

## GENERAL STUDIES - 3

**Q1. Examine the pattern and trend of public expenditure on Social Services in the post-reforms period in India. To what extent this has been in consonance with achieving the objective of inclusive growth? (10 Marks, 2024)**

**Answer:**

### **Introduction**

**India's economic liberalisation in 1991** unlocked new frontiers of growth but it also exposed deepstructural inequities. The reliance of over **80 crore citizens on free food grains** during COVID-19 was not just a crisis response—it was a **revelation of how vulnerable large sections still are**. As the country aspires toward **Viksit Bharat by 2047**, the trajectory of **social sector spending** has become a test of not just economic vision but **moral and constitutional commitment**.

### **Body**

#### **Pattern and Trend of Public Expenditure on Social Services**

- **Shift from fiscal prudence to rights-based provisioning:** From **structural adjustment to social entitlements**, India gradually redefined public spending post-2000s.
  - **For example**, Public expenditure on social services rose from **5.49% of GDP (1990–91)** to **8.3% in 2021–22** – *Economic Survey 2022–23*.
- **Emergence of legally enforceable welfare rights:** Social security was institutionalized through laws that guaranteed entitlements, not just promised them.
  - **For example**, **MGNREGA Act (2005)** and **NFSA (2013)** ensure wage employment and food access for over **70 crore citizens**.
- **Expansion of targeted flagship schemes (CSS):** Centrally Sponsored Schemes became instruments to address sectoral inequality across India.
  - **For example**, **Ayushman Bharat** covers **50 crore people** under health insurance (*MoHFW*) and **PMAY** has enabled **3 crore homes** (*MoHUA 2024*).
- **Tech-enabled welfare through JAM and DBT:** Digital infrastructure improved efficiency, targeting and fiscal discipline in social transfers.
  - **For example**, **₹3.48 lakh crore** saved through DBT and **53 crore Jan Dhan accounts** enabled near-universal banking access – *MoF 2024*.
- **Rise in decentralised social innovation:** With enhanced devolution post-14th Finance Commission, states launched tailored welfare programs.
  - **For example**, **Karnataka's Gruha Lakshmi Yojana** gives ₹2,000/month to **1 crore women** to enhance women's economic agency.

- **Pandemic-triggered welfare expansion:** COVID-19 necessitated an unprecedented welfare response from both Centre and states.
  - **For example**, Under PMGKAY, **80 crore people** received free food grains for over 28 months – *MoCAF&PD 2023*.
- **Incremental rise in health and education spending:** Though still below global standards, investment in social infrastructure has improved.
  - **For example**, Health spending rose to **2.1% of GDP**, and education to **3.1%** – *Union Budget 2023–24*.
- **Inclusion of informal and gig workers:** Social protection gradually extended to workers in unorganised and digital economies.
  - **For example**, Over **29 crore workers** registered on e-Shram portal.
- **Gender-focused fiscal architecture:** Policy focus shifted to female empowerment through direct cash, asset ownership and capacity building.
  - **For example**, Ujjwala Yojana provided **9.6 crore LPG connections**.
- **Community-driven models for livelihood generation:** Self-Help Groups (SHGs) and cooperatives gained prominence in bottom-up development.
  - **For example**, Over **8.1 crore women** are part of **83 lakh SHGs** under DAY-NRLM – *MoRD 2024*.
- **Investment in rural infrastructure for equity:** Social expenditure increasingly targeted basic infrastructure to reduce multidimensional poverty.
  - **For example**, Jal Jeevan Mission raised rural tap water access from **17% (2019)** to **74% (2024)** – *Ministry of Jal Shakti*.
- **Persistent regional disparities:** Despite program expansion, inter-state variations in outcomes remain stark.
  - **For example**, Kerala's IMR is **6/1000** vs Bihar's **32/1000** – *SRS 2023*.

### Extent of Alignment with Inclusive Growth

- **Sharp decline in multidimensional poverty:** Improved access to assets, food and services reduced deprivation across demographics.
  - **For example 25 crore people** moved out of poverty between 2015 and 2021 – *NITI Aayog, 2023*.
- **Gains in human development indicators:** Improvements in health, literacy and income reflect deeper social investments.
  - **For example**, India's HDI stands at **0.644**; literacy at **77.7%**, and life expectancy at **70.8 years** – *UNDP, 2023*.
- **Deepening of financial and digital inclusion:** Public expenditure helped build platforms for broader socio-economic participation.
  - **For example 53 crore Jan Dhan accounts**, **1.3 billion Aadhaar holders** and **100 crore+ DBT transactions** enabled a new inclusion architecture.
- **Targeted upliftment of disadvantaged communities:** Welfare now explicitly focuses on SC/ST, women, elderly and disabled.

- o **For example, PM Vishwakarma Yojana** supports artisans and **Stand-Up India** empowers SC/ST and women entrepreneurs.
- **Building long-term human capital:** From skilling to nutrition, social spending increasingly focuses on capability-building. **For example, NIPUN Bharat, PM Poshan, and PMKVY** address foundational literacy and employability.

### Challenges to Inclusive Growth

- **High and rising economic inequality:** Public spending hasn't offset elite capture and wealth concentration.
  - o **For example, Top 1% own 40.1%** of India's wealth and bottom 50% own just **13%** – *Oxfam India, 2023*.
- **Populist politics affecting fiscal priorities:** Competitive welfareism risks crowding out productive investments.
  - o **For example, Fiscal stress in Punjab and Rajasthan** due to freebies like power subsidies – *CAG Reports*.
- **Fragmented welfare delivery:** Overlapping schemes often dilute efficiency and accountability.
  - o **For example, Parallel maternity and nutrition programs** lack coordination, which reduces impact.
- **Under-coverage and underfunding:** Despite intent, benefits remain small and coverage uneven.
  - o **For example, NSAP offers only ₹300/month** pension to senior citizens – *MoRD 2024*.
- **Governance and last-mile delivery gaps:** Leakages, corruption and data lags weaken implementation.
  - o **For example, States like Bihar and Jharkhand** underperform on SDG Index despite high central transfers – *NITI Aayog 2023*.

### Conclusion

Public expenditure on social services has evolved from **discretionary welfare to foundational inclusion**. Yet, the path to **Viksit Bharat** demands more—more fiscal creativity, better targeting and deeper accountability. As the **Rangarajan Committee** rightly noted, **inclusion isn't just about how much we spend—but how wisely and justly we do so**. The future of India's growth lies in ensuring that every rupee spent reaches, empowers and transforms.

**Q2. What are the causes of persistent high food inflation in India? Comment on the effectiveness of the monetary policy of RBI to control this type of inflation. (10 Marks, 2024)**

**Answer:**

### **Introduction**

India's food inflation continues to be a major policy concern. As of **March 2025**, retail food inflation dropped to **2.69%**, the lowest since 2021, but it had surged to over **11.5% in July 2023**, largely due to pulses and vegetable price shocks (MoSPI). The **Urjit Patel Committee (2014)** rightly noted that **headline inflation—especially food—is the most relevant anchor** for monetary policy in countries like India, where **food dominates household spending**.

**Body:**

### **Supply-Side Factors Behind Persistent Food Inflation**

- **Low Agricultural Productivity:** Fragmented landholdings and limited mechanisation reduce supply elasticity.
  - **For example**, India's average landholding is **1.08 ha**, well below the global average – *Agricultural Census 2021*.
- **Weather Volatility and Monsoon Dependence:** Erratic rainfall, heatwaves and unseasonal rains disrupt production.
  - **For example**, Tomato prices spiked **400% in mid-2023** due to monsoon disruptions – *MoAFW, 2023*.
- **Storage and Supply Chain Bottlenecks:** Inadequate cold storage and transport inflate final prices.
  - **For example**, **30–40% of fruits and vegetables are lost post-harvest** – *ICAR Report, 2023*.
- **Skewed Procurement and MSP Policies:** Overemphasis on wheat and rice distorts cropping patterns.
  - **For example**, Despite surplus production, procurement of pulses and oilseeds remains low – *CACP Reports, 2023*.
- **Import Dependence and Global Shocks:** Geopolitical tensions inflate prices of imported food items.
  - **For example**, The Ukraine conflict led to a **30% rise in edible oil prices** in 2022 – *MoCI*.

## Demand-Side Factors Behind Persistent Food Inflation

- **Income-Driven Dietary Changes:** Higher incomes drive demand for protein-rich and perishable food.
  - **For example**, Urban households increased fruit and milk consumption by **15% over a decade** – *NSSO, 2021*.
- **Urbanisation and Logistics Costs:** Growing urban demand stretches fragile supply chains.
  - **For example**, Urban CPI food inflation stayed elevated in 2023 even as rural prices stabilised – *RBI Bulletin, 2024*.
- **Rising Rural Wages and Input Costs:** Labour shortages and wage inflation raise cultivation costs.
  - **For example**, Agricultural wage inflation was **6.7% in 2023** – *Labour Bureau*.

## Effectiveness of RBI's Monetary Policy

- **Limited Impact on Supply Shocks:** Monetary tools **can't correct harvest failures or supply chain gaps**.
  - **For example**, Rate hikes in 2022 failed to control inflation caused by tomato and onion shortages.
- **Lag in Transmission to Food Markets:** Interest rate changes take months to reflect in price behaviour.
  - **For example**, Despite **250 bps hike**, food inflation remained high through most of 2023.
- **Role in Currency Stability and Expectations:** RBI interventions stabilise the rupee and reduce imported inflation volatility.
  - **For example**, A stable rupee in 2023 partially softened edible oil import costs – *RBI Annual Report 2023–24*.
- **Structural Reforms Are Essential:** Monetary tightening needs to be supported by supply-side policies.
  - **For example**, Even with tight monetary policy in 2019, food inflation remained high due to mandi inefficiencies.

**Conclusion** Persistent food inflation in India is both a **structural and distributional challenge**. As Dr. Raghuram Rajan observed, **inflation acts like a "destructive disease"**, which disproportionately impacts the poor who spend more on food. While RBI's monetary policy can manage expectations and demand-side pressures, supply-side resilience—**through cold storage, diversified MSP and climate-proof farming**—is the only sustainable antidote.