



Economic Survey 2020-21 Part - XI

1) The relationship between *foreign debt and growth* is similar to which of the following curves?

- a. J-Curve
- b. Philip Curve
- c. Laffer Curve
- d. Kuznets Curve

Answer : c

Relationship between Economic Growth and Foreign Debt

- The theoretical literature suggests a kind of “**Laffer Curve**” relationship between foreign debt and growth.
- Foreign debt has a positive impact on investment and growth up to a certain threshold level; beyond this level, however, its impact turns adverse.

2) Consider the following statements with respect to *Unmet need for family planning*

- 1. It is defined as the percentage of women of reproductive age, either married or in a union, who have an unmet need for family planning.
- 2. The concept of unmet need points to the gap between women's reproductive intentions and their contraceptive behaviour.

Which of the statement(s) given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer : c

Unmet need for family planning

- It is defined as the percentage of women of reproductive age (fecund and sexually active), either married or in a union, who have an unmet need for family planning.
- Women with unmet need are those who want to stop or delay childbearing but are not using any method of contraception.
- The concept of unmet need points to the gap between women's reproductive intentions and their contraceptive behaviour.

3) The Economic Survey of 2020-21 mentioned about the *Zombie Lending*. With respect to *Zombies*, consider the following statements:

- 1. Zombies are typically identified using Non Performing Asset (NPA) and Accumulated Interest

Ratio.

2. Firms with an interest coverage ratio lower than one are categorized as Zombies.

Which of the statement(s) given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer : b

- The Economic Survey, 2020-21 studies the 2008 forbearance policy on banks, firms, and the economy in general to extract important lessons for the current times.

Forbearance Policy

- It means relaxing the norms for restructuring assets, where restructured assets were no longer required to be classified as Non-Performing Assets.
- Therefore, banks prefer restructuring, as forbearance allows them to declare fewer NPAs and avoid the costs due to loan provisioning.
- Meanwhile, Banks exploited the forbearance window to restructure loans even for unviable entities (verge of defaulting), by window-dressing their books.
- The forbearance period also witnessed an increase in lending to unproductive firms, popularly referred to as "zombies".

Zombies

- Zombies are typically **identified using the interest coverage ratio**, the ratio of a **firm's profit after tax to its total interest expense**.
- Firms with an **interest coverage ratio lower than one** are unable to meet their interest obligations from their income and are categorized as zombies.

4) Consider the following statements with respect to *Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme*

1. Under this Scheme, duties and taxes levied at the Central, State and local levels will be refunded to exporters in their ledger account with Customs.
2. The RoDTEP rates would be notified by the Department of Commerce.

Which of the statement(s) given above is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer : c

- India's various export promotion schemes including Merchandise Exports from India Scheme (MEIS), were challenged by the United States in WTO in early 2018.
- The final report of the WTO panel observed that MEIS is a "prohibited subsidy" and needs to be withdrawn, against which an appeal has been filed by India.
- In order to continue supporting the industry and to eliminate any uncertainty amongst the exporting community, Government has rolled out a new WTO compliant scheme, namely Remission of Duties and Taxes on Exported Products (RoDTEP), for all export goods with effect from 1st January, 2021.

Remission of Duties and Taxes on Exported Products (RoDTEP)

- Under this Scheme, duties and taxes levied at the Central, State and local levels, such as electricity duties and VAT on fuel used for transportation, which are not getting exempted or refunded under any other existing mechanism will be refunded to exporters in their ledger account with Customs.
- The credits can be used to pay basic customs duty on imported goods or transferred to other importers – facilitating ease of transactions for exports.
- The RoDTEP rates would be notified by the Department of Commerce.

5) Consider the following statements with respect to *Production-Linked Incentive (PLI) Scheme*

1. The Scheme aims to give incentive to companies on incremental sales from products manufactured in domestic units.
2. The scheme also incentivizes global, capital-rich companies to set up capacities in India.
3. The scheme will be applicable only for Specified Electronic Components, Pharmaceutical ingredients and Medical devices sector.

Which of the statements given above are correct?

- a. 1 and 2 only
- b. 1 and 3 only
- c. 2 and 3 only
- d. 1, 2 and 3

Answer : a

- In order to boost domestic manufacturing and exports, the Production-Linked Incentive (PLI) scheme with an outlay of Rs.1.46 lakh crore has been introduced.
- This Scheme ***aims to give incentive to companies on incremental sales from products manufactured in domestic units.***
- The ten-identified champion sectors under PLI scheme are advanced chemistry cell (ACC) battery, electronic/technology products, pharmaceuticals drugs, telecom and networking products, textile products, food products, high efficiency solar photovoltaic modules, white goods (ACs and LEDs) and specialty steel.
- These are ***in addition to the already notified PLI schemes*** for mobile manufacturing and specified electronic components, critical Key Starting materials/ Drug Intermediaries and Active Pharmaceutical Ingredients and manufacturing of medical devices.
- The scheme is expected to make Indian manufacturers in these ten sectors globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; establish backward linkages with MSMEs; enhance exports and make India an integral part of the global supply chain.
- It also incentivizes global, capital-rich companies to set up capacities in India.
- Growth in production and exports of industrial goods will greatly expose the Indian industry to foreign competition and ideas, which will help in improving its capabilities to innovate further.
- Promotion of the manufacturing sector and creation of a conducive manufacturing ecosystem will not only enable integration with the global supply chains but also establish backward linkages with the MSME sector in the country.
- This will lead to overall growth in the economy and create huge employment opportunities.