

T-4/362

NEXT IAS

(To be filled by candidate)

Name of Candidate :	RUHANI		
Roll No. :	PTTP220870 (IGP 2022 STUDENT)		
Registration Number :	Date of Examination :		4-08-2023
Exam Centre : Old Rajinder Nagar <input type="checkbox"/>	Bhopal <input type="checkbox"/>	Online <input checked="" type="checkbox"/>	

CSE (MAINS) TEST SERIES - 2023

Test-04	ECONOMICS OPTIONAL (Indian Economy before 1947 and Indian Economy after 1991)
Dated : 30-07-2023	

Time Allowed : Three Hours

Maximum Marks: 250

QUESTION PAPER SPECIFIC INSTRUCTIONS

(Please read each of the following instructions carefully before attempting questions)

There are **EIGHT** questions divided in **Two** sections and printed in **ENGLISH**.

Candidate has to attempt **FIVE** questions in all.

Question No. 1 and 5 are compulsory and out of the remaining, any **THREE** are to be attempted choosing at least **ONE** question from each section.

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

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 a medium other than the authorized one.

Word limit in questions, wherever specified, should be adhered to.

Attempts of question shall be counted in sequential order. Unless struck off. Attempt of a question shall be counted even if attempted partly. Any page or portion of the page left blank in the Question cum Answer (QCA). Booklet must be clearly struck off.

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(For filling by Examiners only)

Q. No.	Page No.	Max. Marks	Marks	Total	Signature
1. (a)	4	10			
1. (b)	6	10			
1. (c)	8	10			
1. (d)	10	10			
1. (e)	12	10			
2. (a)	14	20			
2. (b)	18	15			
2. (c)	21	15			
3. (a)	24	15			
3. (b)	27	20			
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4. (a)	34	20			
4. (b)	38	15			
4. (c)	41	15			
5. (a)	44	10			
5. (b)	46	10			
5. (c)	48	10			
5. (d)	50	10			
5. (e)	52	10			
6. (a)	54	15			
6. (b)	57	15			
6. (c)	60	20			
7. (a)	64	20			
7. (b)	68	15			
7. (c)	71	15			
8. (a)	74	15			
8. (b)	77	15			
8. (c)	80	20			
Grand Total					

Remarks

Observations:

SECTION-A (INDIAN ECONOMY BEFORE 1947)

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Write notes on the following in about 150 words each:

(10 × 5 = 50)

Q.1

(a) Analyse how Dadabhai Naoroji explained Drain of Wealth?

Dadabhai Naoroji explained Drain of wealth in his book 'Poverty and Un-British rule' in the following way :-

- Drain of wealth refers to unidirectional outflow of Indian wealth for which India received nothing in return.
- British bought Indian goods with Indian revenues and sold them abroad at high margins.
- Home charges were levied to pay for maintenance of India office in London, ~~per~~ salaries of civil servants
- One-way tariff policy imposed high tariffs on Indian exports to Britain

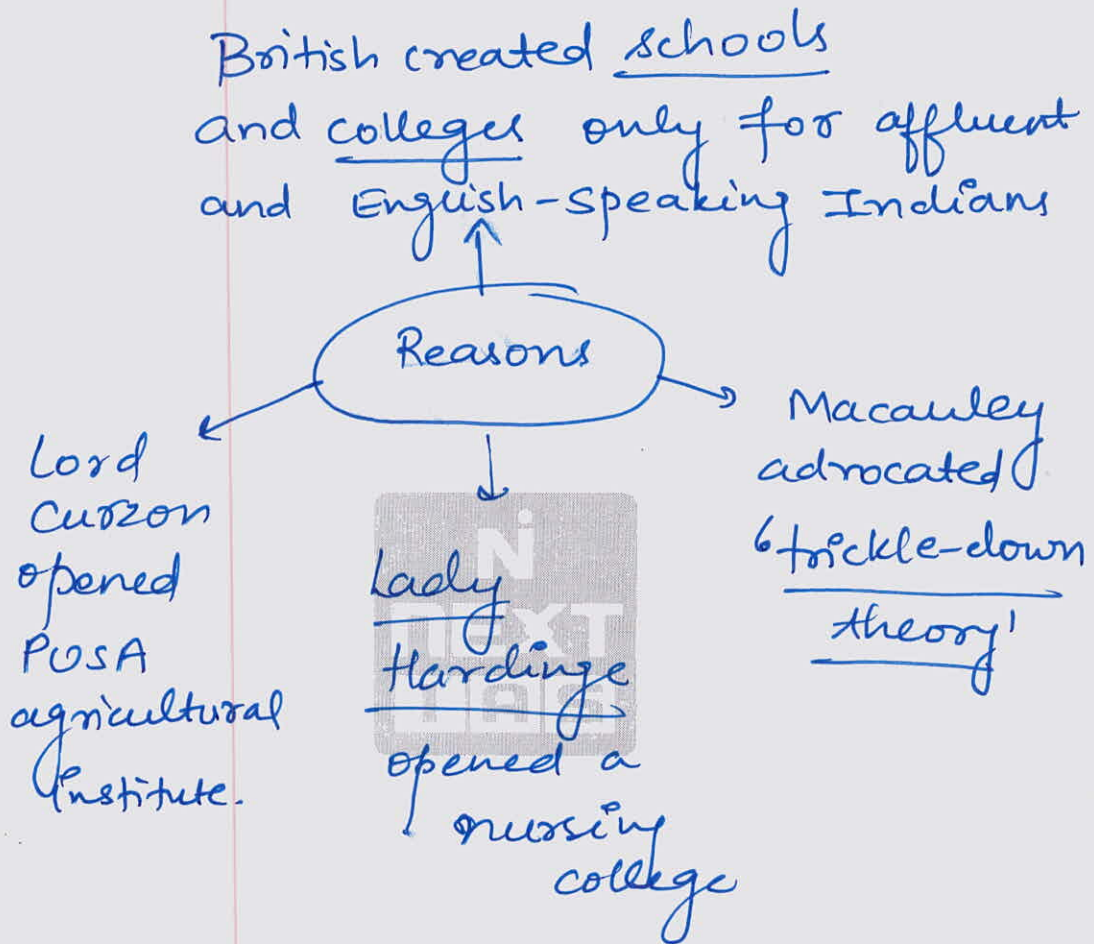
- Impost duties were not levied on Lancashire textiles imported by India. This led to deindustrialisation.
- 5% guarantee paid to private British railway companies led to drain of wealth.
- High taxes on peasants were levied to finance British war and military expenditure.

This drain of wealth led to poverty and situation of famines in India.

Q.1

(b) What were the reasons for lack of Social Sector Development in British India?

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Lord William Bentick ushered in social reforms and reformed judiciary.

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Q.1

(c) Explain the Evolution of Planning in India before Independence.

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Planning was initially called Imperative Planning in which the state decided who will produce, how much will be produced, what will be produced.

- This was a top-down approach.
- Private sector had to follow directions of the state and meet the targets set by the Centre.
- Even states had to abide by the targets set by Centre.

After 1991 reforms, India adopted Indicative Planning i.e. Planning by inducement.

→ In this, a system of incentives are used by the state to encourage the private sector to invest in a particular way.

→ Eg:- Incentives for semiconductors

→ After 1992, decentralized planning was adopted.

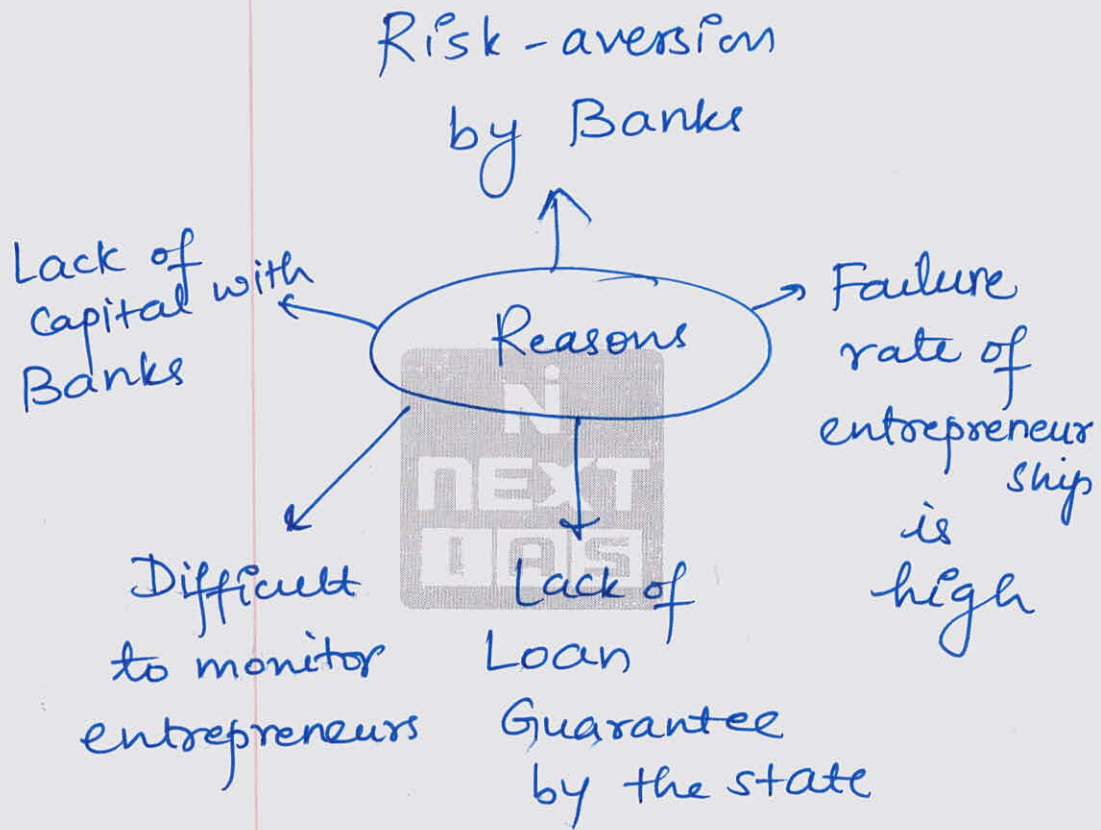
→ Panchayati raj institutions and municipalities are involved in planning.

Thus, planning has been evolving ever since independence and presently, NITI Aayog plays a crucial role in planning and supports states in their planning exercise.

Q.1

(d) Why were banks unable to promote entrepreneurship in India?

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Q.1

(e) Explain Ratio Controversy.

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Ratio controversy is a controversy regarding the correct rupee-sterling exchange rate.

The Hilton Young Commission in 1926 recommended to overvalue the rupee from 1s 4d (1 sterling, 4 pence) to 1s 6d. This was opposed by the Indian nationalists, which led to the controversy.

CASE FOR 1s 6d :-

- Young Commission argued that 1s 6d is the 'de-facto' natural prevailing rate.
- A devalued rupee would increase the burden of home charge obligations (fixed in sterling). Thus, appreciation of rupee is important.
- Appreciation would also make British exports cheaper in India and benefit Lancashire mills.

CASE FOR 1s 4d :-

- Purushottam Dam Thakurdas argued that 1s 4d was the natural rate as it ~~to~~ had been prevailing since 20 years.
- Appreciation of rupee would harm agricultural and industrial exports from India.
- Thus, Indian exports would suffer at the expense of foreign exports.
- Appreciation of rupee would have a deflationary effect, which would discourage production by Indian Industries and make it difficult for the economy to recover from Great Economic depression of 1930s.
- Devaluation would increase home charges burden. But it would also result in increase in trade and GDP which would compensate the Home charge burden.
- Thus, Indian nationalists argued in favour of devaluation of rupee.

Q.2

(a) Critically examine the role of Indian Railways in development during British period.

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Railways was introduced in British India to transport raw cotton from villages to the ports so that cotton could be exported to Lancashire mills. Also, railways was introduced to transport military goods and equipments.

FEATURES OF INDIAN RAILWAYS

- Dalhousie offered a guaranteed return of 5% to the British private companies. This was called old Guarantee system
- Railways would be given to private companies for lease for 99 years.
- This led to inflow of British capital for development of railways.
- However, since the returns were guaranteed, the British private companies did not exercise economy in expenditure.
- This led to a lot of wasteful expenditure.

→ To prevent this, a New Guarantee System was proposed in which government would remain the owner of railways but management would be outsourced to British private companies with a guaranteed return of 3.5%.

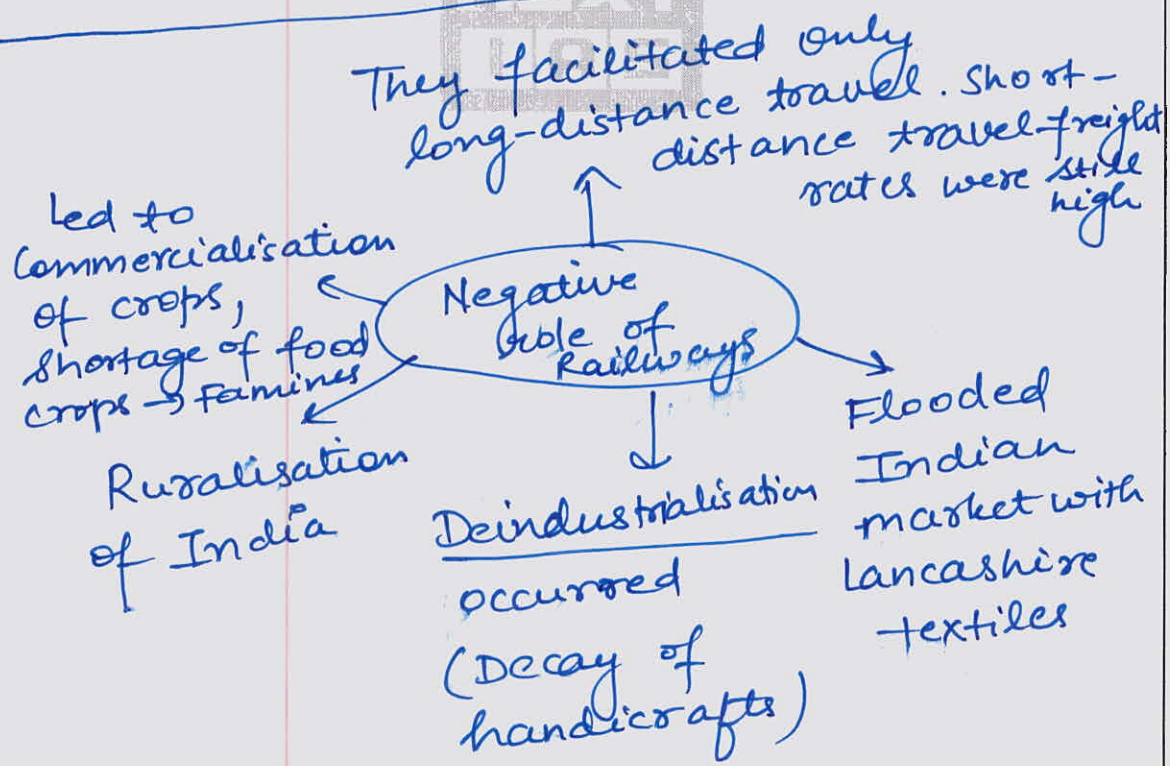
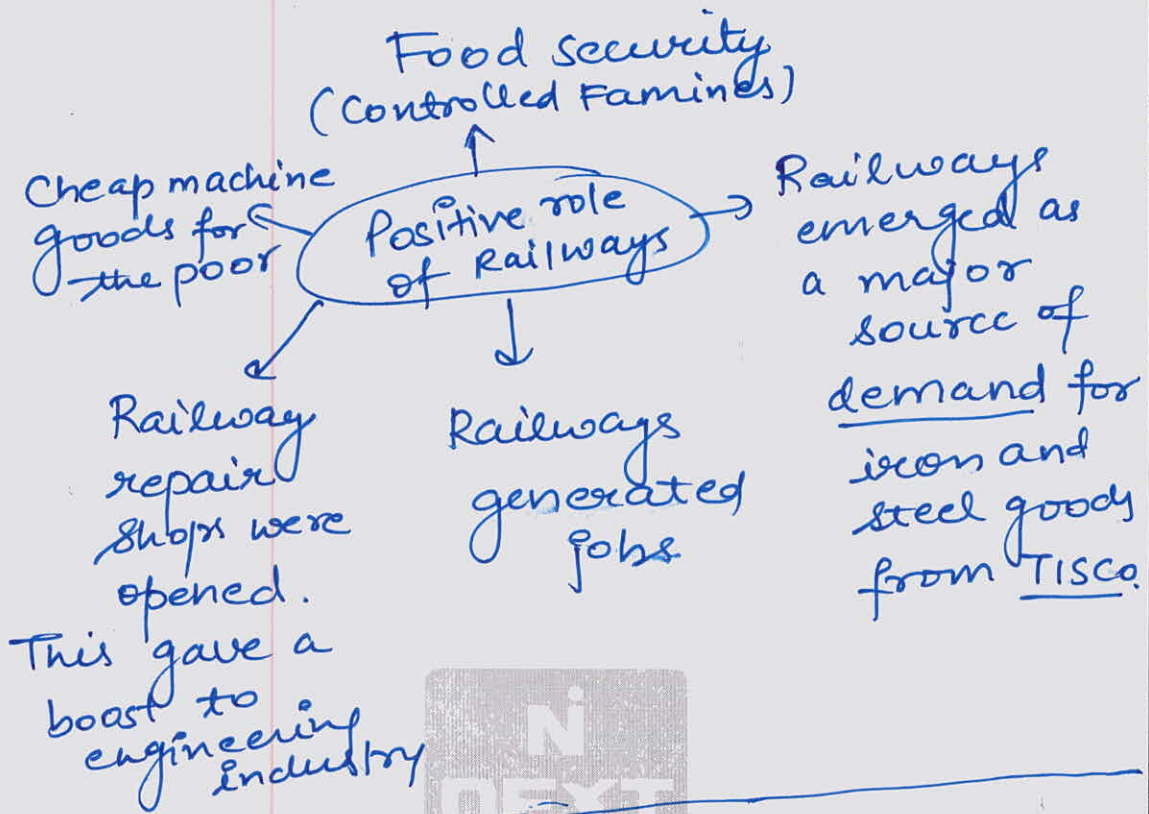
→ The government increased its intervention in the railways because of 2 reasons:

i) The private sector operated only on profitable routes and neglected other routes.

ii) Famines had become rampant in India and government's presence in railways was crucial to ~~more~~ connect the food surplus regions to the food deficit regions to control the famines.

Thus, Indian railways became a tool for development.

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Thus, railways had a mixed role in development of India. It mainly served British interests and was not utilised to benefit Indians.

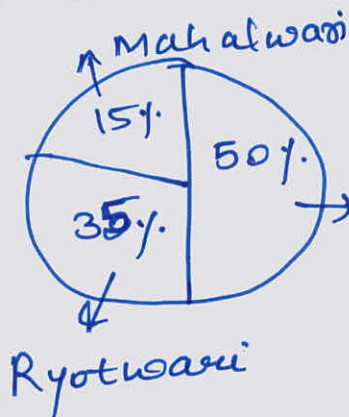
Q.2

(b) Examine Land Tenure system under British Rule. Do you think it was responsible for high inequality? 20

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The land tenure system under British rule consisted of 3 systems:

- i) Permanent Settlement (50% land under it)
- ii) Ryotwari Settlement (35% land)
- iii) Mahalwari Settlement (15% land)



⇒ Fig 1 :-

Distribution of Land under Land Tenure System.

PERMANENT SETTLEMENT in Bengal, Bihar

→ Under it, the zamindar got the ownership of the land and the peasant became the tenant.

→ The zamindar was supposed to pay $\frac{10}{11}$ of rent to East India Company and keep the rest $\frac{1}{11}$ with himself.

→ Under it, rent was fixed. Hence, it ensured stability of income to British.

PROS OF PERMANENT SETTLEMENT :-

- Stability of Income to British
- Administrative convenience
- Zamindars became loyal political allies of British and helped them to suppress peasant revolts.

CONS OF PERMANENT SETTLEMENT :-

i) FOR THE PEASANT :-

- Peasants could be evicted anytime at will
- Absentee landlords emerged
- Sub-letting of land occurred
- High revenue extracted from peasants
- Indebtedness increased.

ii) FOR THE ZAMINDAR :

- Rents demanded were very high
- There was a Sunset clause or deadline before which rent had to be paid, failing which the zamindar's land would be confiscated.
- This led to benami transactions and manipulation of auctions to prevent British from confiscating zamindar's lands

iii) FOR THE BRITISH :-

- In this system, the British could not raise the rent.

- Thus, British income decreased as no. of zamindars increased in this system.
- It also led to a lot of agrarian revolts.

• RYOTWARI SETTLEMENT in Madras.

- Here, the British collected rent directly from the ryot.

PROS:-

- Zamindars were eliminated.

CONS:-

- Rent was very high (35-40%) and had to be paid despite droughts or plagues.

• MAHALWARI SYSTEM in Punjab

- Here, the rent was collected from a village via the village headman, also called Lambardar.

• CONS:-

- Rents were very high
- Productivity of land did not increase.

Thus, the land tenure systems exploited the Indian peasantry and the revenue collected was used to pay Home Charges by the British.

Q.2

(c) British rule not only pulverized Indian industrial structure but also burdened India's future development. Discuss.

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British rule pulverized Indian industrial structure through a combination of industrial and trade policies.

→ These policies led to the decay of Indian handicrafts. This process is also called deindustrialization.

→ As per Amiya Bagchi, the population share ^{employed} in industry declined from 18% in 1890 to 9% by 1914.

POLICIES THAT PULVERISED INDIAN INDUSTRIAL STRUCTURE :-

- Industrial Revolution in England led to invention of power looms by Cartwright, which increased the speed of production.
- Cheap British machine-made goods flooded India via railways.
- Indian handicrafts could not compete.

- TRADE Policy :- High tariffs on Indian textile exports to Britain and zero import duties on British exports to India, created unfavourable conditions for Indian textile industry.
- Decline in patronage by Mughals also led to decline in handicrafts.
- Decay of guilds which ensured quality exports, also led to loss of competitiveness of Indian exports.
- Western Education by British, created a class of Indians who preferred to wear machine-made goods, instead of handlooms.
- Technological backwardness of India and lack of credit due to inadequate banking facilities, led to decline of Indian handicrafts.

This had a huge impact and burdened India's future development in the following way:-

- Deindustrialization created industrial backwardness as weavers migrated to villages to do farming.

- Pressure on agricultural land increased.
- Fragmentation of land occurred and thus, productivity declined.
- Disguised unemployment occurred.
- Ruralisation of India occurred.
- It led to massive unemployment.
- Demand for raw cotton increased in US and UK, thus cotton became expensive for Indian weavers.
- Indian textile exports declined.
- Weavers starved during famines.

Seeing the plight of weavers, Lord William Bentinck reported to Britain that 'the bones of cotton weavers are bleaching the plains of India' to highlight the misery of weavers.

✓

Q.3

- (a) Critically analyse the Role of Commercialisation of Agriculture in increasing Indian Poverty.

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Commercialisation of agriculture refers to the process of production of crops for sale in distant markets (domestic sales or exports) rather than for subsistence.

Commercialisation of agriculture played a key role in increasing Indian poverty :-

- **CREDIT** :- Commercial production necessitated credit. Hence, the farmers approached moneylenders to get credit for setting up irrigation and buying farm machinery and equipments for land reclamation and improvement.
 - The moneylenders lent at usurious rates
 - This led to exploitation of farmers and increased poverty.

- **REAL WAGES** of farmers did not increase. Even though agriculture income increase, this increase was not passed as high wages but was

cornered as ^{high} non-wage income in the form of profits, interest and rent. Thus, agricultural labourers remained poor.

- Inequality increased as only the rich, land-owning farmers could manage to get credit and grow cash crops.

- Famines :- since revenue was demanded in cash, farmers focused on growing cash crops like cotton, indigo and production of food crops declined. This led to food insecurity, famines and poverty.

However, the commercialisation also helped in alienating poverty in long run.

POSITIVE ROLE :-

- EXPORTS :- of crops like cotton occurred during American Civil war of 1860s. India became a major exporter and ~~and~~ Bombay cotton mills developed. Also, with opening of Suez Canal in 1869, Indian exports began to reach markets of Europe.

- REGIONAL SPECIALISATION occurred like
Bombay began to grow cotton,
Punjab → rice
Bengal → Indigo,
Guntur → Tobacco, areca nut
(Andhra)
This benefitted the regions, enhanced
trade and reduced poverty.

- LAND PRICES SHOT UP due to
commercialisation. Thus, tenants
began to occupy lands as expected
returns from land was high

- INFRASTRUCTURE DEVELOPMENT
occurred like irrigation infrastructure
was developed, which reduced
dependence on monsoon
→ ICAR developed new varieties of seeds,
which increased yields and helped
to improve food security and
reduce poverty.

Thus, although commercialisation created
difficulties in short-run, in long
run, it helped to reduce poverty.

Q.3

- (b) India's demographic transition didn't have any major impact on its development prospects, it was more incidental than policy induced. Discuss the above statement in the light of experience in first half of 20th century. 20

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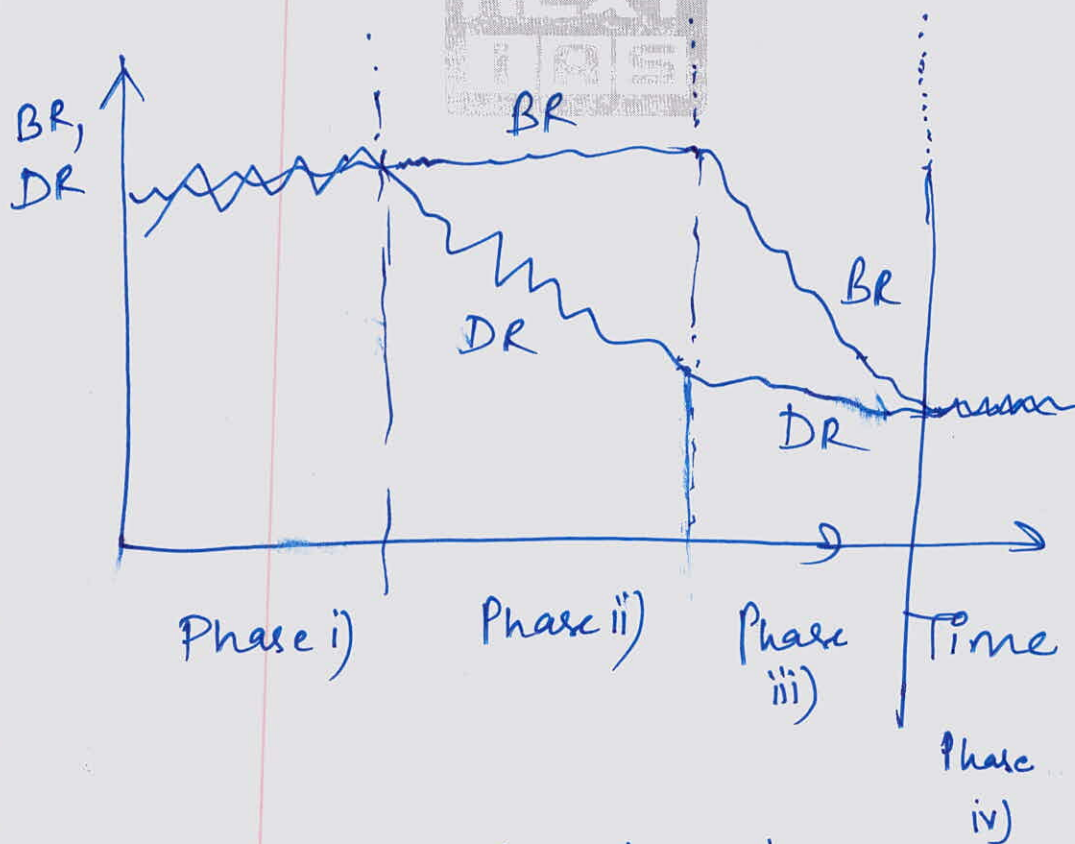
India's demographic transition
~~was~~ occurred in following phases:

i) High Birth Rate (BR), high death rate (DR)

ii) High BR, declining DR

iii) Declining BR, declining DR

iv) Low BR, low DR



This demographic transition
was more incidental than
policy induced.

Phase i) :-

- Birth rate was high due to excess poverty
- Death rate was high due to lack of health facilities.

Phase ii) :-

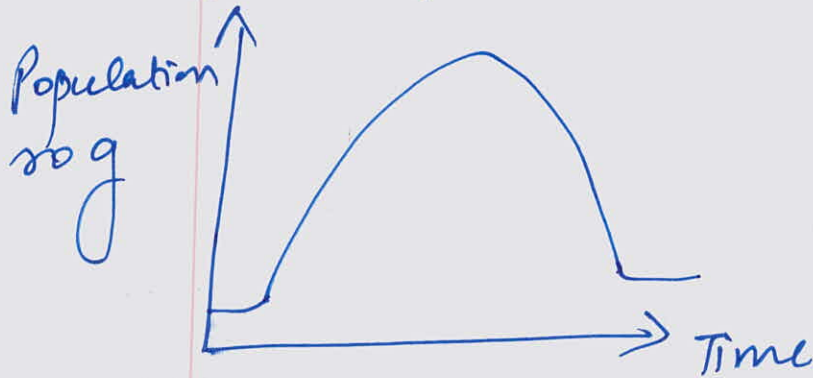
- Health facilities started improving. Thus, death rate started declining.
- But birth rate remained high.

Phase iii) :-

- Due to increasing awareness about family planning and contraception, birth rate started declining.
- Death rate also declined.

Phase iv) :- Finally, both BR and DR became low and population stabilized.

Thus, population growth followed the following pattern



India's

IMPACT OF DEMOGRAPHIC TRANSITION ON DEVELOPMENT

PROSPECTS OF INDIA:-

- More labour for agriculture, industry.
- Cheap labour led to lower wages and massive development of real estate industry via construction.
- More people led to higher human capital.

- Skilled workforce led to expansion of service sector which now contributes 54% to the GDP of India.
- However, more people created pressure on agriculture, almost 50% of workforce is in agriculture, thus leading to disguised unemployment and fragmentation of land.
- As per PFLS, 7% is unemployment rate
- As per NITI Aayog's Multidimensional poverty index, 15% of population is poor.

Thus, demographic transition is yet to enhance the dividends reaped by the country. This is possible through poverty-alienation schemes and skilling programmes of government.

Q.3

(c) Do you think British policy of trade was discriminatory? Substantiate.

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British policy of trade was discriminatory because of the following reasons:

i) Laissez-faire argument was advanced by the British so that other countries can liberalize their trade and remove import tariffs on British goods.

ii) This was done to benefit the Lancashire mills.

iii) Thus, import duties were reduced to zero in India for British textiles imported by India.

iv) But high tariffs were ~~ex~~ imposed on Indian exports to Britain.

→ This one-way tariff policy was discriminatory towards Indian textile industry.

→ ~~At~~ Also, the exchange rate was kept overvalued to harm ~~the~~ Indian exports.

→ Purushottam Das Thakurday advocated for ~~the~~ devaluation of rupee to enhance Indian exports.

→ M.G. Ranade ~~exposed~~ opposed the discriminatory trade policy of British.

→ In response, British introduced a policy of Discriminatory Protection for certain industries that required protection, in 1921

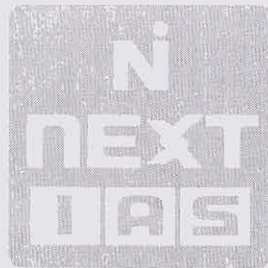
→ Tariff was imposed on iron and steel.

→ 25% tariff was imposed on British textiles but 50% tariff was imposed

on Japanese textiles.

→ Import tariffs were also imposed on paper, sugar and chemicals.

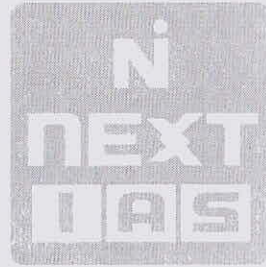
This helped ~~to~~ protect certain Indian industries from foreign competition.



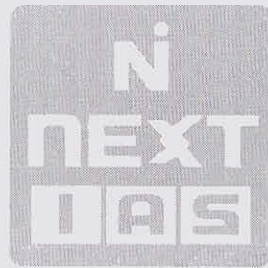
Q.4

(a) Examine the growth of Cotton Textile and Jute Industries in India during British period. 20

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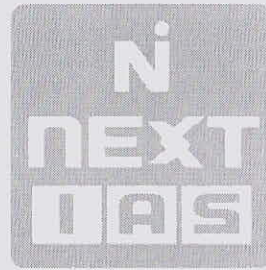
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Q.4

- (b) Explain the growth of Steel Industry and its evolution in British India. Examine how it became the initial point of introducing industrial modernisation in India. 15

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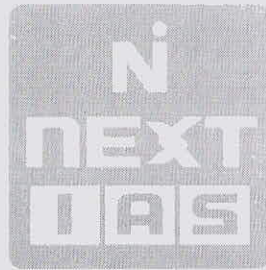
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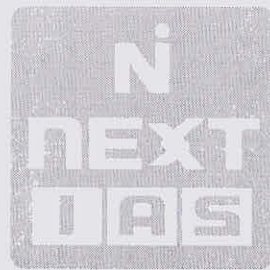
Q.4

(c) Which were the main Services dominant in British India? What impact did they create on India's development in later period? 15

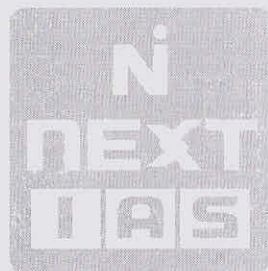
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SECTION-B (INDIAN ECONOMY AFTER 1991)

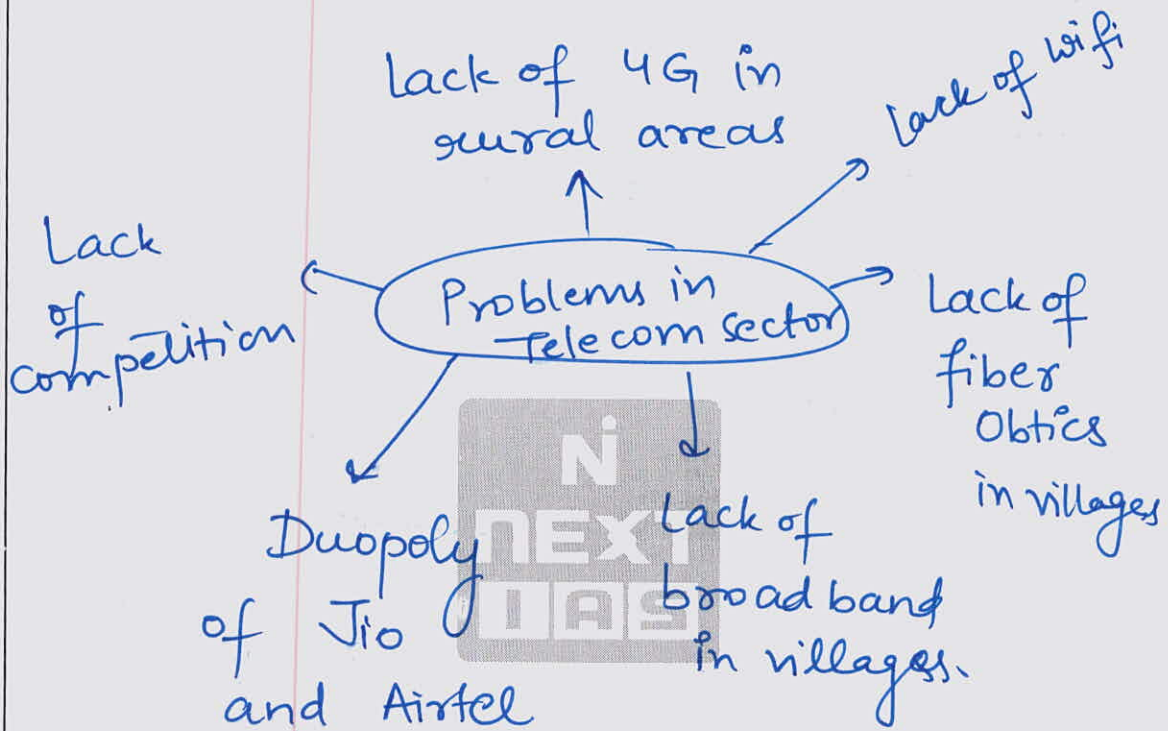
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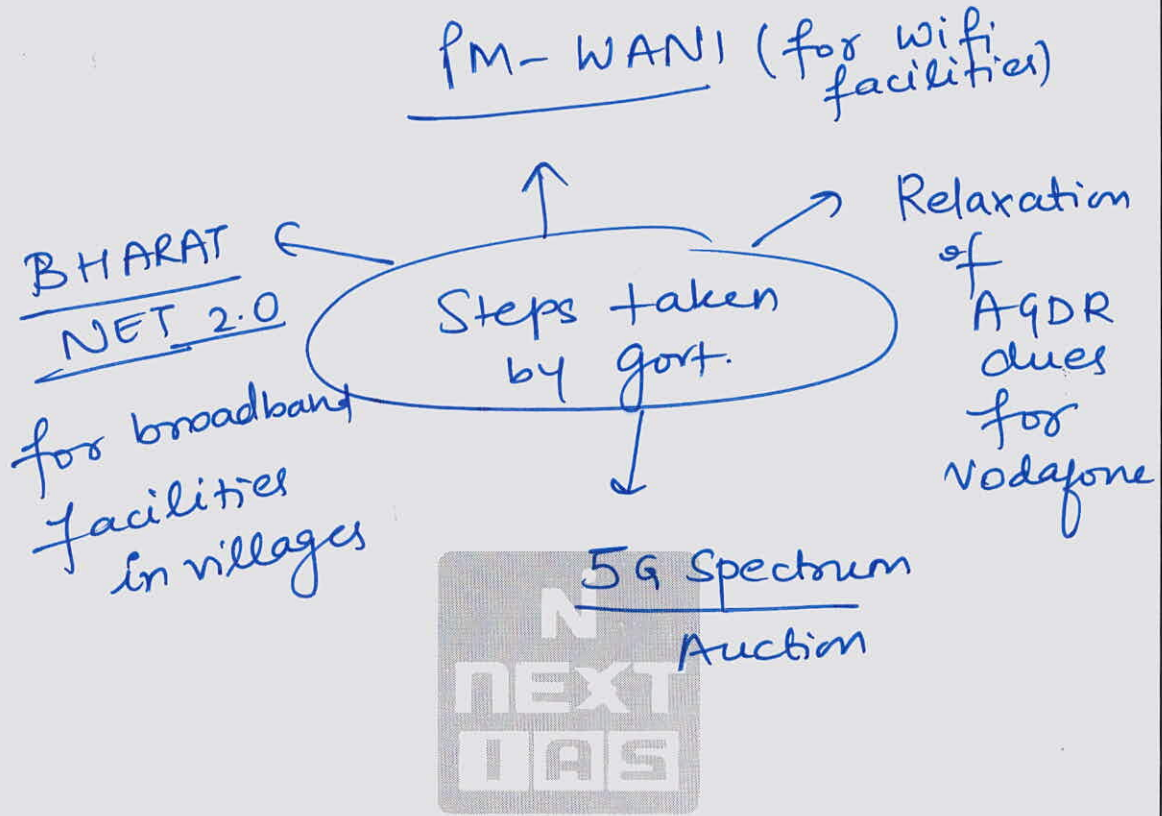
(10 × 5 = 50)

Q.5

- (a) Explain the problems in Telecom Sector and steps taken by the government in recent past to resolve them.



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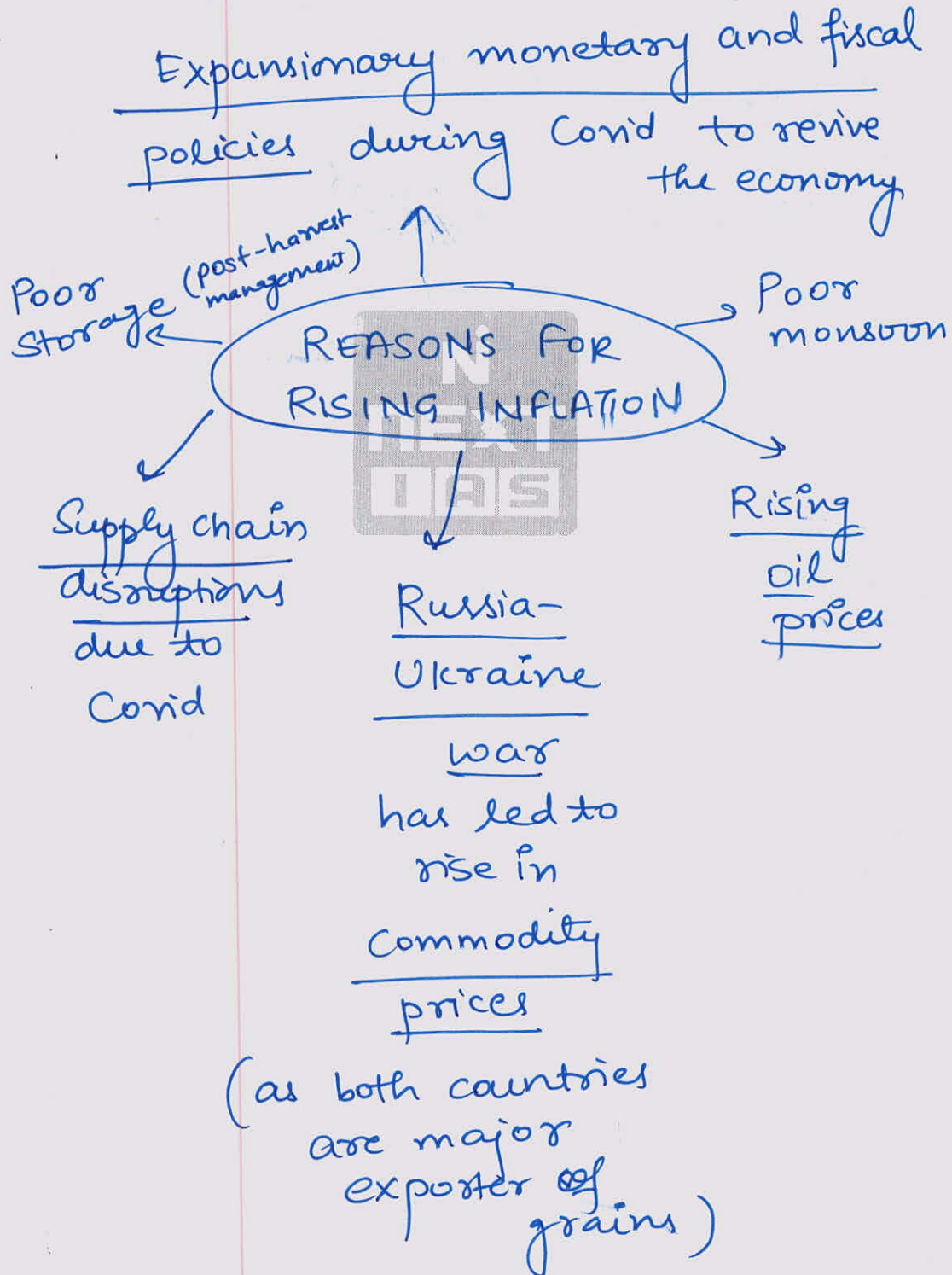


Q.5

(b) Give reasons for rising inflation in recent past. Do you think it can be controlled by increasing repo rate?

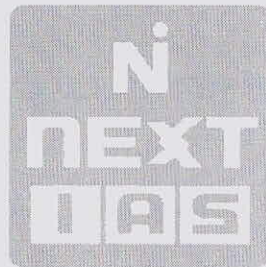
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Inflation refers to increase in general price level.



Repo-rate can only be used to
control demand-side inflation.

It cannot reduce supply-side
inflation due to poor monsoon,
war or Conid.



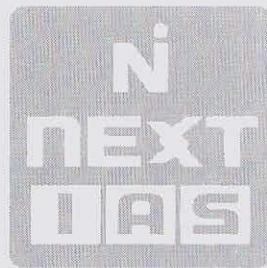
Q.5

(c) Analyse the recent trends in Fiscal Deficit and Debt to GDP Ratio of India.Candidates
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Fiscal deficit had reached 9.5% during Conid. It has now reduced to 6.8% and the target is to reduce it to 4.5% by 2025-26.

The debt to GDP ratio of India is 90%. The aim is to reduce it to 60% (as per recommendations of N.K. Singh Committee)

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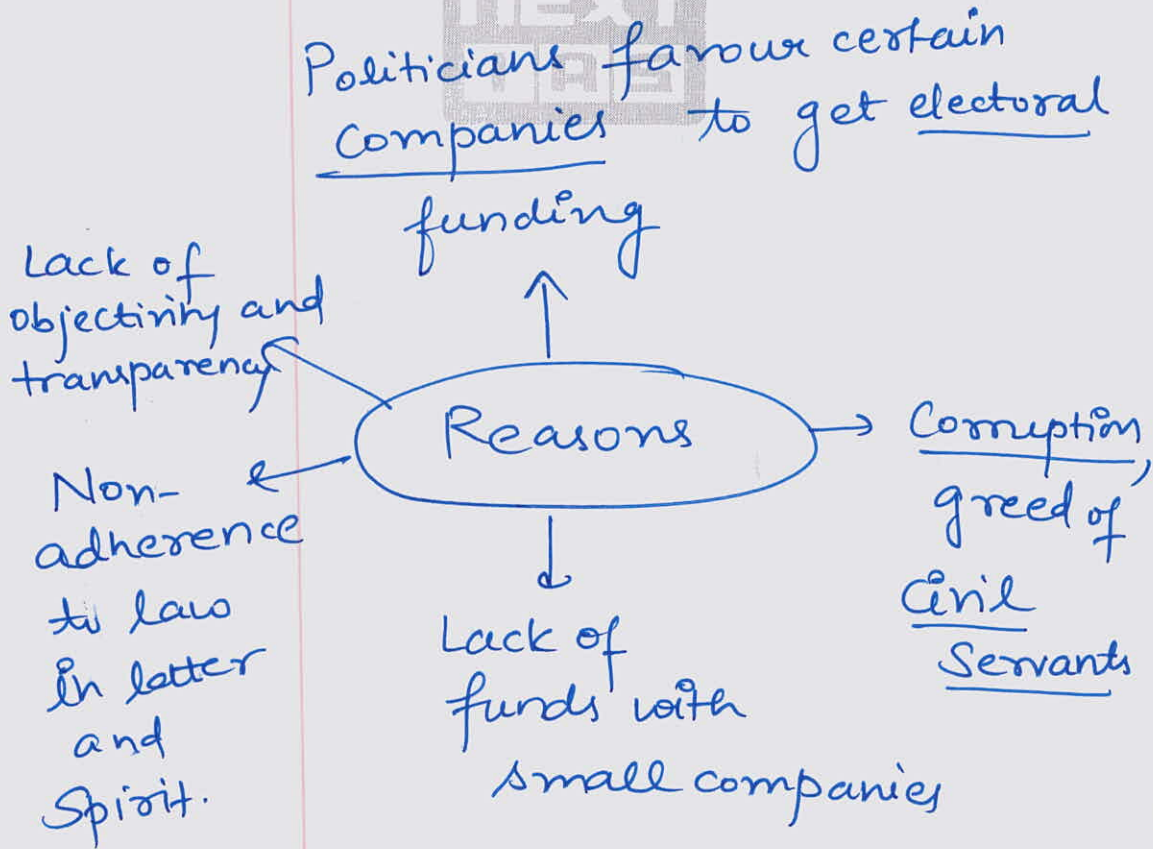


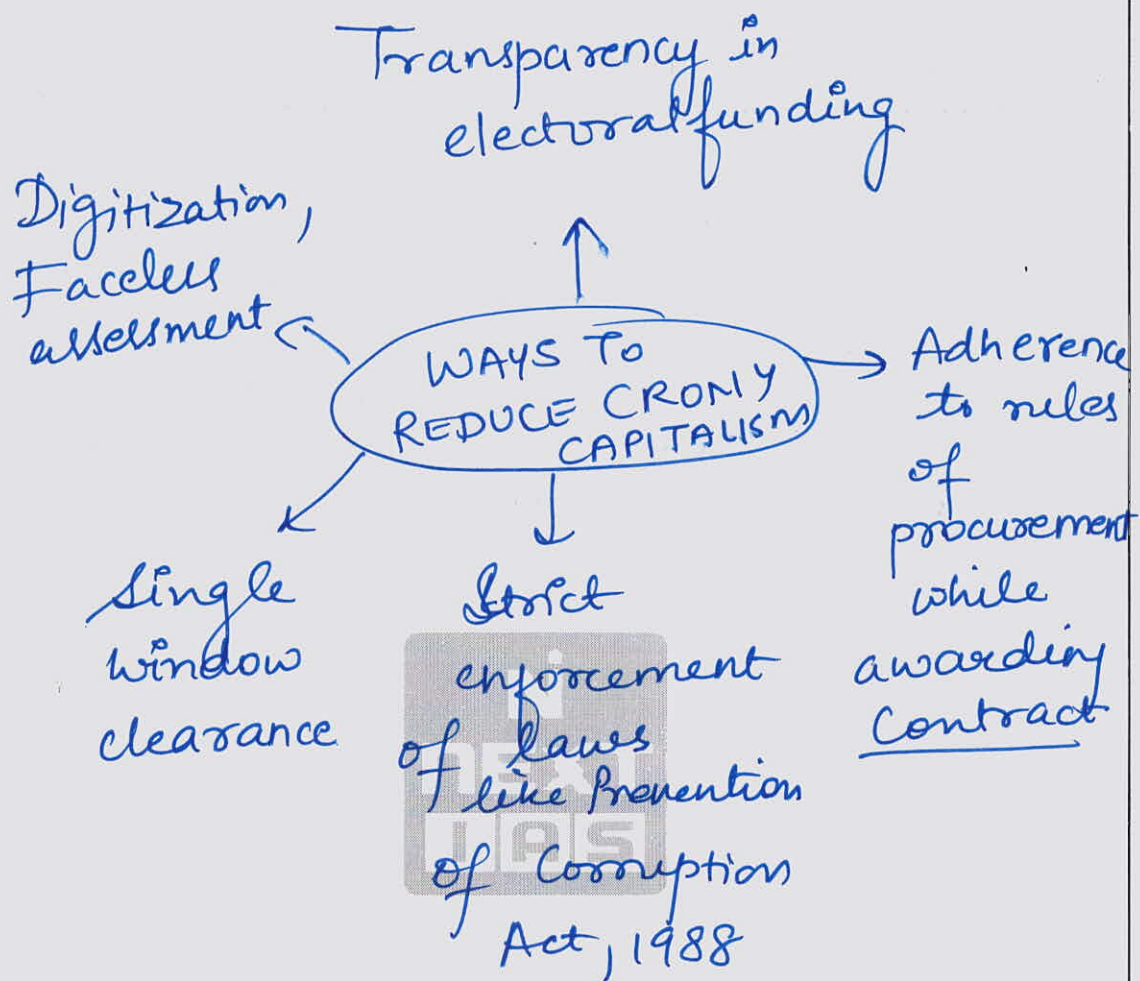
Q.5

(d) What is Crony Capitalism? What are its reasons? How can it be reduced?

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Crony Capitalism refers to the practice in which certain businesses are given preferential treatment by the government in return for money. Eg:- taking bribe for awarding a contract to a certain company.





Thus, capitalism can work in a healthy manner for the economy if the above steps are taken to reduce crony capitalism.

Q.5

(e) Compare the policy of Asset Monetization with Disinvestment.

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Asset Monetization

→ It refers to leasing of a part or whole of an asset of the government to a private entity for a temporary period.

Eg:- Brownfield assets of government like railway stations extra land can be monetised by giving it on lease to private companies

Disinvestment

refers to the process of dilution of stake of the government in a PSU or a government entity.

Eg:- LIC IPO is an example of disinvestment.

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Q.6

(a) Poverty is not only severe but structural in India. Do you agree? Analyse the statement highlighting the recent steps taken by the government to tackle it. 20

Candidates must not write on this margin

Poverty refers to deprivation in basic necessities of life. As per NITI Aayog's Multidimensional poverty index, poverty has declined from 25% to 15% between 2015-16 to 2019-21.

However, the severity or intensity of poverty is still high at 44%.

→ The intensity has declined only by 3 percentage points i.e. from 47% in 2015-16 to 44% in 2019-20.

POVERTY IS STRUCTURAL in India due to following reasons:-

- Dependence of ~~of~~ people on agriculture
- 33% of ~~peop~~ population is still undernourished due to lack of health and nutrition.

- 20% of women still do not get proper maternal healthcare and assistance during delivery.
- One-third^{44%} people is still deprived of cooking fuel and uses wood, dung, coal, charcoal to cook food.
- 41% of population is deprived of housing
- One-third population still does not have access to a toilet.

Unless these structural issues in health, nutrition, cooking fuel, housing and sanitation are addressed, poverty will continue to persist.

RECENT STEPS TAKEN BY THE GOVERNMENT

TO ADDRESS POVERTY :-

- Ayushman Bharat scheme to provide healthcare insurance of ₹ 5 lakh to ~~the~~ BPL families.
- Free food under PDS
- One Nation, One Ration Card Scheme to enhance portability of ration card
- POSHAN Abhiyaan to enhance nutrition of children and pregnant mothers.
- Samagra Shiksha Scheme to enhance learning outcomes of students in government schools.
- Jal Jeevan Mission to provide drinking water to rural households.

- Swachh Bharat Mission for management of solid waste and to make India open-defecation free.
- PM Ujjwala Yojana :- subsidised cylinders are provided to BPL families.
- SAUBHAGYA Yojana for rural electrification.
- PM-AWAS Yojana for providing housing to households.
- JAN DHAN Yojana for financial inclusion.
- NREGA to provide employment for 100 days to unskilled labourers in rural areas.

The above initiatives are playing a seminal role in poverty reduction in the country.

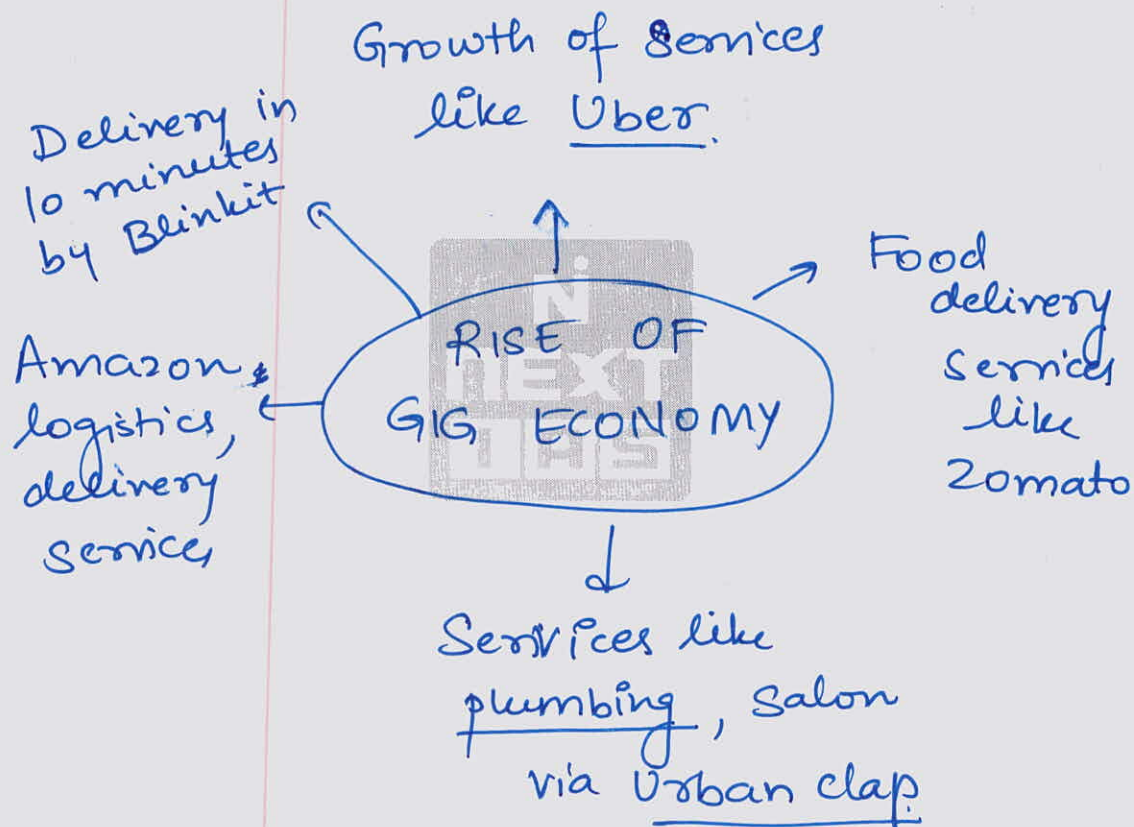
Q.6

(b) Critically analyse the rise of Gig Economy and steps needed to harmonize its growth with social security.

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Gig economy refers to an economy where workers are engaged by the employer on a contractual basis.



CRITICAL ANALYSIS :-

- Long working hours
- Lack of social security
- Lack of insurance
- Do not fall under labour laws
- Sub-standard working conditions

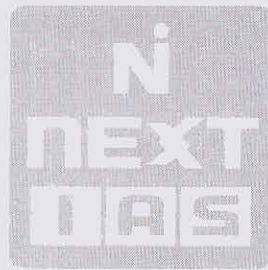


Thus, gig workers must be covered under labour laws and must be provided social security.

Q.6

(c) Explain Wage Code and Industrial Relations Code, highlighting their importance for India's development. 20

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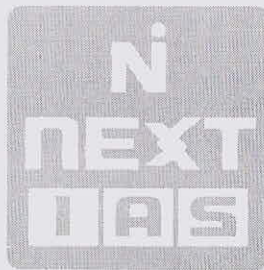
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Q.7

- (a) Indian agriculture will be better served by improving post harvest facilities than continuous subsidies on inputs". Critically analyse the statement in the light of recent steps taken by the government. 20

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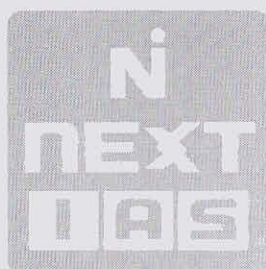
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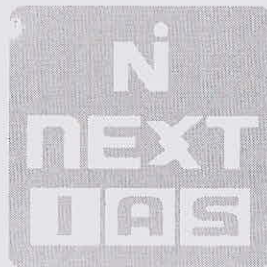


Q.7

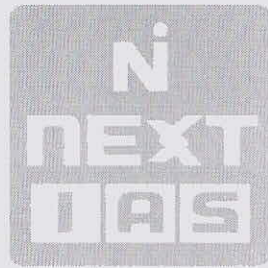
(b) Explain India's New Foreign Trade Policy 2023 with respect to the advantages for exports.

15

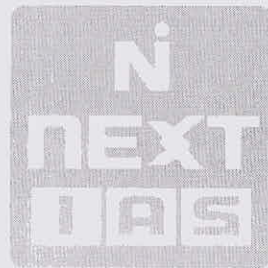
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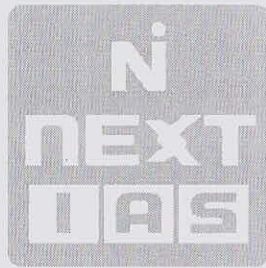
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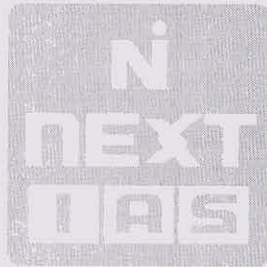
Q.7

(c) How is Digitization of India transforming the opportunities for not only efficient growth but also inclusive growth? 15

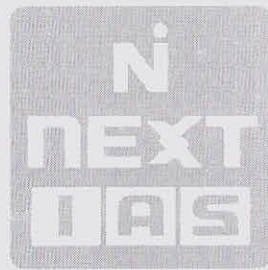
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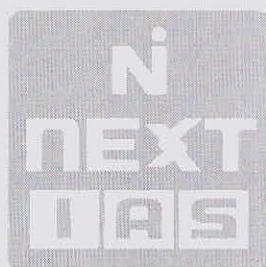
Q.8

(a) Explain how Budget of 2023-24 is a good balance in fiscal management without compromising growth? 15

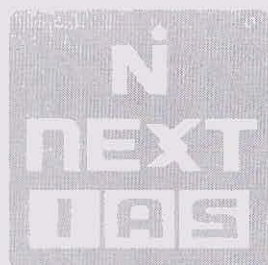
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Q.8

(b) Indian manufacturing requires cyclical and structural support. Analyse the statement giving examples. 20

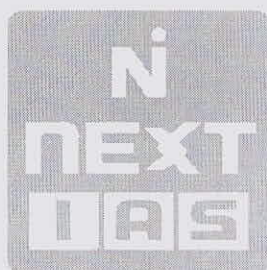
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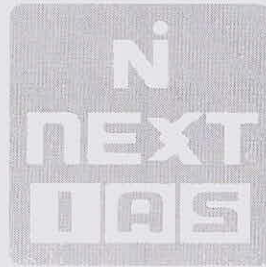
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Q.8

(c) Explain steps taken by the government to promote MSMEs in India in last 3 years. 15

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