



## 7 PM COMPILATION

**1<sup>st</sup> - 31<sup>th</sup> May, 2020**

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- ❖ Comprehensive coverage of a given current topic
- ❖ Provide you all the information you need to frame a good answer
- ❖ Critical analysis, comparative analysis, legal/constitutional provisions, current issues and challenges and best practices around the world
- ❖ Written in lucid language and point format
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India's light bulb moment: Not using this crisis for meaningful energy sector reform would be a waste

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**India's light bulb moment: Not using this crisis for meaningful energy sector reform would be a waste**

Source: [Financial Express](#)

**What has happened?** The proposed Electricity Amendment Bill, 2020 is an ambitious step towards solving the problem of India's power sector. Therefore, the crisis like COVID-19 shall be used as an opportunity for meaningful energy sector reforms.

This brings us to the question of considering the event of 9-minute lights-off on April 5 as an opportunity to take a step back and to address key issues of power sector and plan for a more sustainable future. Therefore, in this article we will discuss the following:

- What are the key issues in India's power sector?
- What is Electricity Amendment Bill, 2020?
- What are the issues in the bill?
- Way Forward
- Conclusion

**What are the key issues in India's power sector?**

- India is committed to have 175GW of renewable energy (RE) generation by 2022 keeping with climate change goals and energy security. For this, a market-based, automatic mechanism for integration of infirm renewable power into the grid is non-negotiable.
  - Frequency and voltage are two important parameters that ensure stable operation of the power grid. Currently, majority of RE systems do not participate in system frequency and voltage regulation functions. This is mainly due to the facts that RE in general is highly intermittent and fluctuating.
  - The standard practice generally followed with renewable resources is to disconnect them during contingencies and reconnect when normalcy is restored. This is acceptable as long as RE share is low. However, with the increasing share of RE, they must also contribute to frequency and voltage regulations exactly like traditional units.
- The past decade has seen a steady decline in energy generation from fossil fuels—plant load factors for the 2019-20 period are at 56%, down from 78% a decade ago. Hence, there are many idle, old, and inefficient coal plants. Many of these plants were to install air pollution equipment, as part of the country's commitment to COP21
  - The plan was to retrofit 440 power units aggregating to 166.5GW with flue gas desulphurization (FGD) systems by December 2022, which is way behind schedule. For example, only two out of 33 plants in the highly-polluted NCR have met their FGD targets.
- High industrial power tariffs in India. Industrial power in Vietnam is, for example, 40% cheaper than in India; this is the case across ASEAN.
  - Lowering industrial power tariff is an opportunity for 'Make in India' to

**Flue gas desulfurization (FGD):**

- It is a set of technologies used to remove sulfur dioxide (SO<sub>2</sub>) from exhaust flue gases of fossil-fuel power plants, as well as from the emissions of other sulfur oxide emitting processes.
- FGD wastewater contains high concentrations of sulfates, calcium, magnesium, heavy metals, TSS and ammonia. Stricter regulations in Europe, China, USA and other countries require Zero Liquid Discharge (ZLD) treatment for the wastewater.

bring in fresh Covid-influenced industrial investment from Korea and Japan, which are diversifying away from China.

- The financial health of the distribution companies (Discoms) is not good. Discoms now owe over Rs 8.8 billion to generators. The current industrial lockdown has hit finances even harder with discoms left catering to low-paying households and loss-making agriculture.

### What is Electricity Amendment Bill, 2020?

- Supply of quality power at affordable prices is essential for sustained growth of the economy of the country. For further development of the power sector, Ministry of Power has issued draft proposal for amendment of Electricity Act, 2003 in the form of draft Electricity Act (Amendment) Bill, 2020 on 17th April 2020.
- Major amendments proposed in the Electricity Act are as follows:

#### 1. Viability of Electricity Distribution companies (Discoms):

- a. Cost reflective Tariff: To eliminate the tendency of some Commissions to provide for regulatory assets, it is being provided that the Commissions shall determine tariffs that are reflective of cost so as to enable Discoms to recover their costs.
- b. **Direct Benefit Transfer:** It is proposed that tariff be determined by Commissions without taking into account the subsidy, which will be given directly by the government to the consumers.

#### 2. Sanctity of Contracts:

- a. Establishment of **Electricity Contract Enforcement Authority (ECEA):** A Central Enforcement Authority headed by a retired Judge of the High Court is proposed to be set-up with powers of the Civil Court to enforce performance of contracts related to purchase or sale or transmission of power between a generating, distribution or transmission companies.
- b. Establishment of adequate Payment Security Mechanism for scheduling of electricity - It is proposed to empower Load Dispatch Centers to oversee the establishment of adequate payment security mechanism before scheduling dispatch of electricity, as per contracts.

#### 3. Strengthening the regulatory regime:

- a. Strengthening of the **Appellate Tribunal (APTEL):** It is proposed to increase the strength of APTEL to seven apart from the Chairperson so that multiple benches can be set-up to facilitate quick disposal of cases. It is also proposed to further empower the APTEL to enforce its decisions. APTEL is proposed to have the powers of a High Court to deal with willful disobedience of persons and entities under the Contempt of Courts Act, 1971.
- b. Doing away with multiple Selection Committees: It is proposed to have one Selection Committee for selection of Chairpersons and Members of the Central and State Commissions and uniform qualifications for appointments of Chairperson and Members of Central and State Electricity Regulatory Commissions.
- c. Penalties: In order to ensure compliance of the provisions of the Electricity Act and orders of the Commission, section 142 and section 146 of the Electricity Act are proposed to be amended to provide for higher penalties.

**4. Renewable and Hydro Energy:**

- a. **National Renewable Energy Policy:** It is proposed to provide for a policy document for the development and promotion of generation of electricity from renewable sources of energy.
- b. It is also proposed that a minimum percentage of purchase of electricity from hydro sources of energy is to be specified by the Commissions.
- c. Penalties: It is being further proposed to levy penalties for non-fulfillment of obligation to buy electricity from renewable and/or hydro sources of energy.

**5. Others:**

- a. **Cross border trade in Electricity:** Provisions have been added to facilitate and develop trade in electricity with other countries.
- b. **Franchisees and Distribution sub licensees:** Many States Distribution Companies have been assigning the task of distribution of electricity in a particular area or city to Franchisees / Sub-Distribution Licensees. However, there was a lack of clarity regarding the legal provisions related to this. It is proposed to provide that the Distribution Companies, if they so desire, may engage Franchisees or Sub-Distribution Licensees to distribute electricity on its behalf in a particular area within its area of supply, however, it will be the DISCOM which shall be the licensee, and therefore, ultimately responsible for ensuring quality distribution of electricity in its area of supply.

**What are the issues in the bill?**

- All India Power Engineer's Federation (AIPEF) condemns the bill mainly due to the following reasons.
- The draft bill defined distribution sub-licensee as a person recognized as such and authorized by the distribution licensee to distribute electricity on its behalf in a particular area within its area of supply, with the permission of the appropriate state commission.
  - The government was pushing for privatization, with this draft bill aimed in the same direction.
  - It is, however, established that the franchisee model has not worked in India so far, according to experts.
  - The government tried its hand in several states, with a majority of such experiments failing. The cities where the government tried to establish a franchisee model included Bhiwandi, Nagpur and Sagar among many others.
- The removal of subsidies and cross-subsidies was another big concern, as the draft bill said consumers will not get subsidized electricity.
  - There are two concerns with the Centre's move to allow for a transfer of subsidies through DBT. Farmers will have to pay first from their own pocket, after which they will get subsidies. But, the country's farmers are not in a position to pay Rs 4,000-5,000 in advance and wait for the transfer from their government later.
  - The franchisee will cut off the connection of the consumer if subsidy is not paid on time, with the burden of arranging for a large sum going to the consumer. The consumer will have to approach the franchisee again to restart the connection if the connection is cut off, resulting in unprecedented chaos.
- The other issue is increasing centralized control through the formation of the ECEA, with states bearing the burden and also the regulators will also be appointed by a



central committee. The ECEA will dis-empower not only regulatory commissions in the states, but also people who will fight legal battles

### Way Forward

The key issues prevailing in the Indian Power Sector can be solved through measures like:

- The 9-minute event demonstrated the technical capacity for managing grid flexibility. But, one must also remember that this was a planned event—grids had time to slowly back down supply. The ability to manage power spikes associated with the 175GW of RE can be augmented with the use of Li-ion battery storage. Approximately 25MW of such is needed per 1,000MW of capacity generated in each grid.
- The old and polluting thermal plants could be restructured and shut down, based on their generation costs, remaining plant life, and the economics of installing FGDs. This will increase the Plant load factor of larger, newer, more efficient thermal plants, including those of NTPC, and also help mitigate the country's now permanent problems with air pollution.
- India must lower industrial power tariffs to meet the competition and to attract investments from other countries. Lowering industrial tariffs obliges the unraveling of the cross-subsidy regime. The key issue of agricultural tariffs needs a permanent solution. The political consensus seems to be veering towards a DBT subsidy and freeing up all tariffs thereafter, with no scope for unfunded subsidies.

### Conclusion

While the provisions of the Amendment are of a permanent nature, with long term planning and large-scale impact, it will be interesting to see the strategy of the Ministry of Power in terms of implementation of the new regime.

It is said that India reforms only when there is a crisis. At present, we have a monster of a crisis and to not use this crisis for meaningful reform would be a waste of talent, leadership, and this rare light-bulb moment at every level. The power sector needs immediate attention before the country becomes “powerless”.

## The 'Missing Middle' Problem in Indian Manufacturing

**What has happened?** India's manufacturing sector is on a high growth trajectory. As targeted by the National Manufacturing Competitive Council (NMCC), it is set to contribute 25% to the GDP by 2025. However, a very few firms are found in the mid-size category of the firms in the Indian manufacturing sector.

This brings to questions of manufacturing sector in India and related issues. In this article we will discuss the following:

- ❖ What is the role of manufacturing sector in India?
- ❖ What is "Missing Middle" in manufacturing sector?
- ❖ What are the constraints for mid-sized manufacturing industries?
- ❖ What are the possible solutions to remove these constraints?
- ❖ Conclusion

### What is the role of manufacturing sector in India?

- Manufacturing industries are those that engage in the transformation of goods, materials or substances into new products. The transformational process can be physical, chemical or mechanical.
- In other words, it is agglomeration of industries engaged in chemical, mechanical, or physical transformation of materials, substances, or components into consumer or industrial goods.
- Manufacturers often have plants, mills or factories that produce goods for public consumption. Machines and equipment are typically used in the process of manufacturing.
- Manufacturing holds a key position in the Indian economy, accounting for nearly 16 per cent of real GDP in Financial Year 2012 (FY12) and employing about 12.0 per cent of India's labour force.
- Growth in the sector has been matching the strong pace in overall GDP growth over the past few years. For example, while real GDP expanded at a CAGR of 8.4 per cent over FY05-FY12, growth in the manufacturing sector was marginally higher at around 8.5 per cent over the same period.

### What is "Missing Middle" in manufacturing sector?

- "Missing Middle" is the idea that industries in developing countries like India tend to be dominated by a large number of tiny enterprises and a few large firms, but disproportionately few small and medium enterprises.
- In terms of distribution, it is seen to be expressed in terms of a U-shaped curve whereby small and very large enterprises would dominate over medium-sized enterprises in terms of number of factories, number of workers, or share of output.
- Such a feature has typically been attributed to various institutional features:
  - for example, the difficulties of obtaining bank credit for expansion;
  - More importantly, the plethora of regulations, especially labour protection regulations and laws that restrict the ability of firms to hire and fire at will, and that do not allow profitable firms to expand to medium size.
- **World Bank:** In a study produced in the 1980s (India: Industrial Regulatory Policy Study)
  - World Bank has argued that barriers to both entry and exit are high for large firms, but significantly lower for small and tiny ones. Most of these barriers were seen to result from industrial regulation and its mode of implementation.



- Also, according to the World Bank these barriers have resulted in notable losses in terms of potential efficiency and productivity gains for industry and for the economy as a whole.
- It was further argued that “cross-country and Indian experience indicates that medium size firms often enjoy better labour relations and higher labour productivity than large firms, and respond more effectively to changing technological and market requirements. Their policy-induced absence has added an element of rigidity and contributed to the slowness of technological progress and structural change in Indian industry.”

#### **What are the constraints for mid-sized manufacturing industries?**

- **Infrastructural:** Poor infrastructure was the second-largest investment climate obstacle, affecting the most productive firms relatively more.
  - **Land:** According to Sandip Sarkar research paper (Prospects and constraints of manufacturing growth in India), most of the industrial plots available in the industrial estate at best can accommodate 200-300 workers. Further growth of medium sized units into large would require availability of adjacent industrial plots, which in most of the cases is either not available or only can be purchased at a prohibitive price.
  - **Power:** An Electricity shortage is one of the biggest obstacles identified by manufacturing firms. Power supply remains erratic and the cost per unit charged to industry remains prohibitively high, much higher than rates charged in competing countries such as China.
- **Productivity:**
  - Productivity is important for the growth and the competitiveness of the manufacturing sector, but the sector is characterized by low productivity. Indian manufacturing performs poorly both compared with other sectors (agriculture and services) of the Indian economy.
  - There has been little change in the distribution of firm size between 2000–01 and 2010–11.
  - However, the economic distance between small and large firms is substantial: firms in the 500+ category were about 13 times more productive (in 2010–11) than firms in the 6–9 size category in 2010–11.
  - Creating the institutional environment to help small firms grow to become mid-size firms can improve the manufacturing sector's growth and productivity, and it calls for identifying the constraints to the growth of firms in terms of size and scale.
- **Skilled Manpower:** It has been found that the access to skilled labour suggests that it is harder for medium and large firms than small firms to find educated and skilled workers and it is a more serious constraint to growth.
- **Credit constraints:**
  - Access to finance is identified as a major obstacle to firm growth. Although most firms had a bank account, very few had a loan. Getting a loan from a bank took almost a month on average after all the documents had been submitted.
  - Firms that were able to borrow from formal financial institutions had 37 percent higher labor productivity than firms that were not.
- **Tax Administration:**
  - Tax administration is also costly: a representative company needs to make 60 payments a year and will spend 271 hours doing so.

- Informal payments are widespread, and dealing with government officials is also time-consuming: firms pay, on average, 4.9 percent in bribes, and managers spend, on average, 12.6 percent of an average week dealing with government officials.
- Firms need to have stable regulations or need advance notice of change to order and make rational investments. Frequent changes in the tax regime have introduced uncertainty in operational planning.
- **Corruption:** Red tape, corruption, and crime had the largest negative impact on firm productivity, real wages, and exports. It accounted for percentages ranging from 16 to 28 percent.
- **Ease of doing Business:** Despite being regarded as 'the engine of economic growth' MSMEs in India are still facing several issues like infrastructural bottlenecks, lack of proper market linkages, and challenges in terms of flow of institutional credit among others.

### What are the possible solutions to remove these constraints?

The domestic regulatory regime needs to be eased, especially pertaining to labour issues and provision of improved infrastructure.

- **Infrastructural reforms:**
  - Simplify land acquisition- Simplification of land acquisitions is required as it remains complex, because of the difficulties in establishing legal ownership and a 'clean' holding for purchase.
  - Electricity: getting electricity of ease of doing business has improved significantly. Government has taken many steps to make getting electricity easier, faster and cheaper, such as procedures for internal wiring inspection by the Electrical Inspectorate (in Delhi) have been eliminated. In Delhi, service line charges have been capped to INR 25,000/- in electrified areas for Low Tension loads up to 150 KW. However further tariffs need to be reduced to promote business of mid sized firms.
  - Municipal service offerings and support services to industrial estates should be improved to pave the way for efficient production and transit of goods.
- **Labour Reforms:** Rigid labour laws lead to inefficient resource utilization. Three areas that need to be looked into and modified according to the changing needs of the manufacturing sector are:
  1. Excessive regulation of industrial relations.
  2. Restrictions on hiring and firing as per optimum needs.
  3. Restrictions on relocating a worker even within the plant.
- **Fiscal Reforms:** The government also needs to undertake a number of fiscal reforms to alleviate the situation.
- **Operational Improvements:** While the government pursues investment-friendly growth-oriented economic policies backed up by the creation of world-class infrastructure, organizations must give adequate attention to have the necessary internal systems in place to make themselves globally competitive.
- **Skill Man-power:**
  - Labor skills, quality, and innovation have a smaller effect on productivity but are more important for efficient firms. Improving the labor quality available to enterprises and stimulating innovation has the potential to raise productivity.
  - Manufacturing companies will have to focus on gaining unique comparative advantages. These advantages will come by when they begin to focus on

factors that are within their domain and develop strategies to manage their unique resources.

**Conclusion**

India has the capability to push its manufacturing contribution to GDP to 25% by 2025. The stage has been set and the initiatives rolled out. The initiatives taken to promote the manufacturing sector will benefit all the other segments of the economy. The overall growth momentum of the economy offers incentives not only to the domestic entrepreneurs but also the foreign investors. The Indian manufacturing sector will slowly but surely gain the foothold in the coming years.

**Mains Practice Question:**

**What is the 'Missing Middle' problem in Indian Manufacturing Sector? Suggest ways to overcome the 'missing middle' problem. (15 Marks)**

**A grain stockist with a role still relevant****Source:** [A grain stockist with a role still relevant](#)**What has happened?**

For the first time, in the history of FCI, the Centre has decided to supply rice and wheat at a lower price to prevent hunger pangs among the rural and urban poor amid COVID-19 pandemic.

FCI has been in news for all the wrong reasons over the past several years. Even in late 1990s, the FCI was often referred as “Food Corruption of India”. However, it has proved its worth amid COVID-19 pandemic.

This brings us to the questions regarding Food Corporation of India (FCI). In this article we will discuss the following:

- ❖ What is Food Corporation of India (FCI)?
- ❖ What is the working Mechanism of Food Corporation of India (FCI)?
- ❖ What are the issues with FCI?
- ❖ What are the recommendations of Shanta Kumar Committee?
- ❖ In what ways FCI could disperse the food grains speedily and cost effectively in present scenario?
- ❖ Conclusion

**What is Food Corporation of India (FCI)?**

- The Food Corporation of India was setup under the Food Corporation's Act 1964.
- It was set up in order to fulfill following objectives of the Food Policy:
  - Effective price support operations for safeguarding the interests of the farmers.
  - Distribution of food grains throughout the country for public distribution system.
  - Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security.
- FCI's Objectives are:
  - To provide farmers remunerative prices
  - To make food grains available at reasonable prices, particularly to vulnerable section of the society
  - To maintain buffer stocks as measure of Food Security
  - To intervene in market for price stabilization

**What is the working Mechanism of Food Corporation of India (FCI)?****Procurement:**

- FCI, the nodal central agency of Government of India, along with other State Agencies undertakes procurement of wheat and paddy under price support scheme.
- The Government policy of procurement of Food grains has broad objectives of ensuring MSP to the farmers and availability of food grains to the weaker sections at affordable prices.
- It also ensures effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country.

**Stock:**

- Food grain stocking norms refers to the level of stock in the Central Pool that is sufficient to meet the operational requirement of food grains and exigencies at any

**Open market Sale Scheme:**

- This is a price control mechanism.
- As we know Central Pool of food grains has been created primarily to maintain a minimum buffer stock for meeting the unforeseen exigencies like drought, flood and other natural calamities and also for providing food grains required for Public Distribution System and the other food grains based welfare program of the Government.
- In addition, the FCI on the instructions from the Government has been resorting to sale of food grains i.e. wheat and rice at predetermined prices to the open market from time to time to achieve the objectives as under:
  - To enhance the supply of food grains especially during the lean season and thereby to have a healthy and moderating influence on the open market prices.
  - To offload the excess stocks in the Central pool and to reduce the carrying cost of food grains to the extent possible.
  - To save the food grains from deterioration in quality and to use food grains for human consumption.
  - To release valuable storage space for stocks procured during the ensuing

- point of time. Earlier this concept was termed as Buffer Norms and Strategic Reserve.
- The storage function assumes paramount importance in organization such as Food Corporation of India because of its requirement to hold huge inventory of food grains over a significant period of time.
- Storage plan of FCI is primarily to meet the storage requirement for holding stocks to meet the requirements of Public Distribution System and Other Welfare Schemes undertaken by the Government of India.

**Sell:**

- Government of India fulfils the objectives of food security through the Public Distribution System.
- Public Distribution System strives to meet the twin objectives of price support to the farmers for their product and supply of food grains at affordable prices.

**Transport:**

- Movement plays a very important role in the working of FCI as well as in fulfilling the objectives of Food Policy and National Food Security Act.
- FCI undertakes movement of food grains in order to:
  - Evacuate stocks from surplus regions
  - Meet the requirements of deficit regions for National Food Security Act/ Targeted Public Distribution System and Other Schemes
  - Create buffer stocks in deficit regions
- On an average 40 to 42 million tonnes of food grains are transported by FCI across the country in a year. FCI undertakes massive movement operation of food grains all over the country.
- Movement of food grains is undertaken by Rail, Road and Waterways. Around 85% of stocks are moved by rail to different parts of the country.
- Inter-State movement by road is mainly undertaken in those parts of the country which are not connected by rail.

**Finances:**

- Main operation of FCI includes procurement of food grains at minimum support price declared by Government of India, store food grains so procured, transport the surplus food grains to deficit states and issue it to State Governments under Public Distribution System at a price decided by the Government of India.



- Since, the issue prices declared by Government of India under different schemes are much lower than the cost of food grains procured; the differential amount is reimbursed to FCI as food subsidy by the Government of India.
- FCI also maintains buffer stocks of food grains as mandated by the Government of India and intervene in the domestic market to control the rising prices of the food grains.

### What are the issues with FCI?

There are several issues with FCI:

- Imbalances in availability of storage capacity.
- Storage of grains in open spaces.
- Non adherence of safe and scientific storage methods.
- Poor and reckless management.
- Delay in getting approval for want of disposal approvals for damaged stock from FCI.
- Undue delay in obtaining of various clearances for land allotments by state government.

### What are the recommendations of Shanta Kumar Committee?

The Committee made following recommendations on stocking and movement related issue:

- FCI should outsource its stocking operations to various agencies such as Central Warehousing Corporation, State Warehousing Corporation, private Sector under Private Entrepreneur Guarantee (PEG) scheme, and even state governments that are building silos through private sector on state lands
- Better mechanization in all silos as well as conventional storages
- Covered and plinth (CAP) storage should be gradually phased out with no grain stocks remaining in CAP for more than 3 months. Silo bag technology and conventional storages where ever possible should replace CAP
- Movement of grains needs to be gradually containerized which will help reduce transit losses

After discussing the basic mechanism of FCI and the related issues, let us focus on the ways FCI can be more effective amid COVID-19.

### In what ways FCI could disperse the food grains speedily and cost effectively in present scenario?

- **Use of Railways/Roadways for transportation:**
  - The FCI ha long back recognized the road movement as better suited for emergencies and for remote areas.
  - However, in 2019-2020 (until February) only 24% of the grains moved by road.
  - FCI needs to increase the use of roads more imperatively to move grains with least cost and efforts to the remote areas where the need is greatest
- **Decentralized storage:** In the current context, it would be useful for the State government and the FCI to maintain stocks at block headquarters or panchayats in food insecure or remote areas.
- **Fiscal Burden:** The centre should release stocks over and above existing allocations under PDS and Pradhan Mantri Garib Kalyan Yojana, but at its own expenses rather than by transferring the fiscal burden to States.
- **Activating Vibrant Network:** In many States, there is a vibrant network of self-help groups formed under the National Rural Livelihoods Mission (NRLM) which can be tasked with last mile distribution of food aid other than the PDS. Consultative

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committees presumably exist already in each State to coordinate with the FCI on such arrangements.

- **Suspending the “First in, First out (FIFO)” principle:** Typically, the FCI’s guidelines follow a first in, first out principle (FIFO) that mandates that grain that has been procured earlier needs to be distributed first to ensure that older stocks are liquidated, both across years and even within a particular year. It is time for the FCI to suspend this strategy, which will enable movement that costs least time, money and effort.

**National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED):**

- NAFED was established on the in 1958.
- Nafed is registered under the Multi State Co-operative Societies Act.
- Nafed was setup with the object to promote Co-operative marketing of agricultural produce to benefit the farmers.
- Agricultural farmers are the main members of Nafed, who have the authority to say in the form of members of the General Body in the working of Nafed.

**Farmers’ Producer Organisation (FPO):**

- FPO are also known as farmers’ producer company (FPC), is an entity formed by primary producers.
- These include farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen.
- An FPO can be a Producer Company, a Cooperative Society or any other legal form.
- FPOs are basically the hybrids of cooperatives and private companies.
- The participation, organisation and membership pattern of these companies are more or less similar to the cooperatives.

- **Expanding support to Farmer Producer Organisations (FPOs):**

- The FCI along with the National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) has required expertise to manage the logistics to help farmers across the country to reach out to consumers directly.
- The FCI should consider expanding its role to support FPOs and farmer groups, to move a wider range of commodities including agricultural inputs such as seeds and fertilizers, packing materials

**Conclusion:**

There is no doubt that the FCI needs to overhaul its operations and modernise its storage. At the same time, the relevance of an organisation such as the FCI or of public stockholding, common to most Asian countries, has never been more strongly established than now, even as we contemplate its new role in a post-pandemic world.

**Covid lockdown: When you can't litigate and arbitrate****Source:** [Covid lockdown: When you can't litigate and arbitrate](#)**What has happened?**

As with most sectors, the legal fraternity too has been reeling under the impact of the corona pandemic and the resultant lockdown, searching for ways to surmount the difficulties that lie ahead. Indian courts have adapted to the new situation by introducing video conferencing to hear urgent matters, where parties cannot wait for regular courts to resume seeking relief.

However, this is a solution only for a tiny fraction of cases, and with the pandemic unlikely to retreat for a while, traditional litigation has hit a roadblock for an uncertain period. There is another mode of dispute resolution that has dealt with the constraints of present times with relative ease-arbitration.

This brings us to the questions of arbitration and its importance and issues. In this article we will discuss the following:

- ❖ What is judicial Process?
- ❖ What is Alternative Dispute Resolution?
- ❖ What are the different types of Alternative Dispute Resolution mechanism?
- ❖ What is the historical background of Arbitration in India?
- ❖ In what way the process of Arbitration works?
- ❖ What are the inherent benefits of arbitration in situation like COVID-19?
- ❖ What kind of issues facing by Arbitration in India?
- ❖ Way Forward
- ❖ Conclusion

Normally disputes between two parties (Either Individuals, organizations or between Individual and State, or between Organization and State) are settled through Judicial Process and Alternative dispute resolution process or methods.

**What is judicial Process?**

- Judicial process is basically “whole complex phenomenon of court working”. Everything done by the Judges in the process of delivery of Justice is called Judicial Process.
- Judicial process is an adjudicatory process where a third party (Judge/other authority) decides the outcome. Procedure and decision are governed, restricted, and controlled by the Provisions of the Relevant Statutes.
- In Judicial Process the Judges are called upon to decide contentious issues between the parties strictly in accordance with law and the Constitution.

**What is Alternative Dispute Resolution?**

- Alternative Dispute Resolution (ADR) is the procedure for settling disputes without litigation, such as arbitration, mediation, or negotiation.
- ADR procedures are usually less costly and more expeditious. They are increasingly being utilized in disputes that would otherwise result in litigation, including high-profile labor disputes, divorce actions, and personal injury claims.

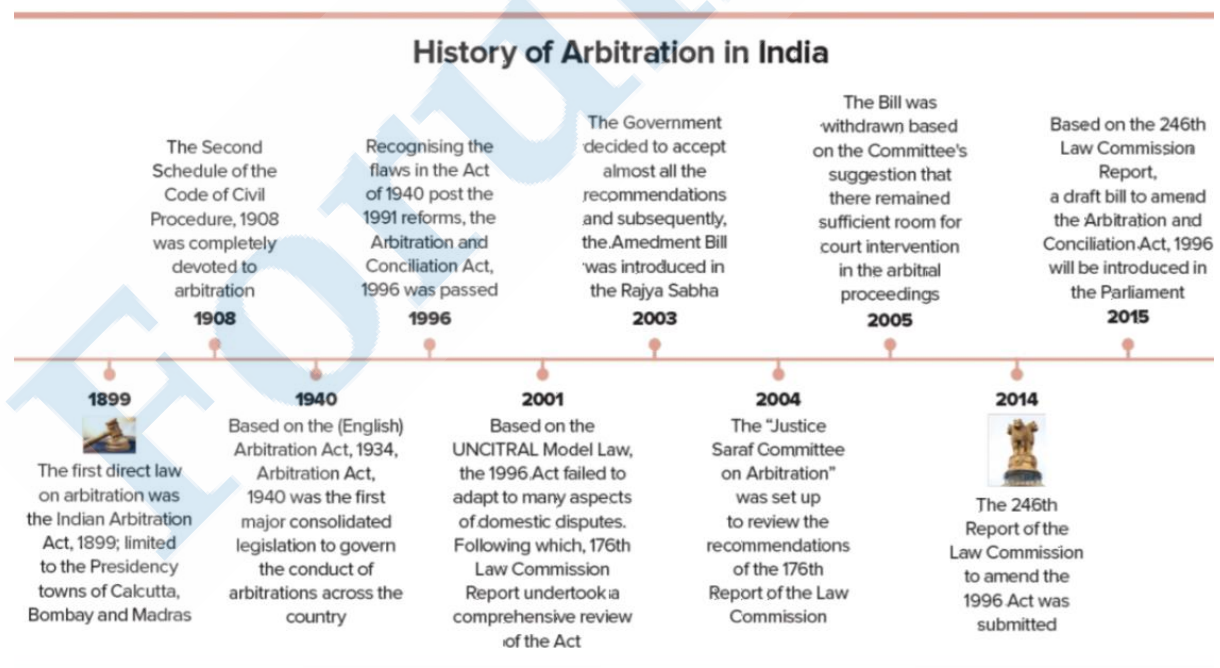
**What are the different types of Alternative Dispute Resolution (ADR) mechanism?**

There are different types of ADR mechanisms, such as arbitration, mediation, conciliation and negotiation. The difference between all these “alternate dispute resolution mechanisms” lies in the process and mode of resolving the dispute. These are listed below:

- **Arbitration:** Broadly, in arbitration, the arbitrator hears evidence and makes a decision. Arbitration is like the court process, where parties provide testimony and give evidence, as in a trial. However, it is usually less formal.
- **Mediation:** In mediation, on the other hand, the process is a negotiation with the assistance of a neutral third party where mediators do not issue orders. Instead they help parties reach a share opinion and reach settlement.
- **Conciliation:** is another dispute resolution process that involves building a positive relationship between the parties to the dispute. Conciliation tries to individualize the optimal solution and direct parties towards a satisfactory common agreement. Although this sounds strikingly similar to mediation, the conciliator plays a relatively direct role in the actual resolution of a dispute and even advises the parties on certain solutions by making proposals for settlement.
- **Negotiation:** The fourth mode of ADR, i.e negotiation, is a process where parties (or their attorneys) can try to work out a solution that they are both satisfied with, often giving offers and counter-offers without legal counsel.

### What is the historical background of Arbitration in India?

- India has had a long tradition of arbitration. The settlement of differences by tribunals chosen by the parties themselves was well known in ancient India.
- There were in fact, different grades of arbitrators with provisions for appeals in certain cases from the award of a lower grade of arbitrators to arbitrators of the higher grade.
- Ancient texts of Yajnavalka and Narada refer to three types of popular courts (Puga, Sreni, Kula). Besides at the village level, Panchayats have also been a prevalent form of alternate dispute resolution.



### In what way the process of Arbitration works?

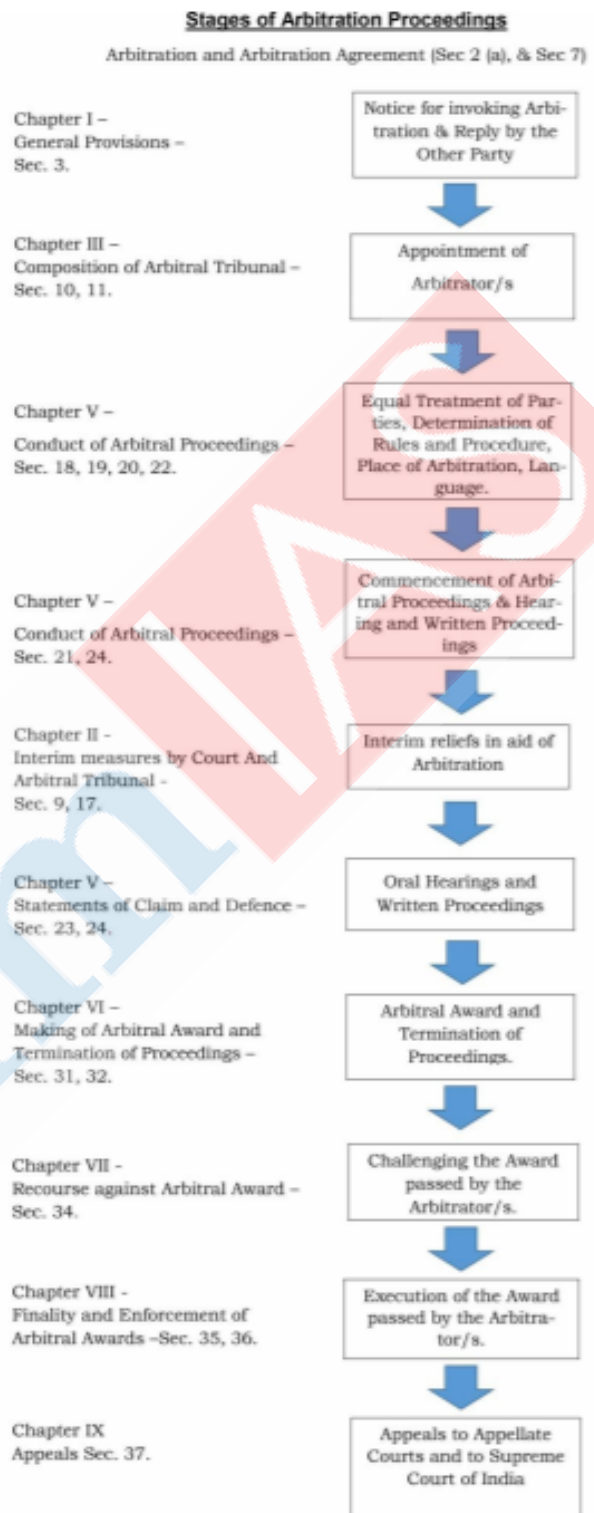
- While entering into a contract, parties agree that in case of a conflict the matter would be sought to be resolved by an arbitrator.
- Often the name of the potential arbitrator, agreed upon by both the parties, is mentioned in the contract itself.
- In case a dispute arises, the first step is issuing of an arbitration notice by either of the parties. This is followed by response by the other party and subsequently appointment of an arbitrator, decision on rules and procedures, place of arbitration and language.
- Once the arbitration proceedings commence, there are formal hearings and written proceedings. The arbitrator, if the matter so requires, issues interim reliefs followed by a final award which is binding on both parties.
- The tricky part arises if either of the parties, unhappy with the award, challenges it before the court. This can be before the appellate court or the Supreme Court depending upon the matter.

### What are the inherent benefits of arbitration in situation like COVID-19?

Arbitration was increasingly becoming a preferred mechanism of dispute resolution. While arbitral procedures have continued to be conducted largely unhindered, even these are not completely immune to the impact of the global lockdowns.

- **Flexibility and party autonomy:**

- Arbitration's key feature, parties' ability to mould the arbitral procedure based on their agreement, is most suitable to resolve disputes in the times of Covid-19.
- For instance, the parties may now agree to a documents-only arbitration, or have all hearings by video conferencing. If the parties don't agree, the arbitrator has the power to conduct the proceedings as they deem appropriate.



- **E-filings:**
  - All pleadings in arbitration, from the notice invoking arbitration to the statement of claim and witness affidavits to written submissions, are filed by email.
  - Voluminous documents are uploaded on a file share link, which is sent to the opposing party and the arbitral tribunal.
  - Equally convenient is the fact that communications with the opposite party, arbitral tribunal, or the arbitral institution is through email.
- **Videoconference hearings:**
  - One of the biggest advantages of arbitration is that all hearings can be conducted by video conferencing. This has become particularly relevant now due to the travel restrictions.
  - The courts have also started holding hearings through video conferencing, but these are still restricted only to certain matters. Moreover, the judiciary may face teething issues as judges may find it difficult to cope with the technology, which they may overcome with time. Seasoned arbitrators are more likely to be familiar and comfortable with the technology.
- **Interim relief provisions:**
  - Under section 9 of the Arbitration & Conciliation Act, 1996, during arbitration proceedings, a party may approach the tribunal for any interim relief.
  - Interim relief is usually granted if the claimant is able to prove that they will suffer irreparable harm without such relief—for example, the respondents' assets being dissipated, bank guarantees being invoked, etc. Given the nature of the relief, these petitions are being heard by courts even during the lockdown.

#### **What kind of issues facing by Arbitration in India?**

- **Delays:**
  - Section 29A provides that the arbitral tribunal must enter the award within 12 months from the date the tribunal entered reference with the option to extend the time period by a further 6 months with the mutual consent of all parties.
  - However, after the expiry of that 18-month period, parties seeking a further extension would have to apply to the Indian courts, which may grant such an extension on such terms and conditions as it may impose if it finds that there is sufficient cause.
  - Section 29-A of the Arbitration Act which has been subject to debate and varying viewpoints particularly in complex international cases where the arbitral proceedings become lengthy.
- **Appointment of Arbitrators by the Courts:**
  - Arbitration clauses usually contain a party-agreed procedure to appoint the arbitral tribunal, which are often unsuccessful due to parties' inability to reach a mutual consensus after disputes have arisen.
  - In such situations, in an ad hoc arbitration, parties have to approach the court under section 11 of the Arbitration Act for appointment of an arbitrator. In the current scenario, this will pose an issue as it is unlikely that courts will consider an application for appointing an arbitrator as 'extremely urgent'.



**Way Forward:**

- Effective use of Technology such as e-filing, creating database of cases, big data analytics, Online Dispute Resolution, video conferencing needs to be scaled up and be put to extensive use in the process of arbitration.
- One example being video conferencing as no adjournment would be required, cases can be registered on line, voluminous papers can be instantly transmitted, and testimony of experts can be recorded through video conferencing.
- It has been argued that though routine matters can be completed within the prescribed time frame, the question of extension may be considered in cases of international arbitration. But it has also been argued that the introduction of this provision has brought in accountability in arbitrators which in turn brings discipline and accountability in lawyers as well as litigants.

**Conclusion:**

India is on the track of establishing confidence in its legal system which is the fundamental condition for any country to become an international arbitration venue. The present need is reforms in the implementation of the legislative changes by the judiciary along with building of institutional capacity in the country. Despite the roadblocks, it is apparent that arbitration is no longer just an “alternative” dispute resolution mechanism, but for, many parties, should be the primary choice for adjudicating their disputes.

**Mains Practice Question:**

**What is alternative dispute resolution mechanism? How arbitration is helpful in solving the pending cases amid COVID-19? (250 Words)**



## Undemocratic Evasion of Environmental Responsibility

Source: [Undemocratic Evasion of Environmental Responsibility](#)

### What had happened?

The Ministry of Environment, Forest and Climate Change (MoEFCC) released the Draft Environment Impact Assessment Notification, 2020 on 23rd March 2020. It seeks to replace the Environment Impact Assessment Notification, 2006. The ministry has recently extended the notice period for making any objections or suggestions on the proposal contained in the draft notification till 30th June 2020.

The draft Environment Impact Assessment Notification, 2020 has many issues which evade the Indian government from its environmental responsibilities.

This brings us to the questions of issues pertaining to draft Environment Impact Assessment Notification, 2020. In this article we will discuss the following:

- ❖ What is Environmental impact assessment (EIA)?
- ❖ What are the components of EIA?
- ❖ What are the key features of Draft Environment Impact Assessment Notification, 2020?
- ❖ What are the issues pertaining to draft EIA Notification 2020?
- ❖ Conclusion

### What is Environmental impact assessment (EIA)?

- Environmental impact assessment (EIA) was developed as a tool to minimize negative impact of human activities on the environment.
- The purpose of the environmental impact assessment is to:
  - assess the impact of a proposed activity on the environment before making the decision on whether to carry it out, and
  - Develop and assess measures to avoid or minimize those impacts if it is decided to carry out the activity.
- EIA can be defined as a process of collecting information about environmental impacts of a proposed project and consequent relevant decision-making.
- UNEP defines Environmental Impact Assessment (EIA) as “a tool used to identify the environmental, social and economic impacts of a project prior to decision-making. It aims to predict environmental impacts at an early stage in project planning and design, find ways and means to reduce adverse impacts, shape projects to suit the local environment and present the predictions and options to decision-makers.”

#### Evolution of EIA in India:

- It was first started in 1976-77 when the Planning Commission asked the Department of Science and Technology to examine the river-valley projects from an environmental angle.
- The Government of India also enacted the Environmental (Protection) Act in 1986 making legal requirement of EIA to obtain environmental clearance for construction and operation for all development projects.
- Till 1994, environmental clearance from the Central Government was an administrative decision and lacked legislative support.
- In 1994, under the Environmental (Protection) Act and Rules of 1986, the Ministry of Environment and Forest (MoEF) issued a notification making environmental clearance legally mandatory for expansion and modernization and for construction of new projects and listed in Schedule I of the notification of 1994.

### What are the components of EIA?

The fundamental components of an EIA would necessarily involve the following stages:

1. **Screening** to determine which projects or developments require a full or partial impact assessment study;
2. **Scoping** to identify the key issues and impacts that should be further investigated. This stage also defines the boundary and time limit of the study.
3. **Assessment and evaluation of impacts and development of alternatives**, to predict and identify the likely environmental impacts of a proposed project or development, including the detailed elaboration of alternatives;
4. **Reporting the Environmental Impact Statement (EIS) or EIA report**, including an environmental management plan (EMP), and a non-technical summary for the general audience.
5. **Review of the Environmental Impact Statement (EIS)**, based on the terms of reference (scoping) and public (including authority) participation.
6. **Decision-making** on whether to approve the project or not, and under what conditions; and
7. **Monitoring, compliance, enforcement and environmental auditing**. Monitor whether the predicted impacts and proposed mitigation measures occur as defined in the EMP. Verify the compliance of proponent with the EMP, to ensure that unpredicted impacts or failed mitigation measures are identified and addressed in a timely fashion.

After the discussion on the basics of Environment Impact Assessment (EIA), let us discuss the draft Environment Impact Assessment Notification, 2020 and the issues pertaining to it.

### What are the key features of Draft Environment Impact Assessment Notification, 2020?

The draft Environment Impact Assessment Notification, 2020 seeks to replace the Environment Impact Assessment Notification, 2006 and Environment (Protection) Rules, 1986. It proposes certain conditions and thresholds on undertaking new infrastructure projects and on expansion or modernization of existing infrastructure projects. These projects include dams, mines, airports, and highways.

Key features of the proposed notification include:

#### Categorization of projects and activities:

- All infrastructure projects and activities will be divided into three categories based on their potential social and environmental impacts and the extent of such impact.
- All projects will require prior environment clearance from the concerned regulatory authority before commencement of any



construction, installation, establishment, or any such activity.

**Exemption:** The 2006 notification defines 'public consultation' as the process by which the concerns of local affected persons and other stakeholders are addressed and taken into account while designing the project. The draft notification exempts certain projects from public consultation. These include all building, construction and area development projects, inland waterways, expansion or widening of national highways, and modernisation of irrigation projects.

**Violations:** The draft notification provides four ways for cognizance of environmental violations. These are:

- application of the project promoter,
- reporting by any government authority,
- found during the appraisal by Appraisal Committee, or
- any violation found during the processing of application by the regulatory authority.

#### **What are the issues pertaining to draft EIA Notification 2020?**

- **Post-Facto Approval:**
  - The new draft allows for post-facto approval for projects, which means that it has provisions to award clearances for projects even if they have started construction or have been running without securing environmental clearances.
  - Post facto approval is in violation of the "precautionary principle," which is a principle of environmental sustainability.
  - Even Supreme Court on 1st April, 2020, ruled that the central government had no power to grant post facto approval, on the grounds that this would be in "derogation of the fundamental principles of environmental jurisprudence."
- **Public Consultation:** To date, the EIA process is the only legal process where information is shared and the opinion of the public obtained on environmental impact before a decision is taken on a large-scale project. The disregard of this process by the draft notification is simply undemocratic.
- **Strategic Projects:** The Draft Notification 2020 also completely exempts all defence and national security projects, as well as any other project involving "strategic considerations as determined by the government" from the need to obtain environmental clearances. This gives a virtual freedom to the government who could, for instance, define nuclear power projects, oil installations etc as "strategic projects." All such projects are also exempt from public hearings.
- **Exemption:** The building and construction sector is among the largest greenhouse gas emitters. However, as per the draft notification, the new construction projects up to 1,50,000 square metres (instead of the existing 20,000 square metres) do not need "detailed scrutiny" by the Expert Committee. Also, they need not to do EIA studies and public consultation.
- **Changes in definitions:** For instance, the term "capital dredging," which in the 2006 Notification covered non-maintenance dredging of both rivers and sea beds, is amended in the 2020 draft to refer only to sea-bed dredging for ports and such. However, dredging of river beds for building of navigable waterways, clearly a capital rather than maintenance activity, with untold ecological consequences and impact on livelihoods, has now simply been omitted from the definition.

**Way Forward:**

Any project impacts the environment which directly impacts the public life. So, public consultancy forms the basic feature of Environmental Impact Assessment. Diluting this very basic feature through the draft notification EIA, 2020, the government is moving into wrong direction. Instead the government should focus on creating awareness about the EIA process and releasing the EIA in regional languages to reach out to the most affected people.

**Conclusion:**

The government through the new draft Environment Impact Assessment, 2020 has shown its utter disrespect for public consultations and opinions expressed in response to such public notifications. The draft notification dilutes provisions related to public consultations and hearings.

The extension provided in the notice period till 30th June, 2020 is a step in right direction. Since the notification has to be widely discussed and should be considered only after due democratic deliberation.

**Mains Practice Question:**

**What is Environment Impact Assessment (EIA)? Discuss the features of draft Environment Impact Assessment (EIA) notification, 2020. (250 Words)**

**Regulatory gaps, lax governance have precipitated a crisis in co-operative banking**

Source: [Regulatory gaps, lax governance have precipitated a crisis in co-operative banking](#)

**What has happened?**

The RBI on May 2 has cancelled the license of a Mumbai based 'The CKP Cooperative Banks Ltd.'

Careless governance and the gaps in regulatory measures are the primary cause of crisis in co-operative banking in India. Both RBI and central government are taking steps to tackle the crisis.

This brings to questions of co-operative banks in India and related issues. In this article we will discuss the following:

- ❖ What are Co-operative Banks?
- ❖ What are different types of Co-operative Banks?
- ❖ How are the Urban Co-operative Banks (UCBs) regulated?
- ❖ What is the issue with the Cooperative Banks in India?
- ❖ What are the steps taken by RBI?
- ❖ What are the steps taken by the Central Government?
- ❖ Way Forward

**What are Co-operative Banks?**

- A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank.
- Cooperative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc.).
- The co-operative banks in India are regulated by the Reserve Bank of India (RBI) and governed by Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1955.

**What are different types of Co-operative Banks?**

The co-operative banking structure in India is divided into following 5 categories:

1. **Primary Co-operative Credit Society:** The primary co-operative credit society is an association of borrowers and non-borrowers residing in a particular locality.
2. **Central Co-operative Banks:** These are the federations of primary credit societies in a district and are of two types-those having a membership of primary societies only and those having a membership of societies as well as individuals.
3. **State Co-operative Banks:** The state co-operative bank is a federation of central co-operative bank and acts as a watchdog of the co-operative banking structure in the state. The state co-operative banks lend money to central co-operative banks and primary societies and not directly to the farmers.
4. **Land Development Banks:** The Land development banks are organized in 3 tiers namely; state, central, and primary level and they meet the long term credit requirements of the farmers for developmental purposes.
5. **Urban Co-operative Banks:** The term Urban Co-operative Banks (UCBs), have not been formally defined. It refers to primary co-operative banks located in urban and semi-urban areas.

**How are the Urban Co-operative Banks (UCBs) regulated?**

- The urban co-operative banks are regulated and supervised by State Registrars of Co-operative Societies and by Reserve Bank of India.



- The regulatory powers of registrar of cooperative societies includes incorporation, registration, management, audit, supersession of board and liquidation and on the other hand, the RBI is responsible for regulatory functions such as maintaining cash reserve and capital adequacy, among others.

After the discussing the basics of Co-operative Banks in India, let us focus on the issues in the co-operative banking and steps taken by the RBI and the central government.

#### **What is the issue with the Cooperative Banks in India?**

- **Operational Problems:** The operational problems of urban co-operative banks consist in their loaning policies and practices. It has been noticed that some of these banks are advancing loans which are unproductive. Though these banks are getting their deposits at low rate of interest they advance loans at unreasonably high rates.
- **Unsecured Loans:** There is a risk in granting the large amount of loans on impersonal relationships. A person's integrity and character alone cannot constitute a reliable index of credit worthiness. Most of the times, unsecured loans are issued on Ration cards and there are high chances of frauds and irregularities in such cases.
- **Neglect of finances to industries:** In spite of the facilities extended by the RBI to urban banks like share capital participation, refinance facilities, etc. majority of the urban banks neglected the financing of small scale and cottage industries.
- **Political And High Posting Officers Problems:** Many a time political interference with the services of urban banks leading to maladministration. Due to these factors there is no proper administration of the urban co-operative banks. Rules and regulations are conveniently violated. As a consequence loans are granted even with the forged documents.
- **Administrative Problems:** The Board of Director (BoD) of a UCB, performs both executive and supervisory roles, and has the responsibility to oversee the functioning of UCB as a cooperative society. But many a time, BoD mis-use their executive power in granting loan amount exceeding the limits allowed.

#### **What are the steps taken by RBI?**

- **Creating Board of Management:** According to the RBI guidelines, UCBs with deposits of Rs. 100 Crore and more will constitute a Board of Management (BoM). The BoM will comprise expert banking professionals. It will exercise over-sight on banking functions of the UCBs and assist the BoD on formulation of policies.
- **Appointment of CEO:** UCBs having deposit size of ₹100 crore and above shall obtain prior approval of Reserve Bank for appointment of CEO
- **RBI revised supervisory framework for UCBs:** According to the RBI, a UCB can be placed under Supervisory Action Framework when:
  - Its net NPAs exceed 6% of its net advances.
  - If Capital Adequacy Ratio (CAR) falls below 9%.
  - If it incurs losses for two consecutive financial years.
- **Reporting of large exposures:** The RBI issued a notification where it mandated that all UCBs having total assets of Rs. 500 Crore and above of the previous financial year, will have to report large exposures to Central Repository of Information on Large Credits (CRILC) on a quarterly basis.



**Recommendations of high-powered committee chaired by former Deputy Governor of the RBI, R. Gandhi:**

The RBI has announced a scheme for voluntary transition of urban cooperative banks into small finance banks, in line with the recommendations of a high-powered committee chaired by former Deputy Governor of the RBI, R. Gandhi.

- H. Malegam recommended having a board of management in actual control of operations as opposed to elected directors. There must be a push for a fit and proper management, otherwise the elected director can get away with fraud.
- RBI has given the choice to urban cooperative banks to convert to small finance banks. That option is there for those players with more than ₹50 crore capital and 15% capital adequacy. This is an incentive as they will then be able to grow their capital by issuing shares at a premium.
- RBI has also said that for urban cooperative banks there could be an umbrella organisation promoted by the banks themselves to raise capital as a joint stock company can from the markets.

**What are the steps taken by the Central Government?**

The central government introduced Banking Regulation (Amendment) Bill, 2020 to amend the Banking Regulation Act, 1949 with respect to cooperative banks.

The silent features of the bill are:

- The bill deals with only Multi-state cooperative banks and Urban Cooperative Banks and not the rural primary cooperatives.
- **Additional powers to RBI:** The cooperatives banks are currently under the dual control of both RBI and the Registrar of Cooperative Societies. If the bill passed, the RBI will get the superseding powers over the board.
- **Auditing:** After the bill is passed, the cooperative banks will be audited as per the RBI rules.
- The Section 56 of Banking Regulations Act, 1949 deals with Cooperative Societies. The amendment bill tries to replicate certain other sections like Section 10A (professional BoD), 10B (removal of a whole time chairman) and 30 (audit) under the section 56 of the Act.

**Way Forward:**

The RBI's governance measures and the Banking Regulations (Amendment) Bill, 2020 deals with only the Urban Cooperative banks. There are about 96000 rural cooperatives that constitute about 65% of the total assets of the cooperatives in India. Even Primary Agricultural Credit Societies are outside the purview of the Banking Regulations Act. The Rural cooperatives play an important role in mobilizing the resources in the remotest areas. There is an urgent need to bring reforms regarding the governance of the rural cooperatives similar to urban cooperatives.

**Mains Practice Question:**

**Recently, RBI cancelled the license of a Urban Cooperative Bank. Discuss the issues pertaining to the urban cooperative banking in India and the steps taken by government and the RBI in this regard. (250 words)**

**Financial Inclusion and Digital India: A Critical Assessment**  
**Source:** [Financial Inclusion and Digital India: A Critical Assessment](#)

**What has happened?**

The Reserve Bank of India (RBI) has unveiled a National Strategy for Financial Inclusion 2019-24 in January 2020. It is aimed at providing access to formal financial services in an affordable manner to reduce poverty and create jobs. It also aims to promote financial literacy among customers.

*Financial inclusion is one of the cornerstones of a developing economy. Though there has been improvement in digital transactions in the country, there are still issues of dormant accounts, last-mile connectivity of banks and other financial institutions.*

This brings to questions of financial inclusion in India. In this article we will discuss the following:

- ❖ What is financial inclusion?
- ❖ Why there is need for financial inclusion?
- ❖ What the steps taken by government to increase financial inclusion?
- ❖ The success story
- ❖ What are the challenges associated?
- ❖ Way forward
- ❖ Conclusion

**What is financial inclusion?**

- According to World Bank, “financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs such as transactions, payments, savings, credit and insurance; and delivered in a responsible and sustainable way”.
- In other words, financial inclusion means connecting marginalized and the underprivileged in the mainstream economy, by providing financial literacy and access to banking and financial services.
- The main intention of providing the access of financial resources to the underprivileged and marginalized is to improve their lives. It has also been observed that financial inclusion has the potential to reduce poverty and create job.

**Why there is need for financial inclusion?**

- **Financial Exclusion:** According to a World Bank's report in 2017, about half of India's population is financially excluded.
- **Financial Illiteracy:** Also, according to a survey conducted by Standard & Poor's Financial Services (S&P), only 24% adults in India are financially literate.
- **Critical part of the development process:** Successive governments, private institutions and the civil society have altogether helped in increasing the financial-inclusion net in the country since independence. There has been an emphasis to provide last-mile connectivity of banks and other financial institutions.
- **Lack of Inclusive Growth:** The lack of inclusive growth due to inequalities in economic and social factors, mostly translate into inequalities in terms of opportunities. This further lead to huge disparities in the health and education sectors.

**What the steps taken by government to increase financial inclusion?**

- **Using the institutions like the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) promote financial inclusion.**

Both the institutions have promoted financial inclusion by:

- opening bank branches in remote areas,
- issuing Kisan Credit Cards (KCC)
- using information technology to spread awareness and literacy,
- linkage of self-help groups (SHGs) with banks,
- increasing the number of automated teller machines (ATMs)
- increasing the number of business correspondents,
- increasing credit facilities
- increasing insurance covers for the marginalised people
- **Pradhan Mantri Jan Dhan Yojana (PMJDY):**
  - It was launched in 2015 with the objective of providing zero-balance bank accounts to every individual above 10 years of age.
  - As per the estimates of Ministry of Finance, in March 2020, the total number of beneficiaries of the programme has been more than 380 million.
- **Jan Dhan-Aadhaar-Mobile (JAM) trinity:**
  - The JAM trinity has a positive impact on the banking sector and financial inclusion.
  - The zero-balance Jan Dhan accounts are linked to Aadhaar numbers of the individuals. These are then linked to the Direct Benefit Transfer (DBT) scheme.
  - The use of JAM trinity has made significant improvements in targeted and accurate payments. This has helped in removing duplication of entries and bringing down the reliance on cash mode of payments.
- **Promotion to Digital Payments:**
  - Digital India initiative has brought changes in terms of payment facilities available to the underprivileged sections.
  - KCC, General credit cards (GCC) and mobile banking facilities have encouraged the poor to participate in the digital ecosystem.
  - Digital payments have been made secure by the introduction of Unified Payment Interface (UPI) by RBI.
  - The payment system has been made more accessible by offline transaction-enabling platforms, like Unstructured Supplementary Service Data (USSD). USSD makes it possible to use mobile banking services without internet and even on a basic mobile handset.
  - The Aadhar-enabled payment system (AEPS) enables an Aadhar enabled bank account (AEBA) to be used at any place and at any time by using micro ATMs.
- **Implementation of Goods & Service Tax (GST):**
  - The small and medium scale enterprises (SMEs) have come under the ambit of financial inclusion by the reforms brought by the GST platform.
  - The GST has enabled electronic filling and monitoring system. This helps in pre-filling of information and integration of database. This reduces the compliance burden of assesses and motivates them to be a part of formal financial system.
- **Project Financial Literacy:** The RBI initiated Project Financial Literacy to promote financial inclusion by engaging business correspondents to provide banking services to the poor.

After discussing the initiatives of government regarding financial inclusion, let us look towards the success story of these initiatives and challenges associated.

**The success story:**

The success of Digital India and financial inclusion can be measured by the growth in digital transactions, the proportion of the poor and their ability to access banking facilities.

- According to the World Bank's Global Findex report (2017), 80% Indian adults have a bank account. It is 27 points higher than the 53% estimated in the Findex 2014 report. The Findex 2017 report also estimates that 77% Indian women have bank accounts as against 43% and 26% respectively in 2014 and 2011.
- As per another World Bank report, the total volume of digital transactions in India grew by compound annual growth rate (CAGR) of 30% between 2015 and 2017.
- The mobile banking transactions grew more than five times, from 19.75 million in April 2015 to 106.18 million in April 2017.
- Similarly according to the data of RBI (2020), mobile wallet transactions grew from 11.96 million transactions in April 2015 to 387.6 million transactions which worth Rs 15,408 crore in January 2020.

**What are the challenges associated?**

- **Lack of access to bank accounts:** Despite all the initiatives, India is still behind in providing universal access to bank accounts to its citizens. According to the Findex 2017 report, about 190 million adults in India do not have a bank account. This makes India the world's second largest nation in terms of unbanked population after China.
- **Digital divide:** The low-income consumers are still left out of the process of financial inclusion because of the digital divide prevalent in India.
  - Poors or low-income consumers are unable to afford the technology required to access digital services.
  - There is non-availability of suitable financial products,
  - There is lack of skills among the stakeholders to use digital services,
  - There are infrastructural issues
- **Implementation flaws:**
  - Another challenge to digital financial inclusion arises from the attitude of the stakeholders. For instance Jan Dhan scheme has resulted in the opening of many dormant accounts which never saw actual banking transactions.
  - All such activities incur huge operative costs and are only proved to be detrimental to the actual objective.
- **Cash dominated and informal economy:**
  - Indian economy is heavily dominated by cash. The data from RBI reveals that cash circulation has increased in 2018 after demonetisation.
  - Also, according to International Labour Organization (ILO), about 81% of the employed persons in India work in the informal sector.
  - This combination of informal sector and high dependence on cash mode of transaction poses an obstacle to digital financial inclusion.
- **Gender disparities and Socio-economic factors:**
  - According to the 2017 Global Findex database, 83% of males in India held accounts at a financial institution in 2017 compared to 77% females.
  - This is further attributed to socio-economic factors such as the availability of mobile handset and internet data facility are being available to men more than women.

**Way forward**

- **Target Based Approach:** Financial inclusion policies are generally targeted towards specific sectors like MSME, Agriculture or specific regions like Aspirational Districts. It is important to develop sector specific action plans and monitor targets and review the progress.
- **Regulatory Framework:** There should be a strong regulatory and legal framework aimed at protecting the interests of the customers, promoting fair practices and curbing market manipulations.
- **Market Development:** The process of market development can be in the form of
  - expansion of rural networks and access points;
  - allowing preferential prudential rules to encourage lending to rural areas
  - setting up special sub-branches in rural areas;
  - digitising large-scale payment streams like pension, insurance, and subsidies for rural households etc.
- **Strengthening Infrastructure:**
  - Development of an ecosystem with requisite infrastructure, including credit infrastructure, receipt and payment infrastructure etc., are essential.
  - Providing a national level identification, setting up a credit registry database, creation of open and inclusive payment systems are some of the key steps in this direction.

**Conclusion**

Financial inclusion is increasingly being recognized as a key driver of economic growth and poverty alleviation the world over. Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investments in human capital. Without adequate access to formal financial services, individuals and firms need to rely on their own limited resources or rely on costly informal sources of finance to meet their financial needs and pursue growth opportunities. At a macro level, greater financial inclusion can support sustainable and inclusive socio-economic growth for all.

India thus needs a multidimensional approach through which existing digital platforms, infrastructure, human resources and policy frameworks are strengthened. More importantly, human resources need to be leveraged by skilling and positively engaging with them to achieve the last-mile connectivity of financial institutions.

**Mains Practice Question:**

**“In a diverse country like India, financial inclusion is a critical part of the development process. However, as per the World Bank, about half of India’s population is financially excluded.” What are the steps taken by the government and the challenges faced in promotion of financial inclusion? (250 words)**



**Are labour law reforms the panacea to the investment problem?**

**Source:** [Are labour law reforms the panacea to the investment problem?](#)

**What has happened?** Several states including UP, Gujarat, Rajasthan has diluted labour laws.

India has more than 40 central labour laws and about 200 state enacted labour laws. Such a huge number of laws make it difficult for a business to setup and run smoothly. In order to attract business (private investment), several states have recently brought changes/dilution in labour laws, through ordinances. The states argue that these reforms in labour laws will generate employment, attract private investment and will provide flexibility to business and industry. However, labour law experts believes that such changes in labour laws will lead to dilution of worker rights and pave the way for exploitation of workers. Reforms in labour laws alone is not sufficient to bring in investment.

This brings to us the question of labour law reforms brought by several states in India and whether this could bring investment in the states. In this article we will discuss the following:

- ❖ What are the steps taken by states?
- ❖ What are the Arguments given by states to dilute labour laws?
- ❖ What are the issues pertaining to dilution of labour laws?
- ❖ Why labour law reforms alone will not bring investment?
- ❖ Conclusion

**What are the steps taken by states?**

In total 9 states have brought changes in the labour laws which include, Uttar Pradesh, Madhya Pradesh, Gujarat, Rajasthan, Goa, Himachal Pradesh, Assam, Punjab and Odisha. Changes by some of the states are given below:

- The **Uttar Pradesh** government has cleared an ordinance, 'Uttar Pradesh Temporary Exemption from Certain Labour Laws Ordinance, 2020', exempting businesses and industries from labour laws, for the next three years to increase industrial activities in the state.
- The **Gujarat** government announced exemption from a certain labour laws for 1,200 days to the firms that want to set up new units in the state in order to boost economic activities.
- **Madhya Pradesh** government has announced several reforms in labour laws. As per the new laws, registrations and licences under different labour laws will be issued in a day versus the earlier 30 days, renewal of factory licence will be for 10 years instead of one year now.

**What are the Arguments given by states to dilute labour laws?**

- **Complexity in India's labour law regime:** Under the Constitution of India, Labour is a subject in the Concurrent List where both the Central & State Governments enacts laws. As a result, there are more than 40 central labour laws and about 200 state enacted laws. There are numerous overlapping, rigid and isolated acts, which are applicable to firms at any point of time. Lifting of these labour laws, will relieve the industry from cumbersome regulatory compliances. It will also provide relief to industries from red tapism and rent seeking of labour inspector.
- **Huge informal sector:** More than 90% of the workforce in India is working as informal labor, and thus are not protected by these labour laws. Further, with the rise in competition in the economy, flexibilization of work has occurred, resulting in gig economy.



- **Providing Employment** - Reverse migration of labour from industrialized states back to their homelands due to lockdown is expected to create a glut of labour in the parent state. The states argue that relaxing labour laws is expected to encourage local industry to hire more and thus provide a large number of new jobs to these migrant labour.
- **To attract MNC's shifting from China-** Relaxing labour laws is intended to provide a positive signal to companies who want to relocate from China. It improves cost of compliance and provides an opportunity to attract MNCs and investment in the manufacturing sector.
- **Suspension is temporary:** The state says that suspension of some of the labour laws are temporary in nature. For example in UP, suspension is for three years.
- **Applicability of laws:** The applicability of various labour laws differs. For example, the Factories Act, 1948 is applicable to a factory with 10 or more workers, the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF Act) is applicable to establishments with 20 or more employees, the Minimum Wages Act, 1948 is applicable to all establishments and so on. Such different provisions are a cause of confusion for the businesses and thus creates problem.
- **Trade Unions:** Frequent strikes by trade unions hamper the productivity and efficiency of the industries. These frequent strikes bring down the confidence of investors to invest in India.
- **Rigid laws:** The Indian labour laws such as Industrial Disputes Act, 1947 are too rigid in nature. Some of the provisions of the act states that employers can not hire and fire at will. It leads to further disincentive to private investment.
- **Entry and exit Barriers for firms:** According to the Economic Survey 2015-16, most of the private companies/industries enter into the market easily. Despite the low productivity, industries are given limited exit options that hamper the economic growth.

#### What are the issues pertaining to dilution of labour laws?

- **Might increases worker agitation and activism:** Many of the labour reforms in India are a result of prolonged struggle of the labour class against the suppression and exploitation prevailed since the British era. Thus the dilution of these hard-earned changes may spark resentment leading to increased worker agitation and activism.
- **Minimum wages:** The changes made by Uttar Pradesh government include the suspension of Minimum Wages Act, 1948. This will take away the statutory guarantee of minimum wages to the workers.
- **Statutory Protections:** The statutory protection such as social security, right to form unions etc provided bargaining powers to the workers. The dilution of the laws will take away the bargaining power of workers and this would lead to exploitation of working class.
- **Further increase in informal sector:** The dilution of these labour laws will further increase the gig economy with workers having no access to social security and other benefits.
- **Complete removal of labour reform is unwarranted** – The major issues in the labour laws pertains to provisions for lay-offs, retrenchment and closure and the administrative implementation of labour laws. Hence wholesale removal of so many labour laws is unnecessary.
- **Labour Laws and Employment** - There is limited evidence that relaxing labour laws alone will increase employment. Labour law reforms must be accompanied by structural reforms for the generation of unemployment.

- **Economic Recovery:** - India's current economic slowdown is especially due to slump in private demand. With the relaxation in labour laws, wages may be lowered and thus private demand may further decline, especially in rural areas. This further makes economic recovery difficult.

After discussing the issues of the labour laws in India and the issues pertaining to the dilution of these labour laws, let us discuss as to why these reforms alone will not bring investment in India.

### **Why labour law reforms alone will not bring investment?**

According to WEF's Global Competitiveness Index, India ranks 58th out of 140 countries and it ranks 33rd on the flexibility of labour markets. While China ranks 28th in overall ranking and 62nd on labour markets. It clearly shows that lack of competitive labour markets is not the main factor driving India's poor competitiveness. Also, there is little evidence that relaxing labour laws alone will attract overseas investment.

Thus, there is need for India to opt for other structural reforms along with labour laws reforms. Some of the reforms suggested below are:

- **Infrastructure:** Infrastructure is the backbone of the economy. But in India, various infrastructural projects like roads, power projects etc faces various constraints such as, land acquisition, delays in environment and forest clearances, funding issues etc. the government should try to minimize these constraints and thereby promote infrastructural development.
- **Ease of Doing Business:** Though India's ranking in Ease of Doing Business ranking (73<sup>rd</sup> in 2020) has improved, but India still lags in areas such as enforcing contracts (163<sup>rd</sup>) and registering property (154<sup>th</sup>). So the government should focus on these parameters and to further promote Ease of Doing Business in India.
- **Employment:** To the drive the economy on a sustainable path, the government should focus on strengthening:
  - Apprentice and vocational training system
  - Quality of our school education

The government should focus on streaming high-school youth into the vocational path to improving the quality and relevance of vocational education, and also creating an apprentice supply chain from these institutes into the workforce.

- **Banking Reforms:** Present banking system in India is facing several problems like twin balance-sheet syndrome, governance issues. So the government should implement P.J Nayak committee recommendations like streamlining of board level appointment process, development of effective risk management systems, and creation of a pool of independent directors. The government should also take measures to bring down the NPAs.
- **Agricultural Reforms:**
  - For decades, Indian governments have largely failed in their attempt to improve agricultural productivity and provide alternative occupational paths for rural households.
  - The government must focus on structural fixes that include access to better seeds and technology, drip irrigation and crop planning for the farmer, an easier path from farms to markets for products, a steadier offtake of farm products and a reduction in middleman costs.
- **Industrial Reform:** Despite the economic reforms of 1991, the improvements in the manufacturing sector were minimal. So the government should focus on the initiatives like Make in India, Stand-Up and Start-Up India to promote manufacturing growth and innovation in India.

- **MSMEs Sector:** MSMEs are vital to the economy as they are the innovators, job-creators and risk-takers. Government of India launched many schemes to promote MSMEs like TReDS, Credit Guarantee trust for medium and small entrepreneurs (CGTMSE). Government should take further measures like timely credit and low tax compliance to promote MSME sector.

**Conclusion**

Labour Law is adapted to the economic and social challenges of the India. It establishes a legal system that facilitates productive individual and collective employment relationships and therefore a productive economy. However, the changes brought by the states are not sufficient alone to improve the industrial activities. India at present needs to focus on the structural reforms as suggested above.

**Mains Practice Question:**

**The labour laws are much more needed in the present time to ward off the humanitarian crisis of lockdown. Critically analyse the statement in light of relaxation of labour laws by various states. (250 words)**

**India may miss Global Nutrition Targets: On Global Nutrition Report 2020**Source: [The Hindu](#)

**What has happened:** - World Health Organisation (WHO) has released 'The Global Nutrition Report 2020'.

The Global Nutrition Report (GNR) is the world's leading independent assessment of the state of global nutrition. The 2020 report presents the most comprehensive picture of the state of nutrition at the global, regional, and country level, and tracks progress against global nutrition targets and the commitments made to reach them. The 2020 report focuses on equity and unpacks the role of inequities in ending malnutrition in all its forms. The report says India is likely to miss the Global nutrition target 2025. It also identified the India as country with the highest rates of domestic inequalities in malnutrition.

This brings us to the question of continued prevalence of malnutrition in the world (and in India) and steps to tackle this problem. In this article we will discuss the following:

- What do we mean by Malnutrition?
- What is the extent of problem of malnutrition in India?
- Why Malnutrition is prevalent in India?
- What are Major Recommendations of Global Nutrition report to fight malnutrition?
- What are steps taken by India to fight Malnutrition
- Conclusion

**What do you mean by Malnourishment?**

Malnutrition refers to deficiencies, excesses, or imbalances in a person's intake of energy and/or nutrients.

The term malnutrition addresses 3 broad groups of conditions:

1. **Undernutrition** - It includes wasting (low weight-for-height), stunting (low height-for-age) and underweight (low weight-for-age);
2. **Overnutrition** - Overweight, obesity and diet-related noncommunicable diseases (such as heart disease, stroke, diabetes and some cancers).
3. **Micronutrient-related malnutrition** - It includes micronutrient deficiencies (a lack of important vitamins and minerals) or micronutrient excess.

Note – **Double Burden of malnourishment** – It is coexistence of undernutrition along with the overnutrition (such as overweight, obesity etc)

**Extent of problem: Prevalence of Malnourishment in India**

As per the Report, Malnutrition is still a challenge for India. Though, the malnutrition has declined over a period of time, much more needs to be done

- Between 2000 and 2016, rates of underweight have decreased from 66.0% to 58.1% for boys and 54.2% to 50.1% in girls. However, this is still high compared to the average of 35.6% for boys and 31.8% for girls in Asia.
- 38% of children under age five years is stunted (too short for their Age) (Asia average is 22.7). It is a sign of chronic under nutrition. Stunting is higher among children in rural areas (41%) than Urban areas (31%).
- 21% of children under age five years are wasted (too thin for their height) (Asia Average is 9.4%). It is a sign of acute undernutrition
- 36% of children under age five years are under weight
- 50% women of reproductive age is anaemic.
- 2% of children, 21.6% adult women and 17.8% adult men are overweight

With this coexistence of undernutrition and overweight or obesity, India faces the double burden of malnutrition

- The Report identifies India among the three worst countries (along with Nigeria and Indonesia) for steep within country disparities on stunting, overweight and obesity.
  - Stunting prevalence is 10.1% higher in rural areas compared to urban areas
  - Stunting level in Uttar Pradesh is over 40% and their rate among individuals in the lowest income group is more than double those in the highest income group at 22.0% and 50.7%, respectively.
  - Rate of Obesity in females is 5.1% as compared to 2.7% in males
- India is among 88 countries that are likely to miss global nutrition targets by 2025. India will miss targets for four nutritional indicators i.e. stunting among under-5 children, anaemia among women of reproductive age, childhood overweight and exclusive breastfeeding.

#### Global Nutrition Targets – 2025

World health Assembly, in 2012, identified six nutrition targets for maternal, infant and young child nutrition to be met by 2025. These require governments

1. to reduce stunting by 40% in children under 5
2. to reduce prevalence of anaemia by 50% among women in the age group of 19-49 years,
3. to ensure 30% reduction in low-birth weight
4. to ensure no increase in childhood overweight
5. to increase the rate of exclusive breastfeeding in the first six months up to at least 50%
6. to reduce and maintain childhood wasting to less than 5%.

#### **Why Malnutrition is prevalent in India?**

Malnutrition in India is due to multiple factors.

1. Immediate Factors
  - Inadequate food intake by the children. It may be due to poverty and unemployment leading to low purchasing power. Discrimination with the girl child also lead to malnutrition
  - Poor breast feeding practices along with inadequate complementary feeding practices by mother, mainly due to lack of awareness
  - Early marriage of girl child which result in teenage pregnancies (child born has low birth weight)
2. Intermediate Factors
  - Improper child immunization to prevent and eradicate the diseases that contribute to lower nutritional status
  - Lack of Antenatal care facilities
3. Underlying factors
  - Inadequate and unsafe drinking water
  - Poor sanitation and unhygienic practices leads to many diseases in children (diarrhea)
  - Poor socio-economic status of women. Poverty and illiteracy among women.
  - high rate of population growth and low access of population to health education
  - Lack of diversity in dietary system. Focus is on consumption of food grains such as wheat and rice and less on fruits and vegetables.



After discussing the basics of malnutrition, its status in India and why it is prevalent in India, let us understand the major recommendations of the Report to tackle malnutrition in India

The report emphasises on the link between malnutrition and different forms of inequity, such as those based on geographic location, age, gender, ethnicity, education and wealth malnutrition in all its forms. It emphasises that inequity is a cause of malnutrition – both undernutrition and overweight, obesity and other diet-related chronic diseases. Inequities in food and health systems exacerbate inequalities in nutrition outcomes that in turn can lead to more inequity, perpetuating a vicious cycle.

The report says that Food systems must be inclusive, local and diverse to address food security and malnutrition and build economic and climate resilience. The report has placed equity as the cornerstone of all efforts to overcome global malnutrition

### **Major recommendations of the report to tackle Malnutrition**

The report highlights that to end malnutrition in all its forms and achieve nutrition equity – we must focus on three key areas: Food Systems, Health Systems and Financing

**1. Nutrition Inequities in food system must be addressed:** Healthy food is accessible, affordable and desirable choice for all.

- Strong regulatory and policy framework to support healthier diets
- Diversification of crops – move from staple food grains to fruits, vegetables, nuts etc. In India, focus should be on non staples like fruits, fish nuts etc and make them available to people. Further, In India, focus can be on incentivising millets production and consumption to provide nutritional food, especially for rural poor. It may be included in the Public Distribution System, ICDS and Mid-Day Meal Scheme.
- Strengthen supply chain system to provide fresh food products especially to nutritionally disadvantaged or harder-to-reach groups
- Strengthen and increase research spending to identify cost effective solutions to address major nutrition question

**2. Nutrition inequalities in Health system must be addressed:** Mainstream nutrition as basic health service

- Provide nutrition service within health service to cover all forms of Malnutrition (i.e. Integration of nutrition services with health service delivery)
- Invest in human resources to increase the number of qualified nutrition professionals to provide quality nutrition care
- Include nutrition-related health products like therapeutic foods and innovative technological solutions like digital nutrition counselling, where appropriate – especially when working with more remote and harder-to-reach communities

**3. Adequate Investment/Finances to improve nutrition outcomes:** For improving the nutritional status of people, the country must invest to improve nutrition outcomes.

- Increase domestic financing to respond to the needs of communities most affected by malnutrition
- Establish an international system of governance and accountability to address power imbalances in the food and health system and hold to account those responsible for creating inequities in food and health systems



1. POSHAN Abhiyaan **with a theme of “Sahi Poshan-Desh Roshan” to tackle all forms of malnutrition on a mission mode.**
2. Pradhan Mantri Matru Vandana Yojana
3. Aangan-Wadi Services
4. Mission Indradhanush to immunize all children against seven deadly diseases
5. Scheme for Adolescent Girls under the Umbrella Integrated Child Development Services Scheme (ICDS)
6. Mid Day Meal Scheme
7. National Food Security Act 2013
8. Swachh Bharat Abhiyaan
9. National Health Mission
10. Fit India Movement
11. Eat Right India movement

### Mains Practice Question

**[15 Marks]**

**A 1991 moment for agriculture: On Agriculture Reform**Source: [IndianExpress](https://www.indianexpress.com)**What has happened**

The third tranche of the Atmanirbhar Bharat Abhiyan focused on improving the infrastructure gaps and governance issues plaguing the farm sector. It had 11 major points, of which eight are related to miscellaneous items like financing farmgate infrastructure. The other three Agricultural Reforms relate to:

1. Amending the Essential Commodities Act (ECA) of 1955
2. Bringing a Central legislation to allow farmers to sell their produce to anyone, outside the APMC mandi yard, and enable barrier-free inter-state trade
3. Creating a legal framework for contract farming

**Amending the Essential Commodities Act (ECA) of 1955**

The Central government will deregulate the sale of six types of agricultural produce, including cereals, edible oils, oilseeds, pulses, onions and potatoes.

**Background of the Essential Commodities Act, 1955:**

1. The ECA has its roots in the Defence of India Rules of 1943 when India was plagued by famines and facing the effects of World War II.
2. It was relevant in the mid-1960s due to scarcity of food grains caused by back-to-back droughts.
3. India needed a legislation to tackle illegal stockpiling as it was dependent on PL480 imports from the USA.

In present times, India is the largest exporter of rice in the world and the second-largest producer of both wheat and rice. It's self-sufficient with huge buffer stocks and doesn't require a law to ensure availability of food grains.

**Shortcomings of the Essential Commodities Act, 1955:**

1. The Economic survey (2019-20) describes the Essential Commodities Act (ECA) as anachronistic and scarcity-era legislation irrelevant today.
2. It discourages private investment in storage facilities as the ECA can put stock limits on any trader, processor or exporter.
3. Frequent and unpredictable imposition of blanket stock limits distorts
  - movement up the agricultural value chain
  - development of a national market for agricultural commodities
4. It has remained unsuccessful in controlling the volatility of the prices of Dal, Sugar and Onions.
5. ECA enables rent seeking and harassment by overzealous bureaucracy.
6. Poor remuneration for farmers when prices plummet immediately after harvesting due to lack of storage facilities.
7. It also leads to inflation in the lean season caused by distress selling due to lack of warehousing and storing facilities.

**Impact**

1. **Private Investment:** Removal of stock limits will encourage private sector investment in agricultural value chain.
2. Creation of warehouses and post-harvest agricultural infrastructure (processors, mills and cold chain storage).
3. **Better remuneration:** Prevent distress selling by the farmers due to lack of warehouses.

4. **Inflation control:** Lack of storage facilities in the lean season leads to flaring up of prices for the consumers.
5. **Wastage:** Prevent wastage of agri-produce that happens due to lack of storage facilities.
6. Prevent harassment by the bureaucracy and cut down red tapism in farm sector.
7. **Balance of Payment:** Promote exports leading to more forex earnings that would improve the Balance of Trade.

### Challenges

1. The provision of re-imposition of stocking limits under the ECA if the prices go up.
  2. The law provided deterrence to black marketing and hoarding.
  3. The risk of future inflationary food price spikes in case of total deregulation.
- This amendment can help both farmers and consumers by bringing in price stability and preventing wastage of agri-produce.

### Central legislation on Agri-Marketing

It allows farmers to sell outside the APMC yards and enables barrier-free inter-state trade.

### Advantages of the proposed law:

1. Greater competition amongst buyers by breaking the monopoly of APMC markets
2. Creation of a unified national market and connecting farmers to end users.
3. Lower the mandi fee and the commission for arhatiyas or intermediaries.
4. Reduce multiple cesses imposed on APMC markets by state governments
5. **Better returns:** The proposed law will open more choices for the farmers and help them in getting better prices.
6. **Better spatial integration of prices:** By facilitating the movement of agri-goods and removing barriers in inter-state trade
7. **Remove regional distortions:** Farmers of regions with surplus produce will get better prices and consumers of regions with shortages, lower prices.

### Contract farming law

Third, the Contract farming law plans to bring in legal framework to provide more certainty and choice for farmers.

### Advantages of the law:

1. Provide assurance of a price to the farmers before sowing.
2. Cropping decisions will be based on forward prices instead of the last year's prices.
3. **Lower NPAs:** Minimize market risks of the farmers leading to less loan defaults and consequently lower NPAs
4. Promote the idea of Farmer producer organizations' (FPOs) for collective bargaining.

### Challenges and Way forward:

- **Asymmetric position:** Big processors and organized retailers will have an upper hand dealing with individual farmers.
- Promote farmer producer organizations (FPOs) to improve the bargaining power vis-à-vis large buyers.
- FPOs will help ensure uniform quality and lower transaction costs.
- Most of the FPOs get loans at high rates as they depend on microfinance institutions.
- **Role of NABARD:** It can ensure that all FPOs get their working capital at cheap interest rates.

These governance reforms can go a long way in building efficient value chains and ensuring better returns for farmers.

**Practice Question:**

'In the long term, The Essential Commodity Act did opposite of what it is intended for'.  
Critically Analyse

20th May 2020

ForumIAS



**“India’s Role in Changing Dynamics of Afghan Peace Process”**

Source: This editorial is based on two articles of The Hindu

Article 1. [Getting India back at the Afghan high table](#)

Article 2. [India must not give Taliban legitimacy until it joins intra-Afghan talks](#)

**Context:** After signing of the peace deal between the US and the Taliban, US government is pushing India to reconsider its long held policy towards Taliban and also encouraging direct engagement with Taliban.

**US-Taliban Deal**

- US and Taliban signed an agreement for “Bringing Peace to Afghanistan” in February 29, 2020
- It will enable the US and NATO to withdraw troops in the next 14 months
- It also provides for removal of UN and US sanctions on Taliban leaders
- Taliban on its part committed to not allow any of its members, other individuals or groups, including al-Qaeda, to use the soil of Afghanistan to threaten the security of the United States and its allies
- However, the pact is silent on other terrorist groups – such as anti-India groups Lashkar-e-Toiba or Jaish-e-Mohammed
- India attended the signing ceremony in Doha, and was represented by India’s Ambassador to Qatar

**CHANGING DYNAMICS : TALIBAN 2.0****India’s position on Taliban**

- India refused to recognise the Taliban regime of 1996-2001 and rather supported the ‘Norther Alliance’ in fighting the Taliban in Afghanistan
- India has longheld the position of dealing only with the elected government in Kabul, and has always considered the Taliban a terrorist organisation backed by Pakistan
- India supports an Afghan-led, Afghan-owned and Afghan-controlled peace process
- Kandahar Hijack of 1999 and Taliban’s proximity to Pakistan’s deep state has also embittered the Indo-Taliban relations

**Should India engage with Taliban?**

- For the first time, a US official has openly suggested that India should engage directly to Taliban and discuss its terror concerns. The rapidly changing political landscape in Afghanistan has put India in a spot. Despite being a key player in Afghanistan’s development and peace process, India was not the part of the US-Taliban agreement. Also, the pact doesn’t covers the terror related concerns of India and left out major anti-India terrorist groups. As of now, India has not made its stand official. But, both the proponent and opponent of Indo-Taliban engagement have argued strongly for their cases.

**INDO-AFGHAN RELATIONS****A. Areas of Cooperation:****1. Developmental Projects**

- India has built Afghan Parliament building, Salma Dam
- It has also invested in other projects like housing, drinking water, etc.

**2. Economic Cooperation**

- India has established Air-corridor with Afghanistan for goods trade to avoid road connectivity via Pakistan
- Connectivity via Iran using the Chabahar port and Zaranj-Delaram Highway
- India has also invested in mineral rich Hajigak region of central Afghanistan

**3. People-to-People Engagement**

- Citizenships to Afghan minorities
- Medical tourism and promotion to Soft-power diplomacy using Yoga, Space, Cricket, etc.

**B. Importance of Afghanistan for India:**

Afghanistan's geographical location and India's engagement with its neighbours make Afghanistan an important country for India both at bilateral as well as regional level.

Some of the important dimensions are –

- a) India's gateway to Central Asia
- b) Energy security and natural resources (Hajigak region)

**1.Arguments in Favour**

The various reasons favouring a change in India's position with respect to Taliban are –

- India's engagement with key stakeholders is important as it can't afford to be left out despite having significant stakes in Afghanistan
- India's refusal to engage with Taliban will give Pakistan a free hand to use it as a proxy in India's internal matters
- Given India's regional and global positions, it is appropriate for India to engage with all the key players in Afghanistan, not only in terms of the government but also in terms of political forces, society and the Afghan body politic
- India's position on non-engagement with Taliban has reduced its role in international diplomatic efforts
- US wants India to have more active role, other than economic and humanitarian, in the peace process
- Taliban 2.0 is manifestly different from its previous version which was nurtured by the US as a stooge against the Soviet Union and Iran
- Even Russia and Iran (supporters of Northern Alliance) have invested significantly in the rebranded Taliban

**2.Arguments Against**

- Engagement and bloodshed can't go hand in hand
- The US-Taliban deal protects only the American and NATO forces from terror attacks and it doesn't contain any commitments towards Afghan forces

- It is meaningless for India to engage with Taliban until it joins intra-afghan talks
- India's Afghanistan policy is guided by its traditional and neighbourly ties with the people of Afghanistan
- India's support to Taliban will be a betrayal for people of Afghanistan if Taliban goes back to the medieval practices and establishes a Islamic republic based on Sharia thus denying the hard earned rights of the Afghan peoples
- India's engagement should be conditional on Taliban joining the mainstream politics
- India should not give legitimacy to a government in exile (Taliban's political office is based in Doha) in its own neighbourhood
- It is imperative that Taliban should deal with India as an independent entity, as a nationalist Afghan entity, and not a proxy for other countries

#### WAY AHEAD FOR INDIA

- With the signing of US-Taliban peace deal, Afghanistan has entered a critical stage and must become an Indian diplomatic priority.
- Also, the recent developments (combined with the weakening position of elected government and the simultaneous rise in Taliban's foothold) points that it is only a matter of time before Taliban gains international legitimacy. So, it is important for India to recalibrate its position w.r.t Taliban in view of the ongoing changes.
- But, before doing so India should make sure that its demands are heard and its concerns are addressed.

#### Mains Practice Question

'Changing geopolitical situation in Afghanistan require India to re-caliberate its policy and to adapt to the evolving realities'. Critically Analyse.

22nd May 2020

### A Moment for the True Revival of MGNREGA

**Main Source:** <https://indianexpress.com/article/opinion/columns/india-lockdown-rural-distress-coronavirus-a-moment-to-revive-mgnrega-6421558/>

**Context:** The Centre announced to pump additional Rs 40,000 crore for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for FY21, as part of the 'Aatma Nirbhar Bharat' stimulus package to allay the plight of the migrant workers returning to villages from the cities.

#### About MGNREGA

1. **Concept:** MGNREGA is a social security measure that aims to guarantee the 'right to work'. It aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.
2. **Features:** Employment must be provided with 15 days of being demanded failing which an 'unemployment allowance' must be given. Gram Sabhas must recommend the works that are to be undertaken and at least 50% of the works must be executed by them. PRIs are primarily responsible for planning, implementation and monitoring of the works that are undertaken. Social audits are conducted by gram sabhas to enable the community to monitor the implementation of the scheme. Funding is shared between the centre and the states.
3. **Operation:** Total individuals working under the scheme rose to 7.87 crore in FY20, with the number of households rising to 5.47 crore. This was the highest since at least FY17, indicating a lack of job opportunities in the broader economy. A record number of 9.33 crore persons demanded work under MGNREGA in last financial year, against that 9.30 crore individuals were offered jobs and 7.89 crore individuals worked.

#### Significance of MGNREGA

1. **To Fight the Covid Crisis:** Migrant workers in the country number between 12 crore and 14 crore at any point of time, including 6 crore to 8 crore short-term migrants, most of whom are now headed back to their villages as their work sites in urban areas have closed because of the lockdown. Many others might enroll themselves since employment prospects are likely to remain stressed in urban areas for several months.
2. **Social Security and Social Justice:** MGNREGA has been a critical source of income for female-headed households. A major proportion of the beneficiaries — much higher than their percentage in the general population — belong to SC/ST and other marginalized communities.
3. **Sustainable Assets:** The scheme has boosted agricultural productivity through development of wasteland/fallow land, and construction of post-harvest storage facilities and work sheds. MGNREGA works have contributed to improved ground water levels, and increased availability of drinking water for humans and livestock.
4. **Rural Economy:** It has given a fillip to rural entrepreneurship, with households using the supplementary income to start a rural business. It has a multiplier effect on the rural economy, with the additional purchasing power generated from it spent on items produced in the rural economy.
5. **Human Development:** In many states, up to half of the MGNREGA income is spent on food, which improves health and nutrition — a critical factor in a country plagued by malnutrition.

**Criticism of MGNREGA**

1. **Labor Market Distortions:** MGNREGA has altered the power balance between the landless poor and their employers (agricultural landlords, labor contractors), making it less loaded in favor of the latter. By raising rural incomes, it has decreased distress migration to the cities, thereby reducing the numbers of the reserve army of labor, and increasing the cost of labor.
2. **Existential Crisis:** State governments had begun to implement MGNREGA like a supply-driven scheme, instead of running it like a demand-based guarantee backed by law.
3. **Low Wage Rate:** Various judgements have upheld that the MGNREGA wage rate cannot be less than the minimum agricultural wage rate of the state. The ridiculously low wage rates have resulted in lack of interest among workers in working for MGNREGA schemes, making way for contractors and middlemen to take control, locally.
4. **Insufficient budget allocation:** MGNREGA's success at the ground level is subject to proper and uninterrupted fund flow to the states. Almost every year, more than 80 per cent of funds get exhausted within the first six months.
5. **Lax Implementation:** Workers had begun to lose interest in working under it because of the inordinate delays in wage payments. With very little autonomy, gram panchayats had begun to find implementation cumbersome.
6. **Too much centralization weakening local governance:** A real-time MIS-based implementation and a centralized payment system has further left the representatives of the PRIs with literally no role in implementation, monitoring and grievance redress of MGNREGA schemes.

**Way Forward****Short Term Measures in MGNREGA to fight Covid Crisis**

1. Workers turning up at the worksite should be provided work immediately, without imposing on them the requirement of demanding work in advance.
2. Local bodies must proactively reach out to returned and quarantined migrant workers and help those in need to get job cards.
3. At the worksite, adequate facilities such as soap, water, and masks for workers must be provided free of cost.
4. Gram panchayats and elected representatives need to be provided with adequate resources, powers, and responsibilities to sanction works, provide work on demand, and authorize wage payments to ensure there are no delays in payments.
5. The limited coverage of bank infrastructure in rural areas must not be made a hurdle. Attempts to distribute wages in cash, sans biometric authentication, must be rolled out.
6. While many governments will possibly prioritize individual land-based works to comply with instructions of physical distancing, it is important to also keep community works going to ensure that landless workers are not crowded out of the program.

**Long Term Measures for Revival of MGNREGS**

1. **Funds:** After the additional Rs 40k crore allocated, the budget for 2020-21 is now above Rs 100k crore. This is the highest allocation for MGNREGA in any year since the passage of the law. However, the allocation, which amounts to 0.47 % of the GDP continues to be much lower than the World Bank recommendations of 1.7 % for the optimal functioning of the program.



2. **Wages:** Wages offered under MGNREGA were upped in April, from Rs 182 to 202 per person. This is too small an increase and need be revised upwards.
3. **Minimum Work:** The limit of 100 workdays per year for a member of each rural family needs to be raised to 150 days.
4. **Demand Orientation:** Need to strengthen the demand-driven aspects of MGNREGA through a focus on local level social audits, funding and tracking of outcomes. In order to improve transparency and the accountability of Sarpanchs, it is recommended that MGNREGA projects be tracked right down to the village-level and not just the Gram Panchayat level as is the practice now.
5. **State Capacity:** States should be provided with support to improve their capacity and allowed a degree of flexibility in MGNREGA implementation.

**Conclusion:**

With nearly eight crore migrant workers returning to their villages, and with an additional allocation for the year, this could be a moment for the true revival of MGNREGA.

**Mains Question (GS 2: Topic 12 – mechanisms for vulnerable sections)**

MGNREGA has yielded many benefits to the vulnerable sections in rural areas, but it continues to be marred by implementation hurdles and lack of political will. Discuss.

.....  
23rd May 2020

**ACHIEVING SELF RELIANCE IN DEFENSE**Source – [The Hindu](#)

**CONTEXT:** As part of Atmanirbhar Bharat Abhiyan, government of India has introduced policy changes to achieve self reliance in the defense equipment production and procurement while addressing strategic and national security concerns. In addition, New Defence Procurement Procedures (DPP), 2020 are under formulation and Chief of Defence Staff (CDS) is tasked with promoting indigenous equipment in the armed forces.

**MEASURES ANNOUNCED:**

1. Make in India for Self-Reliance in Defence Production:
  - a. Notify a list of weapons/platforms for ban on import with year wise timelines
  - b. Indigenisation of imported spares
  - c. Separate budget provisioning for domestic capital procurement
  - d. Coexistence of indigenous R&D with import of cutting-edge military technologies to obviate near-term defence vulnerabilities
2. Corporatisation of the Ordnance Factory Board (OFB) and eventually will be listed on the stock market to Improve autonomy, accountability and efficiency in Ordnance Supplies
3. FDI limit in defense manufacturing under automatic route will be raised from 49% to 74%
4. Time-bound defence procurement process and faster decision making will be ushered in by :
  - a. Setting up of a Project Management Unit (PMU) to support contract management
  - b. Realistic setting of General Staff Qualitative Requirements (GSQRs) of weapons/platforms
  - c. Overhauling Trial and Testing procedures

**IMPORTANCE:**

1. Economic:
  - a. Indigenous procurement will help reduce the huge defence import bill. India was the largest importer in the past decade accounting for about 12% of global arms imports.
  - b. Negative list and enhanced FDI limits, encourage our private defence manufacturers and joint ventures with foreign manufacturers, both new and existing
  - c. Indigenisation leads to defense manufacturing which promotes economic growth and employment
  - d. Defense exports will bring in forex
2. Technology: Negative list of imports and realistic quality requirements will reduce foreign competition. This removes hurdles for Indian platforms and subsystems such as Akash and Nag, the Light Combat Aircraft and the Light Combat Helicopter, artillery guns, radars, electronic warfare systems and armoured vehicles.
3. National security:
  - a. Domestic production reduces vulnerabilities during crises by reducing dependence on imported spares, ammunition and weapons. Kargil war highlighted this
  - b. Project Management Unit (PMU) and overhauled Trial and Testing procedures will reduce delays in procurement (Rs.4 trillion procurements of 200 proposals in early stages since 5 years) and hence enhancing defense preparedness.

- c. Better integration of OFB into the larger defence manufacturing ecosystem by bringing autonomy, accountability and efficiency
- 4. Geo Strategic:
  - a. Great powers have defense self reliance at their core. For India's aspirations of Asian century, SAGAR, defense self reliance is vital
  - b. Becoming a pole in multipolar world

**GOING AHEAD:**

- 1. Plan for the ammunition and spares; repair, maintenance and overhaul facilities and, at the next level, the upgrade of weapons platforms to be eventually manufactured in India so that we are not driven to seek urgent replenishments from abroad during crises
- 2. CDS could reexamine existing procurement proposals from a tri-service angle, to avoid redundancy of capacities across the services and prioritise those with indigenous research and development
- 3. Long-term integrated perspective plan of the requirements of the armed forces giving future picture to industry
- 4. Proposed DPP, 2020 to consider:
  - a. Cost evaluation has to evolve from mechanical application of the L1 (lowest financial bid) principle to prioritising indigenous content
  - b. Definition of indigenisation itself needs to privilege technology over value or volume
  - c. strategic partnerships between Indian and foreign companies
- 5. Transparent export policy
- 6. Level playing field between DRDO and private sector. DRDO's conflict of interest as the government's sole adviser, developer and evaluator of technologies have to be addressed

**RELATED REVISION POINTS:**

- 1. CDS
- 2. Defense Procurement policy
- 3. Defense Production policy

**Cooperative federalism during COVID**

Link for the article – <https://www.thehindu.com/opinion/op-ed/reaffirm-cooperative-federalism/article31567966.ece>

**What has happened:**

Recent developments due to COVID 19 have put strain on cooperative federalism. Cooperative federalism is crucial in combating COVID 19 as states are first responders and public health is a state subject under constitution. This article discusses federalism, cooperative federalism and recent developments resulting in strain on cooperative federalism. It also discusses the importance of Cooperative federalism during disasters.

**Federalism and cooperative federalism:**

1. Federalism is independence of centre and states in their respective domains. Its features are dual polity with separation of powers, Bicameral legislature with representation of states, written constitution with rigidity in amendments to federal provisions, Independent judiciary to uphold federal principles
2. Experts say India is quasi federal polity with unitary features such as All India Services, Governor, Article 3 – centre can create new states or change existing ones, Emergency provisions, Integrated judiciary, Residuary powers with centre as per schedule VII
3. Cooperative federalism: It is administrative cooperation between centre and states, and a partial dependence of states upon centre. Though there is dependence on the centre, it does not result in weaker states but ensures progress.
4. Major provisions of cooperative federalism in Indian constitution and other institutions:
  - a. All India Services(article 312)
  - b. Concurrent list of 7th schedule
  - c. GST council, Inter State council (article 263)
  - d. NITI aayog governing council
  - e. Articles 258 and 258A-Mutual delegation of functions i.e. centre and parliament can confer powers and duties on state executive and vice-versa
  - f. Article 252 – Parliament can legislate on state subjects if 2 or more states request.

**Avenues of cooperation between centre and states during disasters:****Laws, policies, institutions which provide for cooperation are:**

1. NDMA-National disaster management act, 2005 provides for:
  - a. Preparation of 'National plan' after consultation with states
  - b. Binding regulations to implement National plan by centre to states
2. NDMP – National Disaster Management Plan has a regional approach with clear demarcation of roles and responsibilities of all levels of center, state and district.
3. State Disaster response funds receive contributions from the centre. Finance commission provides for these
4. Cooperation between the National Disaster Response Force(NDRF) and State response forces. Pre disaster Cooperation includes training, operational readiness. Post disaster cooperation includes rescue and rehabilitation.

**Importance of cooperative federalism during disasters:**

1. States are first responders for disasters like COVID. They provide food, healthcare, shelter, post disaster compensation. In the case of COVID, public health is a state subject. Hence states need adequate funds. Devolution of funds by centre must be timely.

2. Cooperation ensures no duplication of efforts occur and resources are used efficiently.
3. States deal directly with ground situation and hence have greater understanding. Hence clear picture of disaster can emerge only with cooperation between centre and states
4. Basic services like Health care, Food and nutritional security, shelter are primarily under states domain. Hence state autonomy is crucial in ensuring these services are provided for effectively
5. Difference in state capabilities – economic, governance, service delivery- require respective different strategies. This needs autonomy with some central assistance. State like Kerala where high level of governance capabilities with good public infrastructure need to have different strategy than states like UP, Bihar

**Actions which have put strain on centre state Cooperation:**

1. Centre has classified areas into red, orange and green zones through notification. It has also prohibited states in changing such zone classification. States have demanded consultations and more autonomy in such classification. NDMA, 2005 mandates such consultations before such notifications.
2. Corporate Social Responsibility-CSR exemption is provided only for donations to PM-CARES funds and not for CM relief funds. This reduces donations to CM relief funds. This is leading to salary, pension and welfare schemes cuts by states to account for shortfall in funds. States have demanded exemptions for donations to CM relief funds
3. Delays in release of funds relating to GST, suspension of MPLADS scheme reduced available funds with states. Devolution of funds is an important part of cooperative federalism and is needed for funding disaster relief. States have demanded the centre for timely release of funds.

**Going ahead:**

Cooperative federalism through consultations, adequate autonomy, adequate funds and strengthening of state capabilities is the best way to combat COVID and future disasters

**Related Revision topics:**

1. Federal distribution of powers – Legislative, administrative, financial
2. NDMA, 2005



**How India can become self-reliant**Source: [TheHindu](#)

Atmanirbhar Bharat Abhiyan has been announced by the government of India to achieve self-reliance. Industrial policy changes in sectors such as defence, agriculture, space, power, mining have been included in this initiative. Achieving self reliance requires India to reform its R&D capabilities, education, skilling and public health.

Let us see how self reliance evolved in India, what lessons can be learnt from other nations and path ahead.

**Evolution of self reliance in India:****1947-1991: Pre liberalisation era**

1. Steps taken:
  - a. Planning commission was established with objectives of growth, self sufficiency, modernization, equity
  - b. Green revolution was undertaken which provided self sufficiency in agriculture
  - c. Import substitution through tariffs and restrictions reduced competition to Indian industry and developed indigenous capabilities
2. Failures in achieving self reliance:
  - a. Industrial policy, 1956 provided for license permits for establishment and expansion of industries. This was exploited by industrial houses to obstruct entry of innovative new products. This resulted in India losing out on Industrial revolution 3.0 in electronic goods, micro processors, mobile phones, global value chains. Hence Indian industry was characterized by low quality, poor technology and globally uncompetitive.
  - b. Reduced competition from foreign imports due to import substitution resulted in stagnation of quality of products.

**Post 1991: Liberalization, Privatization, Globalisation**

1. Steps taken:
  - a. PSU's were deemed inefficient and uncompetitive globally. Hence disinvestment and their confinement to core sectors was done.
  - b. Industrial licensing confined to select industries such as alcohol, explosives, cigarettes etc. This was to enhance innovation by easing entry of new players
  - c. Globalization through offshoring in areas such as IT, BPO. This was done with a view that global companies will bring new technologies to India and there is no need to research them again.
  - d. Import substitution was removed by reducing tariffs, removing quantitative restrictions, import licensing. This is to enhance competition and hence innovation and quality
2. Failure in achieving self reliance:
  - a. PSU's were major contributors to R&D in India. Due to reduced capital investment in these, research and modernization was effected. At the same time, private sector have not invested in R&D. R&D investment is about 1% which is low. This resulted in India becoming importer of technology
  - b. FDI has brought technologies but they were guarded by foreign companies through intellectual property. Minimal transfer of technology occurred undermining self reliance.
  - c. Cheaper imports negatively impacted Indian industry. API in manufacturing of medicines is an example where Chinese imports displaced Indian industry and hence self sufficiency

**Lessons from other countries:**

China, South Korea, Taiwan, Hongkong, Singapore have invested in education and skill development, planned state investment in R&D, technology, infrastructure and policy support to private companies. This has resulted in development of indigenous capabilities in advanced technologies and manufacturing such as electronic goods, microprocessors, robotics.

China is pursuing super power status through technology by investing in transition from low end manufacturing to advanced manufacturing. Industrial revolution 4.0 technologies such as 5G, quantum computing, robotics and automation, Artificial intelligence are some areas of focus by China.

**Steps to achieve the goal of self reliance:**

1. Investment in education and skilling to be raised to 6% of GDP. Sciences need to be strengthened from school level. This will enhance research capabilities in higher education
2. State funded R&D investment through PSU's, universities and research institutions like DRDO, ICAR. This has to include basic research. About 3-5% of GDP is state funding for R&D in South Korea, Taiwan, Singapore. This can be a benchmark.
3. Focus on areas of electric vehicles, photovoltaics, artificial intelligence, robotics, UAVs, biotechnology
4. Policy framework to promote private sector investment in R&D needs to be taken up. R&D activities can be included as part of Corporate Social Responsibility (CSR) activities.
5. Promoting industry-academia-research institutions linkages.
6. Stronger public health system which aids in improving efficiency of the economy and boosts expenditure on education and thus self reliance.

**Mains Question:**

1. Atmanirbhar Bharat Abhiyan has announced by the government of India to achieve self-reliance. What steps did India take for self reliance since independence and what are their shortcomings? [15 Marks, 250 Words]

**For a reset in Indian – Nepal relations**Source- [TheHindu](#)**What has happened**

India – Nepal ties have come under strain due to recent developments along Uttarakhand – Nepal border. Inauguration of road for Kailash Manasarovar yatra by India has led to Nepal's protests. Unresolved border issue at Kalapani is the cause of this diplomatic escalation. Complexity of issue originating from historical and political factors is the main cause of the dispute. Political maturity and quiet diplomacy is needed to find solutions to this issue.

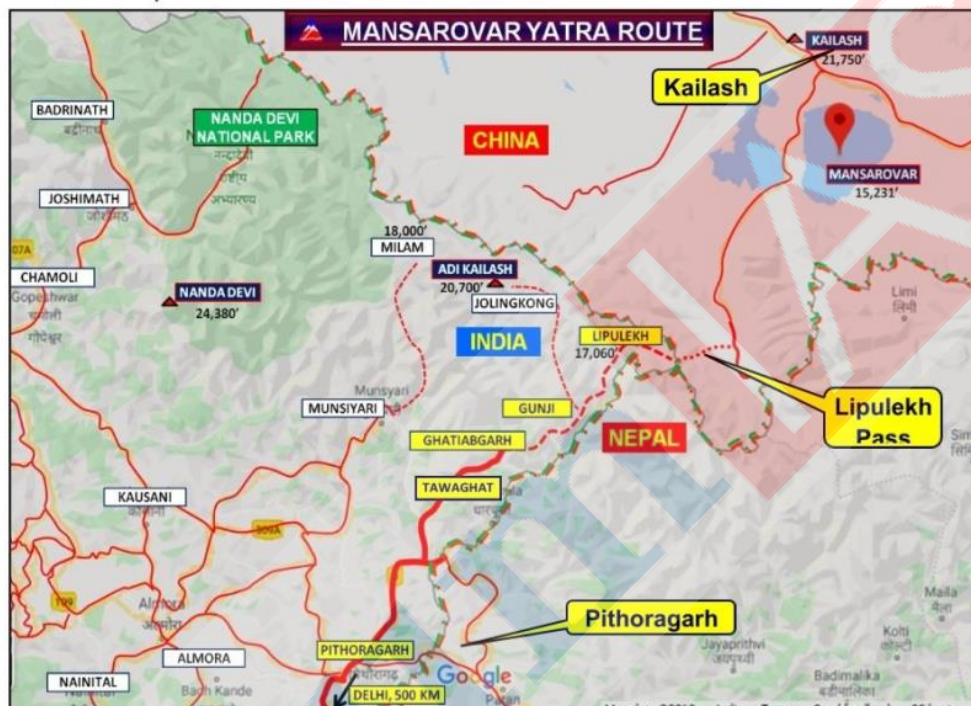
Let us understand the genesis and underlying reasons for the issue as well as future course of ties to ensure 'special relationship' is maintained.

**History of the dispute:**

- Treaty of Sugauli, 1816 between British India and Nepal provided Kali river as boundary between India and Nepal.
- Dispute is regarding the origin of the river. Streams originate near Kalapani and Limpiyadhura. They join in Pithoragarh district of Uttarakhand.
- Till 1857, Limpiyadhura was shown as origin. But in 1879 it was changed to Pankha Ghad which is in the North East of Kalapani. This change was accepted by the then Nepal.
- Post independence, India continued the same map where the Kali river originated in Pankha Ghad.
- Lipu Lekh pass has been used for border trade and pilgrimage between India and China since 1953. India maintains a base camp for lipu lekh at Kalapani. 1961 China Nepal Boundary Treaty too identified Tinker pass which is in east of Kalapani as western boundary of Nepal. This provides authenticity to Indian version of border
- After 1996 treaty of Mahakali for Pancheshwar multipurpose hydel project, Nepal has raised the issue of origin of Kali river in 1997
- Joint technical level boundary committee which oversees replacing of boundary pillars, took up the issue. It had declared 98% boundary is defined and only Kalapani and susta(terai region of southern Nepal and northern India) remain as unresolved.

**Immediate recent triggers for escalation:**

- India has published a new political map in November, 2019 after Jammu and Kashmir reorganization. This map hasn't changed any earlier boundaries. Yet this was protested by Nepal who proposed foreign secretary level talks to resolve the Kalapani issue.
- India started building road for the Kailash Manasarovar yatra in 2009 which was not objected to. Inauguration of the road recently drew sharp responses from the government of Nepal. In response, a new map showing Limpiyadhura as origin was notified by the Nepal government and is awaiting constitutional amendment.



**Map Showing Route to Kailash Mansarovar Via Lipulekh Pass**

**Underlying reasons for recent escalation of dispute:**

- Anti India sentiment becoming resonating with Nepali nationalism. India is being portrayed as insensitive to Nepal's concerns. 1950 treaty of Peace and Friendship is seen as unequal partnership and Indian imposition. Such anti Indian stance is being reflected in current escalation.
- 2015 blockade of Nepal was blamed on India and it led to increasing anti India rhetoric in Nepalese politics for domestic gains. This has continued since and is one of the major reasons for the current crisis.
- Nepal intends to use China card to remain non aligned. But Chinese influence has risen among political parties and institutions like army and armed police force. Chinese foreign policy of assertiveness has Nepal as an important partner in influencing South Asia. This is creating mistrust between India and Nepal.

**Resetting ties:**

- Extreme rhetoric needs to be stopped and both sides have to engage in quiet diplomacy to solve issues. Trust needs to be generated to find mutually acceptable solutions.

- India must address rising anti Indian rhetoric in Nepalese politics more proactively. Consensus among its political parties regarding historical, cultural and language ties need to be reemphasized
- In accordance with “Neighborhood first” policy of India, deeper and meaningful engagement across economic, cultural, political, administrative domains must be initiated. India should build good will in a manner similar to ties with Afghanistan. Academic and training exchanges, infrastructure projects, telemedicine, disaster assistance especially during COVID need to be enhanced

**Related Revision topics:**

- India -Nepal border management
- India – Nepal ties

**Mains question:**

1. Recent Kalapani Border row has shown the complexity of border management between India and Nepal. In this context, discuss issues of India-Nepal border management and steps needed for effective management of the border? [15 marks, 250 words]



**Emerging Technology in Indian Agriculture**Source: [Financial Express](#)**Context:**

Indian agriculture is characterized by Inefficiency of input use(fertilizers, water), low yields, disguised employment, over or under production, inefficient supply chain and marketing. Internet of Things(IoT), Artificial Intelligence, Block chain which are emerging technologies can aid in addressing these age old problems.

The Internet of things uses a network of sensors, electrical systems, wireless communication to track various parameters in real time of systems under observation. Data relating to these parameters is used in decision making.

Artificial Intelligence is a machine with traits of human intelligence like self learning, Image processing, language processing, problem solving and decision making.

Blockchain refers to an encrypted, tamper proof, decentralized digital ledger system used for data storage which promotes transparency and data security.

These technologies can monitor, predict and advise on efficient agricultural management(production, supply chain and marketing). They improve farm productivity and yields, reduce risks of crop failure, reduce input and labour costs. This can be used to achieve the vision of doubling farmers incomes by 2022

Let us understand how emerging technologies aid agricultural management, challenges in their adoption and steps to promote them.

**Use of emerging technologies in agriculture:**

| <b><u>Technology and what it does in agriculture</u></b>  | <b><u>Use in agriculture</u></b>   |
|---|--|
| <p><u>Internet of Things – IoT</u>: Use of wireless sensors, drones, satellite imagery to measure parameters like humidity, temperature, light, soil moisture etc. This data is used in decision making regarding interventions in real time.</p> <p><u>IBM watson</u>, is an example which is used in drones to analyse images and build crop metrics across large areas</p> | <ol style="list-style-type: none"> <li>1. Monitoring of crops and soil conditions where Health of crops, soil nutrients changes can be tracked in real time and appropriate interventions done time</li> <li>2. Water management can be done by automation of irrigation through sensors. This saves water as well as irrigation costs. Improves productivity by maintaining soil moisture in real time</li> <li>3. Pest management: Identification of pests in real time which checks the spread</li> <li>4. Livestock management: Livestock health conditions and location can be tracked and diseased animals can be separated promptly. It also reduces labour costs of monitoring livestock</li> <li>5. Supply chain management through sensors which can track movement of agricultural goods and their quality in real time.</li> <li>6. Hydroponics and Aeroponics which use completely controlled conditions to grow crops rely wholly on IoT</li> <li>7. Real time advisory and e-learning can be provided to farmers. <u>Kerala in partnership with CISCO has developed an agriculture digital infrastructure platform</u> which does the same for fishing</li> </ol> |

|   |   |
|---|---|
|   | communities and farmers in Kannur district. This platform uses UAV's, sensors, satellite images.  |
| <p><u>Artificial Intelligence(AI) and Machine learning:</u> Machines use data collected through sensors to predict outcomes and devise strategies for optimal yields</p> <p>Microsoft has built an AI app for projects in Andhra Pradesh which recommends farmers on sowing date, land preparation, seed treatment, manure use, pest management etc. This led to 30% increase in crop yield per hectare</p> | <ol style="list-style-type: none"> <li>1. Predictive agricultural analytics can be developed which aid in decisions such as when to sow crops, which crops to sow, which fertilizers to be used, when and for how much time should irrigation be done</li> <li>2. Climate monitoring and weather forecasting helps in reducing global warming related risks to farmers</li> <li>3. Identification of pests through image processing of crops</li> </ol>   |
| <p><u>Block chain:</u> Tamper proof ledger based data storage</p>   | <ol style="list-style-type: none"> <li>1. Land records digitization and management: States like Andhra Pradesh, Telangana have started using blockchain for this. Such tamper proof land records aid in contract farming</li> <li>2. Use in supply chain management where authentic records can be established for warehouse management and transactions across supply chain</li> <li>3. Data generated by sensors which monitor environment, soil and crop conditions can be stored securely using blockchain</li> </ol> |

#### Challenges in scaling up emerging technologies:

1. Lack of digital infrastructure: Internet, electricity are must for exploiting these technologies. In Indian rural areas, such infrastructure is not reliable
2. Low technological understanding among farmers means less adoption of such technologies.
3. Skilled manpower to provide extension services in these technologies is lacking
4. High costs of equipment: Sensors, precision irrigation, data storage systems are all costly for individual farmers
5. Land fragmentation prevents use of these emerging technologies due to cost benefit considerations
6. Data security: Without enabling data security legal framework, enormous data collected by emerging technologies can be misused by monopolies and transfer out of country

#### Steps needed to promote these technologies:

1. Promoting innovation and skill development:
  - a. Agricultural Universities should modify curriculum to impart training in these technologies to generate skilled manpower

- b. Skill development programmes in rural areas to promote skilling in these technologies
- c. Establishing agriculture innovation fund at central and state levels to fund R&D in 4.0 technologies
2. Legal and Policy support:
  - a. Existing schemes in irrigation, extension services, mechanization should be remodeled to include these emerging technologies.
  - b. Data security and cyber security legal framework and institutions to enforce them need to be established
  - c. Cloud based data centres, digital stack of technologies which can be used by entrepreneurs, farmers directly can be created
3. Promoting FPO's – Farmer Producer organizations to overcome land fragmentation issues
4. Use of Public Private Partnerships (PPP). Examples – Andhra Pradesh tie up with Microsoft to use Artificial Intelligence sowing app

**Conclusion:**

Sustained efforts towards these emerging technologies by the government, universities and research institutions can achieve twin demand of food security(due to higher yields) as well as doubling farmers incomes (due to reduced costs, increased quality and market access).

**Related revision topics:**

1. e-Technologies in aid of farmers
2. Blockchain, AI and IoT use in other sectors

**Mains Question:**

1. Agriculture and allied activities can benefit from adoption of technologies of Artificial Intelligence, Blockchain and Internet of things. Discuss? [15 marks, 250 words]