



CIVILS360

2021

Mainsure

## Test-20 Answerkey

**1. Improving the quality of workforce and social security measures are important components of inclusive growth in the country. In light of this statement, explain the measures taken by the government in this regard. (150 Words) (10 Marks)**

### APPROACH:

- Brief introduction about inclusive growth
- Mention how inclusive growth and social security measures help to build inclusive growth in India.
- List out measures taken by the government to ensure it.

**ANSWER:** Inclusive growth is a concept that ensures equitable opportunities for economic participants during economic growth with benefits incurred by every section of society.

Improved quality of workforce and social security measures are sine qua non for the inclusive growth in India due to:

- **Demographic Dividend:** India is the youngest country in the world with 64 percent of its population in the working age.
- **Work in Informal Sector:** More than 8 in every 10 Indian workers are informally employed or work in informal sectors, excluded from employment rights, benefits and social protection.



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- **Low productivity works:** Employment growth remains concentrated in low-productivity sectors like the construction sector.
- **New technology tapping:** **NITI Aayog** aims to leverage artificial intelligence for **high productivity-high end jobs** for economic growth, social development and inclusive growth.
- **Skill development:** Sustained investments in skills development and fostering opportunities for decent job creation through entrepreneurship. Currently only 5% workers are formally skilled in India leading to inequitable growth.
- **Poverty Alleviation:** Social security measures will be helpful to the 90% total labour force in the informal sector and help to raise the current 22% population lying below the poverty line.

**Measures to improve quality of workforce and social security:**

- **Productivity and skill development:**
  - Promote entrepreneurship amongst women through Mahila e-Haat, Stand Up India etc.
  - Self-Employment and Talent Utilization, Skill India Mission, PM Kaushal Vikas Yojana for skill enhancement.
  - Promoting innovations through increased R&D expenditure.
- **Technological Upgradation and Human Capital Development:**
  - Occupational mobility of workers from the agriculture sector to non farm jobs.
  - Improved vocational education through **SANKALP, STRIVE** schemes.



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- Labour Market Information System for identifying skill shortages, training needs and employment created
- **National Strategy for AI** to tap the benefits of new technologies.

● **Legislative reforms:**

- Simplify and modify labour laws applicable to the formal sector to introduce an optimum combination of flexibility and security. Eg: **Industrial Relations Code 2020, Social Security Code 2020** etc.
- The National Policy for Domestic Workers needs to be brought in at the earliest to recognize their rights and promote better working conditions
- Adherence to Maternity Benefit (Amendment) Act, 2017 to increase Female Labour Force Participation Rate.
- Expand the Minimum Wages Act, 1948 to cover all jobs.

**Economic Survey 2020** envisions India to become a \$5 trillion dollar economy by 2025. It should be on the basis of inclusive sustainable development.

**2. Openness to trade and private enterprise usually has positive effects on growth. However, it can also promote inequality and lack of inclusiveness. Examine. (150 Words) (10 Marks)**

**APPROACH:**



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- List out the positive effects of growth through openness to trade and private enterprise.
- Examine how it perpetuates income inequality and inclusiveness issues.
- Conclude with measures to address the issue.

**ANSWER:** After the advent of **New economic policy** in 1991, India has transformed into an open economy with overall trade as a percentage of GDP around 40%.

**Positive effects of openness to trade and privatisation:**

- **Export Potential:** The **International Trade Center** estimates India's untapped export potential at around USD 201.4bn.
- **Employment Generation:** India can generate adequate well paid jobs for **13 million new workers** added every year.
- **Wealth Generation:** Economic Survey 2020 mentions that the privatisation of firms can help to create wealth generation.
- **Spillover effects:** Privatisation can help to create efficiency gains, increased profitability, improved return on assets and service to customers.

**Issues with openness to trade and privatisation:**

- **Domestic Concerns:** The indigenous manufacturers, farmers etc. will lose their profit margins due to high trade liberalisation. Eg: Dairy farmers protest during RCEP negotiations, Electronic manufacturers in India under crisis due to flooding of Chinese products
- **Trade deficit:** India's trade deficit has grown from USD 6bn in FY01 to USD 109bn in FY17.



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- **India's FTA experiences:** It has led to increased imports and exports, although the former has been greater. Eg: Trade deficit for India after signing India–ASEAN widened.
- **Loss of autonomy:** With higher trade liberalisation, India will have to align its **IPR policy** with international standards causing issues for domestic manufacturers and affordability of goods.
- **Nature of employment:** Contractual jobs share increased to over 20% in the economy, about 90% workers are in the informal sector even with trade liberalisation leading to lack of job security.
- **Non inclusiveness:** India's billionaires increased from just two in the 1990s, 148 to 65 in 2016 showing the correlation between economic inequality and liberalisation.
- **Gender inequality:** Lowest paid workers are almost always women. The wage gap between men and women in India is at 34% which is highest in the world.

**Oxfam's report** suggests that if India stops inequality from rising and reduces inequality by 36 per cent, it could virtually eliminate extreme poverty. Therefore measures taken by India shall also reduce the inequality persisting in society.

**3. Labour reforms will support the formalisation of India's labour market and improve its flexibility, with positive efficiency gains. Discuss. (150 Words) (10 Marks)**



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**APPROACH:**

- Briefly introduce the recent context of labour reforms in India.
- Examine how it supports formalisation of labour market and mention other positives.
- Discuss the concerns associated with it as well.

**ANSWER: Labour reforms** envisions the codification of labour laws, increase of **female labour force participation rate to 30%** by 2022, encourage **formalisation of labour, easing of industrial relations**, ensuring fair wages, working conditions and social security etc.

**Labour reforms: formalisation of India's labour market**

- **Regulatory easing:** Moving the licensing and compliance processes online, simplifying procedures and permitting self-certification in a larger number of areas help to increase formalisation.
- **Rationalisation of laws:** The 38 central labour laws are combined into four codes namely wages, safety and working conditions, industrial relations, and social security and welfare easing labour identification and data management.
- **Social Security:** The Government made the EPFO premium portable so that workers can change jobs without fear of losing their provident fund benefits.
- **Employment Data:** MOSPI collects employment data through the **Periodic Labour Force Survey** and the focus is on improving payroll data, to create reliable employment data and release it on a regular basis.



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- **Skill development and occupational mobility:** Labour Market Information System for identifying skill shortages, ensuring the wider use of apprenticeship programmes etc. encourages non farm employment and occupational mobility.

**Concerns of the labour reforms:**

- **Hire and fire policies:** Industrial Relations Code, 2017 seeks to increase the limit for prior permission of the government for lay-off, retrenchment and closure to 300 workers, up from 100 at present.
- **Restrictions on worker rights:** Complex norms for trade union creations, ban on the process of strikes etc. affect labour rights.
- **Single social security authority:** The merger of organisations and funds for organised (EPFO, ESIC) with that of the unorganised sectors affect the interest of latter.
- **Redefinition of factories:** Proposal to redefine factories from a minimum of 10 workers in an establishment (if power is used) to 20 and from 20 (if power is not used) to 40 workers will reduce the organised sector enterprises.

**Case Study:** The manufacturing companies moving out of China in the present day are shifting their base to Vietnam and Bangladesh although they have more inclusive labour rights and higher wages. It shows the need to make India's labour reforms more inclusive.



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**4. Food processing industry holds potential not just for increasing farmer's income but also for ensuring sustainability and nutritional security. Examine. (10 Marks) (150 Words)**

**ANSWER:** Food processing is the transformation of raw ingredients into food, or of food into other forms (ie. food processing may denote direct manufacturing of food or value addition on existing food. There are two types of processes in the food processing industry :

- Manufacturing: Raw materials → Food.
- Value Addition: Increase shelf life and value of manufactured food.

India is one of the largest producers of food in the world but processes only 10 percent of what it produces.

**Farmers income will increase with the help of the food processing industry.**

- Food processing units act as a link between agriculture and industries.
- Industries will buy agricultural products on a large scale. With that, farmers will get better prices.
- Along with the food processing industry cold storage facilities will also grow, which will help to reduce the wastage of crops after harvesting.
- Processed food can be exported on a large scale. This may help us in getting foreign exchange reserves.



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- Food processing opens the scope of contract farming may also improve the income of farmers
- Eliminates middlemen
- Crop Diversification: eg. jackfruit processing industries in kerala
- Modernization and mechanization of agriculture

### **Food processing industry will ensure sustainability and nutritional security**

- Food processing industries can absorb a major share of workers from the agriculture sector, who face disguised unemployment. It can lead to better productivity and GDP growth.
- Curbing Migration: Provides employment in rural areas, hence reduces migration from rural to urban. Resolves issues of urbanization.
- Food processing prevents food wastage and helps in attaining food security.
- Curbing food inflation: Removes issues of wastage or middle man. Curbs food inflation. Indirect relief on non-food inflation too.
- More job opportunities and income for women will lead to empowerment.
- Skill development.



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- Through processed food nutritional security and quality of food can be assured.
- Food fortification. Eg. milk is often fortified with vitamin D, rice fortified with iron, folic acid and vitamin B-12 to tackle anaemia.

**Food processing industry** opens the horizon for India's overall growth, farmer's welfare, food security and sustainability.

**5. Do you think Zero Budget Natural Farming is the panacea for the problems faced by marginal and small farmers in the country? Justify. (10 Marks) (150 Words)**

**ANSWER: Zero budget natural farming** is a method of chemical-free agriculture drawing from traditional Indian practices. It was originally promoted by agriculturist **Subhash Palekar, who developed it in the mid-1990s as an alternative to the Green Revolution's methods** that are driven by chemical fertilizers and pesticides and intensive irrigation. It aims to bring down the cost of production to nearly zero and return to a pre-green revolution style of farming.

**How ZBNF solves the issues of marginal and small farmers.**



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- ZBNF reduces the agricultural input cost tremendously. This would break the debt cycle for many small farmers and help to envisage the doubling of farmer's income by 2022.
- Chemical-intensive farming is resulting in soil and environmental degradation. ZBNF is a unique model that relies on Agro-ecology. So the farmer no longer needs to spend more to improve the quality of the soil.
- Organic products have better prices in the market.
- Planting multiple crops and border crops on the same field provides varied income and nutrient sources.
- reduced use of water and electricity
- improved health of farmers
- improvements in soil, biodiversity, livelihoods, water conservation
- women's empowerment and nutrition.

### ● **Challenges**

- ZBNF is not a zero budget methodology of farming. There are several costs such as the cow's maintenance cost, paid-up cost for electricity and pumps, labour etc.
- There are no independent studies to validate the claims that ZBNF plots have a higher yield than non-ZBNF plots.
- ZBNF insists on one blanket solution for all the problems of Indian soils. This cannot solve region-specific soil problems.



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- As per Subhash Palekar, 98.5% of the nutrients that plants need is obtained from air, water and sunlight and only 1.5% are from the soil. Thus, ZBNF takes an irrational position on the nutrient requirements of plants.
- While ZBNF has definitely helped preserve soil fertility, its role in boosting productivity and farmers' income isn't conclusive yet.
- Little research has been done on these so far.
- Training – Farmers aren't equipped with appropriate training to make the shift.
- The availability of livestock for urine and dung is doubtful.
- Farmers might go back to a system followed by their parents during the pre-Green Revolution period.

ZBNF will definitely reduce the input cost of small and marginal farmers and improve the quality of the agricultural environment. But it is not a blanket solution for all issues faced by the farmers in India. More scientific study and research has to be done in ZBNF to make it beneficial for farmers.

**6. Strategic disinvestment in India has been guided by the basic economic principle that the government should not be in the business to engage itself in manufacturing/producing goods and services in sectors where competitive markets have come of age. In light of this statement, critically**



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**examine the relevance of the shift in the disinvestment policy of the government. (250 Words) (15 Marks)**

**APPROACH:**

- Mention the recent context of strategic disinvestment in India
- List down the positives of the disinvestment policy of the government
- Highlight the concerns arising out of it.

**ANSWER:** Recently, the **Union Finance Minister** announced the formulation of a **new public sector enterprise policy** under which there will be **at least one public sector enterprises entity in strategic sectors and those in non-strategic sectors shall be privatised.**

**Prospects from the policy measure:**

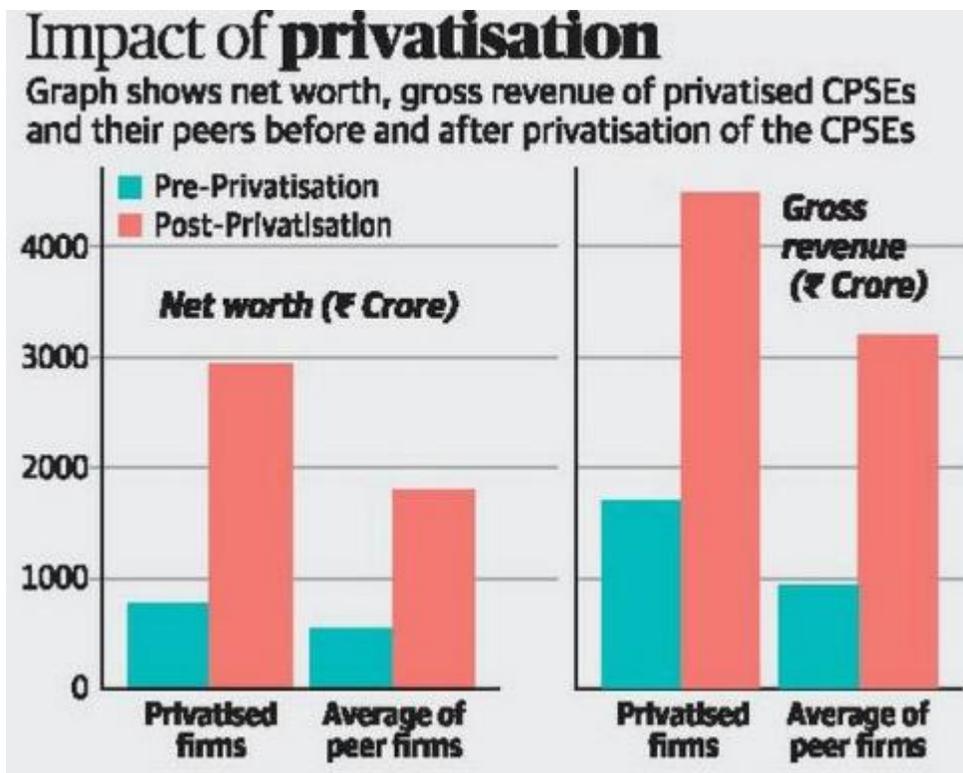
- **Economic Survey** says public sector units performed better than peers after privatisation of such units.
- For example, Survey noted that recent approval of strategic disinvestment in **Bharat Petroleum Corporation Ltd** led to an increase in value of shareholders' equity of the oil marketing company by Rs 33,000 crore when compared to its peer Hindustan Petroleum Corporation Ltd.
- Disinvestment of Public Sector Enterprises allows rise of non tax revenues for the government to meet its fiscal consolidation targets. It is necessary to



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keep in check the targets under **FRBM Act and NK Singh Committee recommendations.**

- Privatisation can bring in higher profitability, promote efficiency, increase competitiveness and promote professionalism in management in CPSEs.
- Privatized enterprises provide better and prompt services to the customers and help in improving the overall economic growth of the country.



Concerns from the policy measure:

- **Private sector focuses more on profit maximization** and less on social objectives unlike the public sector that initiates socially viable adjustments in case of emergencies and criticalities.



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- Privatisation compromises stable long term macro-economic structural adjustment for the sake of temporary gain of non tax revenues.
- **Profit-making PSEs need not be disinvested** as they provide a source of permanent and regular income for government exchequer. Eg: **Disinvestment of BPCL** even though it is one of the most profitable PSUs.
- Employment security concerns because privatised enterprises keep profit as first priority cutting down administrative costs. Eg: Protests by Air India employees.

**Case Study: Kerala State Drugs and Pharmaceuticals Ltd.** (KSDP), reportedly the only state government-run pharmaceutical PSE in India which was running into losses was transformed to become profitable last year. It is expected to supply drugs that are used in the post-organ transplant treatment at Rs 28 for a day as compared to Rs 250 for the day by other companies. The existence of such PSUs is helpful, especially in the current scenario.

Thus, it is viable to develop a symbiotic relationship between competent public and private sectors to foster India's potential as an industrial powerhouse.

**7. Explain how increasing protectionism and formation of regional trading blocs impact India's international trade? How do you think India can harness the economic opportunities created by increasing conflicts between large economies? (250 Words) (15 Marks)**



**APPROACH:**

- Define trade protectionism with a recent example.
- Explain the impact of protectionism on India.
- Examine how India can harness the opportunities generated by this.

**ANSWER:** Trade protectionism is defined as a nation, or sometimes a group of nations working in conjunction as a trade bloc, creating trade barriers with the specific goal of protecting its economy from the possible perils of international trading. Eg: America First Policy.

**Impact Of protectionism and Trade bloc on India**

- **Economic growth:** Protectionism leads to increased import costs as manufacturers and producers have to pay more for equipment, commodities, and intermediate products from foreign markets. This will lead to a decrease in real GDP.
- **Employment:** Protectionism is not only about restricting the flow of goods and services, but also the skilled and non skilled human resource for instance Nitaqat programme of Saudi Arabia. Any restrictions on this will not only promote unemployment but will also hamper the growth.
- **Impact on Industries:** Protectionism may promote inefficiencies by the infant industry as it will have no incentive to make itself efficient through use of technology and long-term investments.



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- **Impact on Exports:** In the successive monetary policies in 2018–19, RBI has observed that protectionism poses a challenge to India’s growth rate, because it affects the demand of Indian exports, especially in the textile, pharmaceutical, gems–jewellery and service sector. It has also affected the employment generation capacity of the sectors.
- **Current Account Deficit:** In the absence of robust export base, the intermediate goods that form part of the global supply chain becomes more expensive because of protectionism, leading to widening CAD. Higher CAD further puts the rupee under pressure and raises the cost of overseas borrowing.
- **Impact on other initiatives:** With India not participating in RCEP. There are also worries that India’s decision could impact the Australia–India–Japan network in the Indo–Pacific. It could potentially put a spanner in the works on informal talks to promote a Supply Chain Resilience Initiative among the three.
- **Losing out to Large markets.** When trade blocs come up with protectionism it can lead to losing out of large market for India for example India not being the member of RCEP India would lose out scope to tap the large market that RCEP presents —the size of the deal is mammoth, as the countries involved account for over 2 billion of the world’s population.

India can harness the economic opportunities created by increasing conflicts between large economies.

**1. Benefit India can harness from Indo us Trade war**



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- Several economists have indicated the possibility of India benefiting through increasing exports to the US and a shift of foreign direct investment (FDI) to India.
- India is among a handful of countries that stand to benefit from the trade tensions between the world's top two economies, the UN has said in a report.
- India can strengthen its trade relationships with both superpowers.
- As the US is being protectionist and unilateral, China and India would have to incline towards a multilateral world. China could cultivate a relationship with India as a substitute. It could also open up its markets for Indian goods and services – so could the US.
- There has been a rise in the export of goods to both countries. Export to the US grew by 9.46% to \$52.4 billion. As many as 203 Indian goods are likely to displace Chinese exports to the US, like rubber, carpets, graphite electrodes, etc
- Favourable goods that can replace the Chinese goods in the US are sacks, bags, polymers, printed circuits, automobile lighting equipment, Christmas–lighting sets, etc.
- Diversion in investment flows is an opportunity that India could benefit from, as manufacturers seek alternative origination destinations.

## **2.Benefit India can harness from Brexit**

- There are many who think a weakening British currency might be good news.
- India being more of an importing country than an exporting nation, the overall effect may turn out positive for India (if the dollar doesn't appreciate much against rupee).



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- With lower pound value, Indian companies may be able to acquire many hi-tech assets.
- As investors look around the world for safe havens in these turbulent times, India stands out both in terms of stability and of growth.
- Brexit might give a boost to trade ties between India and the UK.
- Britain will now be free to discuss a bilateral trade pact with India.
- Due to the fall in the value of Pound sterling, those who import from the UK will gain. Indian export companies operating in the UK may also gain.
- More Indian tourists can afford to visit Britain in the coming days as the currency value has fallen.
- More Indian students can afford to study in Britain (for higher education) as the fees may seem cheaper.
- Britain will need a steady inflow of talented labour, and India fits the bill perfectly due to its English-speaking population.
- The fall in the prices of commodities like crude, which will help India save a lot on its import bill (every \$1 drop in crude prices leads to roughly \$1 billion savings in India's oil import bill), reducing its trade and current account deficits (CAD).
- Brexit would weaken global growth and lead to a meaningful decline in commodity prices. This is only going to enhance both the relative and absolute appeal of India.
- Lower commodity prices will help the macro fundamentals: be it fiscal deficit, current account deficit or inflation, which will give the government more levers to pump up the investment cycle.



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### **3. Benefit India can harness from post covid trust deficit towards China**

- China has a trade surplus with almost every country in the world, but it has now transformed into a trust deficit. Now, every country wants to pull out their investment, especially in the manufacturing sector, from China, and look for opportunities elsewhere.
- India has been one of the top choices for such investments especially after Prime Minister Narendra Modi took charge of the government and started his comprehensive global outreach. With PM Modi's 'Make in India' campaign and the increase in Ease of Doing Business rankings, India became a shining spot for investors across the globe. This was followed by introducing the Goods and Services Tax (GST) regime that has boosted the confidence of international investors.
- The post Covid-19 context has given India an opportunity to invite all those companies that are leaving China. India has been a favoured destination for global companies in the last six years, but we have still seen a significant share of investments going to countries such as Vietnam, Philippines, Thailand and Malaysia.
- As we all know, there has been a demand from international investors for labour and judicial reforms, specifically on the sanctity of contracts and resolution of disputes. Centre and some of the state governments are discussing some changes in these areas.

#### **What has to be done to achieve the opportunities**

- **Role of Embassies and Consulates:** We have seen the proactive approach of our Embassies, High Commissions and Consulates ever since PM Modi has taken over the office. But now is the time when every Indian Mission around



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the world should take up the task of inviting companies from the countries where they are working.

- **Identifying Investors' Requirements:** There is also a need to identify and list the requirements of investors who are shifting their base from China.
- **A nodal body of the FDI** for timely clearances should be formed and it should work in coordination with facilitation agencies like Invest India for better results.
- **Ease of doing business needs to get new wings.** It should focus on investors choosing India as their priority. Officers in-charge should ensure proper follow-up and provide full assistance to investors. It is all about going an extra mile.
- **Demarcation of strengths of the region:** India is a large country with diverse qualities, strengths, and opportunities. We have witnessed in the past that investments in India are confined only to select regions and cities, resulting in the consolidation of opportunities in a few corners only. We need to create a matrix of available strength of every region and start a business navigation portal enabling smooth identification of the region best suited for industries and investors.

**Conclusion:** World economic order is being aggressive and unpredictable necessary for India to walk through these murky waters carefully. Indian policymakers need to be innovative and flexible in responding to the current uncertainties of the global world.



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**8. Examine the role of investments in promoting economic growth and employment in the country. How far have the recent measures taken by the government helped in boosting investments in the country? (250 Words) (15 Marks)**

**APPROACH:**

- Introduce the importance of investment in India with statistics.
- List out the role of investments in promoting economic growth and employment in India.
- Mention the positives and criticisms of government measures in boosting investments.

**ANSWER:** As per Economic survey, **India needs to spend an annual infrastructure investment of \$200 billion.** However, the country has been able to spend only about half the amount so far. Over the years, India has emerged as one of the fastest growing economies in the world and an attractive investment destination driven by economic reforms and a large consumption base.

Sustainable development is an investment issue. Capital is needed to alleviate poverty, create jobs, accelerate the clean energy transition and allow for the development of much-needed infrastructure to provide goods and services for all.

Investment helps in sustainable growth of India in following ways:



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- **Social infrastructure investments** can improve the outcomes in education and skilling, and can provide employment and affordable healthcare to all.
- Investment in skill development may help to reap the benefits of demographic dividend.
- Development programmes for improving connectivity, providing housing and bridging gender gaps in **socio-economic indicators** can push up the GDP growth to about 27% as mentioned by IMF Chief.
- The investments can reduce **economic inequality**; the investments in social security are crucial in this regard.
- Investment in the renewable energy sector can improve **energy security**, enhance energy access and mitigate climate change.

**Government measures to boost investment:**

● **Policy measures:**

- **Ease of FDI norms** to attract foreign direct investment by easing caps on the extent of permissible stake holding.
- Infrastructure investment encouraged through a renewed public-private partnership (PPP) mechanism on the lines suggested by the **Kelkar Committee**.
- **Disinvestment policy** of the Government will encourage private investment in various sectors and contribute to the exchequer.

● **Schemes and initiatives:**

- Encourage PPP through adoption of **HAM model, TOT model** etc.



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- **Ease of Doing Business** measures such as Land Banks for easier land acquisition, single window e governance approvals, IBC for insolvency proceedings etc.
- **Credit availability** enhanced through National Investment and Infrastructure Fund, investment enabled through **National Infrastructure Pipelines** etc.

● **Social infrastructure investment:**

- Increase health expenditure to about 6% as mentioned in draft **National Health Policy,2017.**
- Develop **educational standards** by strict implementation of RTE Act, enhanced industry– academic skill developments etc.
- Skill development measures to improve the employability of the labour work force and reap benefits of demographic dividend.

**Criticisms of government measures:**

- **Regulatory uncertainty:** Regulatory risks and policy uncertainty in the past have dented investor confidence.
- **Investment Growth:** There has been a cyclical slowdown in fresh investment since 2011–12. India's Gross Capital Formation (investment rate) has fallen about 9 percentage points from a high of 40 percent of GDP in 2010–11 to about 31 per cent in 2017–18.
- **Credit issues:** CMIE survey reports point out that the biggest challenge to investment in India is the rise in NPA , twin balance sheet problems etc.



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- **Challenges to doing business:** Enforcing contracts, paying taxes, starting a business and trading across borders continue to constrain doing business.
- **Outdated Agreements:** High energy costs result in losses as per old power purchase agreements (PPAs). This leads to uncertainty and endangers further investments in the renewable sector.

Thus, measures have to boost the investment level in India so that India can move towards an investment lead growth.

**9. Ensuring better returns for the farm produce has been the goal of successive governments since independence. In light of this statement, explain the importance of agricultural marketing and the measures taken by the government to improve agricultural marketing in India. (15 Marks) (250 Words)**

**ANSWER:** Agricultural marketing is a method that includes gathering, storage, preparation, shipping, and delivery of different farming materials across the country. In agriculture marketing, the selling of an agriculture product depends on various components like the demand for the product at that time, availability of storage, etc

#### **Importance of Agriculture marketing**

1. **Monetising the Produce**– Farmers get the due value of their produce via an efficient marketing system.



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2. **Market growth**—An effective marketing system further opens up new market avenues in an effort to compete and adjust itself to suit the transformation of Agriculture.
3. **Capital formation and investment in technology**— To increase the Produce or enhance the value of Produce, marketing encourages investment in Modern Supply Chain infrastructure and Information and Technology applications.
4. **Increase in revenue generation** It will increase the revenue in the agricultural value chain system and at the same time, it will also aim to influence that there is more equitable sharing of the net revenue generated among all the stakeholders in the value chain system.
5. Provides raw materials for industries.
6. Provides foodgrains for the entire population and fodder for cattle
7. Provides a base for expansion of internal market of a country.
8. Helps in the expansion of international market also when marketable surplus found in excess of the demand of a country, fetches a considerable amount of foreign exchange.

### **The Government Measures to Improve Agriculture Marketing**

1. The initial step was to regulate the market and plan a clean, transparent and simple marketing strategy. This regulation helped both the farmers and the consumer.
2. The second measure was the procurement process like transportation facilities, warehouse, cold storage, godowns, and the processing unit.



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3. The third aspect is to decide on the fair price for the product. In the past, it has been a set back due to the unequal coverage of farmer members and the absence of a suitable link between marketing, processing cooperatives, and inefficient financial management. Example of a successful cooperative is the Gujarat milk cooperative which transformed the social and economic landscape of Gujarat.
4. The fourth one is policies such as.
  - a. Guarantee of Minimum Support Prices (MSP) for agricultural products
  - b. Storage of surplus stocks of wheat and rice by Food Corporation of India (FCI)
  - c. Distribution of food staples and sugar through PDS

**Major government Initiatives to enhance agricultural productivity and efficiency of agricultural markets:**

1. Pradhan Mantri Annadata Aay SanraksHan Abhiyan (PMAASHA): PM–AASHA was launched in 2018 with 3 components i.e. Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) and Private Procurement & Stockist Scheme (PDPS).
2. Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)– Per Drop More Crop: PMKSY launched with focus on enhancing water use efficiency through expansion of cultivable area under assured irrigation, improve on–farm water use efficiency to reduce wastage of water, enhance the adoption of precision–irrigation and other water saving technologies,



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enhance recharge of aquifers and introduce sustainable water conservation practices.

3. Pradhan Mantri Fasal Bima Yojana (PMFBY): PMFBY was introduced to provide better insurance coverage for agricultural crops and thereby mitigate risk.
4. Soil Health Card scheme: It aims to assist State Governments to issue soil health cards to all farmers in the country. Soil health cards provides farmers information on the nutrient status of their soil along with recommendation on appropriate dosage of nutrients to be used for their soil conditions.
5. E–NAM: National Agriculture Market (eNAM) is a pan–India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

Agriculture is the biggest contributor in terms of employment to the country (about 48% of population). Efforts must be made to enhance the agricultural productivity and market efficiency to deal with agricultural crisis and for food security of the nation

**10. Public distribution system evolved as a system of management of scarcity through the distribution of food grains at affordable prices. Do you think the Public Distribution System was able to meet its objectives? Suggest measures for improving the system. (15 Marks) (250 Words)**



**ANSWER:** The Public Distribution System (PDS) evolved as a system for distribution of foodgrains at affordable prices and management of emergency situations. Over the years, the term PDS has become synonymous with the term 'food security' and also an important part of Government's policy for management of food economy in the country.

### **Success of PDS system India**

1. It has helped in stabilising food prices and making food available to consumers at affordable prices.
2. It has helped in avoiding hunger and famine by supplying food from surplus regions of the country to deficient regions.
3. The system of minimum support price and procurement has contributed to increase in food grain production.
4. PDS has ensured social justice in distribution of basic necessities of life
5. Chhattisgarh model and universal PDS model of tamil nadu are successful model in Public distribution system

### **Limitation of PDS**

- Instances of hunger occur despite granaries being full. This points to certain lacunae or inefficiency in the system.



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- High level of buffer stocks often leads to wastage of food grains and deterioration in quality.
- The storage of foodgrains inculcates high carrying costs on the government.
- The provision of minimum support price has encouraged farmers to divert land from production of coarse grains that are consumed by poor, to rice and wheat.
- The public distribution system (PDS) has been unable to account for a mobile migrant population, it continues to base its grain allocation on an outdated population estimate, and it has remained ignorant of ground realities when it comes to the issuance of ration cards and Aadhaar cards.
- These loopholes have rendered an already vulnerable section of the society even more susceptible to the dangers that accompany a pandemic and a severely affected economy.

### **Reformative steps that were taken by the Government**

1. Automation of Fair Price Shops
2. Direct Benefit Transfer (Cash): where food subsidy is directly credited to the account of the beneficiaries.
  - a. Aadhaar Seeding in PDS: To weed out duplicate/in-eligible/bogus ration cards and to enable rightful targeting



- b. Deletion of ration cards: As an outcome of digitization of Ration Cards/beneficiary records, de-duplication due to Aadhaar seeding, transfer/migration/deaths, change in the economic status of beneficiaries.
3. Digital/Cashless/Less-cash Payments in fair price shops.
4. Food Corporation of India(FCI) Reforms: Shanta Kumar Committee was formed to look into the functioning of FCI and suggest reforms.
5. End to end computerization of food grain procurement, storage, transport, and distribution.

**Measures to make the PDS system more efficient and transparent can be:**

1. Decentralized procurement operations by leading states that have gained sufficient experience in this regard. This would help the Food Corporation of India (FCI) to focus on lagging states.
2. Home delivery of food grains can help in increasing last-mile connectivity.
3. Shanta Kumar Committee recommendations should be fully implemented.
4. Engagement of the private sector can help to modernize stocking and warehousing facilities.



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The government initiatives for reform are in the right direction but can be further strengthened by the increased public participation through social audits and participation of SHGs, Cooperatives, and NGOs in ensuring the transparency of the PDS system at ground level