# GENERAL STUDIES (TEST CODE: 1059)

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<tr>
<th>Name of Candidate</th>
<th>Akshat Jain</th>
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<tr>
<td>Medium Eng./Hindi</td>
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## INDEX TABLE

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<tr>
<th>Q. No.</th>
<th>Maximum Marks</th>
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Total Marks Obtained: 150

### INSTRUCTIONS

1. Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code).

2. There are TWENTY questions printed in ENGLISH & HINDI.

3. All questions are compulsory.

4. The number of marks carried by a question/part is indicated against it.

5. Answers must be written in the medium authorized in the Admission Certificate, which must be stated clearly on the cover of this Question-Cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in medium other than the authorized one.

6. Word limit in questions, if specified, should be adhered to.

7. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.

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EVALUATION INDICATORS

1. Contextual Competence
2. Content Competence
3. Language Competence
4. Introduction Competence
5. Structure - Presentation Competence
6. Conclusion Competence

Overall Macro Comments / feedback / suggestions on Answer Booklet:

1.

2.

3.

4.

5.

6.

All the Best
1. Highlighting the issues faced in BOT and EPC models of infrastructure investment, explain how HAM can address these. (150 words) 10

As per a study, India's infrastructure needs measure 200 Bn $ per year, out of which only 50% is fulfilled right now.

**Issues in PPP Models**

BOT refers to Build, Operate, Transfer Model, while EPC refers to Engineering, Procurement and Construction Model.

In BOT, the private player builds structure, operates for a period, and transfers it to government. The payment by government takes place after commercial operation starts.

In EPC, government bears the cost of construction, and utilizes private player for
Engineering knowledge.

Issues

Inequitable risk allocation

- No continuous and comprehensive risk management studies
- Clearance and permission delay

Hybrid Annuity Model

HAM is based on government paying 40% project cost in first five years on an annual basis. The rest is paid after asset delivery and based on private player performance.

Advantages

- Risk distribution between private-public player
- No compromise on project quality
- Increased revenue for public agency

Thus Economic Survey 2017-18 has recommended HAM for stalled projects.
2. The measurement of the extent of formal sector and formal employment is yet an unsettled matter in our economy. Comment. Also, mention the steps which the government has taken to improve its extent.

(150 words) 10

As per NSSO 2011 survey, only 15% of the workforce is employed in the formal sector.

The economic survey 2017-18 has however pointed out the issues in the measurement of the extent of formal sector.

1. NSSO data is outdated and there is no system of monthly or annual data collection.

2. No standard criteria in measuring ‘formal nature’ of a sector.

3. Absence of robust data management information.
system (MIS) with the relevant departments

4. Neglect of the ongoing trend of informalization of formal jobs

Government steps

1. CSO and Ministry of Labour are engaging in periodic data collection exercises

2. Utilization of GST data

3. Improved data collection at EPFO and EPF level

4. Expanded coverage of social security programmes

5. NITI Aayog tasked to coordinate with states

The above steps will provide a better magnitude of the formal - informal sector, and help take required steps.
The economic survey 2016-17 has traced the roots of the investment slowdown existing presently.

1. **Mid 2000s - Economic Boom led to huge corporate profits**

2. Corporates took huge loans from banks, especially PSBs, to invest in infrastructure projects.

3. **But the projects stalled due to**
   - Environmental clearances
   - Statutory delays
   - Acquisitions and land acquisition delays
   - Financial crisis 2007

4. This led to multiple defaults, leading to rising Gross Non-Performing Assets (GNPAs)

5. **GNPAs have led to over-leveraged companies and stressed banks, and thus falling**
investment rate, due to the slowdown in credit growth

Steps Needed

1. Addressing the Twin Balance sheet syndrome by 4 R approach - Reorganization, recapitalization, resolution, reform

2. Stable policy environment and taxation framework to revive investor confidence

3. Review of stalled projects and attempt to revive them

4. Policy focus on MSME and household sector

The government has already initiated several steps like IBC, recapitalization scheme, etc. The efforts must be sustained.
4. Strengthening the policy and institutional ecosystem supporting inclusive growth needs to be a top policy priority to thrive in the Fourth Industrial Revolution. Discuss. (150 words)

चौथी आयुर्विज्ञान क्रांति में सफल होने के लिए समावेशी विकास को प्रोत्साहित करने वाली नीति एवं संस्थागत परिवेश के मुद्दों को शीर्ष स्तर नीतिगत प्राथमिकता बनाने जाने की आवश्यकता है। चर्चा कीजिए।

As per UNCTP, inclusive growth is the process and outcome in which all groups of people participate in growth and benefit equitably from it.

Fourth Industrial Revolution and Inclusive Growth

Fourth I.R. is set to unleash Artificial Intelligence, big data analytics, Internet of Things etc.

Impacts

1. As per World Bank, 64% of jobs in India are threatened by automation

2. Low-skilled workforce to be affected the most

3. MSMEs to find more difficult to compete
4. After ILO, textile and fashion sector to be significantly impacted

This has led calls for a strengthened policy and institutional ecosystem.

Steps required

1. Stilling and restilling to focus on technological skills of the future

2. Policy steps to protect workers from job losses

3. Policy architecture to ensure equitable distribution of benefits of technology

4. Specific institutional support to MSMEs and labour-intensive sectors for upgrading of technology

India must lead in the coming 40th ILO, and ensure inclusive growth prospects are enhanced, not depressed.
5. Explaining the role of human capital in economic development of a country, highlight the challenges and opportunities related to human capital formation in India.

Human capital refers to the skills of the workforce required for economic productivity.

**Role**

1. Better skill-set translates to higher productivity
2. Heads to diversification and innovation of economic activities.
3. Heads to technology development.

**Challenges**

1. Poorly skilled workforce - Only 2-3% workforce is formally trained.
2. Inadequate health infrastructure inhibits full realization of productivity.
3. Disoriented educational system, misaligned.
to industrial demands of today.

4. Insufficient participation of market in human capital formation (internships, training etc)

5. Above has led to underemployment.

Opportunities

1. Demographic sweet spot - India has a youthful workforce, expected to last for another 25 years

2. Fourth Industrial Revolution

3. Rise of start-up culture in India

4. Protectionism in West will increase foreign participation in Indian economy.

Thus adequate policy focus is required on improving skill, educational and health status.
6. In the context of major challenges that have restricted industrial growth, there is need for a new industrial policy to enable the industry to fulfill its role as the engine of growth and shoulder the responsibility of adding more value and jobs. Comment.

(150 words) 10

Industrial growth in India has not kept pace with the overall GDP growth rate in the last five years.

**Major Challenges**

1. Tax on Balance Sheet Syndrome
   - Over-leveraged companies
     - Stressed banks
     - Slowdown in investment rate
   - Outdated labour laws
2. Demonstration and GST after-effects
3. Governance issues
   - Handicapped bureaucracy

In the above context, a new industrial policy is required.
that should focus on-

1. Streamlining business procedures involving clearances, permissions etc.

2. Create awareness about existing measures like e-Biz portal, single window clearance facility

3. Provide a conducive and stable taxation and policy environment

4. Adopt a sector-specific approach rather than one-size fits all

5. Take steps for better risk-allocation and reduced vulnerability from external shocks

The policy must ultimately provide an enabling environment for promoting job creation, value addition and growth.
7. Discussing the reforms that contributed in improving India's ranking in the World Bank's 'Ease of Doing Business' index, identify the challenges that still remain in the overall environment of doing business. Suggest some concrete steps that India can take to further improve its performance on the index.

In the World Bank's Ease of Doing Business (EODB) Index 2017, India has ranked 100th, a 30-spot improvement.

**Reasons for the success**

- Insolvency and Bankruptcy Code (IBC)
- Improvement in payment of taxes criteria, due to Income Disclosure and Computation Standards
- Amendments in Arbitration and Conciliation Act to improve enforcement of contracts
- Enhanced e-filing system for filing of returns
- Digital India

**Challenges**

- Weak bankruptcy laws
- Delayed dispute resolution
- Inadequate e-filing system
- Weak digital infrastructure

**Concrete steps**

- Implementing effective bankruptcy laws
- Strengthening dispute resolution mechanisms
- Enhancing digital infrastructure
- Improving ease of access to financial services
- Supporting MSMEs
Besides the above, past reforms like e-biz portal, investment promotion sell, reduced number of fomus, have also played a part.

**Challenges**

1. Labour laws
2. Delay in clearances for –
   2.1 Construction permits
   2.2 Starting a business
   2.3 land acquisition
3. Shortage of skilled labour
4. Slowdown in credit growth
5. Weak arbitration/ADR mechanism
6. Lack of infrastructure in many Tier II-III towns

Thus the steps needed include streamlining existing regulations; stabilizing tax policy; infrastructure investment; and solving the NPA issue.
8. Special Purpose Vehicles (SPVs) are fast becoming an important avenue for channelising funds for projects in infrastructure sector. Explaining the concept of SPVs, highlight some of the benefits and risks associated with them. Also, suggest measures to manage the risks identified.

Special Purpose Vehicles (SPVs) are attached companies of a bigger corporate, that is separated from the latter in terms of management, for the purpose of achieving a specific task.

Use of SPVs

1. In government projects like Sagarmala Project, Dedicated Freight Corridors etc
2. In PPP projects

Benefits

1. Independent focus on the specific project
2. reduces vulnerability of main corporate from risk of failure of project

3. SPV can generate revenue separately

4. Prevents loss of focus of main organisation from its central tasks

Reasons:
1. Lack of manpower
2. Insufficient funds
3. SPVs being used as shell companies for tax evasion
4. Lack of guidance or focus from main organisation

The need is to develop a proper framework for SPV creation, defining its role and capacity along with a monitoring mechanism.
9. Providing social security, especially to those working in unorganised sector, is an important requirement to achieve the goal of inclusive growth. Discuss. 

सामाजिक सुरक्षा प्रदान करना, विशेषकर उन लोगों को जो असंगठित क्षेत्र में कार्यरत हैं, समाजेश्वरी विकास के लक्ष्य को प्राप्त करने के लिए एक महत्वपूर्ण आवश्यकता है। चरणों कीजिए।

The 12th Five Year Plan (FYP) stated protection of workers in the unorganized sector as one of the aims of inclusive growth.

Need for social security

1. NSSO 2011 - 85% of workforce employed in unorganized sector

2. Employed in the sector do not provide social security

3. Absence of permanent jobs

4. Employ much of the female, SC/ST and disabled workforce

5. Absence of coverage of government policies like ESI and EPS schemes

The need is thus to ensure
the following -

1. Formal job creation by expanding the organized sector

2. Penetration of existing insurance and pension schemes like Atal Pension Yojana, National Health Protection Scheme

3. Financial support to employers to provide security

4. Robust data collection network

5. Enhanced usage of ANI, Aadhaar to increase the social security net

Article 41 (DSPA) has put a duty on the state to provide security of the workforce. The above steps will help implement this in letter and spirit.
10. NBFCs can play a critical role in strengthening our SME ecosystem and contributing to economic development. Comment. Also, discuss the need to build a regulatory framework to address the challenges that NBFCs face.

(150 words)

Non-banking financial companies (NBFCs) are companies that perform various banking functions, without meeting the legal definition of banks.

Role in economy

1. Size of sector - NBFCs with assets over 100 crore have a share of around 13% in GDP.

2. Infrastructure lending - NBFCs are more inclined than banks to lend to risky long-term infrastructure projects.

3. Credit growth - At a time...
when banks are stressed with bad loans, NBFCs can spur credit growth.

4. cheaper loans - As their profit margins are higher, they can lend at cheaper rates.

5. diversity of products - NBFCs cater to rural-urban and different types of customers (MSMEs)

**Challenges**

1. lack of private sector investment
2. rising Non-Performing Assets (NPAs)
3. limited reach in rural areas
4. issues in corporate governance
5. lack of policy focus on NBFCs vis-a-vis their involvement in government schemes

Thus, the RBI must prepare a regulatory framework to ensure protection from market failures, ethical corporate governance, and incorporation in financial inclusion and for credit expansion programmes.
11. In the light of increasing NPAs and frauds, the twin balance sheet problem has grown immensely. Comment on the issue and analyse the potential of the Insolvency and Bankruptcy Code to be a game changer for Indian economy’s health and long-term growth. (250 words)

NPAs एवं धोखाधड़ी की बढ़ती घटनाओं के जन्मते, बोहरे तुलना पत्र (ट्रिब्यून बैलेंस शीट) की समस्या में अत्यधिक बढ़ी हुई है। इस पुढ़े पर टिपणी कीजिए तथा भारतीय अर्थव्यवस्था की दशा और वैश्विकता संबंधि के लिए दिवाला एवं दिवालियाँन में में एक गेम चेंज़र होने की शक्ति का विशेष ज्ञान कीजिए।

As per RBI, the gross Non-Performing Assets (GNPAs) have crossed ₹10 L crore in 2018. The recent Punjab National Bank (PNB) fraud case is a further blow.

Effect

Effect → Twin Balance Sheet Syndrome → Over-leveraged companies → Declining production capacity → Stressed banks → Credit slowdown

The above has led to slowing investment to GDP ratio, thus leading to decline in gross
**Capital Formation**

**Insolvency and Bankruptcy Code (IBC)**

The IBC is a unified code having following features -

**Features**

1. **IBC** to regulate Insolvency professional (IPs)
2. Adjudicating authorities to resolve cases
3. Greater legal clarity of the law
4. Time frame of 2-70 days to resolve cases
5. Comprehensive coverage of all types of defaults and creditors

Thus the IBC has the potential to -

1. Fasten the resolution of insolvency and bankruptcy cases
2. Improve the recovery
rates from the cases

3. free the locked-up assets of banks and creditors, thereby getting them to lend again.

4. improve the credit culture

5. lower the costs of such cases for creditors

6. facilitate a conducive environment promoting investor confidence

7. create a new sector of insolvency professionals

Thus the need is to continuously address the teething issues by regular feedback and monitoring. The IBC must be comprehensively updated periodically, to unleash its true potential.
12. Public Sector Enterprises formed the backbone of industrial development after independence, but with changing times, their role has also changed. Discuss. Also, comment on the need to adopt a multi-pronged strategy to deal with the issues that they are facing.

Post-independence, especially after the 2nd Five Year Plan (1960-65), the public sector was identified as the driver of industrial growth.

Private sector was underdeveloped due to lack of market and capital industry.

Role Back then

1. Most of the sectors were reserved for Public Sector Enterprises (PSUs)
2. Responsible for investment in capital formation
3. Welfare-oriented approach
4. Focus on production than productivity for self-sufficiency
But post 1991 reforms, their role has changed.

1. Many sectors have been opened up to private units.

2. PSUs are thus competing today with private sector.

3. They are given greater autonomy and awarded status of Mini-ratnas, Maharatnas etc.

4. Run as commercial ventures with profit-oriented targets.

5. Focus on productivity.

6. Engaged in global acquisitions, e.g., Oil PSUs like ONGC.

7. Consolidations and mergers for greater economies of scale.
Thus a multi-pronged strategy is required that focuses on their ability to:

1. Compete - By offering top salaries, recruiting from top colleges, advertisement

2. Function autonomously - Their boards need to recast for greater professionalism and shielded from interference

3. Invest in capital formation and technology

Thus, an environment of public-private enterprises will lead to the mixed economy.
13. For a developing country like India, the sectoral allocation of scarce resources is a critical factor determining pace and quality of development. Discuss.

**Reasons**

1. Adequate allocation has to be done for core industries to promote industrial growth.

2. Meanwhile, the primary sector, where majority of workforce lies, cannot be neglected.

3. Allocation to health and educational sectors is vital for human development.
4. The emergence of technology-driven economy means resources for science and technology.

5. Value addition is vital for enhanced productivity, and thus sectors like food processing cannot be ignored.

6. The high incidence of poverty means dedicated resources for poverty alleviation and welfare activities.

7. The federal structure means allocation must be such that regional imbalances are prevented.
Thus the need is to —

1. Create a balance in allocation for all the three sectors of economy.

2. Adequately focus upon improving health, education and living standards by higher allocation.

3. Work upon enhancing resource availability e.g., widening tax nets.

4. Equitable regional distribution.

5. Maintain fiscal balance, prudence and discipline.

Thus, a balanced sectoral allocation can help achieve inclusive and sustainable growth.
14. Highlight the importance of MSME sector in India's economy. Also, identifying the challenges, suggest some policy recommendations to ensure their sustenance and competitive growth. (250 words)

The MSME sector comprises of micro, small and medium enterprises.

**Importance**

1. **Contribution to economy**
   1.1
   1.2
   - 31% of GDP
   - 45% of exports

2. Provides bulk of employment in manufacturing sector
   - (13 crore employees)

3. Gives maximum opportunities for wage and self-employment
   outside agriculture

4. Are ancillaries to the
bigger frame

5. Environmentally sustainable products

6. Vulnerable sections like women, SC/ST etc are mostly employed here

Challenges

1. Limitations due to restrictive labour laws, regulatory clearances and taxation policy (e.g. recent GST woes)

2. Nearly 40% are dependent on informal credit sources

3. Lack of technological development

4. Non-availability of skilled labour and managerial expertise

5. Poor execution and unawareness of government schemes

6. Absence of basic infrastructure
facilities like electricity

Way Ahead

1. New models and sources of
   finance
   e.g. NBFCs and fintech firms

2. Digitisation to enhance market
   access and simplify business
   procedures

3. Government support in upgradation
   of technology

4. Focus on lean manufacturing
   to enhance productivity

5. Streamlined regulatory framework
   for MSMEs

6. Skilling and organisational
   management courses exclusively
   for MSMEs

This will ensure that MSMEs
   can act as engines of inclusive
   growth
15. In the inclusive development index of World Economic Forum (WEF), India stands very low. Discuss briefly the issues associated with living standard, environmental sustainability and protection of future generations from further indebtedness in India, on which the ranking is done. (250 words)

India has been ranked 62nd out of 74 emerging economies on the inclusive development index of WEF.

**Reasons for the poor rank**

- Poor access to health and education
- Poor standards of sanitation

**Issues with living standards**

- Ineffective coverage of basic amenities like electricity, water, roads, housing
Environmental Unsustainability

Developmental model at the cost of natural resources

Excess pollution in major urban cities, esp. metro cities

Ineffective regulatory framework to protect environment

Indebtedness

Huge dependence on informal credit

Lack of financial inclusion in rural areas

Illiteracy

Poor penetration of insurance coverage
The Index has highlighted that for inclusive growth, India must -

1. Increase investment in health and education

2. Focus on the agricultural and rural economy
   - Agro-based industries
   - MSMEs
   - Labour-intensive sectors like textile

3. Enhance coverage of social security schemes

4. How cost, long-term financing to vulnerable sections

5. Effective governance for better regulation and reach of policies

Inclusive development is key to unlock our sustainable developmental goals.
16. Under-employment rather than unemployment is the key problem facing India today. Elaborate. Also, suggest measures to counter this problem.

The NITI Aayog’s Action Agenda has said that under-employment, not unemployment, plagues India. The former exists when people work in low-paying, low-productive jobs, not matching with their skills.

1. Unemployment rate has never been beyond 8% in last few decades, comparable to even developed countries.

2. The current unemployment rate is 4.9%, lower than many countries on similar levels of growth.

3. 50% of the workforce is in agriculture sector, whose contribution is only 15% of GDP.
4. 70% of the manufacturing workforce is working in firms which contribute only 12% to manufacturing GDP.

5. 650 largest firms in the service sector, who contribute 38% of its GDP, employ only 27% of service workforce.

Issues

1. Labour laws disincentivise organised sector to hire permanent employees.

2. Human capital deficiency - only 2% workforce skilled.

3. Premature deindustrialization.

4. The export policy of 20th C, that led to several small domestic firms, none of whom could compete globally.
5. Decline of high-wage, nonproductive job creation

Measures Needed

1. Export-oriented policy based on coastal employment zones
2. Reform of labor laws
3. Focus on labor-intensive sector like textiles and footwear
   3.1 Restrictions on imports of inputs to be relaxed
   3.2 Enhanced market access
   3.3 Low cost long-term financing
4. Skilling at micro level
5. Cluster approach for job generation through MSMEs

The above steps will help convert the demographic dividend of India into a true treasure, rather than a disaster.
17. A near stagnant tax to GDP ratio for the country since decades reflects not only non-fruition of efforts to increase it but also underlying structural issues with tax regime. Comment. (250 words) 15

राष्ट्र के लिए कई दशकों से कर-GDP अनुपात का लगभग स्थिर रहना, न केवल इसको बदलने हेतु किए जाने के प्रयासों के फलीमूल न होने, अपितु कर व्यवस्था में अन्तर्निहित संरचनात्मक समस्याओं को भी प्रतिस्थापित करता है। इतिहास की जिज्ञासा।

As per the economic survey 2016-17, India’s tax-to-GDP ratio is around 16-17%. This is

1. Nearly stagnant since the last two decades

2. lower than around 5% compared to average ratio of Emerging Market Economies

**Non-fruition of Efforts**

Several steps have been initiated, such as -

1. Rationalising tax form

2. Increasing capacity of authorities
3. Media awareness to promote citizenry to pay direct tax

4. Increasing tax net

5. Increasing number of indirect taxes (i.e., before GST)

6. Advanced Pricing Agreements (APAs)

7. Income disclosure schemes

However, these have failed largely due to-

1. Bureaucratic rigidities and compliance issues

2. Perception of citizenry of thinking tax as a tribute

3. The structural issues with our economy. These are highlighted ahead.
Structural Issues

1. Low tax-based
   - High poverty
   - Per capita income
   - Majority of earning individuals not in tax ambit

2. Service tax imposed late and only on few sectors

3. Parallel economy and unorganized sector

4. Loopholes in tax laws, thereby causing tax avoidance

Way Ahead

The most potent weapon here is to fight poverty and enhance income levels. Tax rates and exceptions must be rationalized. Technology must be leveraged to enhance capacity. The GST regime combined with above steps will help India increase its rate.
18. The need to overhaul the current budget making process can be gauged from the fact that it neither undertakes broad-based consultations, nor is adequately transparent nor effective in estimating and allocating the demands of various stakeholders. Examine. (250 words)

The budget exercise is one of the defining features of Indian economy.

**Current Process**

The budget is prepared by the Ministry of Finance, and is tabled in the Parliament. The discussions and scrutiny by parliamentary committees only happen after it has been tabled.

**Issues**

The budget making process leaves a lot to be desired—

1. No mechanism for public
and experts to give their expectations and viewpoints

2. The terms of reference of those responsible for its formulation are not open to public

3. Unclear as to who all are consulted from different sectors

4. The budgetary estimates are often off-the-mark of the actual figures once available

5. The budgetary allocation approved is often exhausted before the end of fiscal year

6. Complaints of various
Ministries and departments of scarce allocation

E.g. Ministry of Food Processing was allotted only Rs 500 crore, despite a new scheme to be launched (GARBANSHAN Yojana) (Operation Greens)

7. Ineffective allocation to critical sectors like education, health and research and development

Thus the need is to:

1. Make available the terms of reference to public

2. Open up feedback mechanisms for people to give opinions

3. Public sessions with experts

4. Release allocation figures before budget release for one-time consultation

This will bring transparency, accountability, duty and fiscal discipline.
19. Adhering to fiscal discipline is considered as a hallmark of sound financial management by government. Elaborate. To what extent does the Budget 2018 incorporates fiscal discipline vis-a-vis competing targets of the government? (250 words) 15

Fiscal discipline refers to prudent expenditure on the state's behalf, that is aligned to its revenue generation.

As a Hallmark of management

1. Prevents high public debt-to-GDP ratio
2. Preempts inflationary trends
3. Does not crowd out private investment
4. Lowers overseas cost of borrowing
5. Macro-economic stability attracts investors

Budget 2018

The budget has accepted certain recommendations.
1. Target of lowering public debt to GDP ratio to 40% (for Central Government) by 2024-25.

2. Fiscal deficit to be key operational parameter.

However, it was also—

1. Set a fiscal deficit target of 3.3% (PDA as % of GDP) for 2019-20, and 3% for 2020-21. This is not aligned with the panel’s recommendation of 3% target for 2019-20.

2. Abandoned Revenue Deficit (RD) targeting.

3. Not accepted key recommendations.
like setting up a fiscal council
to help Government in
fiscal discipline

Thus a mixed response is
there.

Need

1. Fiscal slippage should now
   be avoided after the new
   targets.

2. Revenue deficit targeting
   needs to return. For developmental
   purposes, a higher tax-to-
   GDP ratio is needed, not
   abandoning R & D. target

3. Fiscal council should be set up

4. A negative precedent must
   not be established where-in
   targets are relaxed

Fiscal discipline is equally vital
in the developmental process,
and must be respected at all times.
20. The role of international trade in achieving a quicker pace of economic development is well recognized. What are the benefits of international trade for a developing country like India? Highlight the challenges that India faces in improving its share in world trade. 

The onset of Globalisation has connected world economy like never before. International Trade is now a vital part of almost all economies.

Role

1. Productivity gains from competition
2. Creation of jobs, especially high skilled formal ones
3. To import scarce or non-available internal resources at economic rates
4. To export excess domestic production, and access new markets
5. To create an ecosystem where even small firms become ancillaries of international firms.

6. Bring in vital foreign exchange and lower current account deficit.

Thus there are countless benefits for countries like India:

1. Wider consumer choice
2. Formal sector jobs
3. Macroeconomic stability with healthy forex reserves and lower deficits.

**Challenges:**

India's share of exports in world trade is only 1.7%. This is due to:

1. Infrastructure and logistic issues.
2. Archaic land and labour laws
3. Delayed refunds due to 96/7
4. Rupee appreciation due to capital inflows
5. Protectionism in West
6. Inverted duty structure lowering domestic manufacturing
7. Rising competition from Vietnam, Bangladesh etc in low-end manufacturing segment

Way Ahead

The need is for an export-oriented strategy that leads to ease of trading across borders. The competitiveness of our manufacturing sector must be improved. World class infrastructure and logistics must be developed. The WTO must protect globalisation with support from India.