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Daily Mains Answer Discussion (Punjab PCS)

(Day - 3)

Q 1. Government has recently brought out farm bills which has received backlash by majority of Farmer Unions across the nation. Examine the various Pro's and Con's of these farm bills and how they can be remodelled if needed to satiate the demands of farmers.

Structure

- Introduction - Reason and the vision because of which these bills has been introduced, Brief about the various protests going on against the recently introduced bills.
- Body - Discuss the Pro's and Con's of each bill.
- Conclusion - What measure can be taken in order to make these bills a success.

Answer

- Three new Agriculture reform bills have been introduced on the lines to accelerate growth in the agriculture sector through private sector investment in building infrastructure and supply chains for farm produce in national and global market, all this in order to make the vision of Doubling Farmer income come true by 2022.
- However, these reforms have received backlash by majority of farmer unions across the nation as they are being seen as "Anti Farmer" and specifically against the interests of small and marginal farmers. All India Kisan Sangarsh Coordination Committee has announced a "Corporate Leave Farming" campaign and Union cabinet minister Harsimrat Kaur Badal resigned citing that these bills are a three pronged attack on the farmers of India, the key features of these bills are –
- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill - It seeks to effectively bypass the APMC markets by providing the freedom to trade in any area outside of private and APMC designated market yards.
    - Con's - May lead to distortion of already established APMC markets structure and organisation, which has been achieved after years of hit and trial method.
        - Leading to a situation where local farmers do not find adequate demand for their produce at MSP in the local market. Since most farmers are small or marginal landowners, they do not have infra to transport their produce to large distances and hence, they are forced to sell them at a lower price than the MSP in the local market itself.
- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill - It seeks to create a framework for contract farming in India.
    - Pro's - Provides a framework for the protection and empowerment of farmers with reference to sale and purchase of farm products.
    - Con's - Agriculture in India is mainly characterised by small and marginal farmers, which do not have the sufficient knowledge and are not equipped or powerful enough to negotiate with corporates or bigpocket sponsors to ensure a fair price for their produce.
        - The quality parameters can be mutually decided by the two parties in the agreement. But the quality aspect will become crucial when a few corporates will try to usher in uniformity which might end up adversely impacting the already skewed agro-ecological diversity in the country.
- The Essential Commodities (Amendment) Bill - The Act empowers the central government to control the production, supply, distribution, trade, and commerce in certain commodities and circumstances and the new bill requires that imposition of any stock limit on certain specified items must be based on price rise.
    - Pro's - Bill seeks to increase competition in the agriculture sector and enhance farmer's income and aims to liberalise the regulatory system while protecting the interests of consumers.
    - Con's - The price range fluctuation allowed in this bill is narrow (100% increase in the retail price of horticultural produce and 50% increase in the retail price of non-perishable agricultural foodstuffs), price based only which may lead to artificial management of prices in the market and not allowing the price to

reflect the true market dynamics.

  - This stock limit regulation will not be applicable for value chain participants of any agricultural produce if their stock limit remains within their installed capacity and will also not apply to exporters if they can show demand for export - which may ultimately lead to artificial surge of prices in the market, thus distorting the entire price mechanism, and eventually favouring the traders and not farmers, thus defying the whole purpose of this bill.

All these bills reflect that there are certain loopholes which may threaten the livelihood of farmers in long term, in order to make these bills 'farm ready', certain measures can be taken such as –

- Including statutory backing to Minimum Selling Prices and procurement in the new bill to eradicate the fear of farmers.
- Providing Infra at the local village level to the small and marginal farmers such as cold stores, transportation facilities etc. so that the farmers become autonomous and is not being forced to sell its produce due to unavailability of Infra.
- The National Government while implementing these policies should act with the proper integration and cooperation of states and also the major farmer unions across the nation so that they fell involved in the policies which affect their future.
- Establishing a proper channel and institution (Govt. Backed) through which famers can negotiate and fight the legal battles (if need arises), against the big corporate houses.

Q 2. Inclusive Growth is the pathway that connects growth and Development. According to you, what is Inclusive growth and has India been able to change its trajectory from growth towards development. What are the shortcomings that has been hindering its progress and how can they be improved. Comment.

Structure

- Introduction - Concept of Inclusive Growth - its dimensions and elements.
- Body - Point which project the progress India has made on the road to Inclusive Growth and then on the contrary show India is still not there it must have been - supported by data and facts.
    - Tell about the various hurdles and challenges due to which India has not been able to achieve Inclusive Growth
- Conclusion - Suggest Measures in Brief with which India can achieve Inclusive Growth.

Answer:

- Inclusive Growth is the process and outcome where all group of people have benefitted in the organisation of growth and benefitted equally from it. Dimension of Inclusive growth include –
    - Poverty Reduction
    - Balanced Regional Growth
    - Welfare of marginalised
    - Environment Sustainability
    - Enlargement of People's choice
- Elements of Inclusive Growth include Skill Development which involves harnessing the demographic dividend, Financial Inclusion, Technological Advancement, Economic and Social Development.
- India has been steadily marching towards its aim of achieving Inclusive Growth –
    - As per the Multidimensional Poverty Index (2018), India has lifted 271 million people between 2005 to 2016 with the poorest regions, groups and children reducing the poverty fastest.
    - India has focused on the Development aspect by providing provisions such as Ar.39 (b&c) in the Constitution.
    - Government is working with NGO's and International Groupings in policy making - eg. Bill and Melinda Gates foundation, DISHA project is being implemented in partnership with UNDP for employment of women in India.
    - NITI Aayog's strategy for New India@75 has been designed specifically keeping in mind the objectives of Inclusive Growth.
    - India has brought out various schemes like MNREGA - Poverty Reduction, Mid Day meal scheme Ujjwala , PM Jan Dhan Yojana - Financial Inclusion, Ayushman Bharat - Healthcare Inclusion etc has tried to establish welfare state.
- However when we look at the larger picture, today also India is home to largest number of poor and highest number of malnourished people children in the world.
    - In the Inclusive Development Index by World Economic Forum, India is ranked 62nd out of 74 emerging

countries and was among the least inclusive countries in group of G20 countries

- According to Oxfam Report, India is among the bottom 11 countries for its commitment to reduce inequality.

- All these facts and data shows that the road to Inclusive Growth is less travelled as of now and the challenges India is facing in this journey of Inclusive Growth are –
    - Poverty - Indian is the second largest populated country in the world and despite the massive gains, 374 million Indians continue to experience extreme deprivations and around 20% of the population is vulnerable to multidimensional poverty,
    - Unemployment - As per the Periodic Labour Force Survey, unemployment rate among the urban workforce was 7.8% and for rural workforce was 5.3%, national average calculated at 6.1%. ✓The quality-quantity of employment in India is a problem due to illiteracy, informal sector over dependence , disguised employment in Agriculture, and almost zero or no social security.
    - Social Development Issues –
        - Low level of growth in percentage to GDP expenditure in sectors such as Health and Education as compared to other developing countries of G-20.
        - Significant regional, social, and gender disparities, social indicators are much lower for OBC,SC,ST and other marginalised sector.
        - Factors like caste system, growing gap between rich and poor etc.
- The above short comings can be tacked in following ways –
    - Remodelling Developmental model - Wellbeing of communities should be kept at centre stage was propounded by Gandhian economics which must include –
        - Poverty Reduction
        - Employment Generation
        - Access to Essential Services
        - Skill Building
        - Good Governance
    - Environmental Sustainability- This can be assured by strict by assured strict implementation of EIA rules, CRZ rules.
    - Assured spending on Health and Education sector at par with the developed or at least developing nations of the World.
    - Investment in social Infrastructure - National Health Policy and New Education policy are targeting this aspect.
    - Atamnirbhar Bharat Plan - This will boost growth along with the creation of new jobs in manufacturing sector.

Q 3. Continuous Moratorium Extension by Government on Loans, may prove to be both boon and bane for the Indian Economy. On one hand, it may give the Public and Businesses sufficient and enough time to repay their instalments, on the other has hand, it may subdue the already NPA stuffed banks with more defaults. Critically Discuss.

Structure

- Introduction
  - Briefly tell about the state of affairs about the Indian Economy and the steps taken to solve it.
- Body
  - Points which can prove to be a boon.
  - Points which prove to be bane.
- Conclusion
  - Summarise the answer with the macroeconomic overview that what's need to be done in order to make this scheme work.

Answer

- According to IMF, Indian Economy is expected to shrink by 10.3% in 2020 due to the impact of COVID, it is also the most affected nation economically among the 10 biggest economies of the world when it comes to after effects of corona crisis. In order to cater to such a situation
- Government has taken various steps to save the economy such as economic relief package worth 1.7 lakh crore in the form of PM Garib Kalyan Yojana and Atma Nirbhar Bharat and one of the main efforts by the Government to save the sinking economy is the Loan moratorium which to the date has been extended for 6 months in a row.
- Although an effective and a bold step to save the common man and small industries such as MSME's to address the issue of non-payments of their instalments and to save the banks from turning their assets into NPA's, this loan moratorium is and can turn out to be a double edged sword with one side serving its purposes and on the other dismantling the vision with which it was adopted such as –
  - Case of Simple Interest over Compound Interest - Although the Govt. has waived the interest on interest charges that were to be levied on the accounts that opted for moratorium, however this may not account to much as the major burden on the account would be increased by the simple interest that would have accumulated till the date because of loan moratorium, thus increasing the chances of loan accounts turning into NPA's.
  - Discretion by Lenders - While the government announced the moratorium, lenders are still using their discretion on which borrowers to extend it to, claiming that the fear of default is higher under the circumstances, there is a reluctance to give the loans, especially to those in more vulnerable sectors such as MSME and salaried common man (the major section for which this idea was framed) therefore under such circumstances most of the assets would have already turned into NPA's much before they would be realised.
  - Credit Rating agencies flag risks of a likely surge in NPA's - According to agencies prolonged moratorium will result in ALM (asset liability management) issues, especially for NBFC's who have been impacted more than the banks, since there was no moratorium on their capital borrowing of NBFC's.
  - Mis usage - There have been cases unearthed where people have opted for the moratorium scheme,

regardless of the fact that they were able to pay their instalments or not, therefore pushing more pressure on the banking system and sucking out the liquidity out of the system which will invariably lead to more defaults in the form of accumulated simple interest and interest on interest (Compound interest), thus pushing the amount to be repaid to be much higher that it actual was.

- However, on the other side of this sword, the aspects which can prove to be a boon are –
    - Regenerate the sinking economy - It may give the common public and small businesses such as MSME's, the golden time to kick start their jobs, employment, work and repay their instalments which they were unable to pay due to job loss, work shut down etc.
    - No impact on credit score - if you avail moratorium, credit score will not be affected and one will not be reported as a defaulter. Thus, not paying loan will not impact your credit score and credit history. Thus, this will be beneficial for your future loans where you can avail the loan easily.
    - Interest on Interest waiver - In order to make this plan a success, Govt. has decide to waive off the interest on interest that would be accumulated during this moratorium period, thus lessoning the burden of the account holder and at the same time also saving the banks and NBFC's from prospective defaults.
- Thus loan moratorium can prove to be both boon and bane for the Indian economy as discussed, since this loan moratorium is just the deferment of payments and not the waiver, the real solution to save the sinking economy lies in the growth and development of the nation, finding avenues to provide employment to people at large, re-establishing the linkages between primary-secondary and tertiary sectors of the economy which were broken due to shut down and at the same time pushing the 4 factor of production into play - land, labour, capital and entrepreneurship.

Q 4. The significance of Indian Agricultural sector is way beyond than just providing national food security, its much more than that. In the light of the above statement highlight the significance of Indian Agriculture sector along with the issues that have been dragging it down.

Structure

- Intro + Body (Part 1) - Significance of the the Agricultural sector for the Indian Economy
- Body (Part 2)- Highlight the issues in the Agricultural sector.
- Conclusion - What measures need to be taken in order to resolve the same

Answer

- Agricultural sector was the only sector in our Indian Economy which has shown positive growth even the the whole nation was under lockdown and had come to a standstill, The significance of Indian Agriculture is way beyond its substantive mandate of national food security, on one side where it is the highest Employment Provider - employing around 48% directly or indirectly, it holds the direct key to reducing India's malnutrition problem thus ensuring the mission of nutrition security of India and upon that it also has the potential to spur India's overall GDP by augmenting the economic growth.
- However, in the last few years the growth in the Agriculture sector has become stagnated even reaching to sub-zero levels in some of the quarters, which raises alarms over the dwindling issues looming in the agriculture sector such as-
    - Non substantive increase in Income - Since Independence, the income of every entity in every sector has increased manyfold but Agriculture. The income level of Indian framers specially small and marginal farmers has increased marginally, thus forcing famers to either leave farming or go for suicides because of the amounting debts every agricultural season.
    - Consumer Oriented Policies - Since food security is the paramount service of every Government, therefore the prices of the Agricultural products are kept under check moreover whenever there is a price rise in any agricultural commodity,, the Government imposes restricts on exports to protect Indian customers, thus creating hindrances for farmers taking the benefit of higher price in foreign markets.
        - Upon that Essentials Commodities Act, has meant lower private investment in export infrastructure such as warehouse and cold storage systems.
    - Flawed Agricultural Marketing Policies - Today the APMC acts passed by various states are marred by various lacunae and reforming them has proven to be a major task because of the politics involved, and upon that since Agriculture is a state subject thus causing Federalism issues when centre imposes any new set of laws.
    - Marginal Land holdings - Indian Agriculture is characterised by marginal and small farmers mainly who comprise 85% of the total land holing in the country.
- In such a scenario, major reforms are needed in the Agricultural sector, recently brought Agricultural acts were the steps in the same direction, however seem to be failing in solving the purpose as they were brought without any consultation with the famers unions, had the top to bottom policy approach which should have been bottom to up and upon that the way these bills were passed in the Rajya Sabha raises contentious issues over the Constitutionality of these bills.
- Today the need of the hour is to allow land leasing, increasing avenues for Non-farm income, addressing Subsidies problem, improving Agricultural Export Scenario, Agricultural marketing reforms and at last investing

in Agriculture infrastructure, in order to double the Farmer's income by 2020 come to reality.

Q 5. How are the principles followed by Niti Ayog different from those followed by erstwhile Planning Commission in India?

- (PC - Planning Commission, NA - Niti Ayog)
- The transition from PC to NA reflects the completion of transition from a state professing anti- imperialism to a Neo liberal state. It was centre to state one-way flow of policy of Planning Commission which is being followed by genuine and continuing partnership with states.
  - Principle of Inclusion and participation - States had nil participation when it came to policy formulation and a minimal say in decision of fund allocation of development projects during PC regime whereas NA ensures full time participation to address issues and devise policies as per needs and comprises of all the states CM's and administrators of UT's.
  - Principle of Approach- PC followed top down "one size fits all" approach with states and UT's being barely consulted, merely worked as a provider whereas NA follows bottom up approach will give strategic and technical advice at state and union level.
  - Principle of Planning- PC followed central planning process with the Socialism being the model followed with policies made and dictated to states whereas NA follows the process of cooperative federalism where all have an equal say from states to UT's and the policies are being designed according to the basis of market – needs and competition with a real time check on socio economic conditions.
  - Principle of Governance and accountability – NA has established a Development Monitoring and Evaluation Office which collects data on the performance of various ministries on a real time basis ensuring the efficiency of governance while PC had no such mechanism.
  - Principle of Working – Imposed policies on states and tied allocation of funds with the projects it approved, whereas Niti is a think tank and does not have the power to impose policies.
  - Principle of Funding- PC had the appropriated resources and decided the allocation of Government funds for various programs at national and state levels whereas NITI is a think tank and has no power to allocate funds.
- However like PC, NA is too a non-constitutional, non-statutory body not accountable to Parliament and if in-line ministers fail to achieve these targets, NA cannot punish them, which sacrifices a bit of its accountability principle.