

## ESI - Descriptive

### 15 Markers

**Q.1)**

**Discuss the tussle between sustainable development and economic growth. How can we create the right balance between them?**

**Solution:**

Sustainable development and economic growth are often viewed as opposing goals in policy discussions. Economic growth focuses on increasing a nation's output of goods and services, aiming to improve living standards and create jobs. Sustainable development, on the other hand, advocates for growth that meets present needs without compromising future generations' ability to meet their own needs. The tension arises as traditional economic growth models often rely on high resource consumption and environmental degradation, challenging the principles of sustainability. Balancing these two objectives is essential for long-term prosperity and ecological stability.

**The tussle between sustainable development and economic growth manifests in several key areas :**

Resource Exploitation vs. Conservation: Economic growth often necessitates large-scale extraction of natural resources like minerals, fossil fuels, and forests. However, unsustainable exploitation leads to resource depletion, soil degradation, water scarcity, and loss of biodiversity. Sustainable development calls for renewable resources and ecosystem preservation, such as the afforestation initiatives under the Green India Mission.

Industrialization and Pollution: Industrial activities, while essential for economic growth, contribute significantly to air and water pollution. These effects exacerbate climate change, degrade ecosystems, and harm public health. Sustainable development pushes for cleaner, greener industrial practices, though these may increase production costs and slow down growth temporarily. For ex. India's Delhi NCR region, plagued by air pollution from industries, exemplifies the need for sustainable practices. Cleaner technologies, like those promoted by the National Electric Mobility Mission Plan (NEMMP), offer alternatives.

Infrastructure Development and Land Use: Urbanization, essential for economic expansion, often requires deforestation and conversion of agricultural land into residential or industrial zones. This expansion reduces carbon sinks, displaces wildlife, and leads to increased emissions. Sustainable development urges compact, green urban spaces to minimize land degradation and promote sustainable urban ecosystems. Initiatives like Smart Cities Mission, integrates green infrastructure and energy efficiency, reflect this approach.

Short-term Gains vs. Long-term Viability: Rapid economic growth prioritizes short-term gains in GDP, often through resource-intensive industries. Sustainable development, however, aims at long-term environmental and social stability. For instance, extractive industries may boost immediate economic output but leave long-term environmental and social consequences that reduce future economic potential. Singareni coal mines highlight how resource extraction supports GDP but strains local ecosystems. Sustainable forestry practices undertaken under Compensatory Afforestation Fund Management and Planning Authority (CAMPA) show a viable alternative.

Social Inequality and Inclusive Growth: Economic growth often benefits the wealthy disproportionately, widening social inequality. Sustainable development, however, emphasizes inclusive growth, which requires equitable resource distribution, fair wages, and social welfare policies. It can be exemplified by programs like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which ensures livelihood and environmental conservation simultaneously.

### **Striking the Balance between Sustainable Development and Economic Growth**

Balancing sustainable development with economic growth requires a multi-dimensional approach that addresses resource efficiency, green technology, and policy incentives.

Adoption of Green Technologies: Investing in clean energy, like solar and wind power, promotes both economic growth and sustainability. Green technologies reduce pollution, cut greenhouse gas emissions, and create jobs in new sectors. Green energy

investments, such as India's commitment to 500 GW of renewable energy capacity by 2030 under its COP26 pledge, promote economic growth and sustainability.

Circular Economy Models: Embracing a circular economy, which emphasizes reusing, recycling, and remanufacturing, can reduce waste and resource consumption while maintaining economic productivity. Policies encouraging recycling industries, sustainable packaging, and reduced plastic usage promote a closed-loop economy, aligning economic growth with sustainable practices.

Regulatory and Fiscal Policies: Governments can implement regulations that encourage sustainable practices, such as carbon taxes, emission caps, and pollution fines. Fiscal policies like tax incentives for eco-friendly businesses and subsidies for sustainable agriculture help bridge the gap between economic and environmental goals. For ex. Perform, Achieve, Trade (PAT) scheme, caps industrial energy consumption and trades efficiency credits, aligning economic and environmental goals.

Inclusive and Green Urban Planning: Sustainable urbanization involves designing cities with green spaces, efficient public transport, and compact infrastructures to minimize urban sprawl. Green infrastructure, such as green roofs and energy-efficient buildings, supports sustainable growth in urban areas while reducing carbon footprints and improving residents' quality of life. Government initiatives like Amrit Sarovar Mission aimed at reviving water bodies and Nagar Van Yojana (NVY) complements urban growth by addressing water scarcity, increasing green cover and boosting ecosystem services.

Corporate Social Responsibility (CSR): Companies play a crucial role in promoting sustainable growth by adhering to CSR practices that align with environmental and social goals. CSR activities include using sustainable supply chains, reducing emissions, and investing in community welfare programs, thus creating a positive impact beyond profit margins. Indian companies like Tata Steel have led CSR initiatives, such as sustainable supply chain practices and community welfare programs, blending profit with ecological well-being.

International Cooperation and Knowledge Sharing: Global challenges like climate change require coordinated international action. Sharing knowledge, technology, and best practices among nations can help countries adopt sustainable growth models tailored to their unique economic and environmental contexts. Global efforts like the International Solar Alliance (ISA), spearheaded by India, demonstrate how countries can collaborate to develop sustainable energy solutions.

The balance between economic growth and sustainable development is challenging yet achievable. Integrating green technologies, circular economies, regulatory incentives, and sustainable urban planning are vital steps toward this goal. Ultimately, aligning economic policies with sustainability goals is essential for creating a world where economic progress supports environmental integrity and social well-being. By adopting these balanced approaches, nations can foster long-term prosperity that benefits current and future generations.

**Q.2)**

**Discuss the challenges of youth unemployment. How can it be mitigated?**

**Solution:**

Youth unemployment remains a critical challenge globally and in India, where over 60% of the population is under the age of 35. Despite being one of the fastest-growing economies, India faced a youth unemployment rate of 28.3% in urban areas and 13.7% in rural areas in 2022-23, according to the Periodic Labour Force Survey (PLFS). Despite rapid economic growth, a large portion of young people struggle to secure jobs, and those who do often face underemployment. This problem is compounded by factors such as skill gaps, limited job opportunities, and economic volatility. Addressing youth unemployment is essential not only for individual empowerment but also for national progress.

### **Challenges of Youth Unemployment**

Skill Gap: A significant disconnect exists between the skills that young people possess and the skills demanded by employers. The education system often emphasizes theoretical knowledge over practical skills, leading to a mismatch that leaves many young people unprepared for available jobs. This gap is particularly visible in sectors requiring technical skills, where specific expertise is crucial. India Skills Report 2023 revealed that only 48.7% of Indian youth are employable, highlighting the gap between academic curricula and industry needs.

Limited Job Opportunities: The job market, especially in rural areas, lacks sufficient opportunities for young job seekers. Urban areas may offer more jobs, but these regions are also densely populated, creating stiff competition among candidates. Moreover, sectors like

manufacturing and agriculture, which traditionally absorb a large workforce, are unable to keep pace with the growing number of job seekers. About 65% of the people in India are engaged in agriculture and allied activities directly and about 55% of the workforce is engaged in agriculture and allied activities.

**Underemployment:** Many youths work in roles below their qualifications, particularly in the informal sector, which employs over 80% of India's workforce. This underemployment reflects in low wages, poor working conditions, and limited career advancement opportunities, leading to dissatisfaction and reduced productivity.

**Economic Slowdowns and Automation:** Economic slowdowns or crises have a disproportionate impact on youth employment. Recessions often lead to hiring freezes, and companies may prioritize experienced workers over fresh graduates. Additionally, rapid advancements in automation and artificial intelligence (AI) threaten entry-level and low-skill jobs, further narrowing employment opportunities for young people. World Economic Forum's Future of Jobs Report 2023 predicts that 44% of tasks in existing jobs are likely to be automated in India, emphasizing the need for reskilling.

**Lack of Entrepreneurship Support:** Entrepreneurship can be a solution to youth unemployment, but young people often lack access to funding, mentorship, and training. This lack of support discourages entrepreneurial ventures, which could otherwise provide jobs and foster innovation.

**Social and Psychological Impact:** Prolonged unemployment among youth can lead to low self-esteem, mental health issues, and feelings of alienation. These social consequences can have long-term effects, leading to lower life satisfaction and reduced productivity in future employment.

### **Mitigation Measures and Government Initiatives**

**Skill Development and Vocational Training:** To bridge the skill gap, the government has launched the Skill India Mission aimed at training over 400 million individuals in various skills by 2022. Programs like Pradhan Mantri Kaushal Vikas Yojana (PMKVY) offer short-term courses that provide certification in industry-relevant skills, enhancing employability and preparing youth for technical roles.

**Promotion of Entrepreneurship:** Startup India is a flagship initiative launched to foster innovation and entrepreneurship among youth. The scheme provides incentives such as tax benefits, easier compliance norms, and access to a dedicated fund of Rs. 10,000 crore for startups. This support encourages young people to create jobs instead of solely relying on traditional employment avenues.

**Job Creation in Emerging Sectors:** Government programs aim to create job opportunities in emerging sectors such as green energy, IT, and healthcare. Initiatives like Digital India and Make in India encourage companies to establish operations domestically, thus providing jobs in technology, manufacturing, and service sectors.

**Internship and Apprenticeship Programs:** To improve the practical skills of young job seekers, the government has introduced schemes like the National Apprenticeship Promotion Scheme (NAPS), which incentivizes employers to offer apprenticeship training. Internships and apprenticeships offer hands-on experience and improve employability by bridging the gap between academic knowledge and industry requirements.

**Promoting Rural Employment:** Schemes such as the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) focus on generating sustainable employment in rural areas, reducing migration pressures and enabling youth to earn livelihoods within their communities. These initiatives support rural entrepreneurship, skill training, and access to financial resources, empowering rural youth.

**Public-Private Partnerships (PPP):** Collaborations between the government and private sector are essential for large-scale job creation and skill development. Partnerships with corporates and educational institutions can lead to curriculum reform, internship programs, and mentorship opportunities for youth, enhancing their employability.

**Counseling and Mental Health Support:** Addressing the psychological impact of unemployment is equally important. Government initiatives, such as the Manodarpan initiative under Atmanirbhar Bharat Abhiyan, provide psychological support and counseling services to young people, helping them cope with stress and uncertainty related to employment.

Youth unemployment poses multifaceted challenges that require comprehensive strategies and sustained effort from all sectors. While the government has introduced various initiatives such as Skill India, Startup India, and Digital India to improve employment prospects, addressing youth unemployment effectively also calls for systemic reform in education, increased support for entrepreneurship, and targeted job creation in new sectors. Fostering public-private partnerships, promoting vocational training, and

providing psychological support can significantly enhance the employability and productivity of young people. These measures will empower youth, reducing the unemployment rate and contributing to a more robust, inclusive economy.

**Q.3)**

**a) What are the 5 key digital initiatives introduced in Budget 2024-25? How will they impact India's digital economy landscape?**

**Solution:**

The Union Budget 2024-25 has introduced significant digital initiatives aimed at enhancing India's digital infrastructure and economic inclusivity. Here are the five key initiatives:

Digital Public Infrastructure (DPI) for Agriculture: DPI for agriculture will be implemented over three years to cover farmers and their lands, integrating state and central digital platforms. This will enable farmers to access critical information on livestock, fisheries, and soil health, boosting agricultural productivity and empowering farmers with data-driven decision-making capabilities.

Bhu-Aadhaar (ULPIN): The Unique Land Parcel Identification Number (ULPIN), or Bhu-Aadhaar, will be assigned to all land parcels across the country. This unique identifier will streamline land record management, reducing disputes and ensuring secure property transactions. It is expected to bring transparency and efficiency to the real estate sector, thus promoting a reliable digital land registry.

GIS Mapping and IT-Based Record Systems: The budget proposes the digitization of cadastral maps using Geographic Information System (GIS) technology and the development of IT-based systems for property record administration. This initiative will improve land administration, making it easier to access and verify land records, thus fostering secure land ownership and facilitating investment in real estate.

IndiaAI Mission: A budget of over Rs 550 crore has been allocated to the IndiaAI mission, which aims to accelerate artificial intelligence (AI) advancements. This initiative will support innovation in AI and position India as a global AI leader, opening opportunities in sectors like healthcare, agriculture, and finance, and creating a digitally skilled workforce.

Incentive Scheme for RuPay Debit Card Transactions: To promote digital payments, an incentive scheme for RuPay debit card transactions has been introduced. This scheme will encourage cashless transactions and drive financial inclusion, particularly in rural areas, strengthening the adoption of digital payments across the country.

### **Impact on India's Digital Economy**

These initiatives collectively mark a transformative shift in India's digital economy landscape. DPI for agriculture and Bhu-Aadhaar will empower rural areas with data access and digital infrastructure, fostering inclusive growth. GIS mapping and IT systems will enhance transparency in land and property transactions, bolstering investor confidence. The IndiaAI mission will position India as a technology hub, creating jobs and advancing sectors dependent on AI. Lastly, promoting RuPay transactions aligns with India's digital payments agenda, driving financial inclusion and economic participation among unbanked populations. Together, these initiatives pave the way for a resilient, tech-driven economy.

**b) Discuss the transformational journey of the Digital India Mission.**

**Solution:**

Launched in 2015, the Digital India Mission has spearheaded India's transformation into a digitally empowered society and knowledge-driven economy. By building on earlier e-governance efforts, the initiative has addressed digital disparities, improved access to essential services, and fostered economic growth. Over the years, Digital India has become synonymous with innovation, inclusion, and empowerment, significantly impacting sectors like governance, healthcare, and finance.

### **Transformational Journey of Digital India**

Digital Identity and Inclusion: Aadhaar, the world's largest biometric identification system, has enabled over 1.3 billion Indians to access digital services, acting as a foundation for initiatives like Direct Benefit Transfers (DBTs) and digital banking. Jan Dhan-Aadhaar-Mobile (JAM) trinity has revolutionized financial inclusion, ensuring seamless delivery of subsidies and welfare benefits to over 490 million bank accounts.

Digital Infrastructure: BharatNet, the backbone of rural digital connectivity, has connected 2.9 lakh gram panchayats with high-speed

broadband, bridging the rural-urban digital divide. Public Wi-Fi hotspots under PM-WANI have facilitated internet access in remote areas, empowering businesses and students alike.

Seamless Service Delivery: Platforms like DigiLocker, which now hosts over 5.6 billion documents, and the UMANG app have simplified access to essential services ranging from education certificates to healthcare records. The e-Hospital system has enabled online appointments, medical record access, and teleconsultations, streamlining healthcare delivery for millions.

Financial Empowerment through UPI: Unified Payments Interface (UPI) has redefined digital payments, facilitating over 10 billion monthly transactions (as of August 2024). It has transformed India into a global leader in real-time payment systems, supporting micro-businesses and reducing cash dependency.

Boosting E-Governance and Transparency: Initiatives like MyGov have enhanced citizen engagement in policymaking, while platforms such as the Government e-Marketplace (GeM) have ensured transparency in public procurement worth over Rs. 4 lakh crore.

Catalyzing Economic Growth: Programs under the Production-Linked Incentive (PLI) Scheme for electronics manufacturing have made India the second-largest mobile phone producer globally, creating jobs and reducing import dependency. Digital platforms like eNAM have empowered farmers by connecting them to over 1,000 mandis, ensuring better price discovery and transparency. Global Leadership and Collaboration: India's success in developing Digital Public Infrastructure (DPI) has inspired countries worldwide, with collaborations under initiatives like the India Stack Global and G20 Task Force on DPI.

The Digital India Mission has redefined governance, democratized digital access, and spurred economic innovation. While it has significantly narrowed the digital divide and enhanced service delivery, challenges such as cybersecurity, digital literacy gaps, and equitable access remain. Continued investments in infrastructure, regulatory advancements like the Digital India Act, 2023, and public-private partnerships will sustain this transformation. As a global model of digital empowerment, the journey of Digital India showcases the potential of technology to drive inclusive and sustainable development.

## **10 Markers**

### **Q.1)**

**How can rural India prioritize and promote women-led development?**

#### **Solution:**

Rural India can significantly benefit from prioritizing women-led development, as it will address the deeply entrenched gender inequalities in economic participation, particularly in agriculture and labor force participation. Several key measures and strategies can help empower rural women and enhance their contribution to the nation's development.

Increasing Women's Labor Force Participation (LFPR): Rural women's involvement in unpaid domestic work significantly hampers their economic participation. According to the 2023 Periodic Labour Force Survey (PLFS), a large proportion of rural women are engaged in unpaid domestic chores, such as cooking, cleaning, and caregiving. Additionally, many women participate in unpaid allied activities like collecting firewood, sewing, and weaving. Reducing this gendered burden through infrastructure support, technology, and childcare services can free up time for women to engage in paid economic activities, improving LFPR. Women's self-employment, which has seen an increase in rural areas, needs to be supported through skill development and financial inclusion initiatives.

Access to Land and Resources: Despite agriculture being the largest employment sector for rural women, only 14.7% of operational landholdings were operated by women, with many women in marginal landholding categories. Gender disparities in land ownership and access to agricultural schemes limit women's productivity and economic potential. To bridge this gap, women must be provided with equal land rights, greater access to agricultural credit, and inclusion in schemes like PM-KISAN and PMFBY, which currently have low female participation. Encouraging women's land ownership and control over productive resources will enhance their economic autonomy.

Promoting Women in Agriculture and Allied Activities: Agriculture remains a primary occupation for rural women, but they often work as unpaid family helpers. Women's active participation in agriculture, including crop production, livestock rearing, and agro-processing, should be promoted through skill development, access to extension services, and better access to agricultural markets. Addressing gender inequality in agriculture through targeted schemes and financial incentives for women farmers can make rural

women key drivers of agricultural growth.

Equal Wages and Employment Opportunities: The wage gap remains a significant challenge in rural areas, with women earning significantly less than men, particularly in agriculture and casual wage employment. The government should ensure equal pay for equal work, with specific policies addressing the gender wage gap in both agricultural and non-agricultural sectors. Increasing women's participation in formal employment and entrepreneurial ventures will help close this income disparity.

Reducing Unpaid Care Work: One of the primary challenges faced by rural women is the disproportionate burden of unpaid care work. As per Time Use Survey 2019 (National Statistical Office (NSO)) more than 81% of females aged 6+ spend over five hours daily on unpaid domestic work. This time could be better utilized in economic activities if the government introduced programs to reduce, redistribute, and recognize unpaid care work. Incentives for shared caregiving responsibilities, provision of community-level childcare, and support for women's health will play a crucial role in enabling rural women to participate in the economy.

Prioritizing women-led development in rural India requires an integrated approach that addresses gender disparities in labor force participation, land ownership, wages, and unpaid care work. By promoting women's participation in agriculture, enhancing access to resources, and ensuring equal economic opportunities, rural India can tap into the full potential of its women, driving inclusive growth and sustainable development.

**Q.2)**

**Discuss the Pros and Cons of usage of AI in the Banking Sector.**

**Solution:**

Artificial Intelligence (AI) is transforming the banking industry by automating tasks, enhancing customer experience, improving fraud detection, and offering predictive insights. However, AI in banking also brings certain challenges and risks.

#### **Pros of AI in the Banking Sector**

Enhanced Customer Experience: AI-powered chatbots and virtual assistants allow banks to provide 24/7 customer support, handling queries instantly and reducing wait times. For ex. AI-powered chatbots like SBI's YONO Assistant and HDFC Bank's EVA provide 24/7 customer support, handling millions of queries efficiently. Personalization algorithms can analyze customer data to offer tailored products and services, creating a seamless banking experience and improving customer satisfaction.

Improved Risk Management and Fraud Detection: AI can analyze large volumes of transactional data to identify unusual patterns or anomalies, helping detect fraud in real time. Machine learning models continuously learn from new fraud patterns, making it harder for fraudulent activities to go unnoticed. This reduces risks and saves banks substantial losses. AI systems like ICICI Bank's AI-based early warning system monitor transactions to detect anomalies and predict potential loan defaults. Similarly, YES Bank's fraud detection system uses machine learning to track suspicious activities in real time.

Operational Efficiency and Cost Savings: AI automates repetitive tasks such as data entry, document verification, and loan processing, reducing operational costs and freeing up human employees for more strategic work. Robotic Process Automation (RPA) used by banks such as Axis Bank has streamlined tasks like document verification and reconciliation processes, reducing turnaround time for loan approvals from days to hours.

Better Financial Decision-Making: Predictive analytics enabled by AI helps banks make informed decisions on creditworthiness, investment strategies, and risk assessments. AI-based credit scoring models are being used by banks such as Kotak Mahindra Bank to analyze customer data to assess creditworthiness, enabling informed lending decisions and reducing the risk of defaults. The AI models analyze customer credit histories, spending habits, and market trends to determine loan eligibility, minimizing the risk of loan defaults.

Regulatory Compliance and Reporting: AI helps banks comply with stringent regulations by automating compliance reporting, monitoring regulatory changes, and analyzing customer data to flag potential issues. This reduces the risk of penalties and ensures that banks stay updated with evolving legal requirements.

#### **Cons of AI in the Banking Sector**

Data Privacy and Security Risks: AI systems in banking rely on vast amounts of sensitive customer data, which makes them

vulnerable to cyberattacks and data breaches. The potential for misuse or unauthorized access to personal data raises privacy concerns and could erode customer trust if not adequately managed.

Bias and Fairness Issues: AI models can sometimes develop biases based on historical data, which can lead to unfair treatment of certain customers. For instance, biased algorithms in lending could lead to discriminatory practices, excluding certain demographic groups from accessing financial products.

High Implementation and Maintenance Costs: Deploying AI systems in banking involves high upfront investment, as well as ongoing costs for system upgrades, data management, and personnel training. For smaller banks, the cost of implementing AI technologies can be prohibitive and may limit their ability to compete with larger banks.

Job Displacement and Workforce Adaptation: As AI automates tasks traditionally performed by human employees, concerns about job displacement arise. While AI can create new roles in data science and AI management, employees in routine roles may face difficulties adapting to more tech-intensive tasks, leading to potential job losses.

Reliability and Accountability Challenges: AI algorithms can sometimes make errors, and the lack of transparency in complex models can make it difficult to identify the source of mistakes. In cases where AI makes incorrect lending or investment decisions, accountability can become an issue, particularly if human oversight is limited.

AI in banking has the potential to revolutionize the industry with enhanced efficiency, security, and customer experiences. However, its implementation must be managed carefully, with attention to ethical considerations, data security, and regulatory compliance. Striking the right balance between leveraging AI's capabilities and addressing its challenges will be essential for banks to foster trust and drive sustainable growth.

### **Q.3) What are the objectives and significance of the National Industrial Corridor Development Program in boosting India's industrial growth and infrastructure development?**

#### **Solution:**

The National Industrial Corridor Development Program (NICDP) is a flagship initiative aimed at accelerating India's industrial growth and enhancing its infrastructure capabilities. By creating a network of industrial corridors across the country, NICDP seeks to establish India as a global manufacturing hub, attract investments, and foster economic integration. This program aligns with the vision of "Atmanirbhar Bharat" (Self-Reliant India), focusing on infrastructure that supports industrialization, logistics, and connectivity.

#### **Objectives of the NICDP:**

Boost Manufacturing and Exports: A primary objective of NICDP is to strengthen India's manufacturing base by developing state-of-the-art industrial hubs. By creating dedicated zones with integrated infrastructure, the program aims to make India a competitive player in global manufacturing and boost exports in key sectors such as automotive, electronics, and textiles.

Enhanced Connectivity and Infrastructure: NICDP focuses on creating robust connectivity between industrial corridors and key transport networks, including highways, railways, and ports. This infrastructure network reduces logistics costs, enhances efficiency, and ensures smooth movement of goods, services, and people across different parts of the country.

Generate Employment Opportunities: Through the establishment of industrial clusters, NICDP aims to generate millions of jobs across various sectors. The creation of employment opportunities in manufacturing and allied industries will not only contribute to economic growth but also aid in socio-economic development by providing livelihoods, especially in rural and semi-urban areas.

Promote Sustainable Development: NICDP is designed to incorporate sustainable and green infrastructure, with an emphasis on eco-friendly construction, efficient resource use, and waste management practices. Industrial parks under the program are also encouraged to adopt renewable energy sources to reduce their carbon footprint, contributing to India's environmental goals.

Foster Urbanization and Industrial Growth: By developing planned cities around industrial hubs, the program encourages balanced urbanization. The smart cities and industrial townships being created under NICDP will host residential, commercial, and recreational facilities, providing a quality living environment and supporting the growth of ancillary industries and services.

#### Significance of NICDP in Industrial Growth and Infrastructure Development:

The NICDP plays a pivotal role in transforming India's industrial landscape by creating a cohesive network of industrial corridors that

facilitate economic activity across regions. With projects like the Delhi-Mumbai Industrial Corridor (DMIC) and Chennai-Bengaluru Industrial Corridor, NICDP has laid the groundwork for regional growth and decentralized development. Improved infrastructure not only attracts domestic and international investors but also strengthens India's position in global value chains. Moreover, the program's focus on sustainable and smart infrastructure development supports India's commitments to green growth and resilient urbanization. NICDP's infrastructure projects will enhance India's logistics competitiveness, reduce production costs, and improve supply chain efficiency. By stimulating industrial development in strategic locations, NICDP also catalyzes sectoral linkages, providing a structured framework for scaling industries and creating a ripple effect on the economy.

**Conclusion:**

The National Industrial Corridor Development Program is essential for India's journey toward becoming a global manufacturing powerhouse. Through its emphasis on robust infrastructure, industrial growth, and sustainable urbanization, NICDP has the potential to transform India's economic landscape, create jobs, and drive sustainable development. With NICDP's strategic objectives, India is set to achieve balanced growth and establish itself as a key player in the global industrial ecosystem.

## FM - Descriptive

### 15 Markers

Q.1)

**Differentiate between trait and behavioural approaches of leadership**

**Solution:**

Leadership theories aim to explain how individuals influence others to achieve goals. Two popular theories are the trait approach and the behavioural approach. While the trait theory focuses on the inborn qualities of leaders, the behavioural theory emphasizes the actions and behaviours that can be learned. These approaches offer contrasting views on leadership, helping us understand whether leaders are “born” or “made.”

#### 1. Trait Approach to Leadership

The trait approach suggests that leadership depends on inherent characteristics. It emphasizes that effective leaders are born with certain traits that distinguish them from others. These traits often include:

- Emotional maturity
- Self-confidence
- Cognitive ability
- Integrity and honesty
- Drive for achievement

#### Strengths of Trait Theory:

- It provides a framework to identify potential leaders based on specific traits.
- It is supported by extensive research on successful leaders like Mahatma Gandhi, who displayed charisma and vision.

#### Limitations of Trait Theory:

- It assumes leadership is limited to people with specific traits, ignoring situational factors.
- The theory does not consider whether traits alone guarantee leadership success.

#### 2. Behavioural Approach to Leadership:

The behavioural approach focuses on what leaders do rather than who they are. It suggests that leadership behaviours, such as effective communication and decision-making, can be learned and improved through training. Key studies, like the Ohio State study, highlight two major behaviours:

- **Task-Oriented Behaviour:** Focused on achieving goals.
- **Relationship-Oriented Behaviour:** Focused on team collaboration and motivation.

#### Strengths of Behavioural Theory:

- It emphasizes that anyone can become a leader through practice and learning.
- It is useful for designing leadership development programs in organizations.

#### Limitations of Behavioural Theory:

- It overlooks the role of personal traits.
- It assumes all behaviours are equally effective in different situations.

#### 3. Key Differences

- **Focus:** The trait approach focuses on inherent qualities, while the behavioural approach focuses on actions and practices.
- **Flexibility:** The trait approach assumes leadership is static, while the behavioural approach considers it dynamic and adaptable.
- **Practicality:** The behavioural approach is more useful for modern leadership training programs.

#### Examples

The trait approach explains leaders like Nelson Mandela, whose integrity and determination were central to their leadership. The behavioural approach highlights leaders like Satya Nadella, who transformed Microsoft through inclusive and collaborative leadership.

In conclusion, the trait and behavioural approaches offer different perspectives on leadership. The trait approach emphasizes the importance of inborn qualities, while the behavioural approach focuses on learning and adapting effective leadership behaviours. Both approaches are valuable in understanding leadership. Modern organizations often combine these theories, identifying potential leaders based on traits while training them in effective behaviours to lead successfully.

## Q.2)

**What are derivatives? Discuss its different types. Who are the key market participants in derivative market? Discuss the risks associated with the derivative market.**

### Solution:

Derivatives are financial contracts whose value depends on the performance of an underlying asset, index, or rate. They are widely used for hedging risks, speculation, and arbitrage. Derivative instruments are integral to modern financial markets, providing tools for risk management and profit-making strategies. While they offer numerous benefits, derivatives also come with significant risks requiring careful handling.

#### 1. Benefits of Derivatives

- **Risk Management:** Derivatives allow businesses to hedge against price and rate fluctuations. For instance, exporters use currency futures to guard against exchange rate risks.
- **Price Discovery:** Futures markets provide insights into expected future prices, aiding businesses in planning and decision-making.
- **Increased Liquidity:** Derivatives attract diverse participants, enhancing liquidity in financial markets.

#### 2. Broadly there are 4 types of Derivatives:

- **Futures:** Futures are standardized contracts to buy or sell an asset at a predetermined price on a specific future date. These contracts are traded on organized exchanges.  
*Example: A wheat farmer locks in prices using futures to avoid price volatility.*
- **Options:** Options provide the right, but not the obligation, to buy (call option) or sell (put option) an asset at a fixed price within a specific period. They are versatile tools for both hedging and speculation.  
*Example: An investor buys a call option on a stock, expecting its price to rise.*
- **Swaps:** Swaps involve exchanging cash flows, typically to manage interest rate or currency risks. A common type is the interest rate swap, where fixed and floating rate payments are exchanged.  
*Example: A company with variable interest loans exchanges payments with a firm holding fixed-interest obligations.*
- **Forwards:** Forwards are customized contracts between two parties to buy or sell an asset at a predetermined price on a future date. These contracts are traded over the counter (OTC), offering flexibility but higher risk.

Investors use derivatives to hedge a position, increase leverage, or speculate on an asset's movement. Generally, the key market participants are as follows:

- **Hedgers:** Hedgers use derivatives to protect against price fluctuations in the underlying asset. Their primary goal is risk reduction, not profit.  
*Example: Airlines hedge fuel costs using oil futures.*
- **Speculators:** Speculators aim to profit from market movements. They take calculated risks, often leveraging positions to maximize potential returns.  
*Example: A trader buys options on gold, anticipating a price surge.*
- **Arbitrageurs:** Arbitrageurs exploit price differences across markets for risk-free profits. Their activities help ensure market efficiency by narrowing price discrepancies.  
*Example: Buying a stock in one market and selling its equivalent future in another at a higher price.*

Despite certain benefits, derivatives are subjected to various type of risks. Following are the risks associated with the derivatives:

- **Market Risk:** Changes in the value of the underlying asset can lead to significant losses. Derivatives amplify exposure,

making market risk a critical concern.

*Example: A drop in currency value affects currency futures contracts negatively.*

- **Credit Risk:** This arises when a counterparty fails to fulfil contractual obligations. Credit risk is more prominent in OTC derivatives due to the lack of centralized clearing.  
*Example: A party defaults on a forward contract settlement.*
- **Liquidity Risk:** Low trading volumes can make it challenging to buy or sell derivatives at desired prices, leading to potential losses.
- **Operational Risk:** Errors in trade execution, settlement, or mismanagement can lead to losses. These risks often stem from human or technological failures.
- **Leverage Risk:** Derivatives require minimal upfront investment, allowing high leverage. While this magnifies profits, it also significantly increases potential losses.  
*Example: A highly leveraged position in stock futures results in amplified losses during a market downturn.*

Derivatives are essential instruments in financial markets, offering tools for hedging, speculation, and efficient allocation of resources. However, they also carry significant risks, such as market, credit, and leverage risks. Understanding their features, types, and applications is critical for managing these instruments effectively. With proper knowledge and regulation, derivatives can help businesses and investors achieve financial stability and growth.

### Q.3)

**Discuss the different types of communication channels. Also discuss their importance in an organization.**

#### **Solution:**

Modern business enterprises use a variety of communication channels to effectively interact with employees, customers, suppliers, and other stakeholders. The right communication channel depends on the purpose of the communication, the audience, and the context. Some common channels of communication used in modern business enterprises are –

1. **Written Communication Channels:** These are permanent records used for sharing formal information.
  - **Email:** Email is one of the most common communication channels in business. It is used for formal and informal communication, announcements, documentation, and information sharing.
  - **Instant Messaging and Chat:** Instant messaging platforms such as Slack, Microsoft Teams, and others enable real-time, text-based communication within teams, making it easy to collaborate and ask quick questions.
2. **Verbal Communication Channels:** Verbal communication includes spoken words, either face-to-face or through telecommunication tools.
  - **Video Conferencing:** Video conferencing tools like Zoom, Microsoft Teams, and Google Meet facilitate face-to-face virtual meetings, which is especially important in remote and hybrid work environments.
  - **Phone Calls:** Traditional phone calls and voice calls through VoIP services remain a common communication channel for one-on-one or group conversations.
  - **In-Person Meetings:** Face-to-face meetings are still important for building relationships, brainstorming, and decision-making.
3. **Internal Portals and Intranets:** Many businesses use internal portals or intranets to share company news, documents, and resources with employees.
4. **Social-Media and Collaboration Platforms:** Social media tools and collaboration platforms like Yammer and Workplace by Facebook allow for informal communication and collaboration within and across teams.
5. **Blogs and Newsletters:** Businesses use internal blogs and newsletters to share news, updates, and insights with employees in a structured manner.
6. **Project Management Tools:** Tools like Asana, Trello, and Basecamp facilitate communication and collaboration on specific projects by organizing tasks and keeping teams coordinated.

Modern business enterprises benefit from a variety of communication channels to meet different needs and contexts. By selecting the most appropriate channels for their specific purposes, businesses can achieve effective and efficient communication.

### Importance of Communication Channels in Organizations

- Enhance Decision-Making: Clear and efficient communication enables informed decisions.  
*Example: Transparent vertical communication helps leaders gather insights from employees.*
- Promote Collaboration: Effective channels, especially horizontal and digital, foster teamwork and innovation.  
*Example: Cross-functional teams sharing ideas on collaborative platforms.*
- Improve Employee Morale: Open communication channels encourage employees to voice concerns, boosting morale and trust.  
*Example: Regular feedback sessions improve manager-employee relationships.*
- Ensure Clarity in Processes: Written and formal communication prevents misunderstandings by clearly outlining processes and expectations.
- Adapt to Modern Work Environments: Digital channels allow remote teams to stay connected, ensuring productivity and inclusivity.
- Reduce Miscommunication: Non-verbal cues and immediate feedback in verbal communication minimize errors and foster better understanding.

Thus, communication channels are the backbone of organizational success, enabling the smooth flow of information and collaboration. A combination of formal, informal, verbal, and digital communication ensures that employees remain informed, motivated, and aligned with organizational goals. Organizations must choose appropriate channels based on context and ensure they are used effectively to build a strong, cohesive workplace.

### **10 Markers**

#### **Q.1)**

**What is the Difference between growth investing and value investing? What should an investor know before investing?**

#### **Solution:**

Investing is the act of putting money into something with the expectation of earning a profit or income over time. It's different from saving, which involves putting money in a low-interest account to have it available when needed.

One can invest their money in various kinds of investment options like derivatives, mutual funds, stocks, bonds, real estate, commodities, and exchange-traded funds (ETFs), depending on factors such as:

- Financial Goals: Define whether the focus is on growth, income, or stability.
- Risk Tolerance: Growth investing suits high-risk appetites, while value investing is better for conservative investors.
- Time Horizon: Growth stocks often require a longer-term commitment compared to value stocks.
- Market Knowledge: Study financial statements, industry trends, and market conditions.
- Diversification: Combining growth and value stocks can balance risk and optimize returns.

Growth investing and value investing are two prominent strategies in the equity market. Both aim to generate profits but differ in their approaches and focus. While growth investing targets companies with high future potential, value investing focuses on undervalued companies with strong fundamentals.

**Growth Investing:** Growth investing prioritizes companies growth faster than the market average.

- Characteristics: Such companies often reinvest profits into their business instead of paying dividends. They are usually in sectors like technology and healthcare.
- Key Metrics: High Price-to-Earnings (P/E) ratios, robust revenue growth, and innovation-driven business models.
- Risk and Return: Growth stocks can offer high returns but are riskier due to reliance on future performance.
- *Example: Investing in a tech startup with innovative solutions.*

**Value Investing:** Value investing involves identifying and buying undervalued stocks compared to their intrinsic value.

- Characteristics: These are typically well-established companies experiencing temporary challenges or market neglect.
- Key Metrics: Low P/E or Price-to-Book (P/B) ratios, strong fundamentals, and high dividend yields.
- Risk and Return: Value stocks usually offer stable returns with less risk, but patience is required.
- *Example: Purchasing shares of a blue-chip company during a market correction.*

In conclusion, the growth and value investing cater to different investor profiles. Growth investing appeals to those seeking high returns and willing to accept risks, while value investing offers stability and steady returns. Investors should align their chosen strategy with their goals, risk tolerance, and time horizon for successful portfolio management.

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Q.2)

**What are the key Factors that influence Ethics in business?**

**Solution:**

Business ethics refers to the moral principles and standards that guide the behavior of individuals and organizations in the world of commerce. It encompasses the ethical conduct of business operations, including decision-making, policies, practices, and interactions with stakeholders such as employees, customers, suppliers, and the community. Business ethics aims to ensure that businesses operate with integrity, fairness, and respect for all parties involved.

**Factors that influence business ethics include:**

1. Organizational Culture: The values, beliefs, and norms within an organization significantly influence ethical behaviour. A culture that promotes ethical conduct sets clear expectations for employees and guides ethical dilemmas.
2. Leadership: The ethical tone at the top, set by leaders and executives, plays a crucial role in shaping the ethical behaviour of the organization. Leaders who demonstrate ethical conduct set an example for others to follow.
3. Legal and Regulatory Environment: Laws and regulations establish a baseline for ethical behaviour in business. Compliance with legal requirements is essential, and exceeding these requirements demonstrates a commitment to ethical practices.
4. Stakeholder Expectations: Businesses must consider the expectations of various stakeholders, including customers, employees, suppliers, investors, and the community. Meeting or exceeding stakeholder expectations can drive ethical conduct.
5. Globalization: As businesses operate in a global marketplace, they must navigate different cultural, legal, and ethical standards. This complexity can influence business ethics and require a nuanced approach.
6. Personal Values: The personal values of individuals within an organization also play a role in shaping ethical behaviour. Employees who prioritize integrity and fairness contribute to an ethical work environment.
7. Competitive Pressure: In highly competitive industries, businesses may face pressure to cut corners or compromise ethical standards to gain an advantage. Balancing competition with ethical conduct is crucial.
8. Incentive Structures: The incentives and rewards within an organization can influence employee behaviour. An ethical incentive structure promotes ethical decision-making and discourages unethical actions.

Therefore, business ethics is a critical aspect of organizational success and sustainability. By understanding and managing the various factors that influence business ethics, organizations can create a culture of integrity and responsible conduct that benefits all stakeholders.

Q.3)

**What are AT 1 Bonds? Discuss their features and also describe how do they differ from other types of bonds?**

**Solution:**

AT1 Bonds, or Additional Tier 1 Bonds, are a type of perpetual debt instrument issued by banks to raise capital. They are part of a bank's Tier 1 capital, which helps absorb losses and maintain financial stability. These bonds are crucial for banks to meet regulatory requirements under Basel III norms.

**Features of AT1 Bonds**

- Perpetual Nature: AT1 Bonds do not have a fixed maturity date. Banks can redeem them after a minimum of five years, subject to regulatory approval.
- High Risk, High Yield: They offer higher interest rates compared to regular bonds to compensate for their higher risk.
- Loss Absorption: In case of financial stress, banks can skip paying interest or convert these bonds into equity. In extreme cases, they can be written down.
- Callable Bonds: Banks have the option to repay the bondholder after a specific period, but the decision depends on the bank's capital position and regulator's approval.
- No Voting Rights: Investors in AT1 Bonds do not get voting rights in the issuing bank.

### Differences Between AT1 Bonds and Other Bonds

1. Maturity:
  - Regular bonds have a fixed maturity date.
  - AT1 Bonds are perpetual and do not mature.
2. Risk:
  - Regular bonds are less risky and have a predictable return.
  - AT1 Bonds carry higher risk as interest payments can be skipped or bonds can be written off during financial distress.
3. Interest Payments:
  - Regular bonds guarantee interest payments unless the issuer defaults.
  - AT1 Bonds allow issuers to cancel interest payments without being considered in default.
4. Capital Structure:
  - Regular bonds are superior bonds and repaid first in case of liquidation.
  - AT1 Bonds are subordinate to all other debts and rank just above equity.
5. Regulatory Role:
  - Regular bonds are issued primarily for borrowing purposes.
  - AT1 Bonds are issued to meet capital adequacy norms under Basel III.

In conclusion, AT1 Bonds are high-risk, high-return instruments that play a critical role in strengthening banks' capital. Their unique features set them apart from traditional bonds, making them suitable for risk-tolerant investors.