### GENERAL STUDIES

Name of Candidate: **Rishi Garg**  
Test Code: **M104**  
Schedule:  
Registration No.:  
Place: **Delhi**  
Time: **2:5**  
Module:  
Classroom: ✓  
Distance Learning:  
Classroom & Distance Learning:  

### EVALUATION INDICATORS

1. Alignment Competence  
2. Context Competence  
3. Content Competence  
4. Language Competence  
5. Introduction Competence  
6. Structure - Presentation Competence  
7. Conclusion Competence  

### INSTRUCTIONS:

1. Do furnish the appropriate details in the answer sheet (viz. Name, ID Number and Test Code) 
   The Candidate should fill the index table, especially for him/her. 
2. In the left margin, she/he should write only question number and in the right margin, nothing should be written. 
3. The page number should be coded by the candidate himself and the range of page number related to the answer of the question should be used to complete the index table. 
4. All Parts of the questions should be written at one place. 
5. No Supplementary sheet shall be provided by the management. So the candidate is advised to accommodate required information within the space provided. 
6. The candidate need not write anything in his/her answer that derogates the dignity of an individual or an organization. 
7. The candidate should respect the instructions, given be the invigilator. 
8. The Examinee has to submit the answer sheet to the invigilator after completion of examination. 
9. However, he/she is allowed to take away the question paper.

### INDEX TABLE

<table>
<thead>
<tr>
<th>Q.No.</th>
<th>Page No.</th>
<th>Maximum Marks</th>
<th>Marks Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Marks Obtained

Remarks:

Signature of Examiner
Post liberalisation and economic reforms of 1990s, India has been steadily growing into an economic power. Moreover, in the last decade, India witnessed tremendous growth with GDP growth reaching as close to 9%. However, post 2008 crisis, there has been a steady decline in growth and output and presently the growth projections are lowest since 2004.

Despite the slowdown, India’s growth rate still remains one of the highest in the world. However, the 2008 crisis and the eurozone crisis has busted the ‘de-coupling theory’ myth. India is no longer insulated from external shocks, and recession or slowdown in the Western world, influences investments and exports of India as well.

Thus, the booming Indian economy of pre-2008 period has suddenly slowed down along with whole of the world. The corporate world and industries are demanding second generation reforms such as labour law reforms, land acquisition, environmental clearances and growth stimulation packages. This is pressing the government hand already under pressure due to twin deficits.
and its commitment towards social sector schemes.

However, despite the fact that lumbering elephant of Indian Economy has hummed a bit, it is definitely on its way to recovery. This however requires both short term and long term measures.

Short term measures include tackling the challenges of inflation and price instability through synchronization between monetary and fiscal policy.

Long term measures include building infrastructure, land acquisition reforms, labour laws reforms, fiscal discipline, skill upgradation and human development.
The GDP/GNP measures the gross output produced by a nation or the gross national income. It is therefore a macro-measure of the wealth of a nation in a particular year. While a rising GDP indicates higher disposable income, rising output, and economic growth - it may not necessarily indicate overall well being of all the people of the country.

Welfare of a nation is not just measured by per capita income but other socio-economic indicators such as inequality, poverty, states of health (IMR, MMR etc), education, political participation, rule of law etc. In this regard GDP has severe limitations. It does not highlight the underlying inequalities and sufferings of people, even when nation is achieving a high economic growth.

The GDP/GNP also does not take into account the environmental and social costs associated with growth and economic development. For example, if a power plant is built in an area by deforestation - the loss of
natural capital and pollution taken is not taken into account. Similarly, displacement of people and influence on their social relationships and culture is also not taken into account.

It is therefore imperative that we take into account social, economic and environmental costs while measuring welfare. This requires a reconceptualisation of the term growth and development.

The new measure of welfare, say GDP, should involve natural resource accounting, human development index in a quantified manner. An example in this regard is system of Gross National Happiness that is calculated by Brunei to measure welfare of 10 people.
(1d) National Manufacturing Policy envisages to increase the contribution of manufacturing to GDP to 25% by the year 2020.

To achieve this target, policy support from other sectors such as financial, infrastructure, transport, energy, environment would be required.

Some of the policy measures/reforms that are required are:

- **Land Reforms:** It is important that government comes up with a balanced law on land acquisition, rehabilitation, and resettlement. The law should ensure that people whose land is acquired are adequately compensated and rehabilitated.

- **Labour Law Reforms:** Archaic labour laws are one of the biggest hurdles in growth of the sectors. The sector needs flexibility in labour laws in order to compete in the world market. Further, provisions of collective bargaining and worker-management participation need to be strengthened to guard incidents that happened in Moneragala.

- **Environment Impact Assessment and Clearances:** There is a need for an independent authority to assess environment impact of various proposed projects and a coordination
mechanism between the Ministry of Environment and other stakeholder ministries to avoid delays in approval.

- **Foreign Investment**: More liberal norms for FDI in greenfield projects and a stable policy environment is required to attract investment.

- **Human Capital**: We need effective policies on skill development, health, and education in order to truly reap the benefits of demographic dividend. The National Skill Development Mission is a right step in this direction. We also need universal health coverage and stronger social security for workers.

Thus, there is a strong need for convergence of policies from different sectors to develop a stimulating ecology for manufacturing in India to grow.
0.2(a) The current globalised world is a large global market where several transnational companies operate. In order to facilitate free movement of goods and professionals, countries enter into bilateral agreements on trade, investments, and avoidance of double tax. These measures are necessary to boost trade. However, these treaties should not be used by companies as an instrument to avoid their tax liabilities. In this regard, General Anti-Avoidance Rules are important to prevent abusive use of these benefits.

Treaty shopping and Round-tripping are some of the measures that companies resort to in order to avoid taxation. This requires an effective oversight mechanism in order to ascertain the area of operation of a foreign company that enters Indian market. This also requires regular revision of tax treaties with other nations to fill the loopholes.

There should be effective tax information exchange agreements between countries. India has already signed agreement with countries like Switzerland and others.

To stop abuse of transfer pricing system...
advanced adjudication should be followed to avoid litigations at a later stage.

One of the reasons for misuse of tax laws is that sometimes tax laws themselves are complicated and paradoxical. It is therefore important to revise the tax laws and introduce a uniform and streamlined tax regime in form of proposed GST and DTC.

India at present ranks extremely low in terms of ease of doing business index. Transaction costs, and regulatory burden act as disincentives and procedures misuse of tax laws. This requires simplification of procedures by using e-governance. Bottom Model of service delivery and G2B interaction should be followed to create a friendly environment.
2(b) The Bretton Woods Twins – World Bank (WB) and International Monetary Fund (IMF) were established to provide development and reconstruction aid to poor and developing countries. They also aid, advice and put conditions on political and economic policy reforms in return for financial aid.

The governing structure of these institutions however has been Western dominated. This is because the Western economies are the major contributors to these institutions and therefore retain the veto over its functioning.

As a convention, the head of World Bank is elected from the United States and head of IMF is elected from the European Union. Since the result of election depends upon the quota of contribution, the countries make Western countries inadvertently have their say in the election of the heads of these institutions.

Clearly the governing of these institutions is non-democratic in nature as the elected head is not representative of large number of developing countries.

Further, over the years these institutions have been criticised for enforcing aid conditionalities.
in form of good governance on the aid-seeking countries. These aid conditions seek to open up the economies of poor countries which works to the advantage of corporate industry of the western world. As a result, western ideology of free market and capitalism includes under-developed countries.

The new economic order has witnessed rise of emerging economies such as India, China, Brazil, and South Africa. The countries have become engines of growth and have an increasing say in the world economics. As a result, there has been a shift in the quota of IMF towards the developing countries — although the West still maintains a virtual veto.

Further, in recognition of rising economic power of these countries, the Group of Twenty (G-20) has been formed that has framed policies for financial stability and macro-prudential economic policies for member countries. G-20 also provides oversight mechanism and advocates IMF reforms.

BRICS nations have mooted the idea of setting up their own South-South development bank to counter the dominance of WB and IMF.
03(a)

Time is ripe for the second generation reforms. Both the internal and external factors demand a change in the policies in order to maintain our growth story.

Externally, the post-2008 western world and Euro-crisis has made the foreign investors cautious and risk averse. This requires a more liberal foreign investment regime and a more friendly environment in terms of transparency, regulation, and rule of law. Thus, reforms are required to combat corruption, improve laws for land acquisition, and environmental clearances.

Internally, there has been a growing discontent among the labourers and sinking of relations between workers and management. This requires labour law reforms and faster implementation of National Manufacturing Policy.

E-governance play an important role in second generation reforms. The National Broadband Plan will extend the digital fibre to rural areas. This will bridge the digital divide and create a vibrant rural market, thereby giving a boost to economic growth.
Growth and inflation are not contradictory to each other. Both can be managed at the same time. In fact, a moderate level of inflation is considered good for economic growth and signifies steady rise in demand. However, the present situation in the country is one of stagflation - high inflation and scaring growth. This has resulted in a policy dilemma.

The priority at present should be to counter inflation through short term measures such as policy rates and take long term measures such as improving infrastructure, removing supply bottlenecks, human resource skilling to foster productive growth and healthy but moderate inflation. The monetary policy can only curb inflation that is caused by excessive liquidity in the market by controlling the money supply. However, inflation caused by structural bottlenecks such as lack of infrastructure and linkages and external shocks such as rise in oil prices. The latter require a complementary fiscal policy that checks unproductive subsidies and allocates infrastructure.
Q3(c) The deadlock of Doha round in WTO has encouraged countries to pursue bilateral and multilateral trade agreements to suit their needs. India too has signed several bilateral economic and trade treaties with countries like South Korea, Malaysia, Singapore, ASEAN, etc.

However, WTO still provides an overarching framework for world trade. The signatories still have to follow the mandate of agreements signed as per the Uruguay Round, such as the TRIPS Agreement on Agriculture and other services.

However, on the other hand, special free trade agreements do undermine the principle of Most Favored Nation status. This is because a country bound by a bilateral agreement may give preference to its counterpart than another country with which it does not have a bilateral treaty although the country is also a member of WTO.

The rising FTA among regional countries is also creating a balkanised world economy with several customs and trade unions such as ASEAN, EU, CELAC, SAARC.
Eventually these PTAs may lead to convergence in the Doha rounds of WTO, as well - but it may take time.

At present the PTAs seem to be the priority among the countries and role of WTO has definitely relegated.
04(a) LIBOR and EURIBOR are inter-bank transaction rates. They are the benchmarks that influence bank transactions and financial markets. Barclays Bank was found guilty of rigging these bank rates. As a result, it created a leverage for its traders who took advantage of this arbitrage.

The issue highlights pervasive perversion of ethics in corporate and financial world. Cut-throat competition and win at all cost seems to be the norm. It also indicates that white collar crimes are a serious threat to a nation's economy and political stability.

The finical high-handedness of commercial banks and their collusion with the governments has caused widespread discontent among the western world masses. Several movements such as the - Occupy Wall Street Movement are a result of this discontent.

The incident also highlights the need for stringent regulation of financial sectors. Sky-high bonuses despite recession, and rigging of indices such as these cannot be tolerated - especially in a globally connected world where events in one place influence others through a domino effect.
Russian entry to WTO is a positive sign for the world economy and for the world economy. Russia is not only one of the largest producers of oil—it also has large potential in agriculture. Climate change and global warming are actually increasing agricultural growth potential of Russia. Thus, Russia's entry to WTO is good for both energy and food security of the world.

Russia's entry would also give a boost to the deadlocked Doha Round. Now, negotiations may move forward at a faster pace. Russia's presence at WTO also helps BRICS nations to increase their bargaining power in negotiating trade barriers and discriminatory practices of the Western world.

Russia's entry would also foster better trade among the BRICS countries. There will be increase in investments and better protection of intellectual property rights.
Q 510. Measures taken by government and RBI to contain food inflation are:

Administrative measures:

- Restricting exports of certain essential commodities such as rice, wheat, onions.
- Introducing technology such as GPS to curb leakages in the PDS system.
- Retrofitting godowns to prevent rotting of the food grains.

Fiscal measures:

- Government has introduced 100% FDI in single brand retail and has mooted the idea of FDI in multi-brand retail. This will help in building infrastructure such as cold storages and will also reduce the influence of middlemen.
- Amending the APMC Act so that farmers are not restricted only to mandis for selling their produce.
- Subsidize to farmers to reduce their costs.

Monetary measures:

- RBI has been raising the policy rate in order to tackle inflation, however, the results of such measures will be limited and their success will depend upon structural measures taken by the government.
Indian Rupee faced significant decline in recent times. This was owing to:
- Decrease in exports of India and
decrease in investment from the
European countries.

Some of the measures taken by government
to stabilize the value of Indian Rupee
are:
- The FDI, FII norms have been liberalized
even more with the limit of
portfolio investment increased.
- Investor base of government securities
has been increased by allowing
sovereign wealth funds, pension funds to
invest in government securities
- The limit of investment in government
securities has been increased.
- Government sold some of its foreign
reserves to improve the rupee-dollar
equation.
- Government is also working on the idea
of sovereign wealth fund for India.
- The deposit limits of NRS deposits
has been increased.
- Ration for foreign exchange management
have been imposed.
The Rangarajan Panel on Public Expenditure has recommended rationalisation of subsidies and removal of artificial difference between plan and non-plan expenditure.

The "rising subsidy burden is adding to the fiscal deficit. Further, in many cases subsidies are not reaching the intended beneficiaries. For example, in case of fertilisers, it is believed that larger portion of subsidy is consumed by the producers. Similarly, diesel subsidy is being exploited by the car manufacturers and elite through large vehicles like SUVs.

The difference between plan and non-plan expenditure creates wastage of resources. Generally, most funds are allocated to plan expenditure which result in creation of new assets and infrastructure but their maintenance is neglected as not enough funds are allocated to non-plan expenditure.

Further, plan expenditure is allocated by Planning Commission whereas non-plan by Finance Commission. However, there is hardly any coordination or convergence between the two bodies. This results in dysfunctional programmes and policies.

According to the Panel the Planning Commission's...
role should become more reforms oriented and budgetary and plan allocation matters should be handled by finance ministry and finance commission.
(4 f) In the era of liberalisation—
the role and nature of planning has changed. However, i.e., important remains
from directive planning, the planning has become more indicative in nature.

The role of planning in present times is to
set the agenda and direction of economic
growth. The government through its
plans identifies the areas of priorities
and encourages the private sector to
cooperate—with it in these sectors.
The government also lays down detailed
plans and policies in the sector
which remain totally in its
domain.

Thus, the plan document is an important
source of information regarding the
government’s vision and mission. It helps
the private sector in its own planning
and strategising its actions.

The Planning Commission is increasingly
moving towards the role of Systemic Reforms
Committee. In this role instead of making
new plans and programmes it sets up
expert panels to study the loomance in
plans and administrative implementation.
Thus, planning Committee through plan document—
recommends necessary policy changes and administrative reforms that are necessary to successfully achieve the plan objectives.
Compulsory Licensing: A 'public interest' measure in patent laws - which allows a government to open a patent to licensing when the patentee is unwilling to license it, to other organisations. Such a measure is taken in cases of public health emergency, and to balance the interest of inventor with the public interest. Recently, Bayer's Nexova drug was licensed to Notco as it was a cancer drug and was being sold at a very high price.

Blue Box Subsidy: Subsidy that is allowed in agriculture by the government, but with certain limitations. The subsidy is used to improve productivity in agriculture. It is one of the three subsidy allowed by WTO agreement on agriculture. The other two being green and amber.
6(d) The persons with disability Bill 2011 provide for:

1. Allowing persons with disability to carry service animals.

2. Creating a national authority for persons with disability that will act as a monitoring, oversight body and formulate norms for implementation of the Act.

3. The Act allows for equal access to public places. The government offices and organisations have to take steps to be disabled friendly within a stipulated time.

6(e) Objectives

1. Awareness and education programme to prevent young boys and adults to fall victim of alcoholism and drug abuse.

2. Provide proper rehabilitation programme for addicted persons.

3. Fund NGOs which are engaged in process of de-addiction.

4. Regulate the sale of substances such as whiskey which are frequently abused.

5. Special protection and rehabilitation of children.
addiction to substance.

6(g)

Basel III norms are a follow-up of the Basel II norms which set guidelines for financial sector in terms of provisioning of assets, capital adequacy, NPA, counter-cyclic buffer etc. The Basel III norms are stricter than Basel II norms.
Q7(b) Monetary Consensus is an agreement among the nations to converge their monetary policies. For example, members of eurozone have a monetary consensus.

Q7(c) Beyond GDP initiative is an effort to introduce elements of environmental cost, social costs, human development, and induced in the measurement of welfare of a nation. The initiative is to make growth of a nation human and ecology centric rather than economic centric.

7(c) Rajiv Gandhi Equity Scheme was introduced in 2012-13 budget to promote retail investors in equity investment so as to better utilise their savings. Mutual funds are not allowed to invest in the scheme.

7(f) CRIS: A comparative index of sovereign ratings developed by the Ministry of Finance. The index is improvement over the ratings used by the Big 3 rating agencies.
8(a) Indicative Planning: To indicate priorities, goals, agendas by the government in various sectors and incentivizing private sector to invest.

Directive Planning: Here the government micro-plans, i.e., the government decides the allocation and expenditure in all the sectors. The government also decides what goods are to be produced and in how much quantity. The government also decides the prices and distribution of goods.

8(b) NEER: Nominal Effective Exchange Rate.

Real Effective Exchange Rate (REER) based on purchasing power parity.
89 (a)
Marginal Standing Facility: Stands at a rate 1% above the repo rate. It is used by banks to meet their liquidity needs and mismatches.

(b) White Labelled ARMS

c) BSE's Day Index: measure the trade on a through volume of ship movements.

g) Twin deficit: The current account deficit and fiscal deficit are together called twin deficit. They are governed by the following equation:

\[
(G-T) + (S-I) = \text{Import} - \text{Export}.
\]

(fiscal deficit) + (savings - investment) = trade deficit.

c) Structural Unemployment: When there is a gross mismatch between skills of the workforce and the nature of work. Structural changes such as introduction of technology and automation also causes structural unemployment.
(A) **Saubhagya Scheme**

Financial Inclusion Scheme which involves 'Bank-Soofis' who carry mobile ATMs to provide banking facility to financially uncovered areas of the country.