Where Dreamers Are Achievers

JA

JOKTA Academy

IAS/HAS

ASWM NOTES

ECONOMICS

SCO 78-79, 2nd Floor, Sector 15-D, Chandigarh | 97794-64470

Verma Niwas, ICICI Bank Building BCS Shimla | 86288-64475

www.joktaacademy.com

OUR COURSES

FOUNDATION COURSE HPAS / NT / ALLIED

- Holistic NCERT - STANDARD - ADVANCE Level Classroom Programme
- Structured Prelims & Mains Preparation (Notes, Class Test, Answer Writing)
- Complete Pre + Mains Booklets and all Jokta Academy Publication Books
- Prelims / Mains Test Series, Mega Mock & Mega Mains, AWSM & T20 / T10 Courses
- Smart classrooms, Offline, Hybrid, Live Online & Recorded + Live Courses Available
  - Course duration 1 year
  - (valid upto 2 years)
  - 4 Hour daily classes
  - Weekly (Pre+Mains) Tests

Celebrating 10 Years of Legacy

Avail **10% Off** *on all 2024 Classroom Courses*

AWMS COURSE

- 45 days classes (Full coverage of syllabus)
- Daily classes: 2 Hr. GS , 1 Hr. HP GK,
- Daily 1 Hr. Answer Writing with Evaluation and Feedback
- Concise AWSM Notes
- Starts immediately after one week of prelims

T20 + T10 COURSE

- Daily 20 marks tests with evaluation and feedback.
- **T20 - 80 days:** GS-I 30 tests, GS-II 20 tests, GS-III 20 tests, Essay 10 tests
- **T10 - 100 days:** Daily 10 questions on selected topics from subject wise including current affairs

JOKTA ACADEMY PLUS COURSES

- **HP Sub-Inspector**
- **HP Secretariat Clerk**
- **HP High Court Clerk**
- **HP Constable**
- **HP Patwari**
- **HPRSA Clerk / JOA (IT)**
- **HP Forest Guard**
- **Other state level exam**

- Smart classrooms, Offline, Hybrid, Live Online & Recorded + Live Courses Available
- Bilingual classes (Notes, PPTS, Weekly Cass Tests)
- Special HP & Current Affair classes
- Language Classes (Hindi & English)
- Arithmetic & Logical Reasoning Classes
- Jokta Academy Publication Books

SSC & BANKING COMING SOON

CHANDIGARH

SCO 78-79, Sector 15-D, Chandigarh
9779464470

Plot No. 11-12, Sector 25-D, Chandigarh
62800 50509

SHIMLA

ICICI Bank Building, BCS Shimla
8628864475

Krishna Lodge Engine Ghar, Sanjauli Shimla
8847232312

JOKTA ACADEMY EXCLUSIVE DESIGNED BUNDLES

Under The Personal Guidance of Jokta Sir

BUNDLE 1 PREPARATION REQUIREMENT MEET (PR MEET)

- One on One Mentorship programme
  - Expert Mentor allotment
  - Weekly sessions offline/ online
  - Daily Assignments
  - Evaluation and Feedback
  - Personalised timetable
  - Daily Whats App and Calls support
- AWSM Course + Notes
- T20/T10 Course and workbook
- Pre + Mains Test series
- Mega Mocks & Mega Mains
- Pre + Mains Notes Booklets
- All Jokta Academy Publication Books
- Current Affair classes & Magazines
- Guidance & support Paper-II CSAT
- Interview guidance programme
- Powered by qualified and experienced faculty

Celebrating 10 Years of Legacy

Avail **10% Off** *on all 2024 Classroom Courses*

Specially designed for working professionals, Ex-Serviceman and other aspirants pursuing through self study

BUNDLE 2 COMPLETE MAINS PACKAGE

- AWSM Course + Notes
- T20/T10 Course and workbook
- Pre + Mains Test series
- Mega Mocks & Mega Mains
- Pre + Mains Notes Booklets
- All Jokta Academy Publication Books

BUNDLE 3 COMPLETE BOOKSET

- Pre Booklets 8
- Mains Booklets 11
- HP GK Books 5 including HP Budget & Survey
- Language (Hindi & English)
- Current Affairs Magazines

CHANDIGARH : 9779464470
SCO 22, SECTOR 15-C, CHANDIGARH

SHIMLA : 8628864475
ICICI Bank Building BCS, Shimla

INCLUSIVE GROWTH

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.

Elements of inclusive growth :

Salient features of Inclusive growth:

1. Address the constraints of the excluded and marginalized and participation from all sections of society
2. Reduction in disparities among per capita incomes between:
   a) Different sectors of economy
   b) Different Sections of society,Rural And Urban Areas and Different genders.
3. Non – discriminatory
4. Higher potential of poverty reduction
5. Ensure access to basic infrastructure and basic services/capabilities such as basic health and education. This access should include not only the quantity, but also quality of these basic services.
6. Include poor, lagging socio – economic groups and lagging regions as well as they are partners in this growth.

Need of inclusive growth in India/Challenges of inclusive growth in India:

1. **Poverty**: The Multidimensional Poverty Index 2022 places India first, with an estimated 23 crore people living in multidimensional poverty.
2. **Wealth inequality**: The richest 1% in India now own more than 40% of the country's total wealth, while the bottom half of the population together share just 3% of wealth.Combined wealth of India's 100 richest could fund the entire Union Budget for more than 18 months.
3. **Unemployment:**According to the Periodic Labour Force Survey (PLFS) conducted by the NSSO, the unemployment rate in urban areas was 7.8%, while the rate in rural areas was 5.3%, bringing the overall rate to 6.1 percent. India has low employment quality and quantity due to illiteracy and an overreliance on agriculture.
4. **Agriculture Backwardness**:Even while it only contributes 16.5 percent of the nation's GDP, agriculture employs nearly 44 percent of Indians, which leads to a high level of poverty.
5. **Regional Disparities**:(a)Bihar has a literacy rate of only 63.82 percent, whereas Kerala has the highest literacy rate in the nation at 93.1 percent.
   a) Goa has a per capita income of Rs. 4,67,998, while the per capita income in Bihar is only Rs.43,822.
6. **Skill Development**: The economic survey indicates that in 2021, more than 31% of youth in India were not enrolled in any type of training or work.
7. **Social issues:**(a)Social issues like gender disparity, caste system,and religious disparity are also causing hindrance to inclusive growth . (b)Malnutrition among children is another worry affecting the future of the country.In the 2022 Global Hunger Index, India ranks 107th out of 121.

Steps taken by the Government:

1. **Food and nutrition** –PM Garib Kalayan Yojna,Annapurna, Antyodaya, Mid-Day Meal, National food security act etc.
2. **Healthcare and sanitation** –Ayushman Bharat, Swachh Bharat Abhiyan, Mission Indradhanush etc.
3. **Housing**:PM -Aawas Yojna,Indira Aawas Yojna etc.
4. **Drinking water**:Jal Jeevan Mission,National rural drinking programme etc
5. **Financial inclusion : JAM** (Jan-Dhan-Aadhar-Mobile)Trinity,PM-Jan-Dhan Yojna etc.
6. **Employment**:Mgnrega,Skill India,PM-Kaushal-Vikas Yojna,Start-Up India,National Education Policy etc.
7. **Technology**:Digital India,Upi,Cowin etc.

Way forward:

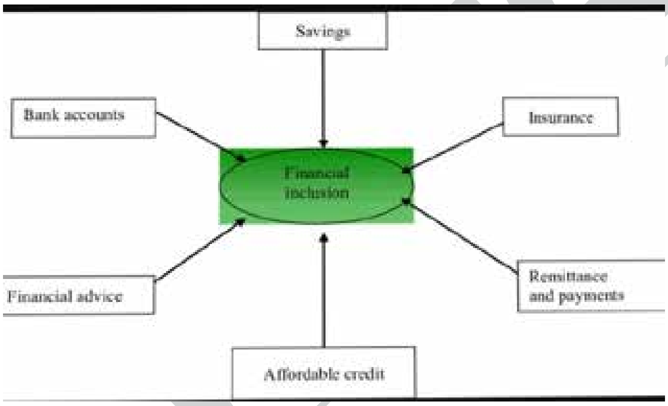
1. Malnutrition, poverty, rural-urban divide, and other issues are being addressed through various programmes and schemes, but they still require more vigor and funding.
2. To better the lives of India's citizens, the Indian government, along with the state and local governments, should continue to prioritise ending poverty and attaining sustainable development.
3. Innovative partnerships with a global organisation, civil society organisations, and private businesses can be used to target inclusive and equitable growth.
4. Taxing the super rich more through wealth tax and Policies such as universal basic income should be considered.

Thus Inclusive growth is not just an increase in GDP figures but it creates employment opportunities, enhances the potential of citizens to use these opportunities through provisioning of quality education, skilling and health services; reduce poverty and empower people.

Financial inclusion:

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

Elements of financial inclusion:



Significance of financial inclusion for India:

1. **Reduce Poverty:** Financial inclusion means greater access to financial services and an increase in savings. This would help in decreasing income inequality & poverty and would lead to increase in employment levels.
2. **Growth:** It encourages the habit to save, thus enhancing capital formation in the country and giving it an economic boost.
3. **Entrepreneurship culture:**The availability of sufficient and transparent credit from formal banking institutions will promote the entrepreneurial spirit among the people, leading to an increase in productivity and prosperity in rural areas.
4. **Service delivery**: Direct cash transfers to beneficiary bank accounts rather than physical cash payments against subsidies have become possible. Thus funds actually reach the targeted beneficiaries instead of being siphoned off along the way.
5. **Banks' efficiency:** Banks which are operating in a financial inclusion sector could experience higher operating efficiency in financial intermediation.

Challenges to financial inclusion in India:

1. **Illiteracy** – In India, where nearly 1/4th of the population is illiterate and below the poverty line. Thus ensuring financial inclusion is a challenge.
2. Low income and the inability to provide collateral security especially among marginalized communities.
3. Lack of enough bank branches in rural areas continues to be the roadblock to financial inclusion e.g. only 6% of villages have bank branches in India.
4. More reliance on informal lending.
5. Difficulty in understanding different product offerings, financial terms, and conditions.
6. A lot of hidden bank charges have demotivated poor persons from availing financial services.

Steps taken by the government:

1. **Priority Sector Lending**: is an important role given by the RBI to the banks for providing a portion of the bank loans to few specific sectors such as agriculture or small scale industries.
2. **Jan Dhan, Aadhaar and Mobile (JAM): It is a three-**

part strategy based on using digital technologies- Jan Dhan (banking), Aadhaar (Biometric Identity) and Mobile (transactions).

3. **Establishment of MUDRA** bank to refinance micro-finance institutions to lend to non-formal sectors such as MSMEs through PM Mudra Yojana.
4. **Self-Help Group (SHG)** – Bank Linkage Programme (SBLP) was launched by NABARD to provide door-step banking to the poor with the help of SHGs.
5. **Pradhan Mantri Jan Dhan Yojana: PMJDY has ensured** universal access to bank accounts and India now has 180 billion accounts. However, 48% of those accounts haven't seen any transaction in the last one year.
6. **Atal Pension Yojana**: Focus on unorganized sector.

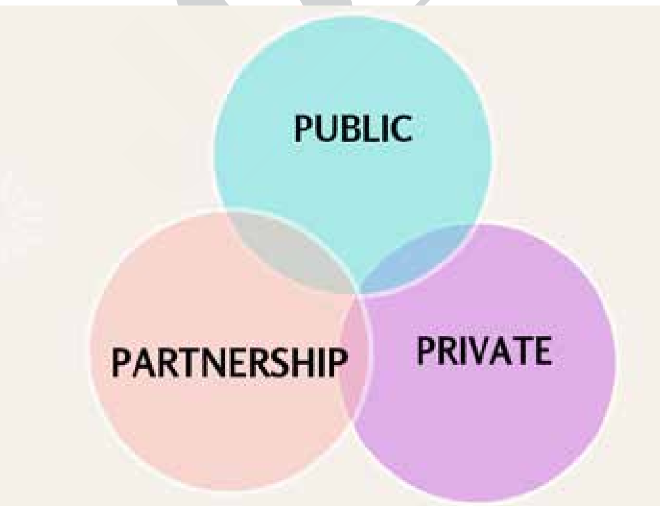
Way forward:

1. Reviving Banking Correspondent Model:Since opening of branches every where is not possible

   Thus, there is a need to create better monetary incentives for banking correspondents as well as to provide them better training.
2. **Leveraging JAM Trinity:**With the adoption of appropriate technology a new data-sharing framework (using Jan Dhan and Aadhaar platforms), to enable easier access to credit, with adequate safeguards for maintaining data privacy.
3. **Need For Data Protection Regime:** In addition to greater digitization, there is also a need to strengthen cyber security and data protection regime in the country.
4. **Leveraging Differentiated Banks**

   Differentiated Banks like Payment banks and small finance banks can be leveraged to scale up payments systems in underserved areas.

PPP(Public -Private Partnership)



According to the World Bank, public-private partnership (PPP) is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.

PPP:

Features of PPP

1. The private sector is in charge of carrying out or operating the project, and it bears a significant percentage of the project's risks.
2. **During the project's operating life, the public sector's responsibility is to supervise the private** partner's performance and enforce the contract's requirements.
3. The costs of the private sector may be recovered in whole or in part from charges connected to the use of the project's services, as well as through payments from the public sector.
4. Payments in the public sector are dependent on contract performance standards.
5. Although this is not always the case, the private sector frequently contributes the majority of the project's capital costs.

Models of PPP

1. **BOT(Build Operate Transfer**): This is a traditional PPP model in which the private partner is responsible for designing, building, operating (during the contracted period), and transferring the facility back to the public sector.
2. **BOO(Build Own Operate**): Under this model, the private party will own the newly constructed facility.
3. **BOOT(Build Own Operate Transfer**): In this variant of BOT, the project is transferred to the government or a private operator after a predetermined period of time.
4. **BOLT(Build Operate Lease Transfer): In** this approach, the government grants a concession to a private entity to build (and possibly design) a facility, own the facility, lease the facility to the public sector, and then transfer ownership of the facility to the government at the end of the lease period.
5. **DBFOT(Design Build Operate Transfer): In** this model, the private party is solely responsible for the project's design, construction, financing, and operation during the concession period.
6. **LDO(Lease Develop Operate**): In this type of investment model, either the government or a public sector entity retains ownership of the newly created infrastructure facility and receives payments from the private promoter under a lease agreement.

7. **Operation and Maintenance** Contract (O&M): Under this model, a private-sector partner operates a publicly-owned asset for a set period of time. The assets remain in the hands of the public partner.
8. **Hybrid Annuity Model (HAM)**

   In this arrangement, the private company is required to invest the remaining 40% of the project cost after paying 40% of it from the public entity.The public company continues to be in charge of ownership and operations; the private business is simply required to contribute engineering knowledge.

Public-Private Partnerships (PPP) – Recent Developments

1. **Health Sector:**As per this PPP model developed by NITI Aayog, the gap in medical education will be addressed and the shortage of qualified doctors will be addressed by linking government and private medical colleges with district hospitals.
2. **Power Sector** – Government of India is planning to launch the Atal Distribution Transformation Yojana (ADITYA) Scheme. As per this scheme, if states will involve private sectors to improve the efficiency of state distribution companies (discoms), then the Central Government will provide incentives to the States.
3. **Railways** – Tejas Express is the 1st private train in India. Under the Public-Private Partnership (PPP) model, the services in the Tejas Express will be provided by private players.
4. **Urban Housing** – Through Public-Private Partnerships (PPP), Government-funded housing in cities or urban areas will be converted into Affordable Rental Housing Complexes (ARHC). This will be done so that migrants can avail housing at concessional rates in cities or urban areas.

Advantages of PPP

Limitations of PPP

1. **Uncertainties:Uncertainties: PPPs often cover a long-term period of service provision (eg. 15-30 years).If the requirements of the** public sponsor or the private sector change during the lifetime of the PPP, the contract may need to be modified . This can entail large costs to the public sector.
2. **Crony capitalism: In many sectors, PPP projects have turned into conduits of crony capitalism. Many firms use** their political connections to win contracts.
3. **Stressful banking sector:The long term finance for PPP projects has dried up due to excessive dependence on** banks and lack of a proper corporate bond market in the country. Banks are further stressed due to high NPAs and governance issues.
4. **Clearance issues for projects – land acquisition and environmental** clearances for projects have been difficult to obtain.
5. **Corruption:Many PPP projects have been used by the private players to grab the land of the government e.g. Delhi Metro** .

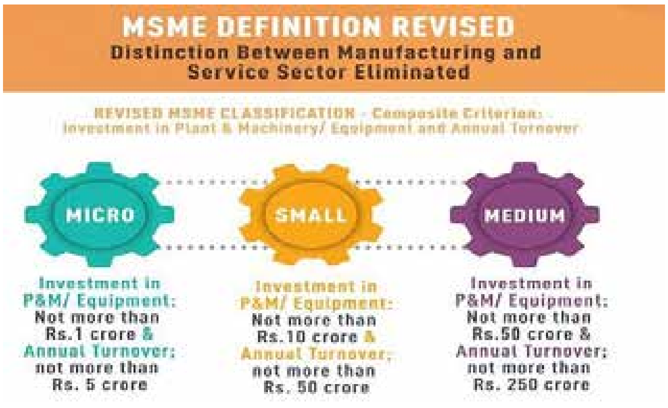
Way forward:Following recommendations of Vijay kelkar committee should be implemented

1. **Periodic reviews - Such reviews should ideally therefore be done frequently, perhaps once every three** years.
2. **Change in attitude and in the mind-set** - The Committee urges all parties concerned to foster trust between private and public sector partners when they implement PPPs.
3. **The Government may take early action to amend the Prevention of Corruption Act, 1988 which does** not distinguish between genuine errors in decision-making and acts of corruption.
4. **Structured capacity building programmes**. The need for a national level institution to support institutional capacity building activities must be explored.
5. **Optimal allocation of risks across PPP stakeholders - Project specific risks are rarely addressed by project implementation authorities in this "One-size-fits**-all" approach.

MSME(Micro -Small -Medium enterprises)

MSME stands for Micro, Small, and Medium Enterprises. It was introduced by the Government of **India in agreement with the MSMED (Micro, Small, and Medium Enterprises Development) Act of 2006.**

Classification of MSME:



Importance of MSME:

1. **MSME sector is the backbone of the country's economy, contributing 30 percent of India's GDP and 40 percent** of exports
2. They are also accountable for **one-third** of India's manufacturing output.
3. It contributes about 11**% of GDP from manufacturing and 24.63**% of GDP from service activities.
4. **According to the 2018-19 Annual Report of the Department of MSMEs, there are 6.34 crore MSMEs in the country. Around 51 per** cent of these are situated in rural India. 99.5 percent of all MSMEs fall in the micro category.
5. **These MSMEs employ more than 11 crore people**. MSMEs are recognized for having the highest rate of economic growth.
6. **They account for approximately 45% of India's total exports**.
7. MSMEs have propelled India to new heights due to their low investment requirements, flexibility in operations, and ability to develop suitable native technology.
8. MSMEs promote inclusive growth by creating job opportunities, especially for people from lower socioeconomic backgrounds in rural areas.

Challenges faced by MSME in India:

1. **Mounting NPAs of MSMEs**:

According to the RBI, bad loans of MSMEs now account for 9.6 per cent of gross advances of Rs 17.33 lakh crore as against 8.2 per cent in 2020.

2. **Lack of Formalization:**

Almost 86% of the manufacturing MSMEs operating in the country are unregistered. Out of the 6.3 crore MSMEs, only about 1.1 crores are registered with the Goods and Services Tax (GST) regime and the number of income tax filers are even less.

3. **New Emerging Concerns:**

Significant signs of a slowdown due to Covid-19 (on the demand side) and structural reforms like GST rollout and demonetisation (on the supply side), which also had adverse effects on the MSME sector.

4. **Financial Constraints**: This is a significant impediment for the MSME sector. Only 16% of SMEs have timely access to finance, forcing small and medium-sized businesses to rely on their own resources.
5. **Access to Technology**: Lack of access to IT education contributes to the technological gap. Another significant factor is a lack of awareness, which reduces willingness to invest in advanced technology solutions.

Steps taken by Govt for MSME:The government has implemented various initiatives to support the MSME sector, including:

1. **Emergeny crAyurveda e Guarantee Scheme (ECLGS)**: This scheme provided unsecured loans of Rs. 3 lakh crore to MSMEs and firms to revive economic activity.
2. **Priority sector lending for Non-Banking Financial Companies (NBFCs): The RBI allowed** bank funding to NBFCs for on-lending to agriculture, MSMEs, and housing, categorizing it as priority sector lending.
3. **Stimulus plan under Atmanirbhar Bharat Abhiyan:** The government announced a stimulus plan focused on the MSME sector.
4. **Revised MSME definition and establishment of a fund**: A new definition for MSMEs was introduced, along with establishing a fund with a corpus of Rs. 50,000 crores.
5. **Credit guarantee and state-level initiatives:** Measures such as a credit guarantee of Rs. 3 lakh crore, Andhra Pradesh's ReStart program, policy for smart industrial villages, and promotion of the "Swadeshi" ideology were implemented.
6. **Bombay Stock Exchange (BSE)** announced that it has collaborated with the All-India MSME Association (AIMA MSME) to encourage and promote the listing of MSMEs and start-ups.
7. **Meta India has announced the launch of online resource center 'Grow Your Business Hub', to help MSMEs** find relevant information, tools and solutions curated to cater to their business goals
8. **Government schemes: Various government schemes like -MSME Samadhan,ASPIRE scheme,Zero Defect Zero Effect model ,Credit Guarantee Scheme etc**

Way Forward:

1. There is a need to push for Digitisation of MSMEs. Digitising the sector could help in enhancing efficiency and reliability, cutting costs, and keeping

up with latest technological trends.

2. **The National Logistics Policy** can also be used to boost the competitiveness of MSMEs.Lower costs will encourage more MSMEs to use logistics services powered by technology.
3. **The Government could enlist India Post as a technologically advanced** last-mile delivery partner capable of facilitating cash-on-delivery transactions at competitive rates.
4. **Similarly, the unparalleled reach** of Indian Railways can be leveraged to quickly and cost-effectively ship goods to the most remote parts of the country. This can expand the reach of products manufactured by MSMEs.

Thus MSMEs can play a vital role in growth of the economy as India enters the Amrit Kaal phase. They can help in inclusive and balanced development and make India a global manufacturing hub. The Government has been supporting the MSMEs through various initiatives, the need is to focus on the implementation and realizing the outcomes.

Poverty

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living.

Poverty in India:

1. **As of 2011,data provided by CSO, 21.9% of the Indian population belongs below** the poverty line.
2. **According to a World Bank working paper, extreme poverty in India dropped to 10.2% in the pre-Covid year of 2019 from as much as 22**.5% in 2011 .
3. **According to the economic survey of 2022-23 16.4 percent of Indian population is multidimensionally** poor

Types of Poverty:

1. **Absolute Poverty** - Absolute poverty refers to when a person or household does not have the minimum amount of income needed to meet the minimum living requirements.**The World Bank defined poverty as individuals living on less than $ 2.15 per day which is called the International poverty line**.
2. **Relative Poverty -** It is a measure of income inequality. It is related to the living standard of a person/family compared to the living standards of the population in surroundings. **Eg. In a surrounding where everyone has 4 cars, a person with 2 cars might be called in relative poverty**.
3. **Situational Poverty: It is a temporary type of poverty based on occurrence of an adverse event like environmental** disaster, job loss and severe health problem.
4. **Generational Poverty: It is handed over to individuals and families from one generation to the next. This is more complicated as there is** no escape because the people are trapped in its cause and unable to access the tools required to get out of it.

Reasons for poverty in India:

1. **Population Explosion:. During the past 45 years, it has risen at a rate of 2.2% per year, which means, on average, about 17 million people are added** to the country's population each year. This also increases the demand for consumption goods tremendously.
2. **Low Agricultural Productivity**: Chiefly, it is because of fragmented and subdivided land holdings, lack of capital, illiteracy about new technologies in farming, the use of traditional methods of cultivation, wastage during storage, etc.
3. **Inefficient Resource utilization**: There is **underemployment and disguised unemployment in the country, particularly in the farming sector. This has** resulted in low agricultural output and also led to a dip in the standard of living.
4. **Low Rate of Economic**

   Development: Economic development has been low in India especially in the first 40 years of independence before the LPG reforms in 1991.

5. **Price Rise: Price rise has been steady in the country and this has added to the burden the poor carry. Although a few people have benefited from this, the lower income groups have suffered** because of it, and are not even able to satisfy their basic minimum wants.
6. Unemployment:. The ever-increasing population has led to a higher number of job-seekers. However, there is not enough expansion in opportunities to

match this demand for jobs due to jobless growth post 1990.

7. **Lack of Capital and Entrepreneurship: The shortage of capital and entrepreneurship results in low levels of investment and job creation** in the economy.
8. **Social Factors: Apart from economic factors, there are also social factors hindering the eradication of poverty in India. Some of the** hindrances in this regard are the laws of inheritance, caste system etc

Impacts of poverty:

1. **Effects on Health:**
   a) **A high rate of infant death**

   India has one of the highest child death rates in the world, with over 1.4 million children dying before their fifth birthday each year. Pneumonia, malaria, diarrheal illnesses, and chronic malnutrition are the leading causes of death.

   b) **Malnutrition - When it comes to malnutrition, India is at the top; more than 200 million people, including 61 million children, are malnourished.**
2. **Effects on Society as a whole**: There are a lot of challenges of poverty faced by society.

   Violence and Crime:(a) Violence and crime rate increases a lot. Due to unemployment and marginalization, poor people usually indulge in unfair practices like prostitution, theft and other criminal activities.

   d) **Homelessness:People are generally homeless, so they sleep on roadsides, making it unsafe for** them, mostly women and children.

   e) **Child labour:poverty forces people to send their kids to work rather than putting them in schools. According to a report of ILO(International labor organization) there are 10.1 million working children between the age of 5 to** 14 years.

f) **Impacts on women:According to a global study by "World Bank Organisation", there are 122 women living in poverty ridden conditions per 100** men.

g) **An alarming study, recently covered by "The Hindu", showed an unusually high number of cases of Hysterectomy(surgical removal of uterus) in Beed district in Maharashtra. This was attributed** to poverty .

3. **Impacts on education:According to UNICEF, over 25% of children in India do not receive an education**. Girls are more likely than boys to be excluded from school.

4. **Impacts on economy**:
   a) **Poverty trap:Poverty trap is a spiraling mechanism which forces people to remain poor. It is so binding in itself that it doesn't allow the poor people to escape it. Poverty** trap generally happens in developing and under-developing countries, and is caused by a lack of capital and credit to people.

   b) **Without an education, people are unlikely to find a lucrative or rather a decent paying** job.

A **high unemployment rate will definitely slow down a country from progressing in all aspects.**

c) **Most of the poor people are forced to work in informal sector with very poor job profile and their** per capita incomes remain poor.

Steps taken by the government :

1. **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005: The** Act provides 100 days assured employment every year to every rural household.
2. **Pradhan Mantri Jan Dhan Yojana**: It aimed at direct benefit transfer of subsidy, pension, insurance etc. and attained the target of opening 1.5 crore bank accounts. The scheme particularly targets the unbanked poor.
3. **Pradhan Mantri Kaushal Vikas Yojana: It will**

focus on fresh entrant to the labour market, especially labour market and class X and XII dropouts.

4. NRLM - National Rural Livelihood Mission (Deendayal Antyodaya Yojana)

   DAY-NRLM has been launched under the Ministry of Rural Development with an aim to reduce rural poverty by providing them with employment opportunities.

5. **Pradhan Mantri Awas Yojana – Gramin (PMAY-G)**

   The scheme was launched for social welfare to provide necessary housing facilities for the low households in India. PMAY-G was established in line with the government's commitment to delivering by 2022 "Housing in all rural areas.

6. **Transformation of Aspirational Districts**

   The 'Transformation of Aspirational Districts' program intends to effectively transform the districts.

Way forward

1. **Creating more and better jobs:**

   Future efforts will need to address job creation in more productive sectors, which has until now been lukewarm and has yielded few salaried jobs that offer stability and security.

2. **Improving human development outcomes for the poor**:Better health, sanitation and education will not only help raise the productivity of millions, they will also empower the people to meet their aspirations, and provide the country with new drivers of economic growth.
3. **Universal Basic income:** Monthly assistance for the people below poverty line should be considered.
4. **Focus on manufacturing**:This will create more jobs which ultimately will help in reducing poverty.
5. **Agricultural Growth and Poverty Alleviation:Besides,** higher agricultural growth can be achieved in semi-arid and rain-fed areas by increasing public investment in infrastructure and ensuring adequate access to credit to the small farmers.

Multidimensional Poverty

The World Bank defines multidimensional poverty as a state of deprivation in several aspects of life, such as education, health, standard of living, access to basic services, and social inclusion.

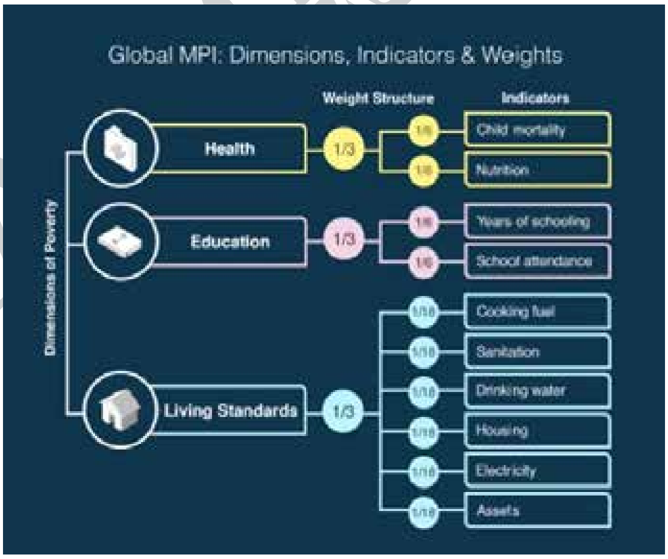
Global multidimensional poverty index:

1. The global Multidimensional Poverty Index (global MPI) is a poverty indicator that takes into account the numerous disadvantages that impoverished people endure in terms of education, health, and living conditions.
2. **The Global MPI measures both the occurrence (the percentage of people in a population that are multidimensionally poor) and degree of multidimensional poverty (the average number of deprivations that each** poor person experiences).
3. It **enables for comparisons between countries, regions, and the world, as well as within countries by ethnic group, urban/rural location, and** other features of households and communities.

Developed by:The global MPI was developed by Oxford Poverty and Human Development Initiative (OPHI) with the UN Development Programme (UNDP) for inclusion in UNDP's flagship Human Development Report in 2010.

It has been published annually by OPHI and in the HDRs ever since.

Indicators of MPI:



1. **A person is multidimensionally poor** if s/he is deprived in one-third/33% or more of the weighted indicators out of the 10 indicators.
2. Those who are deprived of one-half or more of the weighted indicators are considered living in **extreme multidimensional poverty.**

Multidimensional poverty and India:

Poverty in India:

1. India still has more than 230 million people who are poor.
2. India has some 18.7% population under this category.

India's Progress in Poverty Reduction:

1. India is among 25 countries, including Cambodia,

China, Congo, Honduras, Indonesia, Morocco, Serbia, and Vietnam, that successfully halved their global MPI values within 15 years.

2. Some 415 million Indians escaped poverty between 2005-06 and 2019-21.
3. The incidence of poverty in India declined significantly, from 55.1% in 2005/2006 to 16.4% in 2019/2021.
4. In **2005/2006, approximately 645 million people in India experienced multidimensional poverty, a number that decreased to about 370 million in 2015/2016 and further to 230 million in 2019/2021.**
5. About 135.5 million (13.5 crore) persons have exited poverty between 2015-16 and 2019-21.

Specific Indicators of Poverty Reduction in India:

1. Nutrition: The percentage of people who are multidimensionally poor and deprived under the nutrition indicator declined significantly, from 44.3% in 2005/2006 to 11.8% in 2019/2021.
2. Child Mortality: Child mortality also witnessed a substantial decline, with the proportion of multidimensionally poor children falling from 4.5% to 1.5% during the study period.
3. Access to Cooking Fuel: The percentage of people deprived of cooking fuel decreased from 52.9% in 2005/2006 to 13.9% in 2019/2021.
4. Sanitation:The proportion of people deprived of sanitation decreased from 50.4% in 2005/2006 to 11.3% in 2019/2021.
5. Drinking Water:Access to safe drinking water improved, with the percentage of multidimensionally poor and deprived individuals declining from 16.4% to 2.7% during the study period.
6. Electricity and Housing:The percentage of people deprived of electricity decreased from 29% to 2.1%, while the proportion deprived of adequate housing reduced from 44.9% to 13.6%.

Challenges for India

1. **Nutrition deprivation- It contributes close to 30% the highest in calculation of MPI which results in nearly 1/3rd of** multidimensional poverty in India.
2. Lack of education-It is due to lack of years of schooling (16.65%), and less-than-desired school attendance (9.10%).
3. **Cooking fuel- Though it marked a significant improvement, around 44**% of Indian population is still deprived of.
4. **Sanitation- Despite its improvement, sanitation services are still deprived to around 30% of the** population.
5. **Access to housing- In India, 41% of the population is still deprived of housing**.

India has made remarkable strides in reducing multidimensional poverty in recent years. However, there is still a long way to go to achieve the SDGs and ensure that no one is left behind. The MPI can serve as a useful tool to guide India's efforts towards this end.

Inequality

The United Nations describes inequality as "the state of not being equal, especially in status, rights and opportunities".

Types of inequality

1. **Economic inequality: Economic inequality is the unequal distribution** of income and opportunity between individuals or different groups in society.
2. **Social inequality**: It occurs when resources in a given society are distributed unevenly based on norms of a society that creates specific patterns along lines of socially defined categories e.g. religion, kinship, prestige, race, caste, ethnicity, gender etc. have different access to resources of power, prestige and wealth depending on the norms of a society.

Dimensions of Inequality in India:

1. **Gender**
   a) The Global Gender Gap Report, **2023 ranks India at 127 among 146** countries.
   b) **Gender wage gap is highest in India according International Labor Organization women are paid 34**% less than men.
   c) **Women comprise over 42 per cent of the agricultural labour force in the country, yet they own less than 2 percent of its farm land according** to the India Human Development Survey (IHDS).

Caste:

1. India's upper caste households earned nearly 47% more than the national average annual household income, the top 10% within these castes owned 60% of the wealth within the group in 2012, as per the World Inequality Database.

Religion:While minorities such as Christians, Parsis and Jains have a larger share of income/consumption than their population share, Muslim and Buddhist populations have significantly lower access to economic resources.

Ethnicity:The National Family Health Survey 2015-16 (NFHS-4) showed that 45.9% of ST population were in the lowest wealth bracket as compared to 26.6% of SC population, 18.3% of OBCs, 9.7% of other castes.

Economic Inequality:The World inequality report 2022 estimates that the wealthiest 10% of the people in the nation own 57% of the national income, of which the top 1% owns 22%.

Digital inequality: According to National Sample Survey (2017), only 6% of rural households and 25% of urban households have a computer. Only 17% in rural areas and 42% in urban areas have access to internet

Reasons for inequalities in India:

1. **The slow economic and GDP growth,in the first 50 years after independence often called** as Hindu rate of growth.
2. **Post 1990 reforms growth was mainly service led or** Tertiary sector led which do not produced enough jobs.
3. **Manufacturing sector** issueswhich has the **potential of creating jobs and reducing inequalities is poorly developed in India.eg its contribution to GDP is stagnant since 1990 at around 16 percent**.
4. **Lack of digital access**: Poor households are not able to afford devices to ensure digital access for their children. **According to the Azim Premji Foundation, ASER and Oxfam report, between more than 60%** students could not access online classes, due to lack of devices, shared devices, inability to buy "data packs etc.
5. Large numbers of the labour force work in sectors with low productivity. Consider agriculture. It provides 53 per cent jobs, while contributing only 17% to the GDP.
6. **Covid-19 and its impact on inequality in India:(1) The wealth earned by the top 11 Indian billionaires** during the pandemic alone is sufficient to sustain the MGNREGS or the Health Ministry's budget for the next 10 years.
   a) **Second, the** Impact of Pandemic on Informal sector: India's earliest and stringent lockdown made the Informal sector, the worst affected sector due to Pandemic.
   b) **Third, Digital divide** worsened as education shifted online. Girl students were most vulnerable as there is a higher chance of forced marriage, domestic violence, and early pregnancies.
   c) Fourth, **The report also mentions poor, marginalized, and vulnerable communities have higher rates of Covid-19 prevalence in** India.
   d) **Crowded agricultural sector: The migrant workers who lost a job in the manufacturing moved to the rural areas and demanded jobs at very low** wages. This made the agriculture sector more crowded and also created Stagnation in agricultural wages.
   e) **During the pandemic, white-collar workers (person performs professional, managerial, desk, or administrative work) isolated themselves** and worked from home. It led to the closure of many small income avenues like roadside vendors, smaller shops,

Consequences of Inequalities:

1. **Inequalities tend to produce social conflict among the social groups e.g. caste groups like Jaats, Maratha, Patels are demanding reservations** but this demand is opposed by caste groups already claiming the benefits of reservations, such clash of interest due to perceived inequality tend to produce violent conflicts between opposing caste groups.
2. **Inequalities among ethnic groups have led to various ethnic movements demanding separate states or autonomous regions or even outright secession from India. North** East has been rocked by numerous such ethnic movement e.g. by Nagas for greater Nagalim etc.
3. **Religious inequality tends to generate feeling of**

exclusion among religious minority groups. This reduces their participation in mainstream, in India religious minorities have large population their economic exclusion compromises the GDP growth of nation as whole.

4. **Poor development indicators like IMR, MMR, low per capita income, lower education** and learning outcomes at schools, high rate of population growth can be traced to existing socio-economic inequalities.
5. **High economic inequality is detrimental to public healthcare and education. Upper** and Middle classes do not have vested interest in well functioning public healthcare and education as they have means to access private healthcare and education.

Steps taken by govt to remove inequalities:

1. **Land Reforms:**

   Land reforms have been introduced to remove inequality in the ownership of land. Land in excess of the ceiling limit has been distributed among the tenant farmers, and among the small and marginal holders.
2. **Progressive taxation:More the income more the** taxes.
3. **Establishment of MUDRA bank to refinance micro-finance institutions to lend to non-formal sectors such as MSMEs through** PM Mudra Yojana.
4. To **boost manufacturing:Make in India,PLI scheme,Atamnirbhar** bharat etc.
5. **To empower marginalized communities:Stand** up India,Ujawala scheme,etc.
6. **Priority Sector Lending: is an important role given by the RBI to the banks for providing a portion of the bank loans to few specific** sectors such as agriculture or small scale industries.

Way forward:

1. **Improving human development by fixing** the gap in health and education. Increasing public expenditure on health and education should be the way forward. Need to Prioritise universal health care and **increase spending on health to 2%-3**% of GDP.
2. **Increase the income of small and marginal farmers**. For that, Farmer producer organizations should be strengthened. States should have a bigger role in agri-marketing reforms.
3. **Expanding the number of days provided under the Mahatma Gandhi National Rural Employment Guarantee Act and a national employment guarantee scheme for urban are**as.
4. Creating 7 to 8 million productive jobs per year by focusing on manufacturing.
5. **Correcting the mismatch between demand and supply of labor. For example, only 2.3% of India's workforce has formal skill training as compared to 96% in South** Korea.
6. **There is a need for Universal**

   Income Support. Economic Survey 2016-17 has suggested replacing all current cash transfers with universal basic income.

Thus It is imperative that India frees itself from the shackles of income inequality so as to ensure prosperity across all economic classes.

Unemployment

Unemployment occurs when a person who is actively searching for employment is unable to find work.

Extent of unemployment in India:

Unemployment rate in India among people aged 15 years and above was 7.7 per cent in May 2023, according to the data provided by CMIE(The Centre for Monitoring Indian Economy').

Types of unemployment:

1. **Disguised Unemployment:It is a phenomenon** wherein more people are employed than actually needed.It is primarily traced in the agricultural and the unorganised sectors of India.

Seasonal Unemployment: It is an unemployment that occurs during certain seasons of the year.Agricultural labourers in India rarely have work throughout the year.

Structural Unemployment:It is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market.Many people in India do not get jobs due to lack of requisite skills and due to poor education level, it becomes difficult to train them.

Cyclical Unemployment: It is a result of the business cycle, where unemployment rises during recessions and declines with economic growth.Cyclical unemployment figures in India are negligible. It is a phenomenon that is mostly found in capitalist economies.

Technological Unemployment.It is the loss of jobs due to changes in technology.In **2022 World Bank** data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.

Frictional Unemployment:The Frictional Unemployment also called as Search Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.In other words, an employee requires time for searching a new job or shifting from the existing to a new job, this inevitable time delay causes frictional unemployment.

Vulnerable Employment:This means, people working informally, without proper job contracts and thus sans any legal protection.These persons are deemed 'unemployed' since records of their work are never maintained.It is one of the main types of unemployment in India.

Causes of Unemployment in India:

1. **Jobless Economic Growth: India's GDP grown at about 7-8% in last** decade, but growth does not translated into creating more employment opportunities for the labour force of the country.
2. **Agriculture:** Agriculture remains the biggest employer in the country contributing to 51% employment. But the sector contributes a meagre 12-13% to the country's GDP. The problem of disguised unemployment is the biggest contributor behind this deficit.
3. **Lack of skills: For example, only 2.3% of India's workforce has formal skill training as compared to 96% in South Korea.According to Aspiring Minds, over 80% of** engineers in India are unfit to take up any job in the knowledge economy.
4. **Increase in Population**:India's population is predicted to exceed China's by the year 2024; it will, furthermore, probably be the most populous country for the entirety of the 21st century.As the country's economic growth cannot keep up with population growth, this leads to a larger share of the society being unemployed.
5. **Low Rates of Saving and Investment:there is lack of investment in rural areas and tier 2 and tier 3** cities as well, as a result of which there is exists large untapped employment

Steps taken by govt:

1. **Pradhan Mantri Mudra Yojana (PMMY)**

   It was undertaken by the government to encourage self-employment. Under this scheme collateral-free loans up to **Rs. 10 lakh,** are provided to small/micro business enterprises and to individuals to enable them to set up or expand their business activities.
2. **Skill India Mission**:Under the

   Scheme, a short-duration skill development training program is being imparted to all prospective candidates including candidates belonging to BPL in the country
3. **PM SVANidhi:**This scheme was initiated by the Ministry of Housing and Urban Affairs.IThe vendors can avail of a working capital loan of up to Rs. 10,000, which is repayable in monthly installments in the tenure of one year

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005: The Act provides 100 days assured employment every year to every rural household.

Start Up India Scheme: The primary objective of Startup India is the promotion of startups, generation of employment, and wealth creation.

Establishment of MUDRA bank to refinance micro-finance institutions to lend to non-formal sectors such as MSMEs through PM Mudra Yojana.

Aatmanirbhar Bharat RojgarYojana (ABRY) has been launched with effect from 1st October, 2020 as part of Atmanirbhar Bharat package 3.0 to incentivize employers for creation of new employment.

Way forward:

1. One of the remedies of the unemployment situation in India **is rapid industrialisation**. Increased number of industries will translate into increased number of employment opportunities.
2. **The curriculum** should be changed with increased focus on learning and skill development.
3. **More institutions need to be established that offer vocational** courses that will translate directly into relevant jobs.
4. **Government as well as leading business houses of the country should seek to invite more** foreign collaboration and capital investment in every sector.
5. **There are number of labour intensive manufacturing sectors in India such as food processing, leather and footwear, wood manufacturers and furniture, textiles and apparel and garments. Special packages**, individually designed for each industry are needed to create jobs.

Thus India needs to focus on skilling, reskilling and upskilling of labour force to reap the benefits of demographic dividend before it's too late and demographic dividend becomes liability.

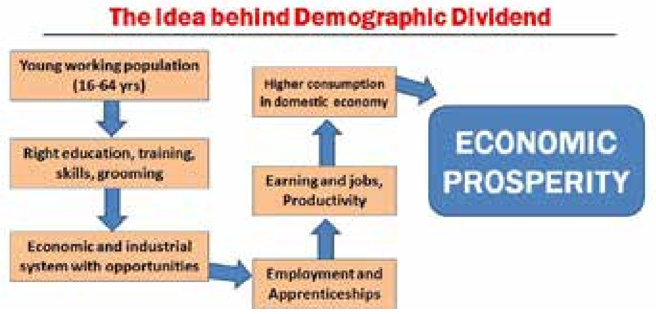
Demographic Dividend

Demographic dividend is the phase in which the working population aged between 15 and 64 years is greater compared to the dependent or non-working population.

Demographic dividend of India:

1. **India has 62.5% of its population in the age group of 15-59** years which is ever increasing and will be at the peak around 2036 when it will reach approximately 65%
2. **According to Economic Survey 2018-19, India's Demographic Dividend will peak around 2041, when the share of working-age,i.e. 20-59 years, population is expected** to hit 59

Advantages offered by demographic dividend/Areas where it is felt.



1. **Labour supply**: The first benefit of the young population is the increased labour supply, as more people reach working age.
2. **Capital formation:** As the number of dependents decreases individuals save more. This increase in national savings rates increases the stock of capital in developing countries and provides an opportunity to create the country's capital through investment.
3. **Female Human capital**: Decrease in fertility rates result in healthier women and fewer economic pressures at home. This provides an opportunity to engage more women in the workforce and enhance human capital.
4. **Economic growth**: Another opportunity is produced by increased domestic demand brought about by the increasing GDP per capita and the decreasing dependency ratio.
5. **Infrastructure: Increased fiscal space** created by the demographic dividend enables the government to divert resources from spending on children to investing in physical and human infrastructure.
6. **Migration: It presents some** opportunities that can arise from having demographic changes, particularly the demographic dividend and interstate migration to overcome labour shortage in some parts.

Challenges of demographic dividend in India:

1. **Enhancing human capital**: Poor human capital formation is reflected in low employability among India's graduates and postgraduates. **According to ASSOCHAM, only 20-30 % of engineers find a job suited to their skills. Thus, low human** capital base and lack of skills is a big challenge.
2. **Low human development: India ranks 132 out of 189 countrie**s in UNDP's Human Development Index, which is alarming. Life expectancy at birth in India (68 years) is much lower than other developing countries. The mean years of schooling and expected years of schooling and need to be improved.
3. **Informal economy**: Informal nature of economy in India is another challenge in reaping the benefits of demographic transition in India. Nearly **216 million people** are engaged in the agriculture sector, are in the informal economy where not only they earn lower wages, but with little social security and few days of employment in a year.
4. **Jobless growth: There is a mounting concern that future growth could turn out to be jobless due to deindustrialization, de-globalization**, the fourth industrial revolution and technological progress. As per the **NSSO Periodic Labour Force Survey 2017-18, India's labour force participation rate for the age-group 15-59 years is around 53%**, that is around half of the working age population is jobless.
5. **Asymmetric demography**: The growth in the working-age ratio is likely to be concentrated in some of India's poorest states and the demographic dividend will be fully realised only if India is able to create gainful employment opportunities for this working-age population.
6. **Issue of tilted sex ratio:** Declining female labour force participation: **According to data from the International Labour Organization and World Bank, India's female** labour force participation rates have **fallen from 34.8 % in 1990 to 27 % in 2013. Without women** participation India can't dream of reaping demographic dividend.

Steps taken by govt:

1. **Measures to enhance skills and productivity:**
   a) **Setting up of National Skill Development Corporation (NSDC) under Pradhan Mantri Kaushal Vikas** Yojana to offer meaningful, industry-relevant, skill based training to the Indian youth

   b) **Improving expertise to people from minority communities in their traditional arts is done under USTAAD** scheme.

   c) Enhancing the skills is done under the **Skill India Mission.**
2. **Improving employability:Schemes as start up India, stand up India** strive towards developing entrepreneurship qualities in people.
3. **Improving educational**

   performance:

   a) **Initiatives such as SWAYAM provide** quality education to large number of students.

   b) **Padhe Bharat Badhe Bharat** aims to **improve language development and increase interest in mathematics.**
3. **Focus on low-income population:**
   a) **Initiatives such as Grameen Kaushal Vikaas Yojana** focus on skilling rural people in agro-allied industry.

b) **Schemes such as Nai Manzil provide integrated** input of formal education and skill training along with certification.

4. **Women's employment:**

a) Nai Roshni focus on improving leadership qualities of Women.

b) Initiated the National Literacy Mission to raise the literacy rate to 80% and reduce the gender gap to less than 10%.

Way forward:

1. **Building human capital: India has to invest more in** human capital formation at all levels, from primary education to higher **education, cutting-edge research and development as well as on vocational** training to increase the skill sets of its growing working-age population.
2. **Skill development:** Skill development is needed to increase employability of young population. Government has established 'Skill India' as a mission to skill India's youth and the National Skill **Development Corporation (NSDC) with the overall target of skilling/up skilling 500 million people in India** by 2022.
3. **Education:, India needs to increase its spending on health and education to at least 2.5 % in 6 % of GDP respectively from its current** levels.
4. **Health:** Improvement in healthcare infrastructure would ensure higher number of productive days for young labour force, thus increasing the productivity of the economy.
5. **Job Creation: The nation needs to create ten million jobs per year** to absorb the addition of young people into the workforce. The number of formal jobs have to be created, especially in labour intensive, **export-oriented sectors such as textiles, leather and footwear, gems and jewellery etc.**
6. **Good governance: Effective avenues for citizen input, well-functioning institutions, respect for the rule of law, low level of corruption**, respect for property rights, sanctity of contracts etc. are important aspects of good governance that enable equal opportunity to all.

If **India has to reap the benefits of 'demographic dividend' in the years ahead, it is imperative** that investments in social infrastructure by way of education, skill development, training and provision of health care facilities are made to enhance productivity of workforce and welfare of the population. Though India has initiated all pertinent programmes and policies, to make the dream of demographic dividend a reality the key lies in their effective and efficient implementation.

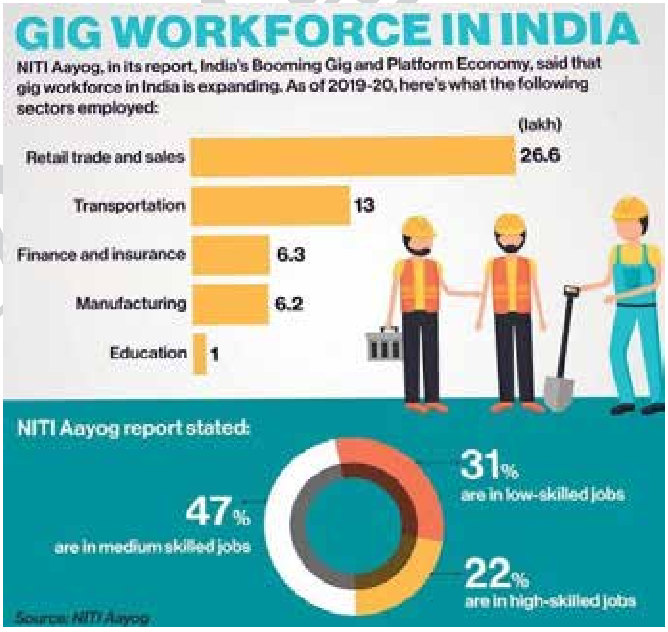
Gig economy

Gig Economy is the evolving economic model wherein the firms hire workers on a part-time flexible basis rather than as full time employees. The Code on Social Security, 2020 defines gig workers as those engaged in livelihoods outside traditional employer-employee relationship.

Features of Gig economy:

1. Gig work consists of income-earning activities outside of standard, long-term **employer-employee relationships**.
2. A **gig economy is a labor market that relies heavily on temporary and part-time positions filled by independent contractors** and freelancers rather than full-time permanent employees.
3. **The gig economy uses digital platforms to connect freelancers with customers to provide short-term services or asset**-sharing.

Size of Gig economy in India:



1. According to NITI Aayog Report, India's gig workforce currently stands at 77 lakh (2020-21). It is expected to rise to 2.35 crore by 2029-30.
2. Report by the Boston Consulting Group expects India's gig economy to rise to 90 million jobs (9 crore) in the next 8-10 years.

Examples of Gig economy: Workers in Ola,Uber,Swiggy,Zomato,Plumbers,Carpenters etc.

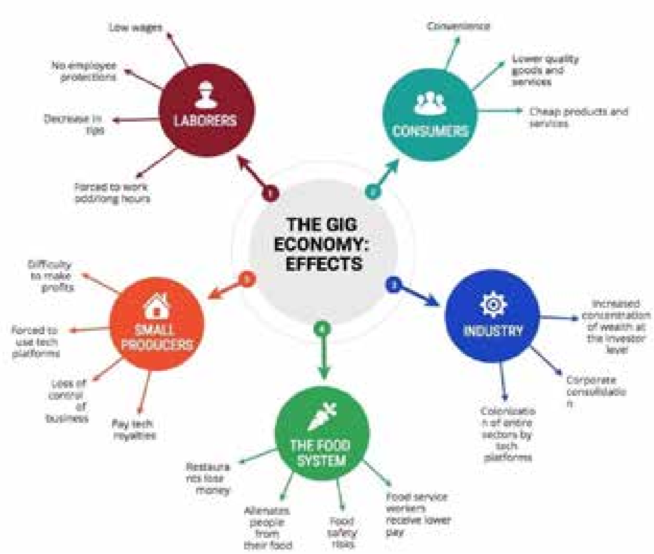
Reasons for a rise in Gig Workers/Pros of Gig economy

1. **Post Pandemic: The trend accelerated during the 2020 COVID-19 pandemic, the gig economy** experienced significant increases as gig workers

delivered necessities to home-bound consumers, and those whose jobs had been eliminated turned to part-time and contract work for income.

2. **Freedom to work from anywhere: These** types of positions facilitate independent contracting work, with many of them not requiring a freelancer to come into an office.
3. **Wide Range of Applicants: Employers also have a wider range of applicants to choose** from because they don't have to hire someone based on their proximity.
4. **Rise of Technology and Internet**: Rise of fast internet and smartphones have made it easier to work from anywhere easily.
5. **Convenient for Small Organisations**: Employers who cannot afford to hire full-time employees to do all the work will often hire part-time or temporary employees to take care of busier times or specific projects.
6. **More income with more work:** People often find they need to move or take multiple positions to afford the lifestyle they want. It's also common to change careers many times throughout a lifetime, so the gig economy can be viewed as a reflection of this occurring on a large scale.
7. **Benefits Employers: Employers do not need to provide related benefits, such as medical insurance, Provident Fund, and year-end bonuses** which make it a better option for them to pay only for work on a unit basis.
8. **Work for All: Students can choose lower-skilled jobs and work without academic or professional qualifications. Retirees, housewives, etc. may find it difficult to find part-time** jobs on weekdays, but now they can make good use of their spare time to earn extra money.
9. **Emergence of a Start-up Culture**:The **start-up ecosystem in India has been developing rapidly. For start-ups**, hiring full-time employees leads to high fixed costs and therefore, contractual freelancers are hired for non-core activities.

Impacts of Gig economy:



Challenges

1. **Hurdle in growth of full time employee:** While not all employers are inclined to hire contracted employees, the gig economy trend can make it harder for full-time employees to develop in their careers since temporary employees are often cheaper to hire and more flexible in their availability.
2. **Work-life balance: For some workers, the flexibility of working gigs can actually disrupt the work-life balance, sleep patterns**, and activities of daily life.
3. **Can replace Full time employees: The number of full-time employees required by the company can be reduced as freelance workers** take over the work.
4. **No job security: In effect, workers in a gig economy are more like entrepreneurs than traditional** workers. While this may mean greater freedom of choice for the individual worker, it also means that the security of a steady job with regular pay and benefits.
5. **No regular job benefits:** Many employers save money by avoiding paying benefits such as health coverage and paid vacation time. because there is no formal employment relationship with the platform company, there are usually no employee benefits in short-term contracts, which are less guaranteed than full-time and part-time jobs, and are difficult to write on resumes.

Steps taken by Govt for Gig workers:Code of Social Security, 2020:

1. **The Government has formulated the Code on Social Security, 2020 which envisages framing** of suitable social security schemes for gig workers and platform workers on matters relating to life and disability cover, accident insurance, health and

maternity benefits, old age protection, **etc. However, these provisions under the Code have not come into force.**

2. **e-Shram Portal: The Government has also launched e-Shram portal in 2021 for registration and creation of a Comprehensive National** Database of Unorganized Workers including gig workers and platform workers.

Way forward:

1. Platform companies should explore ways to ensure that every gig worker, irrespective of the number of hours put in every month, will be paid an equivalent living/minimum wages.
2. **Uber UK has committed to provide the national living wage, paid holiday time equivalent to about 12%** of driver's earnings along with a pension plan to its driver. Other companies can replicate this model.
3. **The provisions of Code on Social Security should be put into effect. However, the implementation should be undertaken in a gradual** manner. Platform companies should be provided time to adjust their business to the new conditions that will increase their costs.

Gig Economy has the potential to create jobs for India's large workforce, especially the low-skilled workers. The Government must take appropriate steps to support the expansion of gig economy and platforms. At the same time, the interests of the gig workers must be protected to provide them with just work conditions as well as social security benefits. Achieving the balance will need some effort from all stakeholders.

Informal sector

The Informal Economy refers to economic activities that are not regulated or protected by formal institutions, such as government laws and regulations.

Features of informal sector:It is characterised by **small and scattered units** which are **largely outside the control of the government.**

1. There are rules and regulations but these are not followed. Jobs here are **low-paid** and **often not regular.**
2. There is **no provision for overtime, paid leave, holidays, leave due to sickness,** etc. **Employment is not secure.**
3. People can be asked to leave without any reason.
4. This sector includes a **large number of people who are employed on their own** doing **small jobs** such as **selling on the street or doing repair work.**
5. Similarly, **farmers work on their own** and **hire labourers** as and when they require.

Unorganised/Informal sector in India

1. **Around 80% of India's labour force** is employed in the informal sector and the remaining **20% in the formal sector.**
2. Of the 80% informal sector workforce, **half work in agriculture and the remaining in non-agricultural sectors.**

Challenges of informal sector:

1. **Gender Disparity**: Women constitute the majority of informal participants, but they receive the least benefits and are characterized by lower paying, income volatility, and the lack of a robust social safety net.The **Periodic Labour Force Survey data shows that the female labor force participation rate dropped to 21.2% in March 2021 compared to 21.9%** one year prior.
2. **Economic Exploitation: The informal employment by definition has no written contract, paid leave and** hence pay no minimum wages, nor pay attention to conditions of work.
3. **Lack of Taxation**: As the businesses of the informal economy are not directly regulated, they usually avoid one or more taxes by hiding incomes and expenses from the regulatory framework.
4. **No Fixed Working Hours**: Long working hours beyond labor standards are common in India in the unorganized sector. In Particular, there is no fixed working time in the agriculture sector **because there are no laws** which can act as a guideline for farm workers' working conditions
5. **Worst Hit at the Time of Disaster**: **Many natural disasters such as floods, drought, famine, earthquakes and** so on have devastating effects on the informal sectors.This problem is exacerbated by the lack of social security.

Steps taken by the Government :

1. **e-Shram Portal**:**Rs 2 lakh for accidental death and permanent disability and Rs 1 lakh for partial** disability.

   Social security benefits will also be delivered through this portal.
2. **Skill development**: To take care of the need for skills of workers in the informal economy, the government has started various programs such as the **Skill India Mission, Pradhan Mantri Kaushal Vikas Yojana, Deen Dayal Upadhyay Grameen Kaushal Yojana, recognition of prior learning etc.**
3. **Pradhan Mantri Shram Yogi Maandhan (PMSYM**

   It offers a voluntary and contributory pension scheme, ensuring financial security for workers in their old age.

4. **Labour Reforms**

   Recent labour reforms aim to improve the welfare of workers, including those in the informal sector. These reforms focus on simplifying labour laws, ensuring minimum wages, expanding social security coverage, and enhancing the ease of compliance for businesses.

5. **Unorganised Workers' Social Security Act, 2008: The Act empowers the Central Government** to provide Social Security benefits to unorganised sector workers by formulating suitable welfare schemes

Way forward:

1. **There is a need to give protection to informal sector workers via social welfare schemes so** that the disruption they are facing does not lead to a permanent fall in demand.
2. **Agriculture cannot absorb more people. It is already overcrowded. Engaging migrants** in building new agri-value chains has some potential to create productive employment and protect livelihoods.
3. In the meantime, the government can scale up its **"one nation, one ration card" scheme, and make subsidised grains available at places of work** in cities and industrial towns.
4. Along with this, financial assistance under the **Garib Kalyan Yojana** can also be extended to the unorganised sector.

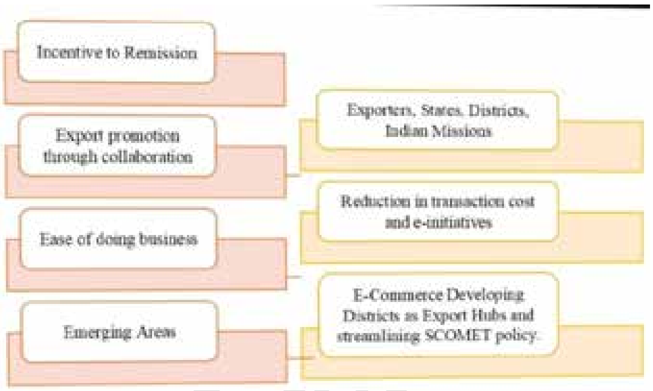
Foreign Trade policy 2023

Recently, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles launched the Foreign Trade Policy (FTP) 2023 which comes into effect from April 1, 2023.

Goals and Targets/Major objectives:

1. The government aims to increase **India's overall exports to USD 2 trillion by 2030,from the present 760 billion USD.**
2. **The government also intends to encourage the use of the Indian currency in cross-border trade, aided by a new payment settlement framework introduced by the RBI in July 2022.**
3. **To integrate India with the global markets: As India is on the path to becoming a developed nation by 2047, the policy lays down a blueprint** to integrate India with the global markets and make it a reliable and trusted trade partner.
4. **To build a future-ready India**: To build a future-ready India and to fulfil India's strategic vision of making India one of the **top exporting nations in the 'Amrit Kaal**.
5. **To create an enabling ecosystem**: The approach of this FTP is to gradually move away from an incentive-based regime and create an enabling ecosystem to support the philosophy of **'Atma Nirbhar**.
6. The new policy **will have no sunset date (ending date)** and will be **tweaked based on the emerging world trade scenario** and industry feedback. While the policy will be open-ended, the schemes sanctioned under it will be time bound.

Pillars of Foreign trade policy:The policy is based on these 4 pillars:



Key features of the Foreign Trade Policy 2023:

1. **Process Re-Engineering and Automation:**
   - **a)** The policy emphasizes export promotion and development, moving away from an incentive regime to a regime which is facilitating, based on technology interface and principles of collaboration.
   - b) Reduction in fee structures and IT-based schemes will make it easier for MSMEs and others to access export benefits.
3. **Towns of Export Excellence**:
   - **a) Four new towns, namely Faridabad, Mirzapur, Moradabad, and Varanasi,** have been designated as Towns of Export Excellence (TEE) in addition to the existing 39 towns.
   - **b) The TEEs will have priority access to export promotion funds under the Market Access Initiative** (MAI) scheme.
3. **Recognition of Exporters**:Star ratings will be provided to the exporters .2-star and above status holders would be encouraged to provide trade-related training based on a model curriculum to interested individuals.
4. **Promoting Export from the Districts: The FTP aims at building partnerships with State governments and taking forward the Districts as Export** Hubs (DEH) initiative.
5. **Facilitating E-Commerce Exports:**Various estimates suggest India's e-commerce export potential

in **the range of $200 to $300 billion by 2030.–FTP 2023 outlines** the intent and roadmap for establishing e-commerce hubs and related elements.

Merchanting trade:

a) **Merchanting trade involves the shipment of goods from one foreign country** to another foreign country without touching Indian ports, involving an Indian intermediary.

b) **Merchanting trade of restricted and prohibited items under the export policy would now be possible**.

Amnesty Scheme: **Government is strongly committed to reducing litigation and fostering trust-based relationships to help alleviate** the issues faced by exporters.

Expected benefits of the new FTP

1. **Boost in exports**: The new FTP aims to promote exports by reducing transaction costs, enhancing trade facilitation processes, and offering remissions on duties and taxes on export products.
2. **Encourage MSMEs**: The reduction in transaction fees for MSMEs and the creation of towns of excellence will help MSMEs to expand their business and increase their exports. For example, with reduced transaction fees, MSME can focus on product development and marketing.
3. **Facilitate decentralization** of manufacturing and agriculture:For example, the promotion of local handicrafts from a particular district can help to create employment **opportunities and encourage the growth of the handicrafts** sector in that region.
4. **Improving e-commerce exports:For example, small businesses can take advantage of the new policy to reach a** global audience through online marketplaces, leading to increased exports and growth of the e-commerce sector.
5. **Enhancing competitiveness:**For example, the development of efficient ports and logistics infrastructure will help businesses reduce the cost of exporting and become more competitive.

Challenges in implementing the new FTP.

1. **WTO compliance:** India needs to ensure that all its export promotion schemes comply with WTO rules, as it has faced criticism and even lost disputes in the past.

   For instance, the WTO struck down India's export subsidy schemes last year, leading to a shift from 'incentives' to 'remissions' in the new FTP.
2. **Infrastructure and logistics:For instance, the high cost of transportation and poor connectivity has led to perishable goods like vegetables and fruits getting spoiled in transit**, hurting exports.
3. **Global trade dynamics:For example, the ongoing trade war between the US and China has disrupted global** supply chains, affecting Indian exporters who source raw materials or sell them to these countries.
4. **Structural Changes in Global Export Order: The FTP** has not taken into account the structural changes in the global **export order post-Covid, which could impact the effectiveness** of the policy.
5. **Limited Focus on Services Exports**: The new FTP does not delve much into services exports, which are becoming increasingly important for India's economy.

Way forward:

1. **Focus on infrastructure**:For instance, the government can invest in developing industrial parks, improving **connectivity and logistics, and upgrading technology**.
2. **Promotion of innovation: For instance, the government can provide grants and tax incentives to start-ups and MSMEs involved in rese**arch and development.
3. **Address structural changes in the global export order: The new FTP** should consider the structural changes that have occurred in the global export order post-Covid to ensure that it remains relevant.

LPG(Liberalisation,Privatization,Globalization) Reforms

The LPG Reforms were a set of economic reforms announced by the Indian government in 1991. These reforms were a part of the New Economic Policy of India which was introduced to provide measures for the Liberalization, Privatization, and Globalization of the nation's economy.

Why reforms were done:

1. **Rise in Prices: The inflation rate increased from 6.7% to 16.7% and the country's economic** position became worse.
2. **Rise in Fiscal Deficit**: Due to increase in non-development expenditure, the fiscal deficit of the government increased. Due to the rise in fiscal deficit there was a rise in public debt and interest. In **1991 interest liability became 36.4% of total government** expenditure.
3. **Increase in Adverse Balance of Payments: In 1980-81 it was Rs. 2214 crore and rose in 1990- 91 to Rs. 17,367** crores. To cover this deficit a large amount of foreign loans had to be obtained and the

interest payment got increased.

4. **Iraq War: In 1990-91, war in Iraq broke, which led to a rise in petrol prices. The flow of foreign currency from Gulf** countries stopped and this further aggravated the problem.
5. **Dismal Performance of PSUs**: These were not performing well due to political interference and became a big liability for the government.
6. **Fall in Foreign Exchange Reserves: India's foreign exchange reserve fell to low ebb in 1990-91 and it was insufficient to pay for an import bill for 2** weeks.

Features of LPG Reforms:Major reforms:

10 REFORMS THAT CHANGED INDIA

GST did change the tax regime. But there are other key steps that form the bedrock of India's market-led economy & helped achieve higher growth...

1 NEW INDUSTRIAL POLICY
- Industrial licensing was abolished and 18 PSU industries were gradually liberalised
- Monopolies And Restrictive Trade Practices Act, 1969, was abolished

2 FDI & TRADE POLICY
- Import licensing was abolished for capital goods & intermediates, which became freely importable in 1993, simultaneously with the switch to a flexible exchange rate regime
- India joined the World Trade Organization and Trade-Related Aspects of Intellectual Property Rights agreement
- Quantitative restrictions on imports of manufactured consumer goods and agricultural products removed in 2001. The policy now allows 100% foreign ownership in many industries and majority ownership in all except banking, insurance, telecommunications and airlines
- Current account convertibility introduced in 1994

3 NEW INSTITUTIONS
- Securities and Exchange Board of India established
- Insurance Regulatory & Development Authority and Pension Fund Regulatory & Development Authority set up
- Union Budget created 'development finance institutions' and 'bad banks' to fund infrastructure and resolve stressed assets
- GST Council established

4 GOVERNMENT BORROWING
- Domestic bond markets created and Clearing Corporation of India is set up

5 INTEREST RATE LIBERALISATION
- Interest rate controls were dismantled and savings interest rates were deregulated

6 BASEL ACCORDS
- Basel Accords, a series of 3 international banking regulation agreements, adopted

7 NFSA & MGNREGS
NFSA legally entitled up to 75% of the rural and 50% of the urban population to receive subsidised food grain under the Targeted Public Distribution System
- MGNREGS guaranteed 100 days of wage-employment per year in rural areas

8 AADHAAR
- Aadhaar system provided a single-source offline/online identity verification, boosting the inclusion of programmes like PMJDY, Ayushman Bharat and Ujjwala

9 INSOLVENCY & BANKRUPTCY CODE
- A comprehensive law, IBC consolidated both consequential aspects of an economic collapse of a debtor — rehabilitation as well as liquidation

10 MONETARY POLICY COMMITTEE
- MPC was set up with basic objective to maintain price stability and accelerate the economy's growth rate. It has brought monetary policy decision-making in line with global best practices

Positive outcomes:

1. **India's GDP growth rate increased. During 1990-91 India's GDP growth rate was only 1.1% but after 1991 reforms GDP growth rate increased year by year and in 2022-23 it was estimated to be 7.2% by the IMF** and India is one of the fastest growing major economies.
2. Since 1991, India has firmly established itself as a lucrative foreign investment destination.FDI equity in 2022-23 was 84bIllion
3. **Exports have increased and stood at USD 760 billion** in 2022-23.
4. **Forex reserves in India stood at 578 billion USD as on March 2023.**
5. **The number of startups has grown from just around 350 before 2014 to more than 90,000 in 2023 with over 100 unicorns.This shows growing entrepreneurship** culture in India.
6. **Recently, India was ranked 40th position out of 132 in the Global Innovation Index (GII) 2022 rankings released by World Intellectual Property Organisation (WIPO).**
7. Size of Indian economy has increased to 3.75 trillion USD in 2022.India at present is the fifth largest economy and is poised to become 3rd largest by 2028.
8. **Around 415 million people exited poverty within a span of just 15 years between 2005 to 2021 in India, according to the latest Global Multidimensional Poverty Index (MPI). India is also one of the 25 countries that** have successfully halved their global MPI values within 15 years.

Challenges posed by reforms:

1. **In 1991, agriculture provided employment to 72 percent of the population and contributed 29.02 percent of the GDP. Now the share of agriculture in the GDP has gone** down drastically to 18 percent. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.
2. LPG policies have led to widening income gaps within the country eg 10 percent of the Indians have 57% of the Indian wealth.
3. The share of manufacturing in the GDP has largely remained stagnant at around 15%.
4. **Due to tertiary sector led growth,not enough job opportunities are created .Unemployment rates in India are around 7-8 percent and** Indian growth is termed as jobless growth.
5. **Due to the opening up of the Indian economy to foreign competition, more MNCs started competing with local businesses. This** led to highly unequal business competition.
6. **Globalization has also contributed to the destruction of the environment through pollution by emissions from manufacturing plants and the clearing of vegetation cover eg in the 10 most polluted cities of the world 6 are from India**.

Way forward:

1. Boost manufacturing:Successful implementation of Make in India,PLI scheme ,Atamnirbhar Bharat is important.
2. **Foreign investment can help drive economic growth in India.Red tape and bureaucratic hurdles** should be removed.
3. **According to the World Bank, agricultural productivity in India is only 30-50% of** its potential. Investment should be encouraged in this sector.
4. **Invest in education and skills**: **Skill India should be implemented in letter** and spirit.

Cryptocurrency

Cryptocurrency is a medium of exchange, such as the rupee or the US dollar, but is digital in format and uses encryption techniques to both control the creation of monetary units and to verify the exchange of money.

Examples of cryptocurrency:Bitcoin,Ethereum,Litecoin etc.

What is the Legal Status of Cryptocurrency:

1. **In 2022, the Government of India mentioned in the Union budget 2022-23 that-the transfer of any virtual currency/cryptocurrency asset will be subject to 30% tax deduction**.
2. **At present, El Salvador and the Central African Republic (CAR) are the only two countries in the world where** Bitcoin functions as a legal currency.

Features of Cryptocurrency

1. **Anonymous:** Cryptocurrencies make it possible to lend, sell, buy, or borrow without an identity, credit score, or even a bank.
2. **Highly secure:** All records of its creation and when it's sent or received are stored in a sort of big digital book that anyone can access, keeping it honest. It can't (easily) be stolen or seized and can be used anywhere in the world.
3. **Cheaper to transfer:** Some coins are used to transfer value (measured in a currency like dollars) cheaper and faster than using credit or conventional means. Meaning the cost to send someone crypto, which can be converted into regular currency, is cheaper than something like a check or wire transfer.
4. **Illegal and highly volatile:** However crypto is NOT just used for illegal purposes. In fact, due chiefly to its price fluctuation and other reasons it has fallen out of favor on the black market.
5. **No physical form:** Cryptocurrency does not exist in physical form (like paper money) and is typically not issued by a central authority. However, it can be and many governments are working to create a crypto coin version of its respective fiat currency.
6. **Decentralised:** Cryptocurrencies typically use decentralized control as opposed to a central bank digital currency.
7. **Blockchain technology used:** A blockchain is a database that stores encrypted blocks of data then chains them together to form a chronological single-source-of-truth for the data.

Significance of Cryptocurrencies

1. Corruption Check: As blocks run on a peer-to-peer network, it helps keep corruption in check by tracking the flow of funds and transactions.
2. **Time Effective: Cryptocurrencies can help save money and substantial time for the remitter and the receiver, as it is conducted entirely on the Internet, runs on a mechanism that involves** very less transaction fees and is almost instantaneous.
3. Cost Effective: Intermediaries such as banks, credit card and payment gateways draw almost 3% from the total global economic output of over $100 trillion, as fees for their services.Cryptocurrency donot need them.
4. Integrating blockchain into these sectors could result in hundreds of billions of dollars in savings.
5. Investment oppurtunities:Profits can be made from cryptocurrency investments. The value of cryptocurrency markets has skyrocketed

Concerns over Cryptocurrencies

1. **Sovereign guarantee**: Cryptocurrencies pose risks to consumers. They do not have any sovereign guarantee and hence are not legal tender.
2. **Market volatility**: Their speculative nature also makes them highly volatile. For instance, the value of Bitcoin fell from USD 20,000 in December 2017 to USD 3,800 in November 2018.
3. **Risk in security:** A user loses access to their cryptocurrency if they lose their private key (unlike traditional digital banking accounts, this password cannot be reset).
4. **Malware threats:** In some cases, these private keys are stored by technical service providers (cryptocurrency exchanges or wallets), which are prone to malware or hacking.
5. **Money laundering**: Cryptocurrencies are more vulnerable to criminal activity and money laundering. They provide greater anonymity than other payment methods since the public keys engaging in a transaction cannot be directly linked to an individual.
6. **Regulatory bypass:** A central bank cannot regulate the supply of cryptocurrencies in the economy. This could pose a risk to the financial stability of the country if their use becomes widespread.
7. **Power consumption:** Since validating transactions is energy-intensive, it may have adverse consequences for the country's energy security (the total electricity use of bitcoin mining, in 2018, was equivalent to that of mid-sized economies such as Switzerland).

Way Forward:

1. **Regulation** is required to prevent serious problems, to ensure that cryptocurrencies are not misused, and to protect unsuspecting investors from excessive market volatility and potential scams.
2. A legal **and regulatory framework** must define crypto-currencies as securities or other financial instruments under applicable national laws and identify the regulatory authority in charge.
3. **Rather than outright prohibiting cryptocurrencies, the government should regulate their trading** by instituting **stringent KYC norms**, reporting, and taxation.
4. To address concerns about transparency, information availability, and consumer protection, steps such as

record keeping, inspections, **independent audits, investor grievance redressal,** and dispute resolution may be considered.

Thus Cryptocurrencies provide unique opportunities for increasing people's economic independence all across the world.Cryptocurrencies can serve as an alternative to malfunctioning fiat currencies for savings and payments in regions where inflation is a major issue.

CBDC(Central bank digital currency)

A Central Bank Digital Currency (CBDC), or national digital currency, is simply the digital form of a country's fiat currency. Instead of printing paper currency or minting coins, the central bank issues electronic tokens. This token value is backed by the full faith and credit of the government.

Features of CBDC:

1. It is a **legal tender** and a **central bank liability** in digital form denominated in a **sovereign currency** and appearing on the **central bank's balance sheet.**
2. It is the same as a **fiat currency** and is **exchangeable one-to-one** with the **fiat currency**. Only its form is different.
3. It can be converted or exchanged at par with similarly denominated **cash and traditional central bank deposits.**
4. It can be transacted using wallets backed by the blockchain and is regulated by the central bank.
5. CBDCs enable the user to conduct **both domestic and cross border** transactions which **do not require a third party or a bank**
6. There will be no interest paid on CBDC because if interest is paid then Banks will loose their deposits and credit creation will be difficult.

Similarities Between the CBDCs & Cryptocurrencies:

1. If **we consider the similarities between CBDCs and cryptocurrencies, they both are virtual assets that reduce the need for physical cash**.
2. Their existence streamlines the process of making payments for goods and services.
3. Another similarity they both hold is the basic concept of blockchain technology, allowing the storage of transaction data in blocks.
4. **Cryptocurrencies and CBDCs are both blockchain-based** digital currencies.

Difference between CBDC and cryptocurrency:

CBDC	Cryptocurrency
Will be issued centrally by the RBI	Decentralized creation by private individuals and organisations.
Will be legal tender in India	Not legal tender in India
It will have intrinsic guarantee by the RBI for payment to the holder.	No such guarantee or claim
Digital currency rates are stable and currencies are globally accepted.	Cryptocurrency rates are highly volatile and they are not accepted every where.
Digital currency transactions are only known to the sender,receiver and bank	Cryptocurrency transactions are publicly available on decentralized ledger
Since they are legal tender no vender can deny them	They can be denied by the vendors.
They are not encrypted	They are encrypted.

Pros of CBDC:

1. **Cost efficient management: CBDC will cut the cost related to physical cash management. India spent ₹4,984.80 crore on printing money in FY22** and ₹4,012.10 crore in FY2021.This money can be saved.
2. **Safe money**:**People will have money in uncertain times: Since e₹ is the central bank money, in any uncertain situation like COVID-19, it'll save people's savings. Banks only insure deposits up to** Rs 5 lakh. In case of defaults, people could lose their savings.
3. **Cashless economy**:India's fairly high **currency-to-GDP ratio holds out another benefit of CBDC as to the extent large cash** usage can be replaced by CBDC.
4. **Rupee as international currency**:**The Digital Rupee provides India with the opportunity to establish the dominance of the Digital Rupee** as a superior currency for trade with its strategic partners, thereby reducing its dependency on the dollar.
5. **Detterence to cryptocurrency**:**CBDC will also help in distracting the investors from investing in the current crypto assets** that are highly risky
6. **Financial inclusion:The use of offline feature in CBDC would also be beneficial in remote locations and offer availability** and resilience benefits when electrical power or mobile network is not available
7. **Crimes**: It **will also help India in addressing the malpractices such as tax evasion, terror funding, money laundering**, etc., as the central bank can keep a check on every unit of the digital currency.

Issues with CBDC :

1. **Cyberfrauds**:In countries with lower financial literacy levels, the increase in **digital payment related frauds may also spread** to CBDCs.
2. **Privacy concerns: given that the central bank could potentially end up handling an enormous amount of data** regarding user transactions.
3. **Problems for banks**:If **e-cash becomes popular and the Reserve Bank of India (RBI) places no limit on the amount that can be stored in mobile wallets, weaker** banks may struggle to retain low-cost deposits.
4. **UPI already there**:**From a user's standpoint, there is no real incentive to switch to a CBDC as a growing proportion of retail transactions are already done** digitally or by using UPI-based fast payment systems

Way forward:

1. **Robust data security systems will have to be set up to prevent data breaches**.
2. **The RBI should avoid paying interest on the balances so that it remains only as a means of payment** and settlement system.

Banking Problems

Although India's financial system has seen great heights and has a relatable stable approach given the current global economic outlook, this is not to say that the banking system in India hasn't faced issues.Some of the most recent challenges that continue to have a heavy influence on India's financial system include the following:

1. **Non performing assets:The rise of Non-Performing Assets (NPAs**), including bad loans or problems in the agricultural and corporate sectors. **Currently, the country's NPAs have crossed ₹10 lakh crores, with more than 70% being from** the corporate sector.
2. **Lack of banking services:Lack** of banking for the underserved and rural population, **which is approximately 69% of India's total population. Around 1.4 billion** Indians do not have access to formal banking, as per the World Bank report.
3. **Frauds:The RBI in 2022 reported total fraud cases of around 9103, the biggest being the PNB scam of ₹11,000 crores, Vijay Mallya defaulting lenders for Rs. 9000 crores, and several others** that we have witnessed recently.
4. **Bank defaults and Bank Runs : e.g. Punjab & Maharashtra Cooperative Bank** was not able to provide cash to its depositors. Such issues are still prevalent in the Indian banking sector especially in rural areas.
5. **Increasing cyberfrauds:In FY2023, the total number of fraud cases in the banking system were 13,530. Of this almost 49 per cent or 6,659** cases were in the digital payment – card/internet – category.
6. **Balance sheet management**:In the past few years, many banks have tried to delay setting aside money as provisions (for future bad loans). **One reason for this is that a bank's chief executives have a short tenure, during which time** they want to post higher net profits and cheer investors.In the past few years, many banks have tried to delay setting aside money as provisions (for future bad loans). Deferring provisioning is harmful in the long term. It reduces the bank's ability to withstand financial pressures.
7. **Work force issues**:

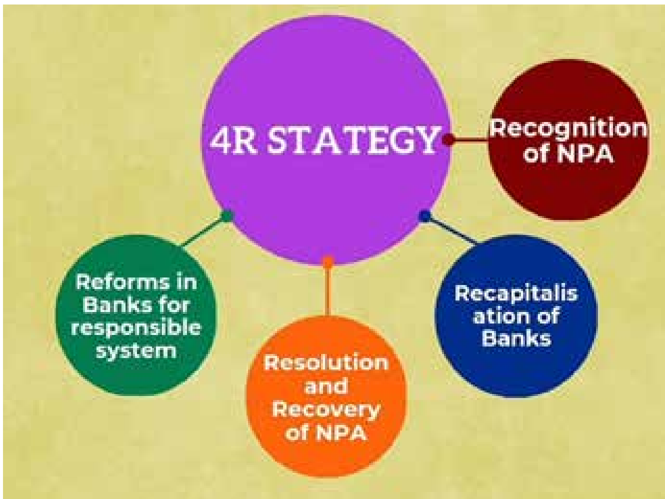
8. **Poor Govt policies:eg Schemes Like debt waiver** also discourages people to return debt taken and this also increases bad credit of the banks.

Impacts of Banking problems:

Steps taken by government:

1. **Mission Indradhanush**

2. **Banking and insolvency code:Insolvency and Bankruptcy Code 2016 seeks to** swiftly restructure and end the insolvencies of partnerships, organizations, and individuals.
3. **4R strategy**:



4. EASE 5.0 : **(Enhanced Access and Service Excellence)**

5. **Merger and Consolidation: To create stronger and more efficient banks, the government has encouraged** the merger and consolidation of public sector banks.
6. **Financial Technology (FinTech) and Innovation:This includes the development of payment systems, fintech startups, and regulatory sandboxes** to encourage experimentation and foster innovation.
7. **Financial Inclusion: Initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) aimed at ensuring** financial inclusion by providing access to banking services to unbanked sections of society.

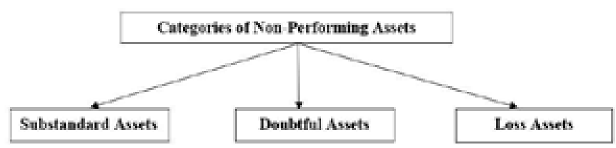
Way forward:

1. **Need for Differentiated Banks:Essentially, these specialised banks would ease the access to finance in areas such as RAM (retail, agriculture, MSMEs)**
2. **Blockchain Banking: Blockchain technology will allow prudential supervision and control over the banks may be easier.**
3. **Big Banks:The Narasimham Committee Report (1991), emphasised that India should have three or four large commercial banks, with domestic** and international presence, along with foreign banks.
4. **Mitigating Moral Hazard:**banking reforms should focus on the need for higher individual deposit insurance to mitigate systemic risks with least cost to the public exchequer.

NPA Issue.

A Non-performing Asset (NPA) is a loan or advance for which the principal or interest payment has remained overdue for a period of 90 days.

Classification of NPA:



1. **Sub-standard:** When the NPAs have aged <= 12 months.
2. **Doubtful:** When the NPAs have aged > 12 months.
3. **Loss assets:** When the bank or its auditors have identified the loss, but it has not been written off.

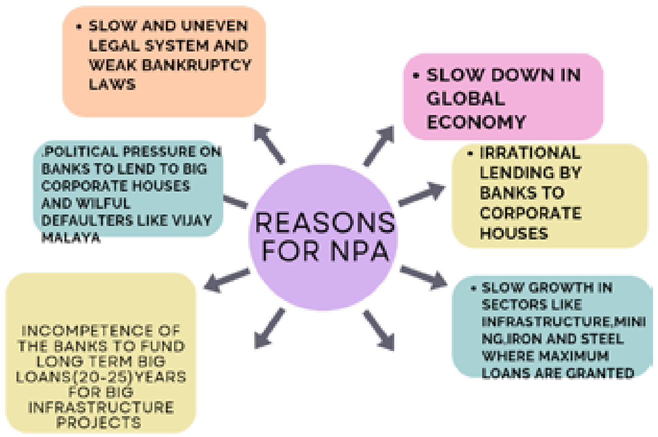
Current status of NPAs in India

1. According to the Reserve Bank of **India's (RBI's) Financial Stability Report the Gross non-performing assets (GNPA) ratio, has declined to 5% in September 2022.**
2. **The NPAs had risen from 3.8% in 2014 to 11.4%**

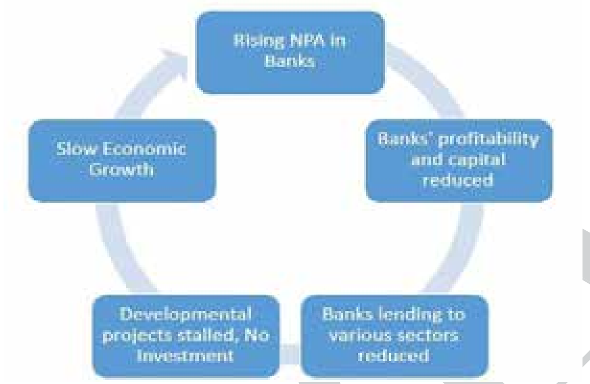
in 2018. However, since then the NPAs have shown a declining trend.

3. Despite the fall in the NPAs recently, the proportion is still high compared to other economies.

Reasons for NPA:



Impacts of NPA on economy:



Steps taken by govt:

1. **Bad bank:The bad bank is an ARC or an Asset Management Company (AMC) that takes over the bad loans of commercial banks, manages them and finally recovers the money over a period of time.The bad** bank in India will be called National Asset Reconstruction Ltd (NARC).
2. **Prompt Corrective Action** :PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.
3. **Scheme for Sustainable Structuring of Stressed Assets (S4A)**:The scheme aims to resolve debt issues and restore credit flow to critical sectors, including infrastructure.
4. **Asset Quality Review**:Asset Quality Review (AQR) is an exercise conducted by the Reserve Bank of India (RBI) to assess the actual level of bad loans in the industry.

Way Forward:

1. **There must be a sunset clause to the resolution process through Bad Banks. It is quintessential to develop time-bound strategies** for the resolution of assets, or else the bad bank will be reduced to a mere parking space of bad loans.
2. **Bad Banks should have a suitable mechanism in place that can facilitate funding for maintaining** the quality of assets till their resolution.
3. **Banks have to accept losses on loans (or 'haircuts'). They should be able to do so without any fear of harassment by the** investigative agencies.
4. **The Indian Banks' Association has set up a six-member panel to oversee resolution plans of lead lenders. To expedite resolution**, more such panels are required.
5. An alternative is to set up a **Loan Resolution Authority,** if necessary, through an Act of Parliament. Also, the government must infuse at one go whatever additional capital is needed to recapitalise banks — providing such capital in multiple instalments is not helpful.

Internationalisation of Rupee

Internationalisation of rupees is a process that involves increasing use of the local currency in cross-border transactions.It involves making the rupee convertible, acceptable and attractive for international transactions.

Features of internationalization of rupee:

1. **Convertibility**:This means that the **rupee can be freely** exchanged for other currencies without any restrictions or controls by the authorities.
2. **Acceptability**:**This means that the rupee is widely used and accepted by other countries and entities** for trade and financial transactions.
3. **Attractiveness:This means that the rupee is preferred by other countries and entities over other** currencies for trade and financial transactions.

Advantages of Internationalisation of rupee.

1. **Increased global acceptance**:Internationalization of the rupee can increase its **global acceptance, which can lead to more** international **transactions being conducted** in the rupee, thereby reducing the demand for foreign currencies and reducing exchange rate risks.
2. **Reduced transaction costs**: **Internationalization of the rupee can reduce transaction costs for Indian businesses as they will** not have to incur exchange rate fees for converting rupees into foreign currencies for international transactions.
3. **Boost to trade and investment**: Internationalization

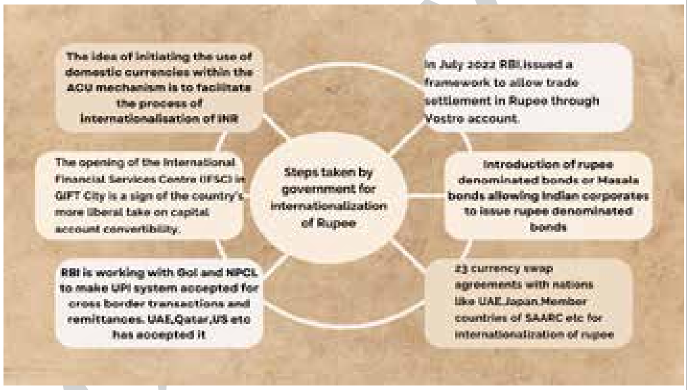
of the rupee can promote trade and investment by making it easier for foreign businesses to invest in India and for Indian businesses to invest abroad.

4. **Diversification of reserves:Internationalization of the rupee can diversify** India's foreign exchange reserves away from a concentration in US dollars, reducing the risks associated with holding a single currency.
5. **Geopolitical Advantages:It can strengthen economic ties** with other countries, facilitate bilateral trade agreements, and promote diplomatic relations.
6. **Declining share of the dollar**:The share of the dollar in foreign exchange reserves of countries is steadily declining. Other currencies are increasingly used in trade invoicing and settlement
7. **Geopolitical: In the wake of the sanctions imposed on Russia, many countries have become** cautious of the potential costs if they are subjected to similar sanctions by the Western governments. **China, Russia and a few other countries have become more vocal in questioning the US dollar**-dominated global currency system.

Challenges :

1. **Limited International Demand**:The daily average share for the rupee in the global forex **market is only around 1.6%, while India's share of global goods trade is ~2%.**
2. **Convertibility Concern:The INR is not fully convertible**, meaning there are restrictions on its convertibility for certain purposes such as capital transactions. This restricts its widespread use in international trade and finance.
3. **Demonetization Impact:The demonetization exercise in 2016, along with the recent withdrawal of the ₹2,0**00 note, has affected confidence in the rupee, particularly in neighboring countries like **Bhutan and Nepal.**
4. **Limited liquidity: The rupee is not yet a widely traded currency, which means there is limited liquidity in global** markets making it difficult for investors to buy and sell rupee-denominated assets, which can limit the attractiveness of the currency.
5. **Complicates Domestic Monetary Policy: The internationalization of the rupee could limit the effectiveness** and independence of the RBI in controlling domestic money supply.

Steps taken by Government:



Way forward:

1. **Aim for full convertibility by 2060, allowing free movement of financial** investments between India and abroad.
2. **Develop a deeper and more liquid rupee bond market to attract foreign investors and provide investment** options in rupees.
3. **Encourage Indian exporters and importers to invoice transactions in rupees to optimize trade settlement** formalities.
4. **Establish additional currency swap agreements, like the one with Sri Lanka, to settle trade and investment** transactions in rupees.
5. **Offer tax incentives to foreign businesses to encourage the use of rupees in operations within** India.
6. Ensure currency management stability and improve the exchange rate regime to instill confidence.
7. **Seek to make the rupee an official currency in international organizations to enhance its acceptability** and profile.
8. **Implement recommendations from the Tarapore Committees, including reducing fiscal deficits, inflation** rates, and non-performing assets in the banking sector.

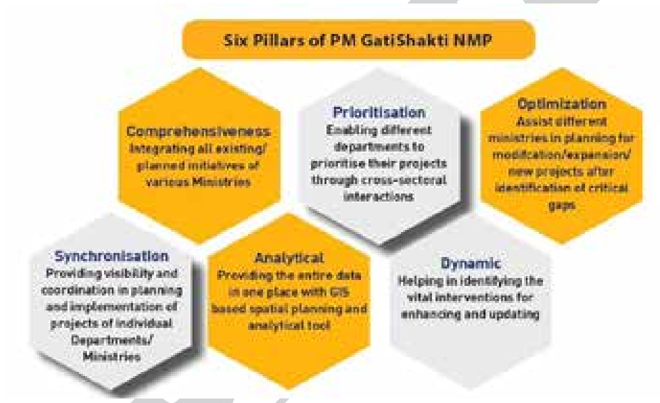
PM Gati Shakti

PM Gati Shakti Master Plan (2021), is a **Rs. 100 lakh-crore project** for developing **'holistic infrastructure'**. It aims to ensure the speed (Gati) and Power (Shakti) of **infrastructure projects** in the **next four years**, with a focus on expediting works on the ground, saving costs and creating jobs, and bringing down the logistics cost.

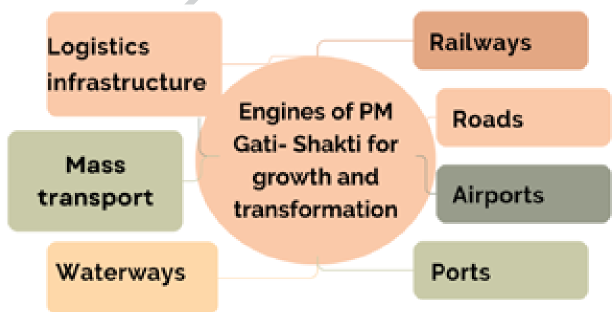
The vision of PM Gati Shakti:

1. **PM Gati Shakti will incorporate the infrastructure schemes of various Ministries and State** Governments like Bharatmala, Sagarmala, inland waterways, dry/land ports, UDAN etc.
2. **Economic Zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters**, and agri zones will be covered to improve connectivity & make Indian businesses more competitive.
3. It **will also leverage technology extensively including spatial planning tools with ISRO (Indian Space Research Organisation) imagery developed by BiSAG-N (Bhaskaracharya National Institute for** Space Applications and Geoinformatics).
4. To **achieve a sustained 5 trillion dollar economy and an increase to 20 trillion dollar economy by** 2040.
5. To **facilitate the last-mile connectivity of infrastructure** and reduce travel time and cost for people and businesses.

Pillars of PM Gati -Shakti:



Engines of PM-Gatishakti:



Services provided by PM Gati-Shakti:

1. **Planning and obtaining clearances**: The portal will offer **200 layers of geospatial data**, including on existing infrastructure such as roads, highways, railways, and toll plazas, as well as geographic information about forests, rivers and district boundaries to aid in planning and obtaining clearances.
2. **Centralised tracking of projects**: The portal will also allow various government departments to **track, in real-time** and at **one centralised place**, the progress of various projects, especially those with multi-sectoral and multi-regional impact.
3. **Prioritize projects**: Through Gati Shakti, different departments will be able to **prioritise** their **projects** through **cross-sectoral interactions**".
4. **Project clearances**: The portal will also highlight all the clearances that any new project would need, based on its location — and allow stakeholders to apply for these clearances from the relevant authority directly on the portal. The objective is to streamline the process and shorten the period required for clearances.
5. **Gati Shakti Digital Platform: The scheme includes the development** of a digital platform that facilitates real-time coordination and planning of infrastructure projects among various ministries and departments.

Significance of Pm Gati-Shakti:

1. **Bring the economy out of pandemic impacts**: If the Gati Shakti National Master Plan is implemented swiftly, then the Indian economy can achieve a significant growth trajectory by mitigating the impacts of the pandemic
2. **Ease of Doing business:**India's logistics cost **burden is 13-14% of GDP**, compared to **6-8%** in more competitive economies.This makes our Goods and services uncompetitive against China and western countries .PM GatiShakti will help in lowering the cost.
3. **Make in India**:It will **boost the Make in India initiative** by providing better access to markets, raw materials, skilled labour and technology for domestic industries.
4. **Innovation**:It will spur innovation and **entrepreneurship by creating an ecosystem for startups and MSMEs** to flourish in various sectors.
5. **Infrastructure and connectivity**:It will **foster regional integration and cooperation** by connecting India with its neighbouring countries through land, sea and air routes.
6. **Employment oppurtunities**:It will **generate employment opportunities** for millions of people directly and indirectly involved in the infrastructure sector

7. **Help in reducing human intervention within ministry:**The Gati Shakti portal would help **reduce the human intervention** required as ministries will be in constant touch.Moreover resources will be used efficiently.
8. **Tourism:Infrastructure is key to development of tourism, including spiritual and medical tourism .PM Gati Shakti with the focus on infrastructure** ,will help in growth of tourism.

Challenges associated with the functioning of PM Gati Shakti:

1. **Investments from states**:The Economic Survey projects maximum investments towards sectors such as energy, roads, urban infrastructure and railways for FY 2021 and 22, with about **₹8.5-lakh crore** to be invested by either side **annually**. With the pandemic and its associated challenges, the state governments don't have enough finances to invest such large amounts. This will delay the implementation of the master plan.
2. **Low Credit Off-take**: According to the RBI's paper, the growth rate in credit off-take has steeply declined to 5.8% in November 2022, as against 14.2% in 2013. This will reduce private investment in infrastructure projects. At present, there are concerns about the **declining credit offtake** trends from banks as they don't want to get into another **Non-Performing Asset** (NPA) crisis in future.
3. **Infrastructural challenges**: **The plan does not address a few key infrastructural challenges** like **Land acquisition,litigation issues**, **alienation of local communities** and the **violation of environmental norms**, etc.
4. **Issue of coordination**:PM Gati Shakti involves coordination among 16 ministries and departments at the central level, 29 state governments. This requires **effective communication, collaboration and consensus-building** among all these actors to avoid conflicts and delays.

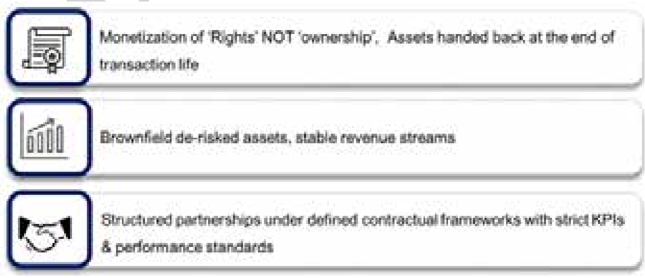
Way forward:

1. **Address certain key issues**: To the proper implementation of PM Gati Shakti, India needs to address **structural and macroeconomic stability concerns**, emanating from high public expenditure.
2. **Tackle land acquisition decisions**: With the availability of Geographic Information Systems and remote sensing technologies under the master plan, the policymakers have to do well to reclaim lands already subjected to degradation and pollution, rather than alienate controversial new parcels.
3. **Solve the credit offtake challenge**: **The Economic Survey for 2020-21 mentioned that India needs ₹4.5-lakh crore investments per year from the private sector to boost** NIP sectors. So, the government has to address the issues associated with low credit offtake for successful private investments.
4. **Incorporate the digital features in all spheres**: This can be done by adding optical fibres along **with railway lines and gas pipelines. India** also needs digital solutions for aggregation of demand and supply, which can be done by bringing the open network and open protocols under the Gati Shakti initiative.
5. **Improve the performance of roads**: India needs to improve the performance of roads for a smooth supply of goods. **Roads should be made smart with automatic monitoring of traffic, drone-based support, including drone-based monitoring of maintenance of assets.**

National Monetization Pipeline(NMP)

National Monetisation Pipeline (NMP), announced in budget 2021, is an asset monetisation programme that visualises to raise Rs 6 lakh crore by leasing out government owned infrastructure in over 4 years from 2022 to 2025.

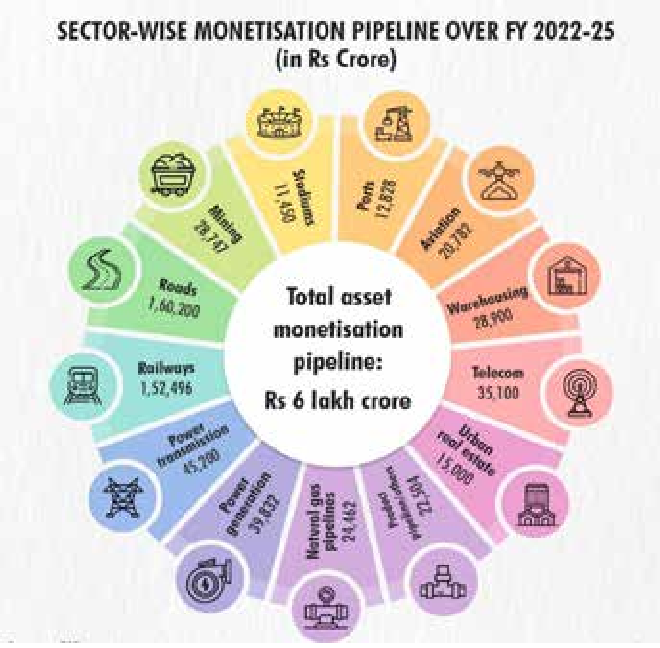
Key imperatives: The framework for monetisation of core asset monetisation has three key imperatives:



Salient features of the National Monetisation Pipeline (NMP):

1. It **aims to unlock the value of underutilized brownfield** government projects by private sector participation.
2. It **seeks to transfer only the revenue rights, while ownership rights remain with the government.**
3. **Rail, roads and power sector will comprise over 66% of the total value generated under NMP**.
4. States are incentivized by the Union government to pursue monetisation of their assets.
5. The revenue generated from NMP will be utilised for the creation of greenfield projects.
6. An empowered committee headed by a **cabinet secretary will oversee the implementation of the** programme.
7. Real time monitoring will be possible through the asset monetisation dashboard.

Sector wise targets:



Merits of the NMP

1. **Resource Efficiency: Resources are scarce with the government. Proper and effective channelization of** them is very important. NMP leads to optimum utilization of government assets.
2. **Keeping Fiscal Deficit at check**: The revenue accrued by leasing out these assets to private sector will help fund new capital expenditure without pressuring government finances.
3. Streamlining the Process: Monetization of assets is not new, but the government has finally organized it in baskets, set targets, identified impediments, and put in place a framework.
4. **Mobilizing Private Capital**: **Since the assets are de-risked as brownfield projects, it will help in mobilizing private capital (both domestic & foreign). Global investors have revealed that they are** keen to participate in projects to be monetized through a transparent/competitive bidding process.
5. **Less Resistance from the opposition: The plan involves leasing to the private sector without transferring ownership or resorting to fire sale of assets**. Therefore, it is going to face less resistance from the opposition.
6. **Cooperative Federalism: To encourage states to pursue monetization, the Central government has already set aside Rs 5,000 crore as** incentive.
   a) If **a state government divests its stake in a PSU, the Centre will provide a 100 percent matching** value of the divestment to the state.
   b) **If a state lists a public sector undertaking in the stock markets, the Central government will give it 50 percent of that amount raised** through listing.
   c) If **a state monetizes an asset, it will receive 33% of the amount raised from monetization from** the Centre.
7. **Promoting Public-Private Partnership**: **The end objective of NMP is to enable 'Infrastructure Creation through Monetization' wherein the public and private sector collaborate, each excelling in their core areas of competence, so as to deliver socio-economic** growth and quality of life to the country's citizens.

Major Accomplishments under the National Asset Monetization Pipeline:

1. **Ministry of Coal:The Ministry of Coal, which yielded a monetization value of nearly Rs.40,000 crore through auctioning 22 coal blocks and granting** contracts in the financial year 2022, was the largest contributor to the asset monetization pipeline.
2. **Mineral mining asset:Following the conclusion of 31 mineral block auctions, the mineral mining assets generated an estimated monetization value of Rs.18,700 crore in the financial year 2022**.
3. Ministry of Road Transport and Highways:The monetization value for the Ministry of Road Transport and Highways was approximate Rs.23,000 crore in 2022.
4. Ministry of Power:recorded a monetization accomplishment of Rs.9500 crores.
5. **National Hydroelectric Power Corporation (NHPC):The National Hydroelectric Power Corporation finished monetizing one of its operational hydro assets, raising roughly Rs.1,000** crore.

Challenges to NMP:

1. **Lack of identifiable revenue streams:eg Monetization potential of toll road assets is limited by the percentage** of stretches having four-lane and above configuration.
2. **Level of capacity utilization :eg gas and petroleum pipeline networks and** regulated tariffs in power sector assets
3. **Slow pace of privatization in government companies :Including Air India and BPCL, and less-than-encouraging bids in the recently** launched PPP initiative in trains, indicate that attracting private investors' interest is not that easy.
4. **Asset-specific challenges :eg Konkan Railway, for instance, has multiple stakeholders, including state governments**, which own stake in the entity. Creating an effective monetization transaction structure could be a bit challenging in this case.

5. **Issue of Taxpayers' Money: The taxpayers have already paid for these public assets and, so, why should they pay again to a private party** to use them.
6. **Cycle of Creating and Monetising Assets: The NMP is quite likely to create a vicious cycle of creating new assets and then monetising** the same when they become liabilities for the Government at a later stage.
7. **Lack of dispute resolution mechanism :It will lead** to loss of time and resources in case of conflict.
8. **Risk of creation of monopolies** :where a few firms capture most of the assets.

Way Forward:

1. **Strengthening Public Enterprises: As India needs to invest about $1.5 trillion on infrastructure development in order to aspire to become a $5 trillion economy by the year 2024-25, public** enterprises should be in focus.
2. **Alternative Dispute-Resolution Mechanism:Efficient and effective dispute resolution mechanisms will naturally and automatically** accrue to the design and execution of NMP too.
3. **Multi-Stakeholder Approach: In this context, the Fifteenth Finance Commission has recommended the setting up of a High-Powered Intergovernmental** Group to re-examine the fiscal responsibility legislation of the Centre and States
4. **Addressing Systemic Problems and Generating Social Values: Private-public investment structures make sense, but they must be modeled** to also generate social value. There are no shortcuts to sustainable development.

Manufacturing in India

The manufacturing sector in India is significantly important for a developing nation like India that depend on manufacturing from growth and development. The manufacturing sector in India has underperformed in recent decades as compared to other countries, accounting for only 16-17% of GDP.

Manufacturing Sector Scenario In India

1. **India's contribution to world manufacturing output is sixth while China is in the first position.**
2. **As compared to the target of contributing Gross Domestic Product (GDP) to 25% by 2022, the share was at 15% in 2018.**
3. Ever since the opening of the economy, the manufacturing sector has grown at the rate of 7% as compared to the target of 12%.
4. **India is not a part of the top 10 exporters who accounted for 83% of world manufacturing exports** in 2018.

Importance of manufacturing sector.

1. **Manufacturing industries contribute towards modernizing the agriculture sector on which a large volume of the workforce is dependent.eg in India around 50 percent** population depends upon agriculture for employment.
2. **This sector reduces the heavy dependence of people on agricultural income by diversifying** the jobs provided in secondary and tertiary sectors.
3. A **requisite for industrial development is the eradication of unemployment and poverty from our** country.
4. It **also helps to decrease the regional disparities by establishing industries in tribal and backward areas.eg Coastal States in India have been much developed than other States.**
5. Expansion of manufactured goods expands trade and commerce and brings in much-needed foreign exchange.
6. It **would aid in the alleviation of poverty and bring about equitable distribution of income and wealth**.
7. **Services sector share has gone more than 50 percent .However this sector has not created enough jobs.That is why Indian growth is** also called as jobless.

Challenges in the manufacturing sector in India.

1. **Complex labour laws: The biggest hindrance is the labour laws and reforms in the country. The Global Rights Index (2016), published annually by the International Trade Union Confederation (ITUC), ranked** India as one of the 10 worst countries for working people.
2. **Complex taxation system: eg complex GST, which has dampened investor sentiment and created tremendous compliance burdens on small and medium sized enterprises (SMEs).**
3. **Power deficit:India is running short of power with a deficit of 5.1%. The Comptroller and Auditor General (CAG) has also recently claimed a loss of $37 billion due to lack of transparency in the allocation of the coal** blocks.
4. **Educational Gaps:The NITI Aayog had released data showing that only about 5% of Indian youth have had any kind of technical training. The figure for South Korea was over** 85%
5. **Infrastructure issues:India faces challenges in reaching seaports, poor infrastructure at ports, higher turnaround times, and lack of inexpensive power** and industrial waste disposal services.

6. **Land acquisition:Under the 2013 Act, land acquisition is estimated to take minimally four to five years. In addition, there remains uncertainty with respect to eventual successful completion of acquisition.eg Posco has to withdraw multibillion steel project in** Orissa due to land acquisition issues.
7. MSME Issue's:MSME sector is facing tough competition due to the cheap imports from China and other countries that have a free trade agreement with India.
8. **Intellectual Property Protection and Enforcement: are risky and expensive in India. Currently, the government is undertaking significant** IP Protection reforms, increasing uncertainty and complexity.

Steps taken by government

1. **Make in India initiative aims to make India the global manufacturing hub. It also aims to increase the sector's GDP share to 25% from the existing 16%, and create 100 million new jobs by 2022**.
2. **Skill India aims to create jobs and promote entrepreneurship** within India.
3. Sharm Suvidha is a web portal that provides a single platform for all labour law compliances.
4. Other labour reform initiatives include Random Inspection Scheme, Universal Account Number and Apprentice Protsahan Yojana.
5. **Defence Procurement Policy (DPP) prioritises the promotion of indigenous defence technology**.
6. **National Manufacturing Policy (NMP) provides for Technology Acquisition and Development Fund (TADF) that facilitates the acquisition of clean, green and energy-efficient technology** by MSMEs.
7. **Startup India scheme's objective is to generate employment and promote economic development**.
8. **Infrastructure Development Projects: National monetization pipeline,Highways ,High speed corridors** etc
9. In **addition, since 2020, a number of Production-Linked Incentive (PLI) schemes have been announced for various sectors to incentivize manufacturing with the goal of achieving 'Atma Nirbhar Bharat**.

Way forward:

1. **Investing in Infrastructure: Improving the quality and availability of infrastructure, such as roads, ports, and power supply, could help attract more investment and businesses to the manufacturing** sector.
2. **Promoting Export-Oriented Manufacturing:This could involve providing support for businesses looking to enter new markets, or implementing policies that incentivize export-oriented** manufacturing.
3. Fostering Innovation: This could involve providing funding for R&D or implementing policies that encourage the adoption of new technologies.
4. **Improving Access to Finance: This could involve implementing policies that encourage banks and other financial institutions to lend to SMEs in the manufacturing sector or providing government-backed loan** guarantees to support SME lending.
5. **Encouraging Skill Development:This could involve investing in vocational training programs, or implementing policies that encourage** businesses to invest in employee training.

Jobless growth in India

Jobless growth is a situation when the economy is able to produce more goods and services without a simultaneous increase in employment opportunities.

Indian scenario of jobless growth:

1. **India experienced job growth of 3% p.a in the 70s at a time when our economy grew at 3-3.5% p.a but over the last 3 decades our economy grew** at over 5-8% p.a but our job growth has been close to 1% p.a.
2. **According to the Centre for Monitoring Indian Economy (CMIE) in India to meet the current demand for employment, we need to create 20 million new jobs each year in India and employment needs to grow at 5% per annum**.But currently, we are adding less than 2 million jobs a year .

Reasons for jobless growth in India:

1. Declining share of manufacturing in job creation:According to CMIE, the manufacturing sector employed 51 million Indians in 2016-17, which had come down to 27.6 million in 2020-21.
2. **Problem in skilling ecosystem:large-scale surveys, employers have said that less than 50% of the college graduates entering the workforce have the cutting-edge skills** they need or the ability to pick them up in the workplace.
3. **Service led growth:India's economic growth has been largely services led in contrast. A leap from the primary to the tertiary sector hasn't** been able to generate sufficient jobs.
4. **Emergence of new technologies:The enhanced adoption of new technologies like AI, Automation** etc. is decreasing the demand for manpower.
5. Labour Laws:According to a World Bank study, Industrial Disputes Act has lowered employment in organized manufacturing by about 25%.
6. **Policy issues**:**Various incentives provided by the**

government such as tax incentives, subsidies, depreciation allowance etc. are solely linked to the amount invested and not to the number of jobs created.

Challenges associated with jobless growth

1. **India has the advantage of youth, half the population is under 30; but it will start ageing in the coming decades. Therefore a significant number of jobs** are desired to reap this demographic dividend.
2. In **the absence of meaningful livelihood opportunities, society will be susceptible to social unrest. This was evident by the protests that erupted in June over the Agnipath Scheme.**
3. To sustain growth and attract global investments, India needs to ensure there's a trained workforce for the industry.
4. **Jobless growth can lead to reduced productivity, as workers who are unable to find employment become discouraged and drop out of the labour force, reducing the overall level of economic** output.
5. **High levels of unemployment can lead to increased social spending on unemployment benefits and other social safety net programs**, putting pressure on government budgets.

Steps taken by government:

1. **The Union Government has announced plans to hire a million people by the end of 2023 to fill** vacancies in government departments.
2. **National Education Policy, 2020: The Aim of the policy is not only be cognitive development but also to build character and create holistic and well-rounded individuals equipped with** the key 21st-century skills.
3. **Pradhan Mantri Kaushal Vikas Yojana (PMKVY: Under PMKVY, training and assessment fees** are paid completely by the Government to provide skills.
4. Startup India scheme's objective is to generate employment and promote economic development. Besides 10000 crore startup seed fund is created to fund the startups in initial phases.

Way forward:

1. The private sector should be given greater support in form of subsidies and tax rebates, especially the budding start-ups which have the potential to generate multiple jobs.
2. **Effective implementation of current schemes like MUDRA, Startup India etc. could be a game** changer in this regard.
3. The commercial dispute redressal **mechanisms need to be strengthened in order to attract more investment into the industrial sector. Currently, India has 163rd rank in enforcing contracts as per Ease of Doing Business reports**.
4. **Students should be encouraged to learn new-age skills like 5G technology, Big Data, Digital Marketing** etc. that would enhance their probability of employment.
5. **local governments and community organisations like women's self-help groups and youth organisations should be fully involved in the** skilling plan for a local area.

Jobless growth remains the single biggest challenge to the Indian economy.A robust manufacturing sector is a must for absorbing the excessive workforce of the agriculture sector as well as enabling the nation to reap its demographic dividend.

Indian economy transition directly from primary to tertiary sector missing secondary.

The natural economic progression of a nation goes from agrarian economy, to industrial economy to a service economy. India leap-frogged from an agrarian economy to a service economy because of following reasons.

Pre independence reasons:

1. **India had a strong and bitter colonial experience and a taste of capitalism's exploitative nature. British colonized India to serve as a source of raw material for its fast developing** industries.
2. **Indian manufacturing sector and crafts industry broke down due to competition from cheap European products and exploitative policies of British, forcing people to move from industries to land-based** activities.
3. The services like law, health, civil services , banking etc grew lucrative and were widely respected as they provided employment and status in colonial India.

From 1947-1990 Reasons

1. **Lack of investment in infrastructure: India has a poor infrastructure, which makes it difficult for industries to operate effectively. This lack of infrastructure has led to a decline in** the growth rate of the industrial sector.
2. **High cost of doing business: India has a high cost of doing business, which includes high taxes, bureaucratic red tape, and high energy costs. These high costs have made it difficult for industries to operate in the country,** resulting in a decline in the growth rate of the industrial sector.
3. **Lack of access to credit: Indian industries often have difficulty accessing credit, which makes it difficult for them to invest in new technologies**

and expand their operations. This has led to a decline in the growth rate of the industrial sector.

4. **Protectionism: India has a long history of protectionism, which has led to a decline in the growth rate of the industrial sector. Protectionism has created a closed market, which has prevented foreign companies from competing with domestic companies, resulting in a lack of innovation and productivity.**

Post 1990 reasons:

1. **Skilled labor force: India has a large and well-educated labor force, which is well-suited for the service The service sector, particularly the** IT and business process outsourcing (BPO) sectors, has been able to take advantage of this skilled labor force.
2. **Low capital requirement: The service sector requires relatively low capital investment compared to the industry sector. This has made it easier for entrepreneurs to set up service-based businesses, leading** to a growth in the service sector.
3. **Liberalization of the economy: India's economy was liberalized in 1991, which led to an increase in foreign investment and the growth of the service sector. The service sector was able to take advantage of this liberalization, particularly in the areas of IT and BPO.**
4. **Government policies: The Indian government has implemented several policies to support the growth of the service sector, including** tax breaks, subsidies, and investment in infrastructure.

Thus Indian economy is already growth riding at the back of service sector, Governement has taken measures like Make in India, Skill India, Start Up India, to promote manufacturing and industry sector.

Sustainable development

It is the Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

Core elements of sustainable development:

Need of sustainable development:

Features of Sustainable Development:

1. **Sustained Rise in Real per Capita Income:**

   There should be a sustained rise in real per capita income and economic welfare on long term basis.

2. **Rational Use of Natural Resources:**

   Sustainable development simply means that natural resources should be rationally used in a manner such that they are not over exploited.

3. **Preserving the natural resources for future generations:**

   Sustainable development aims at making use of natural resources and environment for raising the existing standard of living in such a way as not to reduce the ability of the future generations to meet their own needs.

Strategies for Sustainable Development

1. Efficient Technology: Use of production technologies which are input efficient. It means more is produced per unit of input.
2. **Use of Environment-friendly Sources of Energy: promotion** of wind energy, solar energy and other environment friendly sources of energy in place of fossil fuels.
3. **Promotion of Organic Farming: Adaption of chemical free** agriculture.
4. **Recycling of the Wastes**

   Stringent Laws on the Disposal of Chemical Effluents

5. Creation of awareness to conserve natural assets for inter-generational equity
6. Public Means of Transport: Public means of transport are to be rapid, comfortable and economical.

Steps taken by the government for sustainable development:

1. **Ratifying Paris Agreement**

   a) India now stands committed to **reducing the emissions intensity** of its GDP **by 45 percent** by **2030** from its 2005 levels, as per the updated NDC.

   b) The country will also target about **50 percent of**

cumulative electric power installed capacity from **non-fossil fuel-based energy** resources by 2030.

2. **Focus on clean energy**:As of Feb 2023, RE Sources, including large hydropower, have a combined installed capacity of **178.9 GW**.

   The share of fossil fuels in the installed capacity has reduced from 67% in 2017 to 57% in 2023.

3. **The net zero commitment**:India has set itself an ambitious long-term goal of reaching net zero emissions by 2070.
4. In **our life time campaign:This campaign envisions to recognize youth between the ages of 18 to 23 years** to become message bearers of sustainable lifestyles.
5. **Schemes for removing poverty and hunger:MGNREGA,Pm Aawas Yojna,Pm Garib kalayan yojna,National food Security Act** etc
6. **Policies for Gender equality:** Rashtriya Mahila Kosh ,Stand up India,Pradhan Mantri Matru Vandna Yojna,Ujjwala Yojana etc.
7. **Policies for sustainable cities:Smart city Project,Sustainable cities India program,Amrut (Atal Mission for Rejuvenation and** Urban Transformation) etc.
8. **International coordination:International solar alliance,One Sun one world one Grid (OSOWOG),India – United Nations Sustainable Development Cooperation Framework** 2023-2027 etc.

Challenges to sustainable development in India:

1. **Uneven Progress: India has made progress in some areas, but there are disparities across districts. While certain indicators, such as neonatal and under-five mortality, improved sanitation, and electricity access, are on track at the national level, many** districts still lag.
2. **Inadequate Pace of Improvement: For several SDG indicators, the current pace of improvement is insufficient to meet the targets. Issues** such as clean cooking fuel, improved water, and handwashing facilities, and women's well-being require accelerated progress
3. **Gender Inequality: India struggles with gender inequality, particularly concerning indicators like girl-child marriage, teenage pregnancy, and partner violence. The prevalence of child marriage remains high, and achieving the SDG target by 2030 seems unlikely in most** districts.
4. **Environmental Sustainability: India faces significant challenges in achieving environmental sustainability goals. Factors such as air and water pollution, deforestation, and inadequate waste management contribute** to the degradation of natural resources and pose obstacles to achieving SDGs related to climate action and environmental preservation.
5. **Defining the Key Indicators:**The key definitions for areas, such as poverty, hunger, safe drinking water, education need to be revised in order to effectively implement the SDGs
6. **Financing Sustainable Development Goals: At today's level of investment, there is a huge funding** shortfall that hinders the progress of attaining SDGs
7. **Measuring the Progress:.Incomplete coverage of administrative data is yet another factor that has hampered the measurement of progress for even the Millennial Development Goals (MDGs)** that were the precursor to SDGs.
8. **Region specific issues**:

Way forward

1. **Developed countries need to change their production and consumption patterns, including by limiting the use of fossil fuels and plastics, and to encourage public and private** investments that align with the SDGs.
2. **Environmental commons—such as the atmosphere, rainforests and oceans—must be safeguarded as crucial sources of ecosystem services and natural resources. All stakeholders must work together to conserve,** restore and sustainably use natural resources.
3. **The food system must undergo widespread changes to the infrastructure, cultural and societal norms, and policies that are supporting the current, unsustainable,** status quo
4. It **also requires addressing social and economic factors that contribute to environmental degradation, ensuring inclusivity, and empowering communities to participate in** sustainable development efforts.

HDI (Human development Index)

The HDI is a **composite statistical measure created by the United Nations Development Programme** to evaluate and compare the level of human development in different regions around the world.

Indicators used:

Calculation of HDI:

1. The HDI is the geometric mean of normalized indices for each of the three dimensions.
2. HDI is denoted by a number between 0 and 1. A country's HDI value increases with its level of human development. UNDP ranks countries based on their HDI reports every year.

Indian Performance in HDI index of 2021-22

1. The global HDI rank of India has slipped from 129 in 2019 to 131 in 2020 and to 132 in 2021-22 out of 192 countries with a composite score of 0.633

Reasons for the poor performance of India:

1. **Unevenly Distribution of Economic Growth:The top 10% of the Indian population holds over 77% of the** wealth.This has resulted in significant disparities in access to basic amenities, healthcare and education.
2. **Low Quality of Services:While India has made significant progress in reducing poverty and increasing access to healthcare and education**, the quality of such services remains a concern.**For example, while the country has achieved near-universal enrolment in primary education, the quality of education remains low.**
3. **Lack of Effective Educational Infrastructure:Many schools lack basic facilities such as adequate classrooms, clean water, and trained** teachers.
4. **Lack of Proper Nutrition:**
   a) **Over 70% of India's population cannot afford a healthy diet as of 2020 despite the fact that the cost of food remains relatively low by comparison to other countries**.
   b) **Among all women aged 15-49, the prevalence of anaemia has risen to 57% in 2019-21 (NFHS-5) from 53%** in 2015-16 (NFHS-4).
3. **Lack of Social Security:Many workers lack access to basic benefits such as health care, retirement** pensions, and job security.
4. **Gender Inequality:Male-female ratio for Expected Years of Schooling (EYS) declined from 1.43 in 1990 to 0.989 in 2021 and for Mean Years of Schooling (MYS), it declined from** 1.26 to 1.06.

As **per the World Economic Forum's Global Gender Gap Report 2022, women make up only 22%** of the AI workforce.

Way forward:

1. **Addressing Income Inequality and gender inequality:Equal Pay, Education and Skill Development, Affordable Childcare, Empowerment** programmes for women etc can be helpful.
2. **Invest in Education:Governments can invest in education by building schools, hiring teachers, providing scholarships and improving access to education for disadvantaged communities**.
3. **Providing Healthcare:Government needs to focus on these schemes: Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), Pradhan Mantri Swasthya Suraksha Yojana (PMSSY**), National Urban Health Mission (NUHM), Mission Indradhanush.
4. **Addressing Poverty:** Governments can address poverty by implementing social welfare programs, such as unemployment benefits, food assistance, and housing subsidies.
5. **Protecting Human Rights:Governments can protect human rights by ensuring that citizens have the right to free speech, freedom of religion**, and freedom from discrimination.
6. **Building Infrastructure:Governments can invest in infrastructure projects that improve access to basic services, such as clean water and** electricity, and create job opportunities.

IMF(International Monetary fund)

IMF is an international financial organization established to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Objectives of IMF

1. To improve and promote global monetary cooperation of the world.
2. **To secure financial stability by eliminating** or minimizing the exchange rate stability.
3. To facilitate a balanced international trade.

4. **To promote high employment through economic assistance and sustainable economic** growth.
5. **To reduce poverty around the** world.

Functions of IMF:

1. **Regulatory functions**:

   IMF **functions as a regulatory body and as per the rules of the Articles of Agreement, it also focuses on administering** a code of conduct for exchange rate policies and restrictions on payments for current account transactions.

2. **Financial functions**:

   IMF provides financial support and resources to the member countries to meet short term and medium term Balance of Payments (BOP) disequilibrium.

3. **Consultative functions**:

   IMF is a centre for international cooperation for the member countries. It also acts as a source of counsel and technical assistance.

Achievements of IMF:

Floating exchange rates:

1. **After the Bretton Woods system (system of fixed exchange rates) collapsed in the 1971, the IMF has promoted the system of floating exchange rates. Countries are free to choose their exchange arrangement, meaning that market forces determine the** value of currencies relative to one another. This system continues to be in place today.
2. **Oil crisis:During 1973 oil crisis,IMF administered a new lending program during 1974–1976 called the Oil Facility. Funded by oil-exporting nations and other lenders, it was available** to nations suffering from acute problems with their **balance of trade due** to the rise in oil prices.
3. **Transition of countries:The IMF played a central role in helping the countries of the former Soviet bloc transition from central planning to market-**driven economies.
4. **Financial crisis of East Asia:1997, a wave of financial crises swept over East Asia, from Thailand to Indonesia to Korea and beyond.The International Monetary Fund created a series of bailouts** (rescue packages) for the most-affected economies to enable them to avoid default, tying the packages to currency, banking and financial system reforms.
5. **Global Economic Crisis (2008):IMF undertook major initiatives to strengthen surveillance to respond to a more globalized and interconnected world during the global economic** crisis.
6. **Special Drawing Right (SDR): The Fund had succeeded in establishing a scheme of SDR for international liquidity. Further, fund also took many** steps to improve international liquidity
7. **The liberalization policies of IMF especially on trade have reduced problems of scarcity** and structural inflation.
8. Policies such as privatization have helped to improve efficiency, accountability, management and reducing corruption.
9. **IMF and Covid:**
   1. Emergency Financing – IMF has responded by doubling the countries' access to its Rapid Credit Facility (RCF) and Rapid Transfer Financing (RFI)
   2. **Grants for Debt Relief – With this initiative, IMF has reached out to the 29 of its poorest and most vulnerable countries through its Catastrophe Containment and Relief Trust (CCRT**).
   3. **Calls for Bilateral Debt Relief – IMF asked the bilateral creditors to suspend debt service payments from the low-income countries, using its Debt Service Suspension Initiative** (DSSI).
   4. **Enhancing Liquidity – For the global financial safety, the International Monetary Organization approved the establishment of Short-term Liquidity** Line (SLL).
   5. **Adjusting existing lending arrangements – The IMF's focus is also on to adjust its lending arrangements for new needs rising amid the pandemic**.

Policy Advice – The organization is catering to the need for policy advice to the countries to boost the economy in the time of the pandemic.

Capacity Development – The organization has reached out to 160 countries to address urgent issues such as cash management, financial supervision, cybersecurity and economic governance.

Criticism of IMF:

1. Issue of Governance:For decades, Europe and the United States have guaranteed the helm of the IMF to a European and that of the World Bank to an American.
2. **Conditions placed on loans :compromise the economic and political sovereignty of the receiving countries.Many of these conditions are simply politically impossible to** achieve because they would cause too much domestic opposition.
3. **Imposition of Policies:IMF demands that countries it lends to privatize government services rapidly. It results in a blind faith in the free market that**

ignores the fact that the ground must be prepared for privatization.

4. **Interference:has tended to interfere with the internal economic affairs/conditions of the member states. This is because the member countries have** to fulfil the IMF conditions to get financial assistance.
5. **The IMF policies have instead widened the gap between the poor and the rich**. This is because its programs favour the rich.
6. **IMF policies have failed to protect the peasant farmer in LDCs because of abolition of price control** programs such as minimum price legislation.

Way forward:

1. **Refroming Quota System:**
   a) **For example, the quota of BRICS countries should increase and that of European Union Countries** should decrease.
   b) **Also, it is important that the new quota formula give more weight to PPP GDP to better reflect the true economic strength of emerging markets** and developing economies.
3. Helping Lower Income Countries: The IMF should focus on lower income countries and support other developing countries' market funds raising activities, so that they can come out of poverty.
4. **Management Reforms:**
   a) **The IMF and World Bank group, there is an informal arrangement, that the head of the IMF should be a European and the head of the World Bank should be an American**.
   b) **The time has come to reconsider this, and the IMF** probably should really rethink it.

World Bank

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement.

Goals of World Bank:Currently, the World Bank has two stated goals that it aims to achieve by 2030.

1. **The first is to end extreme poverty by decreasing the number of people living on less than $1.90 a day to below 3% of the world population**.
2. The second is to increase overall prosperity by increasing income growth in the bottom 40% of every country in the world.

Institutions in the world Bank Group:

Significance of World Bank:

1. **Poverty reduction:**
   a) **Progress towards poverty reduction has been significant over the years. Income per person has doubled. Life expectancy has increased**.
   b) **The World Bank is the world's single largest provider of external funding for education" and it is "the largest external funding source** for health.
3. **Good Governance & fight against corruption:The World Bank created a number of "products", such as a code of investment, a forestry code and a mining code, which can be used to fight against corruption and to** check good governance.
4. **Debt relief:In 1996, the World Bank and the IMF launched the Heavily Indebted Poor Countries (HIPC) Initiative to provide debt relief to the world's poorest and most heavily indebted countries. It ensures that the savings from debt relief are directed into areas such as** health and education which are proven poverty-fighting programs.
5. **Inclusion of the poor:A central point in all the actions of World Bank is putting the poor at the centre of** development.
6. Largest research centers in development:
   The Bank is also one of the world's largest research centers in development. It has specialized departments that use this knowledge to advise countries in areas like health, education, nutrition, finance, justice, law and the environment.
7. **Funds India's growth:Currently, the World Bank's support to India is spread over 127 active projects with a combined worth of over $28 billion**.

Criticism of the world Bank:

1. **Conditionality:The World Bank has been criticized for attaching conditions to its loans and assistance. These conditions can deteriorate existing social and economic inequalities in** recipient countries.
2. **Environmental and Social Impacts**: **Critics argue that the Bank has funded projects that have**

had negative environmental and social impacts, including forced displacement of communities, destruction of ecosystems, and human rights violations.

3. **Lack of Transparency and Accountability:Critics argue that the Bank has not been transparent in its decision-making processes, and that it has not adequately engaged** with civil society and other stakeholders in its operations.
4. **Influence of Major Shareholders: Critics argue that the Bank's decision-making processes are influenced by major shareholders like United States which can lead to policies that** reflect the interests of those countries rather than the needs of recipient countries.
5. **Governance issue:It doesn't reveal on a deal to deal basis at what interest rate is it lending. To which countries is it lending cheap. Why some** countries are favoured over the other.
6. Under representation of Emerging countries like India :New Development Bank was setup in 2015 with the objective of countering the under representation of emerging countries in World Bank and IMF.

Way forward:

1. **Poverty eradication:Poverty eradication and progress on shared prosperity remains slow and there is a dire need to step up financing capacity by $50 billion** to move towards sustainable, resilient and inclusive development.
2. **Addressing Climate Change:** $125tn of climate investment is needed by 2050 to meet net zero targets.
3. **Priority to poor countries:** The poorest countries, burdened by pandemic debts, must be given priority in the World Bank.
4. **Encourage rich shareholders: Encouraging richer shareholders to inject more capital can significantly boost the World Bank's lending capacity** with only modest increases.
5. **Innovative funds: World Bank may need new and more innovative sources of financing for this purpose, including green bonds (debt securities designated to finance environmentally friendly** projects.

Compare and contrast world bank and IMF

Similarities between the WB and IMF

1. **Both the International Monetary Fund and the World Bank were formed together at Bretton Woods, New Hampshire, in July 1944. They** are called Bretton woods twins.
2. **Both were created to support the world economy in** their own unique ways.
3. **Both are headquartered in Washington D.C, the** U.S.A.
4. They have the same membership as no admission to the World Bank is possible without the IMF membership.
5. **The management structure of the World Bank is largely similar to that of the IMF. Voting rights in these institutions depend primarily on the capital contribution of the member countries**.

Differences between the WB and the IMF

Despite similarities, however, the Bank and the IMF remain distinct. Following differences exist between them:

1. **The World Bank is primarily a development institution but the IMF is a cooperative institution that seeks to maintain an orderly** system of payments and receipts between nations.
2. The IMF exists to preserve an orderly monetary system whereas the World Bank performs an economic development role.
3. The world bank gives loans for the development purposes whereas IMF gives loans when economy of country is not doing well.
4. IMF is a single institution whereas world bank is group of five institutions.
5. **They have different funding sources. The IMF raises its money through membership fees, known as quotas. Each member country pays a quota based on its relative economic size so that the larger economies pay more. The World Bank raises most of its money through borrowing by issuing bonds** to investors. It also receives grants from donors
6. The IMF exists primarily to stabilize exchange rates, while the World Bank's primary goal is to reduce poverty.

WTO (World trade organization)

The World Trade Organisation (WTO) is an intergovernmental organization that regulates and supports international trade.

Primary Goal

The World Commerce Organisation (WTO) is an international organization whose main goal is to open up trade for the benefit of everyone.

Objectives:

The WTO has six main objectives:

1. **To limit the trading barriers by negotiating. This results in a reduction in the prices of goods and services, which in turn results in a reduction** in the cost of living.

2. Stimulating economic growth and development, and employment opportunities.
3. Limit the cost of international business activities.
4. **To promote the concept of good governance**.
5. **To reduce the trade disputes among the countries**.
6. **Collaborating with leading financial institutions to boost economic management**.

Principles of WTO:

1. **Non-Discrimination:It has two components.**
   a) **Most Favored Nation- All nations should be treated equally. No one country can grant any other member country any special favour. For example, if one country lower tariff to one country then** it has to be lowered to all other member countries.
   b) **National Treatment- Same treatment to all products, either local or foreigners. Fair and equal treatment is given to local as well as the** products imported from other countries.
3. **Reciprocity- Lowering of import duties and other trade barriers in return for similar concessions** from another country.
4. **Predictability through Binding and enforceable commitments- To make the business environment** stable and predictable.
5. Transparency- The WTO members need to publish their trade regulations and to notify changes in trade policies to the WTO.
6. **Encouraging Development and Economic Reforms – All efforts are made by the WTO** system to contribute to development.

Major agreements under WTO:

1. **Agreement on Agriculture (AoA):. The AoA has three central concepts, or "pillars": domestic** support, market access and export subsidies
   a) **Domestic Support – It refers to subsidies such guaranteed Minimum Price or Input subsidies which are direct and product specific. Under this, Subsidies are categorized into** 3 boxes
2. **Green Box – Subsidies which are no or least market distorting includes measures decoupled from output such as income-support payments (decoupled income support), safety – net programs, payments under environmental** programs, and agricultural research and-development subsidies
3. **Blue Box – Only 'Production limiting Subsidies' under this are allowed. They cover payments** based on acreage, yield, or number of livestock in a base year.
4. Amber Box – These include subsidies which are trade distorting and need to be curbed.
5. **The General Agreement on Trade in Services :The objective of the GATS is to build a sound multilateral framework of principles and norms for** service trade.

Types of services:

Mode 1: Cross Border

Distance learning, consultancy, and BPO services are examples of services that cross borders from one country to another.

Mode 2: Consumption Abroad

Services are made available to foreign consumers within a country, such as tourism, educational students for students, medical treatment, and so on.

Mode 3: Commercial Presence

Services provided by a foreign entity thatis commercially pressed in another country, such as banking, hotels, and so on.

Mode 4: Movements of natural persons

This is a foreign national who works as a consultant or employee in another country, delivering services such as a doctor, nurse, IT engineer, and so on.

1. **The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS):TRIPS** defines minimum requirements for trademarks, copyrights, geographical indications, patents, industrial designs, layout designs for integrated circuits.
2. **The Agreement on the Application of Sanitary and Phytosanitary Measures(SPS):Under the SPS agreement, the WTO sets constraints on members' policies relating to food safety (bacterial contaminants,** pesticides, inspection, and labelling) as well as animal and plant health (imported pests and diseases).
3. **The Agreement on Technical Barriers to Trade(TBT):The objective was to ensure that technical negotiations and standards, as well as testing and certification procedures, do** not create unnecessary obstacles to trade.
4. **Agreement on Trade-Related Investment Measures (TRIMS),:(a)TRIMs deal with regulating investment measures that may impact trade in goods and services. It aims to create** a level playing field for foreign investors.
   a) **TRIMs applies to all WTO member countries and regulates investment measures such as local content, trade balancing, export performance**, and technology transfer requirements.

Achievements of WTO

1. **Global Facilitation of Trade:**The WTO has not only **enhanced the value and quantity of trade but has also helped in eradicating trade and non-trade barriers.**
2. **Improved Economic Growth:**Since 1995, the value of **world trade has nearly quadrupled,** while the **real volume of world trade has expanded by 2.7 times.**
3. Increased Technology Cooperation :Communication technologies have allowed the supply chains to become increasingly international which has led to technology transfer.

   eg components of iPhone now are being manufactured by 7-8 multinational operating in 40 countries.
4. **Upliftment of Poor Countries:**The least-developed countries receive extra attention in the WTO. **All the WTO agreements recognize that they must benefit from the greatest possible flexibility, and better-off members must make extra efforts to lower import barriers on least-developed countries' exports.**
5. **Reduction of poverty:** In 1995, over one in three people living around the world fell below the World Bank's $1.90 threshold for extreme poverty. Today the extreme poverty rate is less than 10%, the lowest ever.

Challenges to WTO:

1. **China-US Trade war:** China's state-owned enterprises present a major challenge to the free-market global trading system and the rulebook of the WTO is inadequate for addressing these challenges. It is due to this that USA-China are also engaged in Trade war.
2. **Institutional Issues:**The **Appellate Body's operations have effectively been suspended** since December 2019, as the USA's blocking of appointments has left the body without a quorum of adjudicators needed to hear appeals.
3. **Lack of Transparency:**Members can currently self-designate as developing countries to receive 'special and differential treatment' – a practice that is the subject of much contention.
4. **Agriculture and Development:Agreement on agriculture is facing issues due to food security and development** requirements for developing countries like India.
5. **Tilt towards developed world:The policies and rules appropriate or advantageous to the industrialised world are getting established as common rules to be obeyed by the developing world as well. As a result, 'one size fits air approach is increasingly getting embedded in the WTO rules and disciplines**.

Way Forward:

1. **Modernizing the WTO will necessitate the development of a new set of rules for dealing with digital trade and e-commerce**.
2. **WTO members will also have to deal more effectively with China's trade policies and practices,** including how to better handle state-owned enterprises and industrial subsidies.
3. Given the pressing issues around **climate change, increased efforts to align trade and environmental sustainability** could help to both tackle climate change and reinvigorate the WTO.

Deglobalization

Deglobalization is a movement towards a less connected world, characterized by powerful nation states, local solutions, and border controls rather than global institutions, treaties, and free movement.

Indicators of Deglobalization:

1. **Trade: Measured as a share of global gross domestic product, trade doubled from 30 percent in 1973 to a high of 60 percent in 2008. But it faltered during the crisis and has since dropped to 55** percent.
   a) Moreover trade wars like US-China trade war are also increasing around the world.
2. **The flow of capital - mainly bank loans - is retreating even faster.Capital flows have since slumped to just under 2 percent of G.D.P. from a peak of 16 percent in** 2007.
3. **The flow of people is slowing, too. Despite the flood of refugees into Europe, net migration from poor to rich countries decreased to 12 million between 2011 and 2015, down by four million from the previous five years.More over stricter visa regimes like H1B visa** issue are also indicator of decreasing flow of people.
4. **Decreasing FDI:According to World Investment report by UNCTAD, FDI around the world is regularly decreasing.eg Foreign investment in least developed countries fell by 16% in 2022 whereas it fell by 37 percent** in developed countries.

Reasons for Deglobalization:

1. Unequal distribution of benefits of globalization, rising inequalities, job loss especially in developed countries.
2. **MNCs across the countries and workers from developing countries benefitted the most leading to perception that workers from developing countries have stolen jobs from developed countries. This led to demands of stricter** visa regime and relocation of

industries.

3. **Global slowdown exacerbated the above mentioned situation and led to increase in demand for protectionist measures across globe**.
4. **Rise of ISIS, increased instances of terrorist attacks and emerging security threats across globe. Immigration crisis further accentuated the security situation and as it is happening** at the time of economic slowdown thus leading to anti-immigrant stand.
5. Rise of populist leaders globally re-enforces the trend.eg slogans like USA first,India first etc.
6. Global institutions like World Bank,IMF and WTO are blamed for their western dominance.
7. **Massive development of transport that has been the basis of globalization is also responsible for serious environmental problems such as greenhouse gas emissions, global warming** or air pollution.
8. Covid 19 :The Pandemic and disruption of the global supply chains further added fuel to the deglobalization.

Disadvantages of Deglobalization:

1. Economic impact: (a)Deglobalisation will lead to reduction in the rate of economic growth of the world.

   a) **It will lead to protectionism** with **reduced cooperation among countries that will hurt Indian trade and exports**.

   b) Deglobalisation will lead to reduction in competition and rise in general prices of the goods and services.

   c) It **will destroy employment opportunities because as it will prevent outflow of skilled people due to protectionist measures like visa regulations. This will impact their employability and** remittance to the nation.

   d) It **may lead to increased import costs due to lesser choice and options and manufacturers and producers would have to pay more for equipment, commodities, and intermediate** products from foreign markets.

5. **Social impact:(a)It will lead to decrease in standards of living as it will impact exports and economic growth impacting welfare of poor and** their standard of lives.

   a)It **will lead to rise in conflicts economically and politically.**

2. **Political impact: It would affect polity leading to instability in political framework of nations due to rise in prices** and cost of living may lead to civil Uprisings.
3. **Impact on technology: These tendencies limit technological advancement of the world as whole and of developing countries in particular. Limited knowledge sharing, lack** of flow of technology to developing countries limit advancement in science.
4. **Impact on Environmental conversation:It would lead to lack of coordination at international organisation like UN where countries may not come at a common point to various** problems like environmental change.
5. Impact on women employment:egLack of coordination will reduce opportunities for women across the world.
6. **Impact on security**: **Due to lack of coordination among various nations, security around the world along with India would impact.**
7. **Impact on farmers: A less coordinating world means impact in agricultural exports and Indian farmers. Indian farmers would face double whammy of environment change and deglobalisation**.

Opportunities provided by De-globalization:

1. **This process aims to protect and promote local industries by focusing on domestic production. It leads to increased job opportunities within a country and can help address unemployment concerns and support domestic workers**.
2. It **can encourage countries to diversify their economies by reducing dependence on a few dominant industries or foreign markets. Governments can build more sustainable economies that are less susceptible to global economic shocks** by promoting the development of diverse sectors.
3. **One of the significant benefits of deglobalization is that it may allow countries to preserve and protect their cultural identity and traditions. Countries can safeguard their heritage, language, and values and** boost cultural preservation.
4. A **more localized approach to production and consumption can lead to shorter supply chains, minimizing the negative impact on** the environment.

Way forward:

1. **Govt should promote inclusive and sustainable growth so that discontent against globalization** reduces.
2. **Developing countries should be focused on localized globalization .Global South and BRICS are good initiatives**.
3. **Global institutions should reform them and should provide more voice to the developing and developed world**.
4. Western world which is the major beneficiary of fossil fuel based economy should fund climate change iniatives around the world.

BRICS.

BRICS is an acronym for 5 emerging economies of the world viz. – Brazil, Russia, India, China, and South Africa. The term BRIC was coined by Jim O'Neil, the then chairman of Goldman Sachs in 2001.

Objectives of BRICS:

1. **The BRICS seeks to deepen, broaden and intensify cooperation within the grouping and among the individual countries for more sustainable, equitable and mutually beneficial development**.
2. **BRICS takes into consideration each member's growth, development and poverty objectives to ensure relations are built on the respective country's economic strengths and to** avoid competition where possible.
3. BRICS is emerging as a new and promising political-diplomatic entity with diverse objectives, far beyond the original objective of reforming global financial institutions.

Major achievements of BRICS:

IMF Reforms:BRICs managed to push for institutional reform which led to International Monetary Fund (IMF) quota reform in 2010 (finally implemented in 2016).

4. **New Development Bank:NDB's achievement has 96 projects with its lending touching $33 billion .Moreover it has been seen as substitute for** IMF and World Bank.
5. Contingent Reserve Arrangement:The BRICS CRA aims to provide short-term liquidity support to the members through currency swaps to help mitigating BOP crisis situation and further strengthen financial stability.The initial total committed resources of the CRA shall be US one hundred billion dollars (USD 100 billion

Importance of BRICS for India:

1. **Multi-lateralism and multi-culturism: India can benefit from collective strength of BRICS by way of consultation and cooperation on economic issues of mutual interests, as well as global issues, such as, international terrorism, climate change, food and energy security**, reforms of global governance institutions, etc.
2. **Support for NSG Membership: India remains engaged with the other BRICS countries on its NSG membership**.
3. **Support for achieving SDG and national goals:The NDB has approved its first set of loans, which included a loan of US$ 250 million in respect of India for Multitranche** Financing Facility for Renewable Energy Financing Scheme.
4. **India-China Relations:India has also tried to use BRIC as a forum to resolve the age-old mistrust and complicated relationship with China**.
5. **Support for Collective Fight against Terrorism:Its working group on countering terrorism has expanded its activities through five thematic subgroups that deal with terrorist financing, use of Internet for terrorist purposes**, countering radicalisation, issue of foreign terrorist fighters, and capacity building.

BRICS EXPANSION

Recently, during the 15th BRICS summit held in Johannesburg, it was announced that the existing five-member BRICS grouping, consisting of Brazil, Russia, India, China, and South Africa, had taken a significant step by inviting six new countries to join. These new invitees are Iran, Saudi Arabia, and the United Arab Emirates (UAE) from West Asia; Egypt and Ethiopia from Africa; and Argentina from Latin America.

Significance of expansion:

1. With the proposed expansion, BRICS will represent 46% of the world's population. Its share of global GDP will rise from 31.5% in PPP terms to 37%. It is surpassing the GDP share of the G-7, which stands at 30.7%.
2. **The five core BRICS members currently account for 23% of global exports and 19% of global imports. With the addition of new members, these figures will increase by 3.7% and 3%, respectively**.
3. The most significant impact will be on the energy sector. The five original BRICS members currently contribute to 20% of the world's oil production. This share is set to increase to 42%

Geopolitical Significance:

1. China and India receive 35% of Saudi Arabia's oil production. Russia, a major oil supplier to China and India, is exploring Brazil as a market. Despite U.S. sanctions, Iran has considerably increased its oil production, and most of it going to China.
2. **Egypt and Ethiopia play essential roles in the strategically vital Horn of Africa and the Red Sea region. Argentina holds the position of being the second-largest economy in Latin America**.
3. Since 2020, both Saudi Arabia and the UAE have pursued independent foreign policies, distancing themselves from U.S. influence.
4. Since 2020, both Saudi Arabia and the UAE have pursued independent foreign policies, distancing themselves from U.S. influence.
5. **The UAE has normalized relations with Iran and is expanding its maritime presence across the Gulf, the Gulf of Aden, the Red Sea, and the Horn of Africa**.

6. **Iran's inclusion in BRICS is significant. It opens opportunities for enhanced regional economic cooperation and the revitalization of long-dormant north-south connectivity projects, including the Chabahar port**.

Implications of expansion for India:

1. **Reduced dependence on the US dollar:BRICS currency would provide India with an alternative to the dollar, which would reduce** its dependence on the US and make its economy more stable
2. **Increased trade and investment:This could lead to increased trade and investment between India and other BRICS countries, which would boost India's economy**.
3. Reduced political pressure from the US:For example, the US has imposed sanctions on countries that do not cooperate with its sanctions on Iran.

Challenges:

1. **BRICS new members Argentina and Egypt, to name just two, are also members of the infamous "Coffee Club" (United for Consensus) —opposed to India's membership in the UNSC.** They also get a lot of support from China.
2. With the SCO and BRICS, China dominates the two most prominent "alternate" groupings — neither of which includes the US.
3. **The BRICS is a relatively young group; there are wide disparities in size, outlook and perceptions of its members**
4. **The group has so far taken a non-confrontational stance and stayed away from the rivalry between the West and the China-Russia-Iran axis. Making the group too big would make decision-making** more complicated and time-consuming.

Way forward:

1. **BRICS should prioritize economic and social convergences among its member states and should focus on institution building, fostering trust, sharing knowledge, promoting trade and development, and advancing** developmental finance.
2. **India has to find creative ways of blunting Chinese strategy while opening up BRICS to countries that will ensure equitable distribution of** power in the group.
3. **Also, the expansion of BRICS should be based on rule-based order and the forum should not leave any room for 'economic hegemony' and 'anti-West** agenda'

Dedollarisation

De-dollarisation refers to reducing the dollar's dominance of global markets. It is a process of substituting the US dollar as the currency used for Trading oil and/ or other commodities, Buying US dollars for the forex reserves, Bilateral trade agreements, Dollar-denominated assets.

Need of Dedollarisation:

1. **Economic Sovereignty:Many countries believe that their economic sovereignty is threatened by the dominance of the dollar in global trade, as it** gives the **US government a significant amount of control** over the global economy.
2. Currency Manipulation:The dominance of the dollar in global trade allows the US government to manipulate its currency to gain an economic advantage over other countries.
3. **Risk of Financial Crisis:The dominance of the dollar in global trade also increases the risk of a global financial crisis, as a crisis in the US economy** can have a ripple effect on the global economy.
4. **Dependence on US:Global trade is largely conducted in dollars, so countries that deal with the US a lot may become too dependent on the** US economy.
5. **Geo-Politics:Some countries wish to reduce their dependence on the US dollar as it is seen as a way to reduce the US influence on their economy, and in some cases, as a form of** resistance against the US dominance.

Advantages of De-Dollarisation

1. **Reducing Dependence on the US Dollar:By using other currencies or a basket of currencies, countries can reduce their dependence on the US dollar and the US economy,** which can help to mitigate the impact of economic and political changes in the US on their own economies.
2. **Improving Economic Stability:By diversifying their reserves, countries can reduce their exposure to currency fluctuations and interest rate changes, which can help to improve economic stability and reduce the** risk of financial crises.
3. **Increasing Trade and Investment:By using other currencies, countries can increase trade and investment with other countries that may not have a strong relationship with the US, which can open up new markets and** opportunities for growth.
4. Reducing US monetary Policy Influence:By reducing the use of the US dollar, countries can reduce the influence of US monetary policy on their own economies.

Steps taken by Governments of Different Countries:

Global Efforts:

Bilateral Currency Swaps:

1. Bilateral **currency swaps among ASEAN countries, China, Japan, South Korea are USD380 billion and rising.**
2. Similarly, the South African rand is used by several African countries.
3. The Latin American countries are moving towards greater inter-regional trade
4. **Initiation of Trade in National Currencies:**
   a) **Asian central banks have over USD 400 billion of local currency swap lines and trade** amongst themselves.
   b) The BRICS's New Development Bank encourages trade and investment in national currencies by disbursing up to 50% of its loans in national currencies since 2015.
   c) China developed **the Renminbi in 2015 and offers clearing and settlement services for participants in cross-border yuan** payments and trade.
   d) **Russian banks have started using the China-based Cross-Border Interbank Payment System for international payments, as they are debarred from the SWIFT international** system.

India's Efforts:

a) In **July 2022, the Reserve Bank of India (RBI) unveiled a rupee settlement system for international trade by allowing special vostro accounts in designated Indian banks, a step towards** internationalising the rupee.

b) India has been paying In rupees for Russian oil.

c) UPI is now valid in

Challanges associated with dedollarisation.

1. **Not Fully Convertible:The challenge for national currencies is that these are not fully convertible. Thus, despite the rise of alternate systems of trade, and multiple currency circulation** systems, the dollar still dominates.
2. **Currency fluctuations:National currencies can fluctuate in value relative to the dollar, which can make it difficult for countries to plan their** economic policies and for businesses to make long-term investments.
3. **Limited Use of National Currencies in International Trade:The dollar is widely used in international trade, making it difficult for national currencies to compete. This can make it harder for countries to conduct trade with** one another and for businesses to expand internationally.
4. **Dependence on the Dollar:Many countries are heavily dependent on the dollar for trade and financial transactions, which can make them** vulnerable to changes in the value of the dollar and to the policies of the US government.
5. **Financial Instability:The dollar's dominance in the international financial system can contribute to financial instability in other countries**, as they may be more susceptible to financial crises.
6. **Monetary Sovereignty:The hegemonic role of the dollar limits the monetary sovereignty of other countries by making it difficult for them to use monetary policy to stabilize their economies**.

Way forward:

1. **Diversifying Foreign Exchange Reserves: Governments can reduce their dependence on the dollar by holding a greater proportion of their foreign exchange reserves in** other currencies, such as the Euro or the **Chinese Yuan**.
2. **Encouraging the Use of Domestic Currencies in International Trade:Governments can promote the use of their own currencies in international trade by providing incentives for businesses to use them.Since 2019**, India has been paying Russia for fuel, oil, minerals and specific defence imports in rupees on an informal basis.
3. **Developing Alternative Payment Systems:Governments can work to develop alternative payment systems, such as the Chinese-led Asian Infrastructure Investment Bank**, that are not dependent on the dollar.
4. **Building Economic Alliances:Governments can form economic alliances with other countries to reduce their dependence** on the dollar.
5. **Investing in Other Currencies:Governments may invest in other currencies to reduce the risk of currency fluctuations** or to counter the hegemony of the dollar.

Digital India

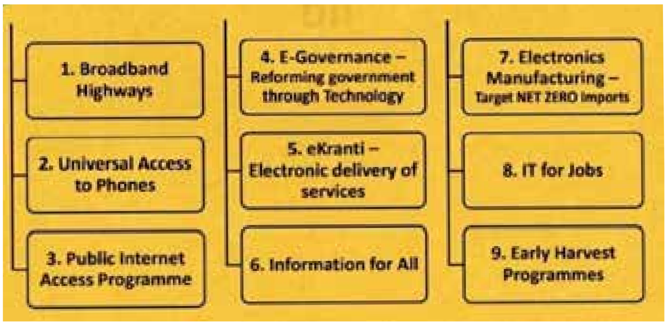
Digital India was an initiative taken by the Government of India for providing high-speed internet networks to rural areas. Digital India Mission was launched by PM Narendra Modi on 1st July 2015 as a beneficiary to other government schemes including Make in India, Bharatmala, Sagarmala, Startup India, BharatNet, and Standup India.

Objectives of Digital India

The major objectives of this initiative are listed below:

1. **To provide high-speed internet in all gram panchayats**.
2. To provide easy access to Common Service Centre (CSC) in all the locality.
3. India is an initiative that combines a large number of ideas and thoughts into a single, comprehensive vision so that each of them is seen as part of a larger goal.
4. The Digital India Programme also focuses on restructuring many existing schemes that can be implemented in a synchronized manner.

Pillars of Digital India



Initiatives under digital India:

1. **Aadhaar:** Over 135.5 crore residents have been enrolled.Target based subsidies are provided through this system.
2. **Unified Mobile Application for New-age Governance (UMANG): For providing government services to citizens through mobile. More than 1668 e-Services and over 20,197 bill payment services are made available at UMANG**.
3. **Common Services Centres:**Over 400 digital services are being offered by these CSCs.So far, 5.21 Lakh CSCs are functional (including urban & rural areas) across the country
4. **Unified Payment Interface (UPI): It is the leading digital payment platform. It has onboarded 376 banks and has facilitated 730 crore transactions** (by volume) worth Rs 11.9 lakh crore.
5. **Digi Locker: Digital Locker provides an ecosystem with the collection of repositories and gateways for issuers to upload the documents in the digital repositories.Digital Locker has more** than 13.7 crore users and more than 562 crore documents.
6. **e-Sign:** e-Sign service facilitates instant signing of forms/documents online by citizens in a legally acceptable form
7. **MyGov: It is a citizen engagement platform that is developed to facilitate participatory governance. Presently, over 2.76+ crore users are registered** with MyGov.
8. **MeriPehchaan: National Single Sign-on (NSSO) platform called MeriPehchaan has been launched in July 2022 to facilitate/provide citizens ease** of access to government portals.
9. **Jeevan Pramaan: Jeevan Pramaan envisages digitizing the whole process of securing the life certificate for pensioners**.
10. **Pradhan Mantri Gramin Digital Saksharta Abhiyaan (PMGDISHA): The Government has approved the scheme to usher in digital literacy in rural India**.

Significance of the Digital India campaign

1. **Transparency:** The transparency that has come due to Digital India has eliminated corruption at various levels adversely affecting the poor and the middle class.
2. **Direct Benefit Transfer**: In the last eight years, more than Rs 23 lakh crore has been transferred through Direct Benefit Transfer (DBT) to beneficiaries.
3. **The trio of Jan Dhan, Mobile and Aadhaar, or JAM:** It has provided maximum benefit to the poor and the middle class.
4. **Ending corruption**: The Digital India campaign has helped save Rs 2.25 lakh crore from falling into the wrong hands in the past eight years.
5. **Eliminating middle-men**: Digital India has saved money for the common man by ending the network of middle-men
6. **Digital India helped the government tackle the crisis arising out of the Covid pandemic**: CoWin and Aarogya Setu are two mobile applications that helped provide 200 crore vaccine doses.
7. **Ending digital divide:** Digital India has also helped bridge the digital divide that exists between rural and urban India.

Challenges:

1. **Gender gap**: Indian women are 15 per cent less likely to own a mobile phone and 33 per cent less likely to use mobile internet services than men.

   Women constitute only one-third of internet users in India.
2. Skewed penetration: Among states, Maharashtra has the highest internet penetration, followed by Goa and Kerala, while Bihar has the lowest, followed by Chhattisgarh and Jharkhand.
3. **India's global rank:** According to the UN's e-participation index (2022), which is a composite measure of three important dimensions of e-government, namely provision of online services, telecommunication connectivity and human capacity, India ranks 105 out of 193 nations.
4. **Online safety**: According to a survey, more than half of young women have experienced violence online, including sexual harassment, threatening messages and having private images shared without consent.

5. **Women's rights defenders and female journalists** were targeted for abuse more than most.
6. **Inadequate artificial intelligence**: The third threat comes from badly designed artificial intelligence systems that repeat and exacerbate discrimination.

Way forward:

1. **Infrastructure Investment: Continued investment in digital infrastructure is crucial to ensure that connectivity reaches all corners of the country. This includes expanding broadband networks**, improving mobile coverage, and establishing data centres that can support the increasing demand for digital services.
2. **Digital Skill Training: Focusing on digital literacy and training across all age groups is essential. Educational programs and workshops should be designed to equip citizens with the skills needed to effectively use digital tools and platforms. This empowers individuals to** participate more fully in the digital economy.
3. Cybersecurity Measures: Enhancing cybersecurity measures and data protection is paramount as digital interactions increase. This involves developing strong encryption standards, promoting safe online practices, and implementing regulations that safeguard user data and privacy.
4. **Local Language Content: Creating digital content in various languages is critical to ensuring that digital services are accessible to all citizens, regardless of their linguistic background. This includes translating government websites, applications, and other** content into regional languages.
5. Innovation Ecosystem: Fostering a supportive environment for startups and innovation is essential for the growth of the digital economy. Providing incentives, access to funding, and mentorship can encourage entrepreneurs to develop innovative solutions that address unique Indian challenges.

Freebie culture

In a Reserve Bank of India report in 2022, freebies have been defined as "a public welfare measure that is provided free of charge". It adds that freebies are different from public/merit goods such health and education, expenditure on which has wider and long-term benefits.

Reasons for the rise of freebie culture during elections.

1. **Criminalization of Politics: According to the Association for Democratic Reforms (ADR), 233 MPs in the current Lok Sabha are facing criminal charges, up from 187 in 2014. These candidates often resort to distribution of** liquor, money, goods etc. to lure voters.
2. Myopic opinion of masses: It is believed that Indian masses vote and react more on short term freebies and less on long term policies. This encourages parties to offer more freebies.
3. **Historical Baggage: Several State Governments have been forced to continue power and irrigation subsidies due to political pressure. Governments fear that discontinuance** will antagonize their voter base.
4. **Concealment of Actual performance: Freebies are often used as a means to conceal the poor performance of incumbent Government on economic and social parameters. They provide an opportunity to alter the** voter's mindset from real issues to short term gains.
5. **Domino Effect: The rise in coalition era politics since the 1990s has witnessed a rise of new political parties. These small and new parties have to** offer more freebies than larger parties to lure the voters.

Advantages of Freebies

1. **Public Outreach and Engagement:A study by the Centre for Policy Research found that freebies such as laptops, bicycles, and cash transfers had a positive impact on voter turnout, political awareness, and satisfaction with the government in Uttar Pradesh** and Tamil Nadu.
2. **Economic Growth: A report by the NITI Aayog stated that freebies such as bicycles given to schoolgirls in Bihar and West Bengal increased their enrolment and retention rates, reduced** dropout rates, and improved their learning outcomes.
3. **Social Welfare:A study by the World Bank estimated that freebies such as food subsidies under the Public Distribution System (PDS) reduced** the poverty ratio in India by 7% in 2011-12.
4. **Income Equality:A report by the Reserve Bank of India analysed that loan waivers relieved the debt burden and improved the creditworthiness** of distressed farmers.

Disadvantages of Freebies

1. **Dependency Syndrome:A survey by the Association for Democratic Reforms showed that 41% of voters in Tamil Nadu considered freebies as an important factor in voting, while 59% said** they were satisfied with the performance of the state government.
2. **Fiscal Burden:For example, freebies such as farm loan waivers, unemployment allowances, or pension schemes can strain the budgetary resources and fiscal discipline of the government and affect its ability to invest in other** sectors or repay its obligations.

3. **Resource Misallocation:A report by the NITI Aayog criticised that freebies such as laptops given by the Uttar Pradesh government diverted funds from more urgent needs** such as improving school infrastructure, teacher quality, or learning outcomes.
4. **Quality Compromise:For example, freebies such as bicycles or laptops may be of inferior quality or outdated technology compared to those available in the market or those** produced by other countries.
5. **Impact on Environment:A report by the CAG revealed that free electricity for farmers in Punjab led to overuse and wastage of power**, low tax compliance, and poor quality of service delivery by the state power utility.

Way forward:

1. **Drawing a Line Between Welfare and Freebie:Differences between subsidy and freebie are also essential since subsidies are justified and specially targeted benefits meant to meet specific demands. The freebies, on the other** hand, are quite different.
2. **Indication of Funds: Political parties should be required to disclose the financing and trade-offs of freebies to the voters and the ECI before announcing them. This would include specifying the sources of revenue, the** impact on fiscal balance, the opportunity cost of public spending, and the sustainability of freebies.
3. **Empower the Election Commission of India: ECI should be provided more powers to regulate and monitor the announcement and implementation of freebies by political parties during elections. This would include giving the ECI more powers** to de-register parties, impose penalties, or take contempt action for violating the model code of conduct or the court orders on freebies.
4. **Voter Awareness:This would include creating awareness campaigns, voter literacy programs, civil society initiatives, and media platforms to inform and empower voters to make** rational and ethical choices.
5. **Focus on Inclusive Development: It would address the root causes of poverty, inequality, and exclusion that make people vulnerable to freebies**.

JOKTA ACADEMY

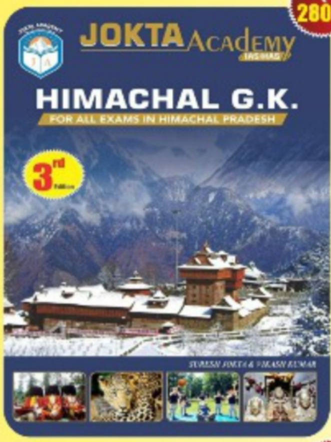
When Dreams Are Achieved

JOKTA Academy

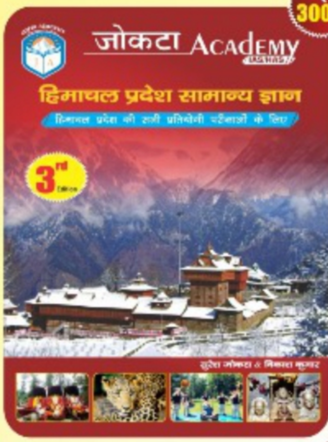
IAS/HAS

Our Books

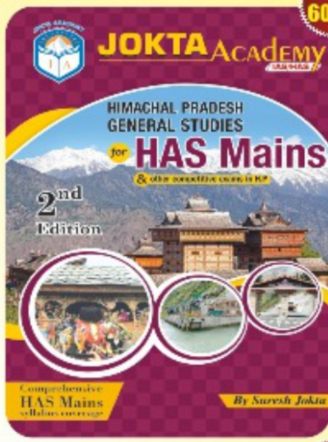
₹ 280/-



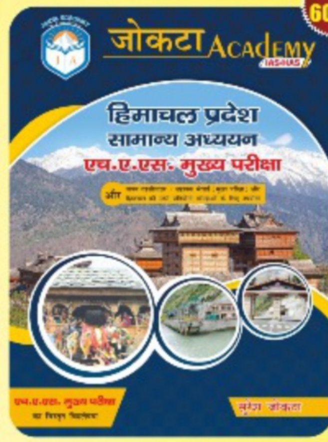
₹ 300/-



₹ 600/-



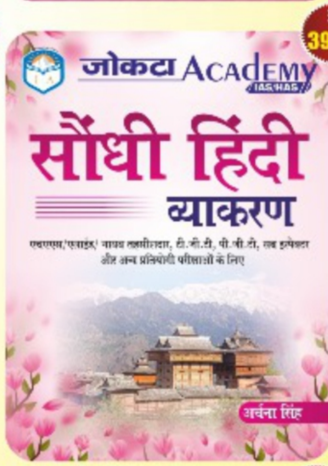
₹ 600/-



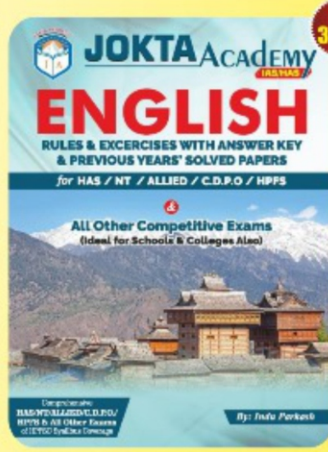
₹ 400/-

₹ 400/-

₹ 390/-



₹ 300/-



₹ 160/-

₹ 280/-

₹ 180/-

Celebrating

10

Years of Legacy

SCO-78-79, 2ND FLOOR, Above Standard Book Shop, Sec.15-D, Chd.

0172-4044475, 9779464470