



An Institute for Civil Services

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AIR 95

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ECONOMY



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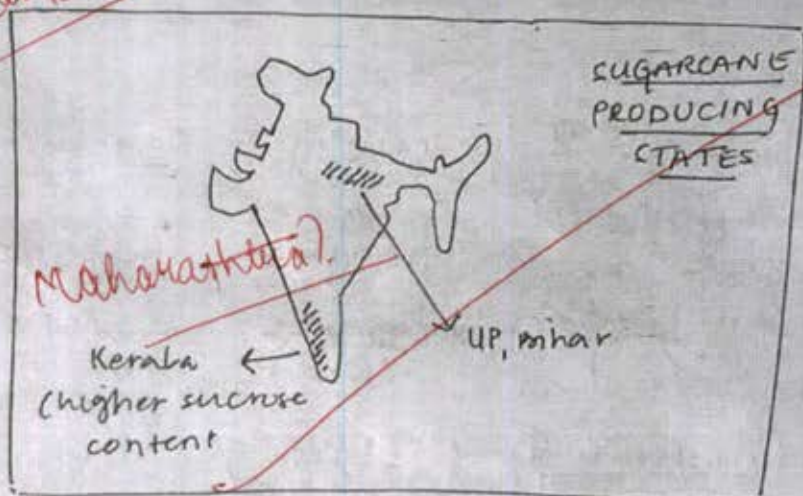
प्रश्न संख्या
(Question No.)

T-07 Econ. Mains Test 2

U.P.S.C.

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न लिखें
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in this part)

Q1

Introduction
needs to be
comprehensiveIndia is one of the world's
largest sugarcane producers.India's Sugarcane Pricing Policy :-

- 1) The CACP recommends prices, after which the CCEA sets the price which is known as the Fair & Remunerative Price (FRP) for sugarcane.
- 2) After the Union sets a price, the states are allowed to come up with a state specific price - (SAP) - which is usually higher than FRP.

Relevant
points

State the factors considered for calculating FRP.

Key Objective of Policy

① There are 3 stakeholders :-

Cane Growers

- support input costs (fertilizer)
- high water requirement
- transport costs to industrial units.

Industry

- processing of sugar
- capital-intensive
- residue may be used for ethanol production

Sugar Consumers

- common good - needed on daily basis by rich & poor.
- prices can affect CPI.

② FRP is different from MSP. It can adopt the $(A_2 + FL) \times 1.5$ rule used by MSP for arriving at an acceptable price.

③ Often, sugarcane producers (industries) find prices to be too high, hurting company profits.

④ The price should be reached after thorough conciliation between stakeholders.

⑤ Pricing should be supported by non-price tools:-

- a) infrastructure (eg. transport)
- b) efficiency, private sector involvement-
- c) subsidy.

Grand
conclusion

Sugarcane industry has much scope for growth and requires pricing and non-price sustainable measures.

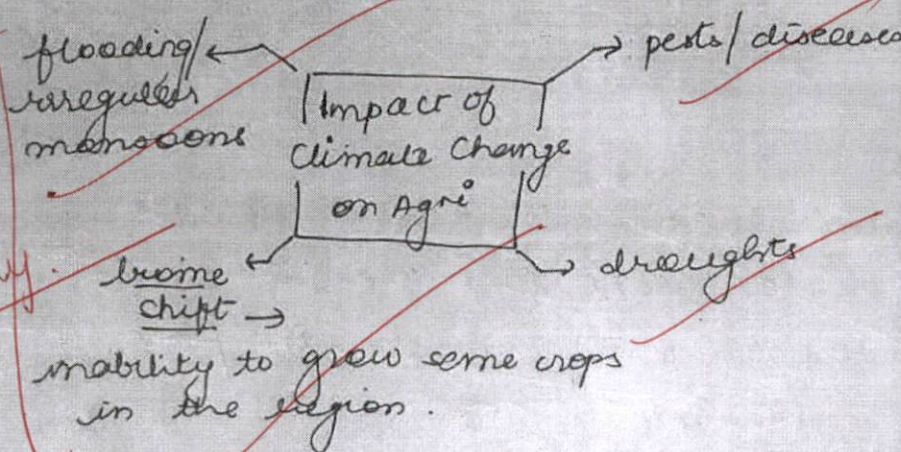
⑤

Q2

Introduce by discussing what you mean by ICT?

Climate Change is a growing threat to world economies. India is at Rank 13 in the Climate Change Vulnerability Index with agriculture at high risk.

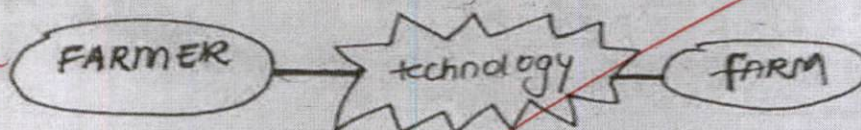
Discuss briefly.



Use of Information + Communication Technology in Agriculture

- ① Geospatial technology to map soil / water availability / micro-climate.
- ② Use of satellite imaging to obtain agri-related info
eg: NISAR (US + India satellite)

- (3) use of sensors / robotics to deliver water / fertilizer directly to crop roots, reduce wastage
• fertigation
- (4) use of drones to rain seeds in terrains regions.



ICT can help synergize agriculture.

Since ~85% of farmers hold < 2.5 hectares of land, there is need for customized approach to implementing digital agriculture.

- (1) Low capital-heavy tools
eg: handheld soil monitoring device
- (2) use of internet services
eg: SaaS for agriculture
Apps for information on agri schemes of government
Net banking & DBT.
- differentiate the parts of answer by providing a suitable heading / sub-heading.

③ low cost installments
eg: sprinklers for irrigation
and fertilization.

④ Combining traditional farming
methods, digitally-enhanced
information & skills for climate
resilient produce.

sustainable agriculture can
ensure food & nutritional security
as well as climate resilience.

Conclude
by
Summing up
entire content
of the
question.

5.5

Q3

Introduction
should suffice
entire content
of the question

most economies follow a
transition model involving

- a) agriculture heavy growth
- b) industry heavy growth
- c) service sector growth.

however, India's pattern was different.



Good that
you covered
the background

while all 3 sectors saw long run
growth, the 1991 reforms allowed
India to jump from agr-heavy to
service sector growth directly, skipping
manufacturing led growth.

Heavy dependency on service sector

- ① strong, thriving agricultural sector requires support-
- a) backward-forward linkage
 - b) transport services
 - c) banking services
 - d) procurement and distribution (of food etc.) services

Increasing industrialization & urbanization needs :-

- a) housing services
- b) basic amenities connection/ provision (eg: tap water)
- c) industry support (litigation, extrajudicial services).

Government schemes for public welfare

eg: Jal Jeevan Mission, NFSA 2013
and PDS, NRDM, PM Awas Yojana, etc.

many of the stated points are implications rather than the reasons.

ie- 1) High FDI
2) Economic growth.
3) Economic affluence

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④ Growth of IT sector and Bengaluru
as IT hub, export of services,
growth of MNCs.

⑤ Growth of MSMEs / startups /
Fintech / Greentech.

Since services require both

- skill &
- qualifications

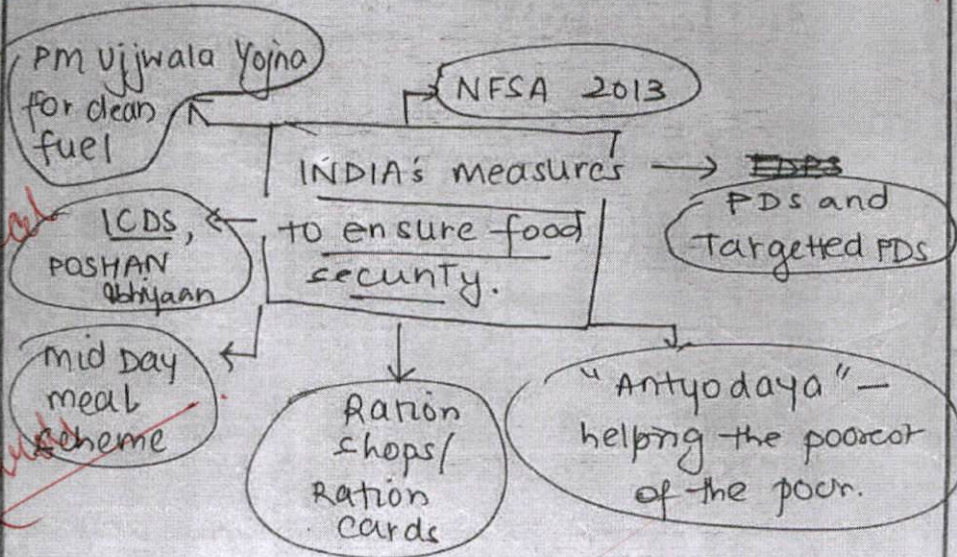
most of the Indian population
was left in the lurch. Growth
boomed but jobs did not grow as
fast.

Can be concluded
in a better way

Thus, India faced a problem
of Hindu Rate of Growth during
early independence followed by
jobless growth after the Reforms
period.

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Food security refers to the adequate availability and accessibility of food to the people of a nation.



Food security however, is not equal to nutritional security.

- ① Filling one's stomach and meeting nutritional needs are 2 different goals.
- ② India's children ($\frac{1}{3}$ rd) are stunted due to inadequate nutrition.

③ Every other Indian woman is anaemic due to inadequate nutrition.

④ Crops produced and distributed are low quality, inadequate for nutrition.

WAY FORWARD :- IMPROVING MONITORING
OF NUTRITIONAL
PROGRAMS

① introduction of bio-augmented crops. eg: grains with more vitamins

② mSP for other crops too
eg: maize, jowar/bajra - nutri-cereals.

③ Integration of Anganwadis with ICDS mission & Mission POSHAN.

④ Focus on lactating mothers and girl child :
a) wash scheme for health
b) PM Matru Vandana Yojana

*Relevant
Suggestions*

- ⑤ District level inspections of schools for mid day meal implementation
- ⑥ Ration shops check to reduce corruption and switching of new crops for old.
- ⑦ One Nation One Ration Card - help migrant workers nutrition goals.

Nutritional Security is essential in a world of zoonotic diseases / climate change and need for a strong labour force.

⑤

Q5

The World Trade Organization was formed on the basis of the GATTs - with the objective of providing a common area for global discussion on trade.

Initial success

1. Brought world leaders together to discuss trade in goods + services
2. Recognized needs of developing vs. developed countries
3. Provided for open, free, fair trade globally, growth of global GDP and acceleration of globalization.
4. Followed comparative advantage law, enhanced efficiency of resource utilization
5. Trade Wars were stemmed at the WTO as irregularities were worked out cordially

Relevant dimension addressed

However, WTO's many successes have dimmed under the shadow of its current inconsistencies.

One of the primary reasons behind WTO facing existential crisis is blockage of appointments by WTO.

1. Recent ministerial Conference 15 reached few conclusions.
2. Vaccine diplomacy and India - South Africa demand to remove patents on vaccines for humanitarian purposes has only now been accepted - futile (too little, too late)
3. marine / fishing sovereignty and independence infringed upon by WTO - which is allocating limits on countries for fishing in neighboring waters
4. WTO has become a talkshop as it could not resolve US-China trade war, is finding it difficult to deal with post COVID protectionism and Russia-Ukraine crisis effect on world prices.

Reforms of WTO :-

1. more weightage to developing economy demands

eg: the need for equalization
levy on technological
software services

eg: tax on google

eg: restriction on food exports
to FAO for purpose of
domestic needs

eg: allow price measures like
MSP to help farmers.

2. Bring up inter-country inbalances
and power-shows by big
nations

eg: China - Taiwan - US crisis
(semiconductor trade, etc)

3. safer transport of goods through
waterways

eg: Somalia (Horn of Africa)

piracy continues.

All these measures can bring India into
the \$5 trillion goal by 2030.

Q6

Well
introduced

The micro, small & medium enterprises sector forms a large chunk of India's GDP contributing around 40% to India's exports and providing employment to all skill-types.

Role of MSME in propelling growth :-

- ① Employment - 2nd largest employing industry after textiles.
- ② Small scale, quick set-up, not too capital intensive - these features make it accessible to a young, willing mind.
- ③ Upskilling of Indian population - MSMEs give people experience.
- ④ Adequate income to workers ensures sustainable livelihood.
- ⑤ MSME development can take place in any industry
e.g. food processing, banking, agricultural input provision, construction.

Key
dimensions
covered

⑥ Regional Equality - spread of economic growth & development to the grassroots

⑦ provision of loans/credit through MUDRA Yojana (eg: shishu loans) allowed for rapid growth.

⑧ integration with PM Kaushal Vikas Yojana to enhance reskilling/upskilling and achieve efficiency.

WAY FORWARD IN MSMEs

① Focus on growth & expansion.

2021 saw around 100 unicorns in India's startup ecosystem - this can be increased.

② Infrastructure development through eg: National Monetization Pipeline, GATI Shakti, Bharatmala, etc.

③ Corporate Social Responsibility can help ensure economic & social growth.

④ community involvement and a more
"people-centric" approach to growth

*Good use of
examples.* eg: women based food processing
units within rural areas.

⑤ Integration with export and one
district one product.

⑥ Application of labour laws and EPF, etc.

The MSME sector is seeing a
renewed interest as entrepreneurial
minds are making the best out of
emerging opportunities.

*Conclude
comprehensively.* The next decade is meant to be the
"decade of startups & MSMEs".

S.S

07

Avoid
General
Introduction

The manufacturing sector of India is very feeble when compared to those of other developing nations like China and South East Asian countries.

Reasons for lagging Manufacturing Sector

① Inadequate capital / Infrastructure
eg: semiconductor development requires intense capital expenditure and technological expertise

② High logistics costs (India is 46th in world logistics costs)

③ Excessive population dependence on agriculture, disguised unemployment, people unable to move out.

④ Low skills — demand-supply mismatch, need for upskilling.

⑤ Inadequate economic atmosphere — not conducive to manufacturing.

Points
stated
conclude
to the
demand of
the question

Make in India was a programme launched by PM Narendra Modi with the objective of

- Indigenizing production
- reducing global dependence
- enhancing Indian exports and therefore Balance of Payments (trade).
- Import substitution.

True but specificity is missing

Success :-

① Indigenization of defence (Defence Acquisition Programme) is progressing well.

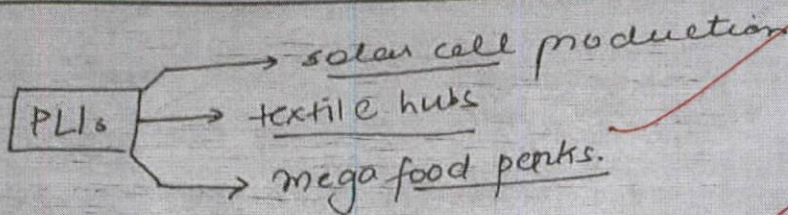
② Growth in R&D in various sectors
eg: pharmaceuticals, defence, food processing

③ Textile sector growth: the 5 Fs

Farm → Factory → Fibre → Fashion → Foreign

④ PLIs in various industries.

Make in India has not given rise to every parameter



⑤ Creation of multi modal logistics parks

⑥ SEZ act replaced with DESH Bill to enhance role of SEZs as economic hubs.

Make in India has revived innovation in all sectors and helped introduce complementary schemes for rapid development of the manufacturing sector.

4.5

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Introduced
in a physical
manner

The Fourth Industrial Revolution

refers to the advent of high-tech tools like

- a) blockchain
- b) Internet of things
- c) Cloud services
- d) Robotics
- e) Artificial Intelligence.

How can India harness 4th IR?

① Agriculture

* use of AI for mapping agricultural land

eg: MSAR satellite, geospatial technology,

* use robotics - drones,

for micro-delivery of water/fertilizer/pesticide.

Good integration
of govt
scheme

* hand survey and land documents

→ SWAMITVA scheme for

equitable land distribution.

② Manufacturing

* Artificial intelligence use for basic/repetitive tasks - employ humans in skilled processes.

* Use of blockchain technology to address inefficiency through step-by-step evaluation.

* Use of cloud services to link ~~the~~ producers & consumers

eg: All India Platform for all service providers : Open Network for Digital Commerce.

③ Services Sector - (Private & Public)

* E-Governance - use blockchain for grievance redressal and solving leakages in service delivery.

* Monitoring and security using Internet of Things for reduced corruption / red tapeism.

Well
differentiated
and
lucidly
stated
answer

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in this part)

with the growth of all 3 sectors
and an enhanced governance
mechanism, India can grow
exponentially.

As NITI Aayog suggests:

Good AI for All™ can revolutionize the
economy.

6

Q7

Generic
introduction

Privatization refers to shifting the revenue and ownership rights of a public sector company from the government to a private entity.

Benefits of Privatization

- * Raise government revenue
- * Enhance efficiency of company
- * Increase competition in the economy
- * Profit-oriented growth can help push up confidence in the economy and boost investment
- * promote free market ideals - better allocative efficiency, reduced wastage of resources.

Valid
points

Good use of
example

* Examples: National Monetization Pipeline aims to bring out revenue from brownfield projects & invest in new infrastructure.

Despite the many benefits,
privatization also faces much opposition:-

- ① Employment issue - most workers
are laid off once a company is
privatized.
- ② One time government revenue.
- ③ Shift from social-oriented growth
to profit-oriented growth makes the
sector economically viable but socially
backward.
- ④ Issue of allocation of obtained revenue:
democratic politics is heavy on
popular measures which involve high
wastage of resources.

Relate with:-
1) concentration
of wealth

Thus, privatization can only be an
effective solution of:-

- ① it is meant for fiscal consolidation

② It obeys corporate social responsibility laws and refrains from predatory pricing (other anti-competitive practices)

③ It works within corporate boundaries and aims for welfare goals alongside purely economic aims.

Privatization is a big decision and a controversial one in a democracy. Any move must be well planned and private and public sector must work hand in hand to enhance Indian economic and social growth

5.5

Q 10

Make your
introduction
informative

Food processing is an extremely small sector in India's economy currently. However, it is also the one with the most potential.

Scope & Significance of Food Processing:-

- ① Employment to low skilled workers
- ② Enhanced farm to factory integration
- ③ Increased labour force participation
Rate of women from current ~25%.

Good

- ④ Alternative source of income for farming communities.

- ⑤ processing adds value to the product.

- greater revenue
- more choice to consumers
- more GST tax collection.

Also relate with:-
1) Crop diversification
2) Addressed malnutrition.

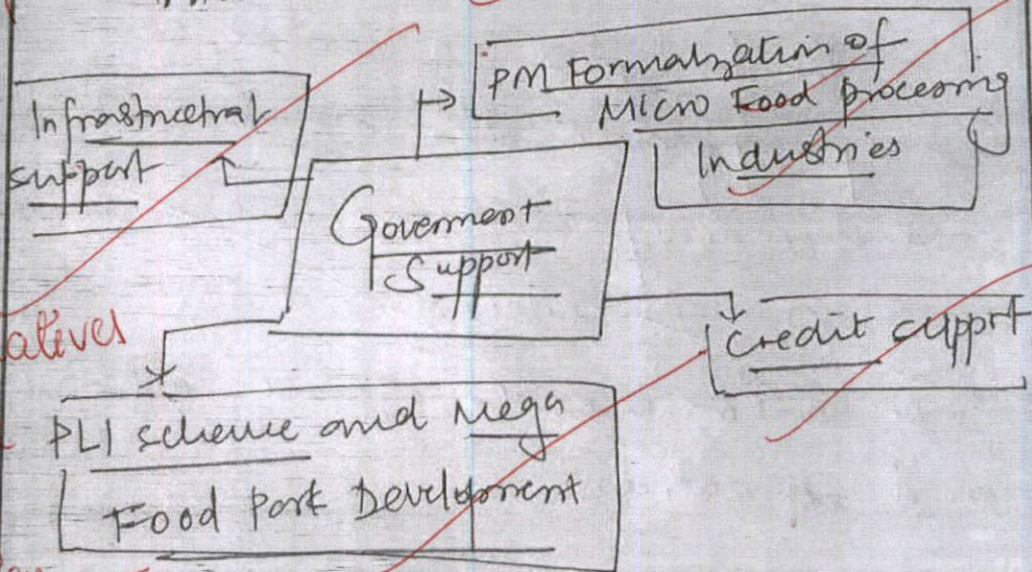
⑥ Scope of growth of One District
One product-

eg: Banana Chips in coastal
Kerala districts.

Bajra biscuits in Ganga
districts.

⑦ Financial independence and
regional equality

⑧ capacity for export and best
make in India



Name the
govt. initiatives
w.r.t the
context of
the question

Despite various Government measures
to enhance this sector, some
issues continue to exist -

- ① Inadequate funding mechanism to establish capital for food processing industry
- ② Lack of incentives due to
 - import dependence
 - inadequate reach of locally manufactured products in urban markets
- ③ low skills / cooperativization of farmers, need for landholding.

*social
general
conclusion*

The food processing sector can help upgrade the agricultural and manufacturing sector while enhancing livelihood and sustainability. This sector needs greater attention and investment.

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