assets like roads, watershed development leading to long term benefits for the village.

1) Unlike programme driven schemes these schemes does not lead to freeby culture, and also transform participants from beneficiaries to contributors to economic growth.

Hence, demand driven schemes offer new vistas to accelerate rural development on a self-sustaining model, it is great leap forward to bring in inclusive growth, as rural India houses around two-thirds of total population.

Remarks

Q6. "Privatizing Air India is a step that has been long overdue." Analyze the reasons behind the imminent privatization and necessary precautions that should be considered by the government. (10 Marks)

Repeated calls had been made by several quarters including Economic Survey to privatize Air India due to following reasons:

- 1) Air India had accumulated debt of more than 33,000 crore rupees which is costing government finances.
- 2) Need for repeated recapitalisation of Air India drains taxpayer money for an inefficient enterprise.
- 3) In a scenario where India lacks adequate health and education facilities, government running Air-India represents a case of misplaced priorities and mis-allocation of scarce govt. resources.
- 4) Private sector had shown capacity to excel

Remarks

in aviation sector, share of Air-India is now reduced to less than 15% of total aviation market.

Keeping these in mind govt. proposed strategic disinvestment of selling 76% stake in Air India. However, following precautions are necessary:

- 1) It is necessary to protect the interests of thousands of employees of Air-India as privatization is likely to lead to job loss.
- 2) Proper pricing and transparent process is necessary to recover right value for selling Air-India.
- 3) As present lack of interest by private players show, there is need to make offer more lucrative.

Q7. How is the EPC model of investment in infrastructure different from the BOT model? What are the reasons behind a favorable push for the EPC model over BoT in road sector in recent years? (10 Marks)

EPC model of investment differs from BOT model because:

- 1) In BOT model land acquisition is responsibility of the concessionaire, but in EPC land acquisition is done by govt.
- 2) In EPC model majority of the investment is done by government unlike BOT.
- 3) In BOT model, concessionaire first recovers his cost and then transfers control to government. But in EPC there is revenue sharing from day one, with major share going to government.

EPC model is being preferred because:

Remarks

- 1) Majority of BOT projects are stuck due to land acquisition leading to cost escalation for private sector, EPC prevents this.
- 2) In scenario of stressed balance sheets, corporate debt overhang, they do not have resources to invest in BOT projects, in EPC resource commitment from private player is much less.
- 3) EPC route enables the government to collect revenue right after completion of project. It lowers the possibility of dispute regarding sharing of revenue, or contentions on calculating cost of project as needed in BOT model. Hence, EPC model has emerged as preferred route of PPP model investment in road sector.

Remarks

Q8. Government has started defense reforms based on Shekatkar Committee recommendations to enhance combat capability of the armed forces. Discuss.

(10 Marks)

D.B. Shekatkar Committee was set up to review India's defence preparedness and recommend steps to enhance the same. Government had started several initiatives in line with recommendations of Committee such as:

- 1) It had established a unified tri-service command for Andaman and Nicobar islands.
- 2) Budget introduced proposal to boost indigenous defence manufacturing. For this two defence production industrial corridors are being set up.
- 3) Government had also planned to increase private sector participation in defence

Remarks

manufacturing under the strategic partnership model.

4) Defence Planning Committee had been set up under National Security Advisor to boost civil-military co-operation in a holistic manner.

5) Innovation for Defence Excellence scheme (IDEX) ~~scheme~~ has been introduced to tap innovative potential of young start-ups for boosting defence capacities.

6) Despite above reforms

some critical recommendations like a roll-on defence capital budget, performance audit of non-combatants, reducing non-operational flats are yet to be implemented.

Nevertheless govt. is seeming to move in a right direction.

Remarks

Q9. Critically analyze the induction of women for combat role in Indian Army.

(10 Marks)

Recently, Prime Minister announced the granting of permanent service commission to women in Indian army. It is a step in right direction because:

- 1) It will reduce the gender discrimination in army and also allow it to benefit from women capacity and contribution.
- 2) With the changing nature of war, physical strength is no longer the prime determinant of military success. Hence including women will enhance the strategic capability of army.
- 3) It is line with the global trend where defense forces around the world are making their armed forces gender neutral.

Remarks

However, some concerns had been raised:

- 1) Women are still not allowed in combatant role.
- 2) Some experts argue that women are more vulnerable in case of conflict, as they may be captured, sexually abused by enemy forces.
- 3) It may raise cost for army, as it will have to make provisions for maternity leaves, childcare facilities among others for women officers.

3) However, above arguments belittle the female potential as India witnessed from time of Queen Jassi Bai to Kiran Bedi. Hence it is necessary to break such glass ceilings and induct greater number of women in army.

Remarks

Q10. With rapid development and adoption of computing and Internet, protecting individual rights should be at the core of data protection legislation. Critically Examine.

(10 Marks)

India has now the second largest internet  
user base, however, as pointed out by  
Symantec, it is third most vulnerable  
country for cyber attacks.

In this context B.N. Sankrishna Committee formulated draft data privacy legislation. Protection of individual rights should be central concern because

1) India is not information exporter, with servers of most of internet companies located outside India. Need to ensure protection of personal data. Data colonization & data monetization

4) The episode of Cambridge Analytica misusing user's personal data to manipulate elections, it is necessary to protect such data.

Remarks

- 3) Right to privacy is now a fundamental right, protection of digital data forms essential part of privacy.
  - 4) Current SDPI rules of Information Technology Act are inadequate to protect private data. They exempt government, and only covers essential data.
  - 5) There are growing incidents of cyber frauds, cyber-bullying, identity theft. Hence citizens need protection from such activities.
- Hence, even as India moves towards a path of "Digital India", it needs to put in ~~the~~ place a robust data protection framework to protect constitutional rights of Indian citizens.

ED  
GDPA  
model  
law

Y.S

Remarks

## Section - B

Q11. Bharatmala Project, the flagship and ambitious scheme of current government to revolutionize the connectivity and transport sector is facing several challenges in its implementation. Examine and discuss, what could be solutions to fast track the project. (15 Marks)

Bharatmala Project had been started with aim of connecting the backward and border regions of India by a road network. It will usher in economic development and is also important from strategic point of view.

However, it is facing several challenges in implementation such as :

1) Issue of land acquisition and litigation leading to delays, cost-overruns.  
Economic Survey estimates that projects worth around 53,000 crore are stuck due to court injunctions.

2) There is lack of proper co-ordination

Remarks

with state public Works Department, Border Road Organisation in constructing these roads.

- 3) Allocation of resources is inadequate as compared to the requirements, given the ambitious scale of the project.
- 4) Project is facing competition from other modes of connectivity like railways, waterways.
- 5) Problems of security like in left wing Extremism affected areas, and ethnic tribal opposition in some border areas, is also leading to delays.

To fast track this critical project following steps are needed:

- 1) Greater co-ordination with state

Remarks

- inter state coordination issues
- non uniformity of terrain
- lack of promote inter

- governments and defence forces.
- 4) Rather than a fragmented approach of developing roads in isolation, efforts should be made to enhance connectivity by integration of roadways, railways, waterways.
  - 5) Innovative financing measures like Infrastructure Investment Trust, funding from New Development Bank can be adopted.
  - 9) A speedier dispute resolution mechanism by mediation, arbitration, alternative dispute redressal. It is often said that good infrastructure is backbone of economic growth, hence steps should be taken to make Bhaktmala Rajojna a grand success.

Remarks

Q12. Challenges on the export front may increase owing to the growing threat of protectionism and rising automation, however, promotion of labour intensive industries can be a long-term solution, provided structural changes are introduced in time. Examine.

(15 Marks)

Economic Survey highlights the sub-optimal performance of exports in India. New challenges may further subdue it as:

- 1) Rising protectionism as can be seen from US tightening H1-B visa norms, Australia abolishing 457 visa category. This will hurt India's export in general and service export in particular.
- 2) Rising automation by use of technologies like Artificial Intelligence, robotics, internet of things may put jobs under risk. A World Bank study estimates that 69% of Indian jobs are under threat due to automation by 2022.

Remarks

Given the huge demographic dividend of India and low employment generation growth of less than 2% as per Labour Bureau, there is need for following steps:

- 1) Promote labour intensive sectors like food processing, textile and apparels, leather and footwear.
- 2) Simplify the current magnitude of labour laws which amount to more than 40 labour laws.
- 3) With the difficult procedure for retrenchment of employees, companies are going for automation or remaining small.
- 4) Need for continuous skill development of employees to make them ready for future

Remarks

product of automation of on lines of China

jobs in new disruptive fields.

Government had taken following steps:

- 1) It has started process to consolidate labour laws into four labour codes.
- 2) Goods and Service tax to increase the formalisation of economy.
- 3) Enhanced govt. contribution to EPFO to 12% for all the sectors.
- 4) Introduced the fixed term employment for all the sectors, to help seasonal industries to employ more labour.
- 5) A transparent labour inspection regime based on random selection by computer and report upload in 72 hours.

As pointed out by SBI research report, India's demographic dividend window is available only for next ten years, hence more reforms are needed to prevent demographic disaster.

Remarks

Q13. Bitcoin has emerged as an attractive trading and investment option because of huge capital gains it has provided to its holders in last 2 years? In this context, analyze the reasons why it has seen such a boom? Also elaborate on the various risks involved and safeguards required? (15 Marks)

Bitcoin refers to the digital currency working on ~~the~~ blockchain technology. It has witnessed high growth because

1) Because of its decentralised nature, it is free from regulation by any government, hence people prefer to invest in it.

2) Bitcoin works on a mechanism of anonymity and is near impossible to track. Hence, some people suggest Bitcoin bubble is fuelled by flow of massive illegal money.

However, dealing with Bitcoin involve various risks such as

1) Since it is not under any jurisdiction,

Remarks

holders of Bitcoin have no grievance mechanism in case of fraud, theft.

4) Bitcoin has emerged a popular route to fund illegal terror activities, use in demanding ransom e.g. ransomware cyber attack

5) Bitcoins pose threat ~~to~~ to economic sovereignty of countries.

7.5 To prevent such mishappenings, India had come up with following steps:

1) Task force had been set up to study implications of circulation of Bitcoin.

2) Budget 2018 clearly declared that Bitcoin is not a legal tender in India

3) RBI had asked banks to prevent

Remarks

use of their platforms to purchase ~~Bitcons~~ Bitcoins.

- 1) Government had already cautioned people that they should buy bitcoins at their own risk.

Blockchain technology itself can be used in various sectors, however, use of Bitcoin is much more guarded given the potential threat it poses.

Remarks

Q14. The proposed new Financial Resolution and Deposit Insurance Act (FRDI) law is causing apprehensions and anxiety in depositors. In this context, discuss reason behind such a law along with elaborating the aim and rationale of introducing the FRDI law.

(15 Marks)

FRDI Bill had been introduced to provide a uniform resolution process for the financial institutions, after insolvency and bankruptcy code was introduced for industries.

It was introduced to resolve the problem of mounting non-perform assets and:

- 1) Restore the financial sector capacity to restart credit offtake. It is necessary to revitalise economic growth.
- 2) It was needed to restore the health of banks and financial institutions

Remarks

which are crucial drivers of economic growth.

3) Fulfill the India's commitments made at G-20 forum regarding the law for facilitating resolution of financial sector.

4) Presently, depositors are protected under the archaic Deposit Insurance guarantee scheme, which ~~is~~ gives insurance of only one lakh in case of default of banks.

5) FRDI Bill also sought to enhance the interests of secured creditors which gave ~~per~~ preference to depositors over government in case of liquidation of bank assets.

Remarks

Apprehension :

Recently government had withdrawn FRDI Bill amidst growing public criticism over the controversial "bail-in clause" of the FRDI Bill.

This clause enabled the financial institutions to use the money of depositors in a financial resolution process under exceptional circumstances.

Although, it came with

several safeguards, yet it posed a threat to shake public confidence in keeping their deposits in banks. Hence the Bill was withdrawn.

However, objectives set by FRDI Bill are largely unmet, hence there is need to bring a new reformed Bill.

Remarks

Q15. The land acquisition has emerged as the biggest challenge for development projects, infrastructure, rehabilitation work, resilient housing for disaster mitigation, among others. In this context, discuss the concept of land bank, its significance and issues related to it.

(15 Marks)

Land acquisition is becoming a major hurdle in developmental projects due to restrictive provisions of Land Acquisition and Resettlement, Rehabilitation Act of 2013.

However for infrastructure development, resilient housing, disaster mitigation etc. land is needed. To meet this challenge, the idea of land bank is gaining prominence. Under this idea, the government will list all the property, vacant land it has into a land bank. This land bank can then be used to carry on requisite developmental

Remarks

activities without going through ~~number~~ cumbersome process of land acquisition.

However, it faces challenges such as :

- 1) As per government's own affidavit, it is not ~~is~~ having complete estimation of land held by government.
- 2) There are sensitivities involved in openly declaring the land owned by defence Ministry.
- 3) There is need to prevent under-valuation and corruption in land allotment process

However, given the pressing developmental needs and consequent land requirement, it is imperative to overcome

Challenges and make idea of land bank a success.

- Lack of <sup>rights</sup> <sup>may</sup> <sup>not be</sup> <sup>useful</sup>  
consolidated land  
fragmented

6.5

Remarks -

Q16 Government is focusing strongly on the recapitalization of PSBs to overcome the crisis in the banking sector. In this context, critically analyze its benefits and challenges.

(15 Marks)

PSBs banks in India are facing the huge crisis of Non-performing Assets (NPA<sub>s</sub>) to the extent of around 15% of total gross advances.

In order to reduce this, government had brought a package of Rs. 2.11 lakh crore to recapitalize the PSBs, it will help in following manner:

- 1) It will help tackle the challenge of NPA<sub>s</sub> and thereby improving balance sheet of banks.
- 2) It will allow banks to take fresh lending activities and help raise the private investment in economy.
- 3) It will Indian PSBs to meet the Basel-III requirements of having sufficient

Remarks

Capital adequacy ratio.

However, the recapitalization plan is fraught with following challenges:

- 1) Major portion of fund is proposed to come through extra-budgetary resources which may not be easy to mobilize.
- 2) Without undertaking a broader set of governance reforms in banks, recapitalisation may even pose moral hazard, as also highlighted by Economic Survey.
- 3) IMF in its report recommended that recapitalisation should come with better loan recovery mechanisms and greater private sector participation in PSBs - It is

Remarks

to ensure accountability to share holders.

4) Some experts also argue that given the state of problem, amount allocated is inadequate.

5) Even after recapitalisation, the problem of resolution of NPAs will remain.

6) Economic Survey recommended a Public Sector Asset Rehabilitation Agency to deal with NPA problem.

Such packages cause a drain on public exchequer if not accompanied with greater efficiency. Hence, even as recapit-

alisation of PSBs is a step in right direction, it needs to be complemented with a broader set of structural reforms.

Remarks

Q17. A strong and modern export infrastructure would help enhance the competitiveness of Indian exporters in the global market. Highlight the shortcomings in India's export infrastructure and discuss the steps that Government has taken in this regard.

(15 Marks)

Infrastructure deficit is one of the key obstacles in promoting export competitiveness. India export infrastructure suffers from shortcomings such as:

- 1) High logistics cost which comes to about 14% of the product cost compared to less than 5% in US.
- 2) Lack of integration among the various modes of infrastructure like roadways, railways, airways and waterways.
- 3) Information technology infrastructure is poor in quality e.g. recent glitches in tax refund for exporters.
- 4) Indian ports have high turnaround

Remarks

time, incapacity to handle large containers.

- 5) Poor hinterland connectivity of major ports with supply chains, manufacturers.
- 6) Lack of co-ordination with state governments in infrastructure building for exports.
- 7) Inadequate financial allocation, Economic Survey notes India needs 450 billion \$ to invest in infrastructure by 2030.

To remove these bottlenecks government had taken following steps:-

- 1) Trade Infrastructure for Export Scheme for better center-state collaboration in trade related infrastructure.
- 2) Dedicated Freight Corridors among major

trading stations -

3) Sagarmala initiative to usher in a port led development, modernisation of ports to promote growth.

4) Focus on innovative financial resource mobilisation like NTIF, Infrastructure Investment Trusts, loans from New Development Bank.

5) Dedicate Air freight corridor with Afghanistan, open sky policy in the aviation sector.

6) Pace of National highway construction had been raised to 28 km per day with target of 40 km per day.

7) Logistics division had been established in Commerce Ministry to co-ordinate and enhance logistics support.

Remarks

- TIES scheme

(9)

- multimodal ports

Q18. In the context of peaceful use of outer space, elaborate on UN's Outer Space Treaty. Also, discuss on the need, limitations and challenges faced by the treaty?

(15 Marks)

UN's outer space treaty aims to:

- 1) Promote peaceful use of outer space
- 2) Prevent militarisation of outer space.
- 3) Deal with outer space pollution
- 4) Prevent domination or claims on outer space by few countries.
- 5) Prohibit deployment of weapons of mass destruction in outer space.

Treaty had become even more relevant today given the growing space capacities of ~~country~~ countries across the world.

Outer space is a global common which should be used for benefit of mankind as

Remarks

a whole rather than for few countries

Challenges faced by treaty

- It lacks the power of enforcement.
- Developed countries are increasingly deploying spy satellites in violation of space treaty.

There is need to reform and amend the outer space treaty to make it more conducive for present time.

(6)

Remarks

*Remarks*

Q19. Paramilitary forces allege of step-motherly treatment meted by the government as compared to military. In this context, discuss various issues associated with discontentment in paramilitary forces and their reason. What steps government has taken to resolve these issues? (15 Marks)

Recent display of discontent by some personnel of paramilitary forces on a public platform points towards a deeper wave of discontent among paramilitary forces due to following reasons:

- 1) They suffer from poor living conditions and even basic necessities like food.
- 2) Paramilitary personnel at lower ranks suffer from abuse by senior officers and being deployed to do menial works for officers, which demoralises them. Buddy system
- 3) Paramilitary forces are often given low quality weapons as compared to army.

Remarks

- government inv.   
 - defence ministry is   
 Home ministry

4) They do not enjoy adequate legal immunity like AFSPA for army. Even they are subject to work in difficult conditions of terrorism, insurgency.  
This is due to several reasons:

- 1) Lack of adequate financial allocation for paramilitary. They were denied the benefits of One Rank One Pension extended to military.
- 2) Top brass of officers in paramilitary forces ~~are~~ came on short term deputation from Indian Police Service, hence they lack knowledge of ground level functionaries and their grievances.
- 3) Fear of suspension, adverse comments on

Remarks

annual confidential report prevent grievanced soldiers from airing their problems.

To deal with this government had taken following steps:

- 1) It set up a grievance redressal mechanism to record grievances of paramilitary personnel.
- 2) Delegating greater operation control to <sup>some</sup> field level officers. ~~Section~~ <sup>Sanadha</sup>

however, much more needs to be done as paramilitary forces play vital ~~role~~ role of preserving the internal security of the country.

Remarks

Q20. Money Laundering helps in flourishing organized crime and has debilitating impact on economy as well as on society. In this context, discuss the key recommendations of Financial Action Task Forces (FATF) to curb the menace. Also, discuss the case of making the Money Laundering a separate criminal offence in India. (15 Marks)

Money laundering refers to the re-routing of illegally earned money into formal financial channels.

It is not only an economic offence of depriving governments of rightful tax revenues, but it is also a threat to national security. Money laundering is used to fund terror activities, arms smuggling, smuggling of narcotic drugs etc.

To curb money laundering FATF had made the following suggestions.

- 1) Setting up of a dedicated financial intelligence unit (FIU) by the member countries.

Remarks

- 2) Strengthening the inter-government co-operation in information sharing related to money laundering activities.
- 3) Establishing a suitable legislative framework to deal with the cases of money laundering.
- 4) Promoting requisite judicial co-operation to secure conviction for such offences. given the fact that it is a transnational crime spanning of information.
- 5) Making money laundering a specific criminal offence.

In light of above recommendations, and India's poor performance of ranking 70/140 in Basel Anti-Money Laundering Index,

Remarks

demands are made to make money laundering a separate criminal offence because:

- It will expedite the conviction of money launderers.
- It will allow for timely confiscation of proceeds of crime.
- It is in line with FATF recommendations.

Making money laundering a separate criminal offence is therefore desirable. However, necessary infrastructure must be put in place to implement it.

Currently also, close to 750 cases of under Prevention of Money Laundering Act are pending due to lack of adjudicators. Hence enough preparation is needed to tackle money laundering.

Remarks