

TARGET MAINS 2022

CSE MAINS QUESTIONS DISCUSSION ECONOMICS-2



Q.

- As per the World Inequality report, 'India is a very poor and unequal country with an affluent elite population'. Looking at the statement after 30 years of LPG reforms, is it time for India to forego the model of mixed economy and shift to socialism
- The SEZ model was promoted by the government targeting many objectives, however after more than one and half decade, their performance has not been satisfactory. Evaluate the investment model and suggest a way forward

Q.

- Explain why MSMEs are the backbone of the economy and discuss the issues faced by them in recent times
- Inflation is a result/outcome of the supply side factors and demand side factors – elaborate
- RBI needs to ensure a fine balance between the growth rate and inflation rate. In this regard discuss the monetary policy tools / credit control measures available to it

World Inequality

Q1 : As per the World Inequality report, 'India is a very poor and unequal country with an affluent elite population'. Looking at the statement after 30 years of LPG reforms, is it time for India to forego the model of mixed economy and shift to socialism



TAX

→ Bills

↓ Planning

Investment

← come

↓ tax

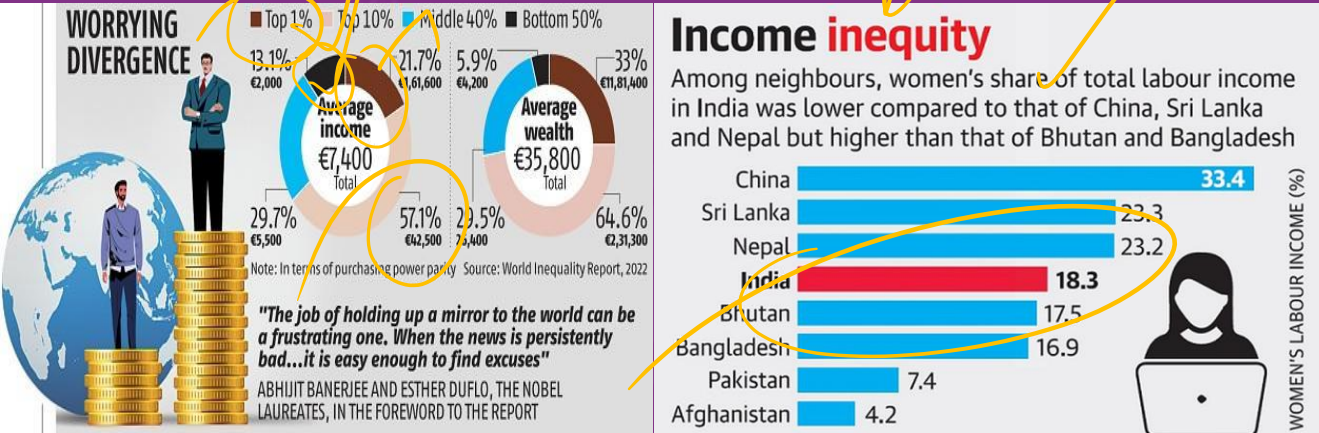


Solution

- Introduction – As per the report published by World Inequality Lab, the income inequality, gender wage gaps, wealth inequality in India is high

Inclusive growth

29.1%



Solution

Main Body

- Merits
 - Reduction in inequalities
 - Allocation of resources based on the needs
 - Promotion of social welfare
- Demerits
 - Red tapism and bureaucracy
 - Absence of incentives for efficiency, hence productivity suffers
 - Limited freedom of choice

F → Population



Investment



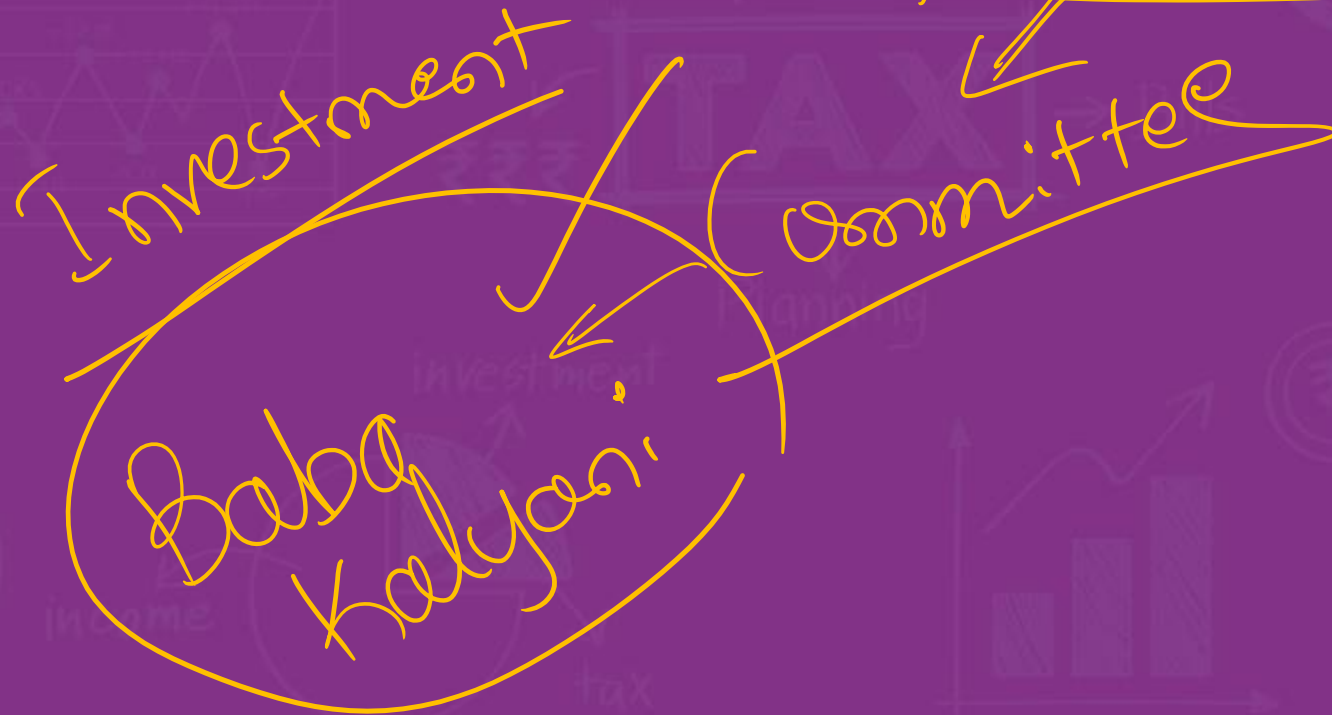
tax

Solution

Conclusion

Under socialism the inequality would be addressed, the model of mixed economy which has been followed by the Indian economy can address issues faced by the socialism

Q2 : The SEZ model was promoted by the government targeting many objectives, however after more than one and half decade, their performance has not been satisfactory. Evaluate the investment model and suggest a way forward



Interest



Solution

- Introduction
 - SEZ act 2005
- Main body
 - Objectives
 - Promote exports
 - Promote investment
 - Promote employment
 - Promote manufacturing
 - Problems/concerns
 - Concentration of IT/ITeS
 - Issues with land acquisition
 - Land lying unutilized/space remaining unutilized

Enclaves →

Promote

SEZ

66-67-f

\$

TAX

Planning

Investment

Bills

Reduction



Solution

- Way forward
 - Baba Kalyani Committee recommendations

Q3 - Explain why MSMEs are the backbone of the economy and discuss the issues faced by them in recent times

Micro
Small
Medium

Large

TAX

Reduction

Bills

Planning

Investment

Income

Tax



Solution

Introduction

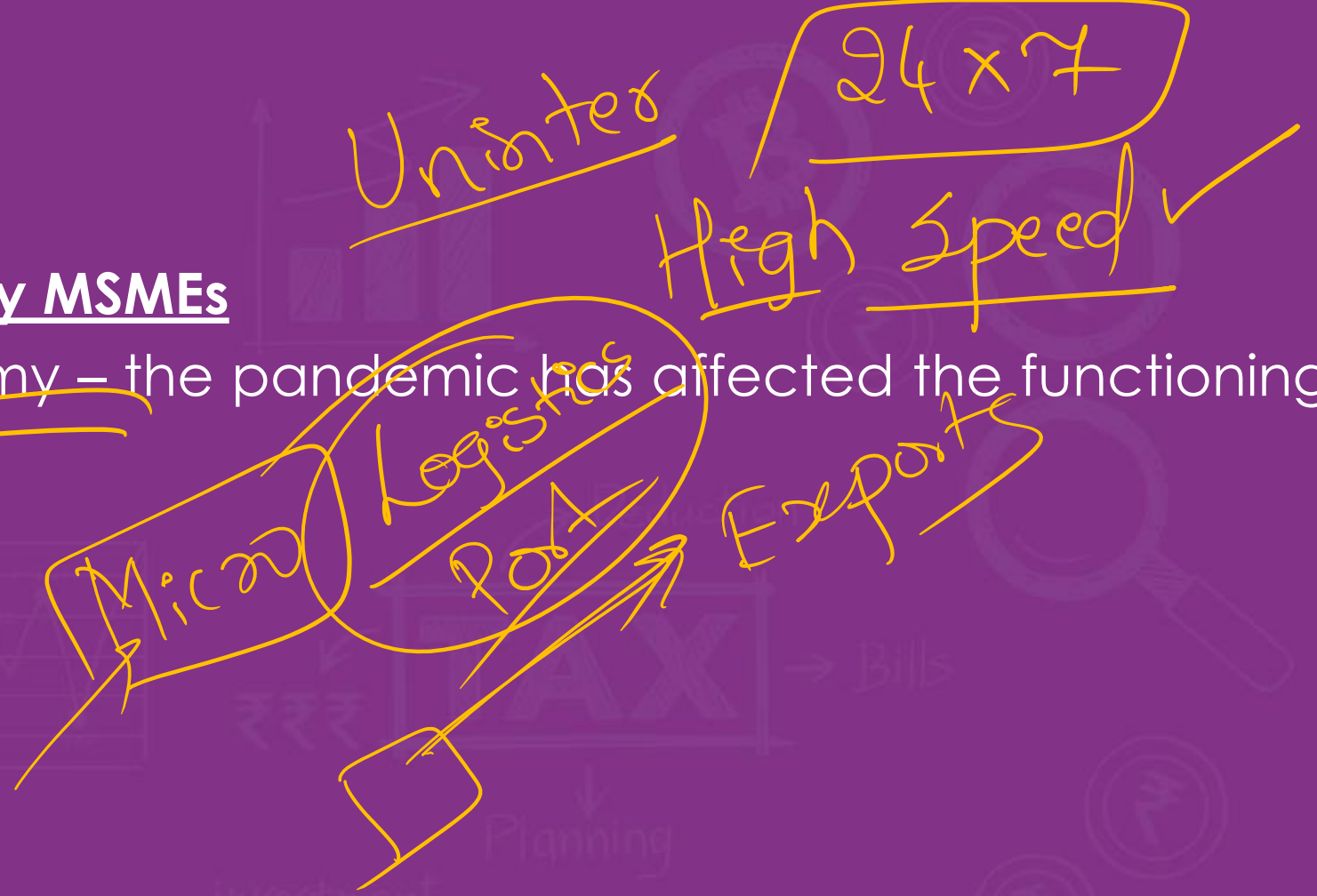
- The importance of MSME
 - There are more than 6.3 Cr MSME units which employ more than 11 Cr employees.
 - MSME contributes 29% to the GDP.
 - It accounts for 40% of the total exports.
 - It accounts for 45% of the manufacturing output.
 - After agriculture sector, it is the MSME which is the largest generator of employment.



Solution

Main Body - Issues faced by MSMEs

- Disruptions in the economy – the pandemic has affected the functioning of the MSMEs.
- Credit related issues
- Delayed payments
- Lack of supporting infrastructure
- NPAs



Solution

- Conclusion – government in order to address the above-mentioned issues has been taken various reforms such as MUDRA Yojana, CGTMSE, Interest equalization scheme, TReDS etc

Q4: Inflation is a result/outcome of the supply side factors and demand side factors - elaborate



Solution

- Introduction – define inflation
- Main body
 - Supply side factors
 - Demand side factors
- Conclusion – in case of India, factors from both the sides have been adding to the inflationary pressures

2021-26

MIPFA

2016-2021

Q5 : RBI needs to ensure a fine balance between the growth rate and inflation rate. In this regard discuss the monetary policy tools / credit control measures available to it

Multiple Indicators

Unit Rate Committee

5 years
Single Indicator

CPI

Solution

- Introduction
 - Definition of monetary policy/credit control measures
- Main Body
 - Divided into
 - Quantitative
 - Qualitative
- Conclusion – RBI reacting to the spiking inflation in recent months has been using many of these tools to control it

OMIO

MPC

hit

Growth

RBI governor

PSL

40%

Repo rate



Savings





Savings



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