

## 7 PM COMPILATION

**1st to 15th July, 2021**

### Features of 7 PM compilation

- ❖ 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
- ❖ Wide use of charts, diagrams and info graphics
- ❖ Best-in class coverage, critically acclaimed by aspirants
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- ❖ Best cost-benefit ratio according to successful aspirants

Economic reforms in 1991 – Explained, pointwise

**Topic:-Economy**

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## Economic reforms in 1991 – Explained, pointwise

**Source:** [The Hindu](#) and [The Business Standard](#)

**Syllabus:** GS 3 – Effects of Liberalization on the Economy, Changes in Industrial Policy and their Effects on Industrial Growth.

**Relevance:** Economic reforms of 1991 revolutionized the Indian economy. It is important to analyze their success and failures.

### Introduction

Three decades after India embarked upon the path of economic liberalisation it is time to **analyze the impact of economic reforms in 1991. Reforms of 1991 did change the course of economic policymaking in India. The broad contours of the evolving reforms have remained the same. But their trajectory** and direction have been largely influenced by the political leadership and their understanding of how the economy needs to be managed.

### Condition of Indian economy prior to economic reforms in 1991

The control system has restricted entrepreneurship. For instance, The private sector was not allowed to invest in a number of sectors thought to be critical for development. This approach was continued despite the public sector's lackluster performance. In sectors where the private sector was allowed, it could invest only after getting an industrial license, and that was especially hard to get for "large" industrial houses. Over 860 items were reserved exclusively for small-scale producers, including many that had very high export potential.

Imports were more strictly controlled than in almost any other developing country because it was felt necessary to conserve scarce foreign exchange. Consumer goods simply could not be imported so domestic producers faced no import competition. Producers could import capital goods and intermediates needed for production, but this generally required an import license. India's foreign exchange reserves had fallen to just about \$1 billion in the first week of July, barely enough to meet three weeks' imports. To complicate matters, non-resident Indians had begun withdrawing their deposits, making the foreign exchange reserves situation even more precarious. Finally, the import of technology was controlled and Foreign Direct Investment (FDI) was discouraged.

### Major changes brought by Economic reforms in 1991

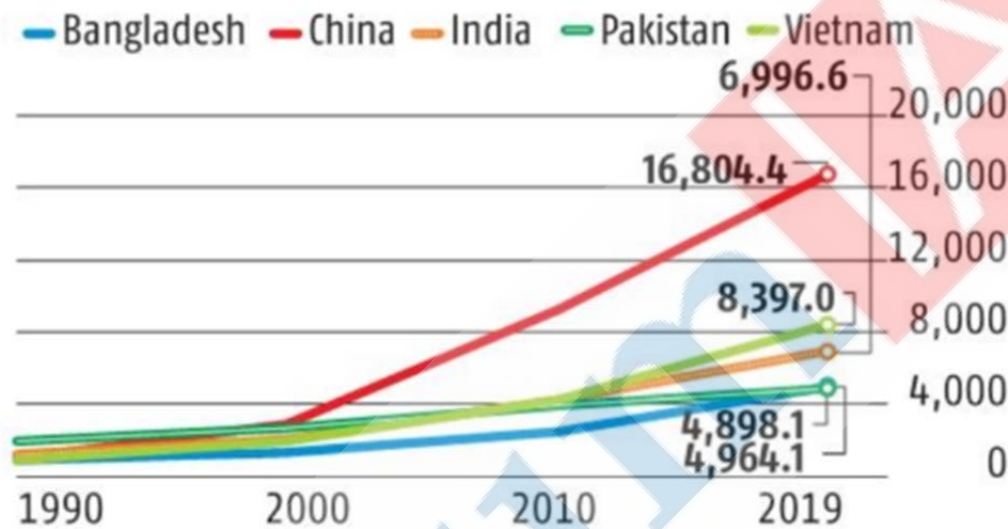
- The government abolished export subsidies like the system of providing cash compensatory support to exporters; removed supplementary licenses, which used to help exporters with import facilities;
- The government also divested the state trading corporations of their monopoly over the import of a host of goods (also described as decanalisation).
- By March 1993, the government introduced a unified exchange rate, linked to the markets. Exporters could convert their entire dollar earnings at the market-linked exchange rate.
- Industrial licensing was abolished for all sectors except 18 specified groups. The asset limit for companies governed by the Monopolies and Restrictive Trade Practices Act was abolished in one stroke.
- Automatic approval for foreign investment up to 51 percent equity was allowed in 34 industries. Private companies were freed from the requirement of obtaining the

government's permission for entering into technology agreements with foreign enterprises.

- Most importantly, a policy on gradual disinvestment of government equity in public sector units was announced.
- Based on the recommendations of the committee headed by M Narasimham, paved the way for **new private-sector banks** and the phased out of development financial institutions.

### The evolution of the Indian economy since economic reforms in 1991

GDP per capita has grown 5.8 times in the last 30 years, matched only by three other economies (GDP per capita, PPP \$)



Data for 2019 is considered given 2020 was a pandemic year Source: World Bank

- The reforms were aimed at **unleashing the energies of the private sector to accelerate economic growth**. It is done in a manner that ensured an adequate flow of benefits to the poor. The reforms certainly succeeded in this objective.
- India followed a **gradualist approach, but the results are dramatic**.
  - The **GDP growth** averaged 7% in the 25 years from 1992 to 2017, compared with an average of 5% in the preceding ten years and 4% in the preceding 20 years.
  - As growth accelerated, **poverty declined**. Between 2004-05 and 2011-12, the last year for which official data on poverty are available, about **140 million people were pulled above the poverty line**.
  - India progressively **lowered import tariffs from an estimated 57.5% in 1992 to 8.9% in 2008**, but this trend has been reversed over the past few years.
  - India for the first time between 2004-2014 witnessed a **fall in employment in agriculture**.
- **Direct tax rates were rationalized with a three-slab structure** during the economic reforms, with the peak rate being 30 percent in 1997. That structure remains intact even today, though attempts have been made to rationalize it further.

- **Industrial policy** has broadly followed the course outlined during the economic reforms. Now it is moving towards more delicensing, easier foreign investment norms, increased role for the private sector, and more disinvestment of government equity in public sector units.
- But some reforms, begun in 1991, have yet to be completed. For instance,
  - **Health, education and environmental concerns** have not been adequately built into our development strategy.
  - Some pending **factor market reforms, in areas such as labour and land**, remain so far.



### Challenges in the Indian economy at present

- Indian industry has legitimate complaints about poor infrastructure, poor logistics and time-consuming trade procedures, which reduce its competitiveness.
- The government's economic agenda of building a self-reliant India (Aatmanirbhar Bharat) has meant not only a **rise in import tariffs** for some goods but also the **return of a discretionary incentive system** to encourage investment in different sectors of the economy. For instance,
  - The [proposed policy for the e-commerce entities](#) has provisions that threaten to reintroduce an inspector raj, banished some years ago from most businesses.
- The COVID-19 pandemic has of course triggered a **collapse in employment**. A recent study by Santosh Mehrotra and Jajati K. Parida finds that the substantial **slowdown in GDP growth after 2016-17** led to employment actually falling from 474 million in 2011-12 to 469 million in 2018-19.

### Suggestions to improve the Indian Economy

- **Fixing import duty:** The NITI Aayog under its first Vice-Chairman, Arvind Panagariya, had recommended that India should move to an average duty rate of about 7%,

gradually narrowing the range of variation across products and eliminating duty reversals.

- As far as unfair competition from China is concerned, the solution lies in a faster method of **imposing anti-dumping duties** on China, not raising import duties across the board.
- **Joining international platforms:**
  - India's policy of "Look East" to "Act East" remains a positive signal for the Indian economy. But opting out of RCEP ([Regional Comprehensive Economic Partnership](#)) will hamper India's progress.
    - India's fear that the Indian industry would not be able to compete against China is not acceptable. As, the reduction in tariffs required under RCEP was to be accomplished over several years, giving ample time for India to improve competitiveness.
    - Indian industry has legitimate complaints about things that make India uncompetitive that need to be addressed directly instead of opting out of RCEP.
    - Geopolitics is forcing major countries to reduce dependence on China. Further, India can reasonably expect to become a major player in non-China-dominated supply chains.
  - Major developed countries, such as the U.S., Europe, and the U.K., seem to be moving away from multilateral negotiations. Instead, they started working on agreements with important groups bilaterally. However, such FTAs will include provisions on contentious issues such as [intellectual property rights](#) and bilateral investment protection. India must be willing to accept that.
- Experience shows that India needs to get back to **7% to 8% growth** if we want to make progress on poverty reduction and provide enough jobs for our growing labour force.
- **Controlling the pandemic:** The priority now must be to get the vaccination coverage expanded as soon as possible. This will create conditions conducive to a return to normalcy.

Read more:

- [Intellectual Property Rights\(IPR\) and Universal Vaccination – Explained, Pointwise](#)
- [An appropriate way to judge the famed economic reforms of 1991](#)

## Insolvency and bankruptcy code – present challenges: Explained, pointwise

**Source:** [The Hindu](#)

**Syllabus:** Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Relevance:** The Insolvency and Bankruptcy Code (IBC) is the key instrument aimed to address corporate distress.

### Introduction

Recent National Company Law Tribunal (NCLT) rulings have put the spotlight on the IBC. The Insolvency and Bankruptcy Code (IBC) 2016, has been the key mechanism for addressing corporate distress and the accumulation of bad loans in the financial sector.

It has been five years since the IBC came into force. It has performed well on some parameters but needs amendments to resolve key challenges. The President recently promulgated the [Insolvency and Bankruptcy Code \(Amendment\) Ordinance 2021](#). The ordinance allowed the use of [Pre-Pack insolvency resolution](#).

### About the Insolvency and Bankruptcy Code, 2016

- The code replaced all the existing laws and created a uniform procedure to resolve insolvency and bankruptcy disputes.
- It allows creditors to assess the viability of a debtor as a business decision. Further, the creditors can agree with the plan for its revival or suggest for a speedy liquidation.
- The Code creates a **new institutional framework**. This framework facilitated a formal and time-bound insolvency resolution process and liquidation. The framework includes:
  - a. **Insolvency Professionals:** They will **administer** the resolution process. They also manage the assets of the debtor and provide information for creditors to assist them in decision-making.
  - b. **Insolvency Professional Agencies:** The insolvency professionals will be registered with insolvency professional agencies. The agencies would conduct examinations to certify the insolvency professionals and enforce a code of conduct for their performance.
  - c. **Information utilities:** They will keep a record of debts given by creditors along with details of repayments/ dishonour of debt.
  - d. **Adjudicating authorities:** They will give the approval to initiate the resolution process, appoint the insolvency professional, and approve the final decision of creditors.
    - i. **National Company Law Tribunal(NCLT):** It is the adjudicating authority for companies and limited liability entities
    - ii. **Debt Recovery Tribunal:** It is the adjudicating authority for individuals and partnership firms.
  - e. **Insolvency and Bankruptcy Board:** The Board will **regulate** insolvency professionals, insolvency professional agencies and information utilities set up under the Code.
- The code aims to resolve insolvencies in a strict time-bound manner – the evaluation and viability determination must be completed within 180 days.

- Moratorium period of 180 days (extendable up to 270 days) for the Company. For startups and small companies, the resolution time period is 90 days which can be extended by 45 days.

### Basic Terminologies

- **Insolvency:** It is a situation in which a debtor is unable to pay his/her debts.
- **Bankruptcy:** It is a legal proceeding involving an insolvent person or business that is unable to repay its outstanding debts.
- **Liquidation:** It is a process of bringing a business/company to an end. It involves the distribution of the company's assets among creditors and other claimants.

### Key challenges faced by IBC

- Firstly, **delays in appointment** and infrastructural issues such as one judicial member sit for two benches.
- Secondly, **IBC cases are not the only mandate of the NCLT.**
  - They also consider various cases under the Companies Act such as mergers or oppression and mismanagement cases.
- Thirdly, one basic difference between India and other countries is that **Indian companies are mainly promoter-owned and owners** run the companies.
  - Since it is owned and controlled as well as managed by mostly the same people in India, it creates a problem in taking over the asset.
- Fourthly, a lot of cases are old that is **stock of NPAs [Non-Performing Assets].**
  - Once the backlog is cleared there will be fewer cases because the fear of losing the company under Section 49A will push the promoters to find a resolution.
- Fifth, delay in implementation in terms of approvals, having an application admitted itself.
  - For instance, the resolution plan that was approved for Jet Airways recently was actually approved by the Creditors' Committee in October 2020.
  - though the NCLT has a very limited role but it was only approved in June 2021.
- Sixth, there are **concerns about the extent of haircuts** that banks and financial creditors are having to take in order to achieve resolution.
  - Size of the haircut is really not a measure of the success of IBC. It depends on the company and its asset, if the asset is good, value will be good.
  - But Some businesses would have failed, like many of the EPC companies, where haircuts are very high.
  - Basically, in an EPC company there are hardly any assets, except some equipment.
- Lastly, **Section 29A** prevents all promoters from submitting resolution plans.
  - But some restrictions are not helpful and prevent almost all companies in presenting resolution plan.
  - Such as, section 29A bars promoter who has had NPAs for over a year, or who's had a personal guarantee that has been invoked from submitting resolution plans.
  - There is relaxation for MSMEs to have greater flexibility and it can be considered to lay the floor open to a larger number of resolution plans.
  - Allowing certain relaxations to Section 29A could be helpful.



**Suggestions to improve the IBC**

- **IBC is not the only solution for resolving stress.**
  - Pre-IBC mechanisms such as one-time settlements, restructuring packages can also help in improving the resolution process in cases where there is some consensus between the debtor and the debtor and the creditors.
- **Attract more buyers** or a more diverse range of strategic buyers to be willing to bid for assets, and submit resolution plans under the code.
- **National ARC** to improve assets resolution.
  - The national ARC ([Asset Reconstruction Company](#)), 'bad bank' is a good thing because it's a one-time clean-up exercise.
  - A lot of cases don't have a great resolution plan or they don't have great value left and the other point is that there are not many strategic investors.
  - In such cases, a national ARC would be of great help.

Above all on average IBC has promoted **faster recoveries and resolutions** as compared to the earlier timeline of five years, six years or more. However, there are some challenges that need to be addressed to resolve corporate distress.

## Urban heat island – causes, impact and solutions: Explained, Pointwise

**Source:** [TOI](#)

**Syllabus:** GS1 – Geophysical Phenomenon, GS3 – Environment,

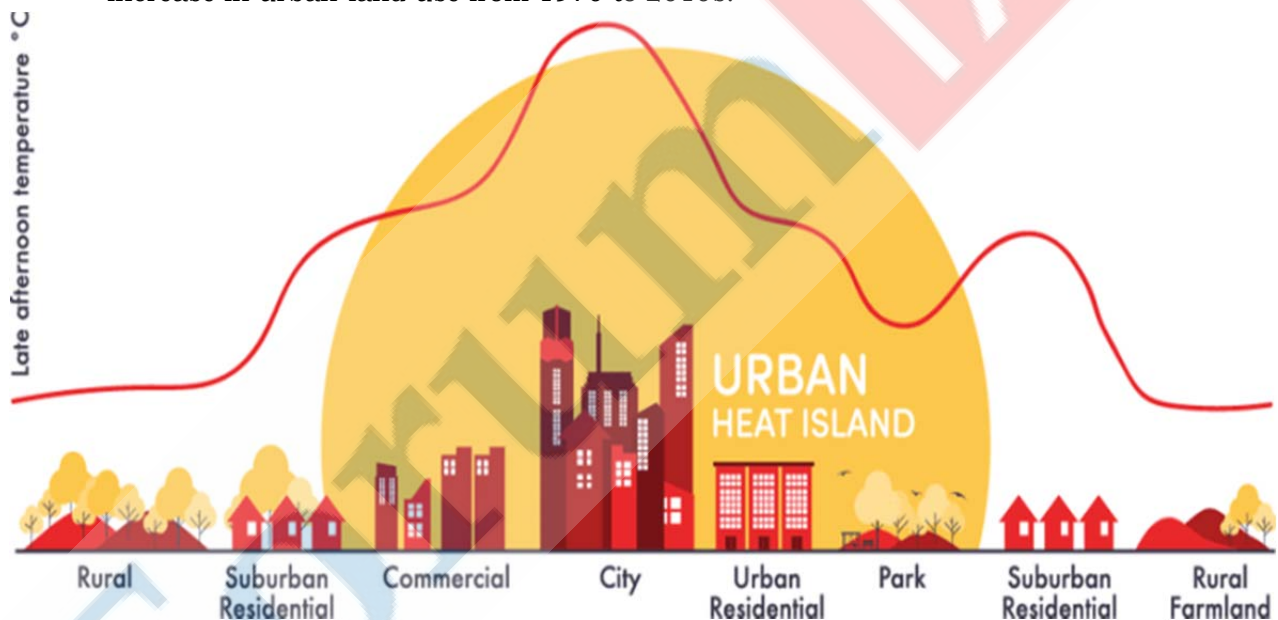
**Relevance:** Important geographical phenomenon impacting temperature and climate of a region, the impact of urbanization on the environment

### Introduction

Recently, the Centre for Atmospheric Sciences, IIT Delhi, analyzed changes in the land use and land cover pattern over the last five decades based on Delhi's maps between 1972 and 2014. The aim was to determine **how urbanization had impacted the urban heat island effect** in the Central National Capital Region.

### Key findings

- The urban heat island effect **makes localities hotter** than others due to factors like concretization, population density, and the density of the land-use area.
- On average, Delhi's near-surface temperature has **increased by 1.02°C** due to an increase in urban-land use from 1970 to 2010s.



### What is an urban heat island?

An urban heat island (abbreviated as UHI) is where the **temperature** in a densely populated city is as much as **2 degrees higher than suburban or rural areas**.

Heat islands can occur **year-round during the day or night**. Urban-rural temperature differences are often largest during calm, clear evenings. This is because rural areas cool off faster at night than cities, which retain much of the heat stored in roads, buildings, and other structures. As a result, **the largest urban-rural temperature difference, or maximum heat island effect, is often three to five hours after sunset**.

### The major cause behind UHI

- This happens **because of the materials** used for pavements, roads, and roofs, such as concrete, asphalt (tar), and bricks. Materials are opaque, do not transmit light, but have a **higher heat capacity** and **thermal conductivity** than rural areas, which have more open space, trees, and grass.
- The **lack of evapotranspiration** in the city leads to the city experiencing higher temperatures than its surroundings.
  - **Evapotranspiration:** Evaporation involves the movement of water to the surrounding air, and transpiration refers to the movement of water within a plant and a subsequent lot of water through the stomata (pores found on the leaf surface) in its leaves. Grass, plants, and trees in the suburbs and rural areas do this.

### Other factors behind UHI

- **Close construction:** When houses, shops, and industrial buildings are constructed close together, it can create an Urban Heat Island. Building materials are usually very good at insulating, or holding in heat. This insulation makes the areas around buildings warmer.
- **Waste heat** from vehicles, factories, and air conditioners may add warmth to their surroundings, further exacerbating the heat island effect
- **Building of skyscrapers:** When there is no more room for an urban area to expand, engineers build upward, creating skyscrapers. All this construction means waste heat—and heat that escapes insulation has nowhere to go. It lingers in and between buildings in the UHI.
- **Urban haze**—The haze of air pollution that hangs over many cities can act as a miniature greenhouse layer, preventing outgoing thermal radiation (heat) from escaping from urban areas.

### Impact of UHI

- **Energy costs:** Urban Heat Island effect increases energy costs (e.g., for air conditioning), air pollution levels, and **heat-related illness** and mortality. Increased consumption of air-conditioning for cooling can also contribute to global warming, which further contributes to climate change.
- **Poor air quality:** UHIs often have lower air quality because there are more pollutants (waste products from vehicles, industry, and people) being pumped into the air. These pollutants are blocked from scattering and becoming less toxic by the urban landscape: buildings, roads, sidewalks, and parking lots.
- **Poor water quality:** Water quality also suffers. When warm water from the UHI ends up flowing into local streams, it stresses the native species that have adapted to life in a cooler aquatic environment.
- **Colonization by heat-loving species:** Due to higher temperatures in urban areas, the UHI increases the colonization of species that like warm temperatures, such as lizards and geckos. Insects such as ants are more abundant here than in rural areas; these are referred to as **ectotherms**.
- **Heatwaves:** Cities tend to experience heat waves that affect human and animal health, leading to heat cramps, sleep deprivation, and increased mortality rates.

**Possible solutions to Urban Heat island effect**

- **Green roofs:** Using green roofs, which are roofs of buildings covered in plants, helps cool things down. Using light-colored concrete (using limestone aggregates along with asphalt (or tar) making the road surface greyish or even pinkish (like some places in the US have done); these are 50% better than black since they absorb less heat and reflect more sunlight. Likewise, we should paint rooftops green, and install solar panels there amidst a green background.
- **Planting trees:** We should plant as many plants and trees as possible. They combat climate change; clean the surrounding air by absorbing pollutant gases (NXOy, O<sub>3</sub>, NH<sub>3</sub>, SO<sub>2</sub>, and others) and trapping particulates on their leaves and bark; cool the city and the streets; conserve energy (cutting air-conditioning costs by 50%); save water and help prevent water pollution; help prevent soil erosion; protect people and children from UV light, etc.

**UPSC Mains 2013 – GS1:** Bring out the causes for the formation of heat islands in the urban habitat of the world (5 marks, 100 words)

**Rural Power sector – Way ahead: Explained, pointwise**

**Syllabus:** GS 3 – Infrastructure: Energy

**Relevance:** India's power sector and the problems with Discoms need radical solutions to achieve Energy Security.

**Introduction**

Recently, Rajasthan Electricity Regulatory Commission (RERC) ordered that energy access must go beyond powering rural homes. In other words, the order mentioned the need to electrify essential and productive human activities, such as public schools and primary health centres. This presents an opportunity to decentralize solar power generation and makes solar infrastructure more climate-resilient.

**About the Electrification problem**

- Over the past decade, India has made great strides in expanding energy access in rural areas. World Bank data shows a near doubling of electrified rural households, from 55% in 2010 to 96% in 2020.
- While this is a significant measure, it discounts large areas of essential and productive human activities, such as public schools and primary health centres. Further, despite greater electrification, the **power supply is often unreliable** in rural areas.
- A recent ruling by Rajasthan's power regulator points to this gap and suggests solutions that other States could emulate.

**Rajasthan Electricity Regulatory Commission's order**

- It has ordered the State's three power distribution companies (discoms) to **solarise unelectrified public schools**. This includes the Jaipur, Ajmer and Jodhpur Vidut Vitran Nigam Limited.
- It has also suggested **the installation of batteries** to ensure storage of power.
- It also directs Rajasthan's cash-strapped discoms to seek **corporate social responsibility (CSR) funds** for the solarising drive. Further, it allows the school's ownership of the power systems in a phased manner.

**Challenges faced by the Power Sector at present**

1. **Fuel Security Concerns:** Thermal capacity addition is plagued by the growing fuel availability concerns faced by the Industry. A significant natural gas-based capacity of more than 20,000 MW is idle due to the non-availability of natural gas. Coal supply is restricted, leading to increased dependence on imported coal with the cascading result of high power generation costs.
2. **Transmission & Distribution Losses:** High distribution-line losses are among the most vexing problems in the Indian power sector. India's aggregate technical and commercial losses average about 32% of electricity, which is very high as compared to those of the developed countries (6-11%).
3. **Financial Health of State Discoms:** Years of populist tariff schemes, mounting losses and operational inefficiencies have adversely affected the financial health of State Discoms which are currently plagued with humongous out-standing debts.

- a. **Ujwal DISCOM Assurance Yojana (UDAY)** scheme was introduced by the centre to bring financial Turnaround, Operational improvement of Discoms. Further, it aims to reduce the cost of generation of power, to facilitate the development of Renewable Energy and Energy efficiency & conservation.
- b. Though some states witnessed an improvement in their financial and operational indicators, it wasn't sustained. There has been a sharp **deterioration in several parameters after the UDAY scheme.**
4. **Ageing Power Plants and Transmission network:** Since most of the power plants and transmission lines have been installed immediately after independence, they have become old and inefficient. This is the main reason for the low growth and transmission rate in electricity generation and transmission during recent years. About half of the power plants need to be upgraded or shut down as quickly as possible.
5. **Under-procurement of Power by States:** Increasing power generation costs due to limited fuel availability, the **poor financial health of State Discoms**, have contributed to suppressed demand projections by State Discoms.
6. **Interstate Disputes:** India is a federal democracy, and because rivers cross state boundaries, constructing efficient and equitable mechanisms for allocating river flows has long been an important legal and constitutional issue. Due to this, there is non-availability of water all the time to operate hydro plants. Inter-state disputes also restrict the excess power exchange between the states. For example, the Mahanadi water dispute, the recent Krishna-Godavari Dispute.
7. **Policy Paralysis:** The micro-level policies governing the fuel cost pass-through, mega power policy, competitive bidding guidelines are not in consonance with the macro framework like The Electricity Act 2003 and the National Electricity Policy.
8. **Coordination Issues:** Multiple ministries and agencies are currently involved in managing energy-related issues, presenting challenges of coordination and optimal resource utilisation, hence undermining efforts to increase energy security, as reported by the Kelkar Committee in 2013.

#### Significance of the RERC Order to power sector

- **First**, it has the potential to electrify about 1,500 government-run schools in the remote parts of the State with roof-top solar panels and generate about 15 megawatts (MW) of power.
  - This would help Rajasthan in **achieving its ambitious target of producing 30 GW of solar energy by 2025.**
- **Second**, battery storage of power ensures that they cater to **children's after-school activities.**
  - Schools could also extend power supply to mid-day meal kitchens, toilets, and motorised water pumps and not limit it to powering school infrastructure.
- **Third**, it would **benefit several other crucial aspects of rural life** as schools serve multiple purposes.
  - Government schools serve as public spaces in rural areas. They doubled up as COVID-19 care centres in the past year and have housed villagers from extreme weather such as storms and floods.
  - Further, they also turn into polling centres during the election season.
- **Fourth**, the use of **CSR funds removes the burden of infrastructure development expenses on discoms** and also ensures clean energy for the schools.

- The power that is generated could also be counted towards the discoms' Renewable Purchase Obligations (RPO). RPO is the proportion of power that distribution companies must procure from renewable sources.
- **Fifth**, it encourages a **decentralised model of power generation**, which is **more climate-resilient**.
  - A greater number of public buildings could use this model used to install roof-top solar panels. Buildings such as primary health centres, panchayat offices, railway stations and bus stops could easily be transitioned to utilising clean energy.
  - With battery storage, the susceptibility of grid infrastructure to extreme weather events could be mitigated. This is called climate proofing.
  - Earlier this year, the American State of Texas witnessed a power blackout after an extreme weather event. This was due to inadequately climate-proofed natural gas equipment, which supplied domestic electricity.

### Suggestions

- The discoms could work with the State's Education Department to determine the schools that require electrification, and their expected demand and infrastructure expenses.
- They could then cooperate with the CSR arms of companies to generate funding, and with industry to produce cost-effective solar photovoltaic panels and batteries.

## Cryptocurrencies and Indian regulations – Explained, pointwise

**Source:** [Business Standard](#)

**Syllabus:** GS Paper 3: Indian Economy and issues relating to Planning, Mobilization of Resources

**Relevance:** Cryptocurrencies have the potential to alter the Indian economy and challenge sovereign backing in India

### Introduction

Cryptocurrencies are registering a spectacular rise globally. In India also, despite RBI's strong reservations, investment in [cryptocurrencies](#) by Indians has been growing. Blockchain data platform Chainalysis says crypto investments in India have grown some 200-fold in the past year, from about \$200 million to nearly \$40 billion. There are more than 15 million cryptocurrency traders in India — about two-third of the number in the US and more than six times that in the UK.

### What is Blockchain?

[Blockchain](#) is a system of recording information in a way that makes it difficult or impossible to change, hack or cheat the system. It is a digital ledger of transactions. Blockchain technology is the underlying technology for cryptocurrencies.

### Cryptocurrency regulations in India by RBI

- The RBI in its 2018 circular **banned banks from dealing with virtual currencies and Bitcoins** in any form. But the Supreme Court of India had set that circular aside.
- On May 31st, the RBI issued a release saying its April 2018 circular was no longer valid and that no bank should quote it to reject cryptos.
  - The May 31st release also said that the **banks must carry out customer due diligence in line with regulations governing standards**. Such as, know your customer (KYC), anti-money, combating of financing of terrorism and obligations of regulated entities under the Prevention of Money Laundering Act as well as the Foreign Exchange Management Act.
  - These make it **impossible for banks to deal with cryptocurrencies** because of their very nature. (The persons who engage in cryptocurrency transactions are not known).
- The RBI has issued at least three releases, including one in April 2018 cautioning both the regulated entities and the public against the “risks” associated with cryptocurrency.

### Government response to Cryptocurrencies

- A **high-level inter-ministerial committee(SC Garg Committee)** constituted under the chairmanship of the secretary (economic affairs) **to study the issues related to virtual currencies** and propose specific actions to be taken.
- *Recommendations of the SC Garg Committee:*
  - The committee recommended that **all private cryptocurrencies have to be prohibited in India**, except any virtual currencies issued by the state. Further, the panel recommend a jail term of one to 10 years for exchange or trading in digital currency.



- However, the committee is not against blockchain, the underlying technology for such currencies. The committee is in favour of **exploring the enormous possibilities** of blockchain for various purposes, **including keeping land records**.
- The committee has recommended **a central bank's digital currency**.
- Apart from the committee, **The Cryptocurrency and Regulation of Official Digital Currency Bill 2021** was to be introduced in Parliament's Budget session. But the government is still discussing it with the stakeholders. It is supposed to ban all private cryptocurrencies and prepare the ground for a CBDC in India.

### What is the central bank's digital currency?

It is a wallet or an electronic purse issued by the RBI. A [Central Bank Digital Currency](#) (CBDC), or **national digital currency**, is simply the digital form of a country's fiat currency. Instead of printing paper currency or minting coins, the central bank issues electronic tokens. This token value is backed by the full faith and credit of the government.

Federal Reserve, Bank of England and even the European Central Bank are moving towards the so-called central bank digital currencies (CBDCs). On the other hand, China has already claimed success of its first pilot project of [digital yuan currency](#).

### Why is India is against cryptocurrency?

- **Cryptocurrency can't be slotted:** They are neither a commodity, nor a currency, nor part of the payments system. Simply put, cryptocurrencies such as [Bitcoins](#), [Dogecoin](#), Ethereum, Litecoin, Cardano, Polkadot, Steller and many others, defy classification.
  - According to the RBI, a cryptocurrency cannot be classified as an asset since there is no future cash flow
- The regulator doesn't consider this as a currency as it is not issued by the central bank and **doesn't have sovereign backing**. They also could **jeopardise financial sector stability** since there is no central monetary authority.
- Further, its **value fluctuates because of speculation**. It has poor storage value, and it's not widely accepted.
- It's also **not part of the payments' system**, like a credit or a debit card or internet banking.
- **Transactions are anonymous** and **transactions cannot be tracked**. So, they are outside the ambit of public scrutiny. This has serious implications for KYC norms and is fraught with risks of money laundering and terror financing.
- Besides, there is **no consumer protection**. Once one misplaces the password, there cannot be any transaction as there is no central issuing authority for such currencies.

**Problem of menstrual waste disposal in India – Explained, pointwise**

**Source:** [DowntoEarth1](#), [DowntoEarth2](#)

**Syllabus:** GS1 – Women issues, GS2 – Health

**Relevance:** How menstrual waste contributes to India's solid waste problem? and steps that can be taken to solve this issue.

**Introduction**

Sanitary waste disposal has become an increasing problem in India. As per the Menstrual Hygiene Alliance of India (MHAI), India has **12.3 billion disposable sanitary napkins to take care of every year**, the majority of which are not biodegradable/compostable. The impact of sanitary waste disposal is more pronounced due to the unorganised ways of municipal solid waste management and poor community collection, disposal and transportation networks in the cities and villages of India.

**Reasons**

**Menstrual waste has become a big problem due to the following reasons:**

- **Usage of non-biodegradable napkins:** Menstrual waste disposal has become an increasing problem in India. Because the plastic used in disposable sanitary napkins is **not bio-degradable** and leads to health and environmental hazards.
  - Not only do these products take **hundreds of years to decompose**, but because of the SAP (Super Absorbent Polymers) present in commercial sanitary napkins, they **absorb and retain 30 or more times their weight in fluid**. This often leads to clogging of toilets, sewerage systems, and drains, and when burned, release toxic fumes like dioxins and furans that are harmful to users and the environment.
- **Unorganized ways of municipal solid waste management:** The impact is more pronounced because of the unorganized ways of municipal solid waste management and poor community collection, disposal, and transportation networks in the cities and villages.
- **Lack of discussion & debate:** Due to **persistent social and cultural taboos**, the topic of menstrual waste management doesn't get the attention that it merits.
  - Many girls and women lack access to those waste management options that exist due to their limited ability to negotiate for solutions because of a continued culture of silence associated with menstruation.
- **Lack of appropriate disposal and treatment options** leads to unsafe management of the waste.
- **Lack of access to disposal options** may lead girls and women to use otherwise hygienic products in an unhygienic manner (e.g., use a pad for longer than it should be).
- Lastly, the lack of awareness and an increased dependency on inorganic products makes the switch difficult

### Rules concerning disposal

The Solid Waste Management (SWM) Rules consider menstrual waste as **solid waste** and defines it as **sanitary waste** within the same. The Rules go on to explain the responsibilities of the waste generator, local authorities and gram panchayats, and producers of sanitary products.

- SWM Rules acknowledge that according to the **Bio-Medical Waste Management Rules, 2016**, items contaminated with blood and body fluids, including cotton, dressings, soiled plaster casts, lines, and bedding, are bio-medical waste and should be **incinerated, autoclaved, or microwaved** to destroy pathogens.
- Sanitary waste needs to be **wrapped securely** in the pouches provided by the manufacturer or brand owners and handed over separately to the **waste collector** to avoid manual handling of such waste, according to SWM, 2016.

But the implementation of these rules on the ground is negligible.

### Impact

- **Unhygienic working conditions for waste workers:** The majority of waste workers do not use any personal protective equipment while collecting / handling waste. They are exposed to **harmful microorganisms** like **staphylococcus**, **e. coli**, and **salmonella typhus**, which can cause diseases like **tetanus** and **hepatitis**.
- **Overfilling of landfills:** The long-term impact of lack of segregation can cause overfilling of landfills with chemicals and plastic-laden sanitary pads. These plastic products may even convert into smaller particles called **microplastics**, which are an emerging threat to our environment.
- **Huge carbon footprint:** A year worth of menstrual waste products generates a carbon footprint equivalent to 5.3 kilograms of carbon dioxide emissions per person per year in the United Kingdom, according to a study.
- Menstrual waste that is flushed down the toilets or discarded in water bodies comes in direct contact with water, which then serves as **breeding grounds for bacteria** that contaminate the drinking water.
- **Non-biodegradable:** The plastic components of the waste require 400 years to degrade in the landfill, but only when the waste is decomposed in an organic open-air environment. Waste discarded in polyethylene bags devoid of air may take almost double the time. Or may never biodegrade at all.
  - The single usage plastic components in these products mostly find their way to the landfill where it stays there for the next 500 years at least.
- **Health concerns:** Inorganic sanitary products contain **bisphenol A** and **bisphenol S**, industrial chemicals used to make certain plastics, which can cause **hindrance in embryonic development**.
  - In order to absorb more wetness, most commercially available menstrual products have a synthetic fiber called **rayon**. During the process of rayon bleaching, dioxin — a well-known **carcinogen** — is released that can cause **liver dysfunction**.
  - **Hormone disruptors:** Several manufacturers add deodorising agents to sanitary napkins to keep them 'fresh'. But this may involve usage of chemicals that can be potential hormone disruptors, cancer-causing chemicals
- **Toxic fumes:** Small-scale incinerators have emerged as the preferred technology for disposing of used sanitary pads and have been adopted by educational institutions and

hostels in the villages. These low-cost methods generate toxic fumes, adding to the harm caused to the environment and our health.

### Suggestions/measures

- **Segregation** and immediate disposal should be done by the **user**. This should be followed by collection and transportation, and **secondary segregation** by the waste collector and **storage treatment**, and finally **disposal** or **recycling**.
- For compostable products, there should be clear labelling on product packages providing instructions on disposal.
- **Classification as biomedical waste:** It is important that “menstrual waste is classified as biomedical waste so that its proper disposal using correct technologies can be carried out
- **Tax rebates, subsidies** must be issued if a tested organic product releases in the market in order to obtain a significant customer shift.
- Tampons and organic pads, however, can also contain plastic but in lower proportions. Hence, **menstrual cups are the only non-plastic alternatives**.
- Systems are set up to facilitate proper waste handling
- Raising **awareness on menstrual hygiene management** and breaking the silence and stigma around menstruation on the issue of safe disposal, other ministries need to move cohesively together – and quickly.

### Conclusion

The only way to get menstrual waste disposed of safely and efficiently requires collective attention to this massive environmental health issue.

## Issue of Bail under UAPA (Unlawful Activities Prevention Act) – Explained, Pointwise

**Source:** [The Hindu](#)

**Syllabus:** GS 2 – Structure, Organization, and Functioning of the Executive and the Judiciary

**Relevance** – Watali judgment set the conditions for the bail of an accused, arrested under the UAPA act.

### Introduction

The unfortunate death of Father Swamy and the continued imprisonment of so many others like him bring the spotlight again on the [Unlawful Activities \(Prevention\) Act \(UAPA\)](#), 1967. The Watali decision must be urgently reversed or diluted, otherwise, India might run the risk of compromising personal liberties very easily. Therefore, it is imperative to do a comprehensive review and expand the provisions of bail under UAPA.

The UAPA was formulated to strengthen the security framework of the country and preserve the unity and integrity of the nation. Nonetheless, it has currently become a [tool to curb free speech](#) and political dissent in our country. The [cases filed under the law have been rising](#) for a few years, while the conviction rate is going down. It was merely 2.2% between 2016-19.

### Background

- Father Stan Swamy passed away at a private hospital in Mumbai on July 5. He was a Jesuit priest who worked for uplifting the marginalized communities in Jharkhand
- His death is much more than the death of an activist accused of terrorist activities. It is the result of systemic abuse of majoritarian authority and disregard for the rule of law.
- On October 8, 2020, Fr. Swamy was arrested by the National Investigation Agency (NIA), under the Unlawful Activities (Prevention) Act (UAPA). He was the 16th to join a roster of professors, activists, writers, and public intellectuals, as a suspect in the Bhima-Koregaon case.
  - The allegations against Swamy were that he was linked with the banned CPI (Maoist) and receiving funds from cadres.
  - During the time of death, a bail plea was scheduled in the Bombay High Court.
  - This was the latest in a series of bail pleas, all of which were previously rejected. This raises the question of granting bail under UAPA.
  - Two days before he died, Swamy had challenged **Section 43D(5) of the Unlawful Activities Prevention Act (UAPA)** calling it nothing but an illusion.

### Evolution of bail under UAPA

The government enacted the Terrorist and Disruptive Activities Act, 1985 (TADA). The law was set to lapse in two years, and the government itself admitted that such extraordinary laws should not be made permanent. But, TADA was renewed till 1995, allowed to lapse amidst criticisms of its misuse

But the provisions of TADA were largely revived in the Prevention of Terrorism Act, 2002 (POTA). In 2004, the government let POTA lapse, while giving its **provisions a permanent home in an amended UAPA as Section 43D(5)**.

### What is Section 43D(5) of UAPA? And what does it mean?

The Section says that **no one who is accused of an offense “punishable under Chapters IV and VI of UAPA** shall, if in custody, be **released on bail or on his own bond**. So the Bail cannot be provided **unless the Public Prosecutor has been given an opportunity** of being heard on the application for such release.

The accused person shall not be released on bail or on his own bond if “the Court, on a perusal of the case diary or the report made under section 173 of the Code is of the opinion that there are reasonable grounds for believing that the accusation against such person is prima facie true.

### Have the courts granted bail under UAPA section 43D(5)?

- The Supreme Court bench made an exception in the **Union of India v K A Najeeb case**. Further, the bench also held that “Courts are expected to appreciate the legislative policy against the grant of bail but the rigours of such provisions will meltdown where there is **no likelihood of trial being completed within a reasonable time and the period of incarceration already undergone has exceeded a substantial part of the prescribed sentence**. Such an approach would safeguard against the possibility of provisions like **Section 43D(5) of UAPA being used as the sole metric for denial of bail** or for wholesale breach of the constitutional right to a speedy trial”
- The same Bombay HC where Swamy was pleading has also provided bail to Telugu poet Varavara Rao in February this year. For the reason — on grounds of sickness and age. While Rao is 80 and was COVID-19 positive.
- Similarly, in June this year, the **Karnataka HC granted bail** to more than 115 accused charged under UAPA for the 2020 East Bengaluru riots because that the NIA court had extended the investigation time without even hearing the accused.

### About Unlawful Activities (Prevention) Act, 1967

- It is primarily an anti-terror law aimed at effective prevention of certain unlawful activities of individuals and associations.
- Its main objective is to empower the state for dealing with activities directed against the integrity and sovereignty of India.
- The Act assigns absolute power to the central government. It can declare an activity as unlawful, by way of an Official Gazette.
- The act has the **death penalty and life imprisonment as the highest punishments**.
- Under the act, **both Indian and foreign nationals can be charged**.

Read more: [UAPA or Unlawful Activities Prevention Act – Explained, Pointwise](#)

### Issues in handling Fr. Swamy’s detention

- He was arrested on **flimsy evidence of some propaganda material** and communication with other activists in the field.
  - The authenticity of some allegedly indicting documentation, including a key report was questioned by international forensic data experts.
  - But the state defended the arrest, arguing that these issues must be looked upon only during the trial and that the accused should remain in jail until then.
- **Repeated pleas for medical assistance were consistently ignored** or dismissed.

- Medical reports on record clearly showed that Fr. Swamy had degenerative Parkinson's disease. He could not even do basic tasks, such as holding a spoon, writing, walking, or bathing.
- **When he applied for medical bail**, the court kept adjourning the matter, and merely offered him the services of a private hospital. This demonstrates a lack of sensitivity on the part of the judges, which is deeply saddening.

### Watali judgment – why was the bail application rejected multiple times?

- The Supreme Court in **National Investigation Agency vs Zahoor Ahmad Shah Watali Case (2019)** created a new doctrine for dealing with UAPA cases.
- As per this, an **accused must remain in custody throughout the period** of the trial. Even if it is eventually proven that the evidence against the person was inadmissible, and the accused is finally acquitted.
- According to the decision, in considering bail applications under the UAPA, courts must **presume every allegation made in the First Information Report** to be correct.
- *Problems with Watali Judgment:*
- It **dilutes the idea of the “presumption of innocence”** — a central principle of criminal law and procedure. The burden now rests on the accused to disprove the allegations, which is virtually impossible in most cases.
- The decision has essentially **excluded the admissibility of evidence at the stage of bail**. By doing so, it has effectively excluded the Evidence Act itself, which arguably makes the decision unconstitutional.
- The decision has given a **convenient tool in the hands of the government** which can be used to suppress the voice of dissenters. This is evident in cases of arrests made with reference to Bhima Koregaon case and Anti- CAA protests.
- Due to the Supreme Court judgment, **High Courts have their hands tied**, and must necessarily refuse bail, as disproving the case is virtually impossible.

### Suggestions to granting bail under UAPA:

- The Delhi High Court order of granting bail to three young activists accused under UAPA for a conspiracy relating to the 2020 riots in Delhi showed a positive ray of hope.
  - However, the Supreme Court reportedly expressed “surprise” and dissatisfaction at the High Court’s decision.
  - The SC indicated that the decision will “not to be treated as precedent by any court” to give similar reliefs.
- Therefore, the Watali decision must be urgently reversed or diluted, otherwise, we run the risk of compromising personal liberties very easily.

## IBC process needs a re-look – Explained, pointwise

**Source:** [Livemint](#), [The Business Standard](#)

**Syllabus:** Indian Economy and issues relating to planning, mobilization, of resources, growth

**Relevance:** The Insolvency and Bankruptcy Code (IBC) is the key instrument aimed to address corporate distress.

### Introduction

Many experts are questioning the Insolvency and Bankruptcy Code (IBC) and its effectiveness. Recently, The IBC process for the sale of Videocon to the Vedanta group resulted in a haircut of a whopping 95.85 percent. This means the banks will recover only 4.15 percent of their total admitted claims of Rs 64,838 crore.

The Insolvency and Bankruptcy Code (IBC) 2016, has been the key mechanism for addressing corporate distress and the accumulation of bad loans in the financial sector. It has been five years since the IBC came into force. It has performed well on some parameters but needs amendments to resolve key challenges.

### About the Insolvency and Bankruptcy Code, 2016

- The code replaced all the existing laws and created a uniform procedure to resolve insolvency and bankruptcy disputes.
- It allows creditors to assess the viability of a debtor as a business decision. Further, the creditors can agree with the plan for its revival or suggest a speedy liquidation.
- The Code creates a **new institutional framework**. This framework facilitated a formal and time-bound insolvency resolution process and liquidation. The framework includes:
  - a. **Insolvency Professionals:** They will **administer** the resolution process. They also manage the assets of the debtor and provide information for creditors to assist them in decision-making.
  - b. **Insolvency Professional Agencies:** The insolvency professionals will be registered with insolvency professional agencies. The agencies would conduct examinations to certify the insolvency professionals and enforce a code of conduct for their performance.
  - c. **Information utilities:** They will keep a record of debts given by creditors along with details of repayments/ dishonour of debt.
  - d. **Adjudicating authorities:** They will give the approval to initiate the resolution process, appoint the insolvency professional, and approve the final decision of creditors.
    - i. **National Company Law Tribunal(NCLT):** It is the adjudicating authority for companies and limited liability entities
    - ii. **Debt Recovery Tribunal:** It is the adjudicating authority for individuals and partnership firms.
  - e. **Insolvency and Bankruptcy Board:** The Board will **regulate** insolvency professionals, insolvency professional agencies and information utilities set up under the Code.

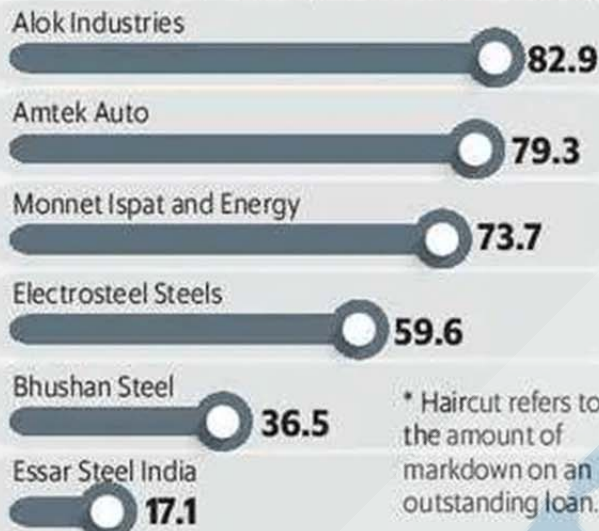


## Challenges with the IBC

## WEAK RETURNS

Chart 1: Among some big defaulters, the rate of recovery of the outstanding amount has been modest.

Haircut faced by financial creditors\* (in %)



\* Haircut refers to the amount of markdown on an outstanding loan.

Chart 2: Liquidation of assets takes an extraordinary amount of time under the IBC.



- **Weak resolution plan:** The IBC came into existence in May 2016. Between then and March 2021, a total of 4,376 companies have been admitted into the corporate

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insolvency resolution process (CIRP). Of the total, 2,653 CIRPs have been closed. However, only 348 companies have ended up with an approved resolution plan.

- **Poor recoveries:** In the past, the lenders have had to take a haircut of 83% in the case of Alok Industries, a little less than 90% in the case of Reliance Infratel and 96% in the recent Videocon Group case.

**(Hair Cut:** It refers to the reduction in the value of an asset. For example, if hair cut is 80%, then 80% of credit owed to its creditors will not get recovered).

- **Poor Liquidation:** Liquidation means selling the company piece by piece, asset by asset. Liquidation also takes time. As of December 2020, around 69% of the liquidations had been going on for a period of more than one year; 26% of them for a period of more than two years.
  - Further, If a bidder believes there will not be any serious bidder in the fray, he can take his chances by quoting a price close to the liquidation value.
- The committee of creditors **mostly prefers to sell the defaulting company** to another entity **and recover whatever portion of the defaulted loan that it can**. This is due to poor liquidation. For instance,
  - Of the 348 companies which have ended up with resolution plans, the rate of recovery as of March 2021 stood at only 39.3%. Further, of the ₹5.16 trillion owed to financial creditors, only ₹2.03 trillion has been recovered.
  - Only 8 percent of cases have been resolved. Thirty per cent of cases have undergone liquidation.
- **Section 12A under the IBC:** This section allows the **defaulter and the creditors to close the insolvency case**. This is being **used as a loophole**, with banks going in for a one-time settlement with defaulting promoters.
- **Challenges with Bank-led resolution:** It is the Bank-led resolution, not the NCLT, that should be the **first resort for banks**. They should be able to keep enterprises going through restructuring wherever possible. **This doesn't happen** as much as it should. This is because, in the **public sector, bankers fear the law enforcement agencies** may come after them—even years down the road.
- **Delay in litigation:** Resolution under NCLT has been plagued by delays caused by litigation and the sheer volume of cases. Macquarie estimates that cases take more than 400 days (against the stipulated time limit of 270 days). **Bidders will also know** that acquiring an asset would stretch out in time, and **assets will shed value** in consequence.
- **Exclusion of promoters:** Promoters are excluded from bidding despite they are not wilful defaulters. Banks are also demanding their exclusion. For instance,
  - An NCLT bench had recently suggested that the promoters be given a chance to bid in the DHFL case. Banks were outraged at the suggestion and have **taken the case to NCLAT**.
    - Banks thinks that **allowing promoters to bid** for assets after they have defaulted creates a **moral hazard**. But there are many cases where default occurs for reasons beyond the control of the promoter.
  - Section 92 of the Companies Act, 2013 define a promoter as a person,
    - Who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or

- Who has control over the affairs of the company, directly or indirectly, whether as a shareholder, director or otherwise; or
  - In accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act:
- **The Impact of Pandemic:** The rate of recovery under IBC has fallen in 2020-21. Data from IBBI tells us that in 2020-21, of the total outstanding amount of ₹1.32 trillion, only around ₹25,944 crores was recovered—implying a recovery rate of 19.7%, or only around 20 paise for every rupee of default.

### How the situation look if we compare it to other recovery methods?

The other methods are Lok Adalats, Debt Recovery Tribunals (DRTs), Asset Reconstruction Companies (ARCs) and the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act.

- The rate of recovery in the case of the Lok Adalat stands at a measly 5.1% between 2012-13 and 2019-20.
- On the other hand, the DRTs and the SARFAESI Act, the rate of recovery stood at 6.1% and 21%, respectively.
- Asset Reconstruction Companies (ARCs) also offers a very little reconstruction of loans. They were just a means for banks to hand over the liquidation process to a third party. Recoveries were poor as a result.
  - The newly constituted **National Asset Reconstruction Company Limited** is expected to indulge in serious asset reconstruction.
- So, the rate of recovery under IBC is much more than the other methods. According to Macquarie Securities, recovery under NCLT has averaged 24 per cent if we leave out the top nine accounts referred to the NCLT by the Reserve Bank of India (RBI).

### Suggestions to improve IBC

- For a healthy rate of recovery, a defaulting firm must be put through the bankruptcy process as quickly as possible.
- More transparency in bankruptcy and insolvency data is also needed.
- The bulk of the gains from the bankruptcy reform come from the modified behaviour of private persons, taking place in the shadow of the law. The threat of the law is expected to induce **modified behaviour on the part of borrowers and lenders**. But this will take time.
- **Strengthening Bank-led resolution:** Public Sector Banks need a mechanism that gives them protection for hair-cuts they take. It is the absence of such a mechanism that has made the NCLT the first resort ever since it came into being.
- **Better Auctioning:** The auction of assets will not automatically lead to the discovery and realisation of the best price. The **auction has to be efficient**. And the conditions for an efficient auction, such as **multiplicity of bidders, correct reserve price**, etc has to be met.
  - Investment bankers should also be entrusted with a mandate to find suitors on a global basis. Private equity funds must be sought out. Banks are also better equipped to do this.
- Promoters, who are not wilful defaulters, be allowed to bid at NCLT. Banks might look into the promoter's track record and if the banks feel that track record does not inspire confidence, they should have the right to reject promoters.

- Clearly, corporate loan defaults can cripple the entire financial system, are everybody's problem. By extension, a well-functioning system that can address those loan defaults effectively is in everybody's interest.

**Read more:**

- [Insolvency and Bankruptcy Code](#)
- [Insolvency and Bankruptcy Code \(Amendment\) Ordinance 2021.](#)
- [Pre-Pack insolvency resolution](#)
- Asset Reconstruction Company
- Bad bank
- Debt Recovery Tribunal



## Cairn Energy dispute and Government disputes with private entities – Explained, pointwise

### Introduction

Britain's Cairn Energy Plc has secured an order from a French court authorizing the [freezing of 20 Indian government properties in Paris](#) valued at over 20 million euros. This is the **first court order secured against India** to enforce a \$1.2-billion arbitration award that Cairn Energy had won against the Indian government in the retrospective taxation dispute. But the Indian government said that, it had not received any communication in this regard from any French court, and that it was trying to ascertain the facts.

### About the Cairn Energy dispute

- In 2006, **Cairn Energy Plc made a bid to consolidate its Indian assets under a holding company — Cairn India Limited.** In doing so, Cairn UK transferred shares of Cairn India Holdings to Cairn India Limited, essentially transferring shares in non-Indian companies to an Indian holding company.
  - Indian tax officials said that capital gains tax of over Rs 6,000 crore is payable by Cairn UK for the transactions in 2006, even though the transactions had previously been cleared by them.
  - **Capital Gains Tax** is a tax on the profit realized on the sale of a non-inventory asset. The most common capital gains are realized from the sale of stocks, bonds, precious metals, real estate, and property
- **However,** due to different interpretations of capital gains, the company refused to pay the tax, which prompted cases to be filed at the Income Tax Appellate Tribunal (ITAT) and the Delhi High Court.
- The Supreme Court had ruled against the retrospective reading of the law by tax officials in the case of Vodafone. Despite that, In 2012, the Indian **government then retrospectively amended the tax code**, giving itself the power to go after **mergers and acquisitions(M&A) deals all the way back to 1962 if the underlying asset was in India.**
- Cairn argued that this retrospective taxation was in **breach of the UK-India Bilateral Investment Treaty** which had a standard clause that **obligated India to treat investment from the UK in a “fair and equitable manner”.**
- **The retrospective taxation demanded** by the Indian government was challenged by Cairn Energy Plc in the [Permanent Court of Arbitration \(PCA\)](#) at The Hague.
  - In December last year, a three-member international arbitral tribunal **ruled unanimously that the Indian government was “in breach of the guarantee of fair and equitable treatment”**, and against the India-UK Bilateral Investment Treaty. Further, the tribunal also [ordered a compensation of \\$1.2 billion.](#)
  - **The Indian government is yet to accept the arbitration award.** Since the **arbitration award was delivered in Hague, India has moved an appeal to the Netherlands.**
  - But, Cairn Energy is going after Indian assets overseas to recover the compensation. In May, Cairn began the process of extracting the \$1.2 billion.
- **Assets Cairn is going after:** Cairn Energy has so far registered the **arbitration award in several countries, where it has identified Indian assets worth over \$70 billion.**

This includes jurisdictions in the **US, UK, Canada, Singapore, Mauritius, France and the Netherlands.**

- While the **French court award is the first one to succeed** for Cairn, the French court order **boosts its chances in other jurisdictions.**

### Impact of Cairn energy dispute award on India

- The government went for appeal in the Netherlands with the fear that accepting the demand may **open space for other cases where bilateral treaties** allow for arbitration. But the **implications of its present position are far-reaching.** Unwillingness to put this issue to rest will ensure that **claims of improving the ease of doing business** in the country are met with skepticism.
- Further, an adverse order in the Air India case will not only **complicate** matters for the government's **plans to privatize the airline** but may also **put a spanner in the privatization of other public sector entities.**
- Retrospective taxation is not unique to India, it has been invoked in specific situations by other countries with reputed processes. But what India saw as a **sovereign tax issue has been treated as an investment issue and deemed violative of bilateral investment treaties.**

### Previous such rulings in India

Seeking courts' intervention in the enforcement of arbitration awards against foreign states is fairly common. For instance,

- Last month, in a case filed by two Indian private companies for enforcement of arbitral awards in their favor, the **Delhi High Court directed the Embassies of Afghanistan and Ethiopia to file affidavits disclosing the assets** owned and held by them in India.
  - Further, the Court held that **"A Foreign State does not have Sovereign Immunity against an arbitral award arising out of a commercial transaction."**

### How disputes with private entities are dealt in India?

- The Indian parliament enacted the Arbitration and Conciliation Act in 1996. The Act provided for the commencement of conciliation proceedings, appointment of conciliators, and assistance of suitable institutions for the purpose of recommending the names of the conciliators. This Act facilitated Arbitration
  - Arbitration is an **alternative dispute resolution (ADR) procedure** in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute.
- It also defines the role of the conciliator in assisting the parties in negotiating settlement of disputes between the parties.

**Read More:** [Arbitration and Conciliation \(Amendment\) Act, 2019](#)

### Issues with government litigation against Private entities

- Tax authorities reportedly **lose 85 percent of tax cases in the various high courts, and 74 percent of cases in the Supreme Court.** This not only wastes the precious time of the Judiciary but also harasses the taxpayers and investors. The **process of litigation itself is a punishment for taxpayers and private entities.**

- The stock market regulator, the Securities and Exchange Board of India, is **able to collect only a little over 1 percent of the financial penalties** for which it sends out notices. For instance, SEBI issued notices worth Rs 81,086 crore since 2013, but it has been able to recover only Rs 887 crore.
- A similar trend is also observed with external players. For instance,
  - **Retrospective taxation cases involving Cairn and Vodafone.** In both these cases, India has lost arbitration cases internationally, that too in unanimous verdicts.
  - **Devas Multimedia**, which has won a case against Antrix Corporation (a subsidiary of the Indian Space Research Organisation) for arbitrary cancellation of a contract. As Devas subsequently argued in a US court, nine arbitrators and three international tribunals had deemed the termination of the Devas-Antrix deal as unlawful. The sums involved in each of these cases run to more than a billion dollars.
    - **Devas Multimedia is also seeking a \$1.3 billion award** and has joined Cairn to seize Air India's assets abroad.
- The government is misusing some provisions of the Arbitration and Conciliation Act and pursue unnecessary appeals against the arbitration order.

#### Challenges with the Arbitration and Conciliation Act

- **Section 34 of the Act:** This section provides an **application for setting aside arbitral awards**. This section narrows down the scope of judicial interference and creates trouble for the taxpayers.
  - The arbitration hearings are generally held in camera, and decisions are usually not publicly accessible, giving rise to doubts about impartiality and fairness. But Section 34 does not include that as a ground for review.
- Vast discretion of the arbitral tribunals led to an over-indulgence in the tribunals by some parties. This is observed by Supreme Court in **Tarapore and Company v. Cochin Shipyard Ltd case 1984**. The Supreme Court had remarked that an **honest man dreads arbitration more than lawsuits**.
- **Arbitration proceedings have become more complex with time.** Arbitrators have strived to simplify the proceedings by limiting the pleadings, insisting on written arguments, reducing the number of sittings, and laying down a schedule for various milestones.
  - But the **parties and their lawyers habitually derail the proceedings by filing extensive and superfluous motions**, interrogatories, resulting in unending oral and written submissions.
- Even the **clauses providing for fees of the arbitrators and fixed timelines for disposal are often disregarded**. The Supreme Court, in **National Highways Authority of India v. Gayatri Jhansi Roadways Limited**, has **upheld** the agreement on the **arbitral fees between the parties as binding**.
- The Supreme Court, in **Guru Nanak Foundation v. Rattan Singh and Sons**, expressed its **woefulness against the procedural delays and tardiness in the resolution of disputes** through arbitration.
- Arbitration has the **inherent potential and characteristics to outperform other modes of dispute resolution**. But it needs a small check on the arbitral fees and timelines, careful drafting of arbitration clauses, stringent procedural safeguards to

curb delays, expeditious disposal of the court proceedings, and legislative intent. The government has to accept the Cairn Energy dispute and needs to avoid such retrospective taxation cases in future. Further, failure to accept the award **only sends the wrong message to the international investor community.**

**Terms to know:**

- [Retrospective taxation](#)
- [Tax terrorism](#)

ForumIAS



## Ministry of Cooperation – Explained, pointwise

### Introduction

In a recent move, a separate **Ministry of Cooperation** was created by the Government of India for realizing the vision of ‘**Sahkar se Samridhhi**’.

- As per the government, the Ministry of Cooperation would work towards **strengthening the cooperative movement** in India.
- Also, the creation of this ministry is in line with the Finance Minister’s announcement in her 2021 Budget speech. She had proposed to set up a separate administrative structure for cooperatives.

### Key objectives

- **Firstly**, it will provide a separate administrative, legal, and policy framework for strengthening the cooperative movement in the country.
- **Secondly**, it will make the cooperative movement a true people-based movement by helping it reach the grassroots level.
- **Thirdly**, it will work to streamline processes for ease of doing business for cooperatives and enable the development of multi-state cooperatives (MSCS).

### Need/Rationale

Following reasons are being cited behind the creation of a new Ministry of Cooperation:

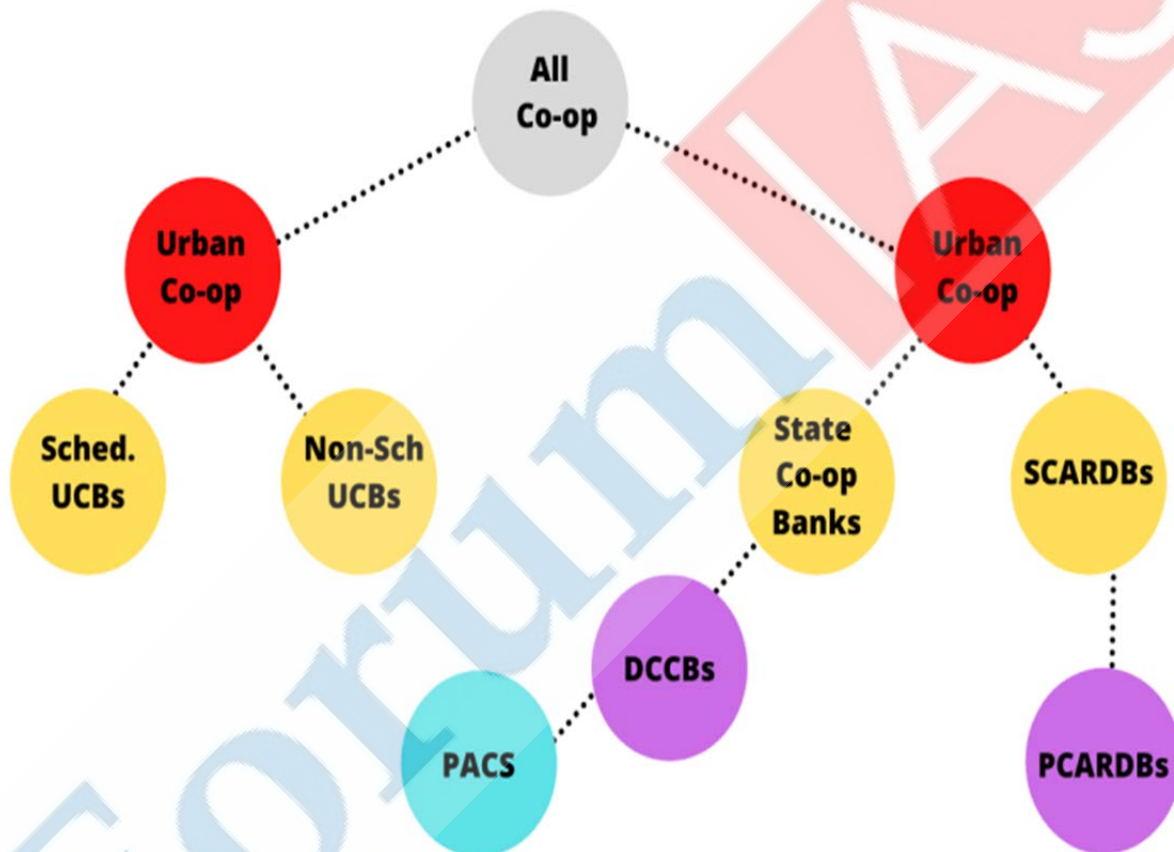
- **Spreading Cooperatives throughout India:** It was necessary to **restore the importance of the cooperative structure** in the country. Various studies conducted by institutions like Vaikunt Mehta Institute of Cooperative Management have shown the cooperative structure has managed to flourish and leave its mark only in a handful of states like Maharashtra, Gujarat, Karnataka etc. Under the new Ministry, the cooperative movement would get the **required financial and legal power** needed to penetrate into other states also.
- **Revitalizing the funding structure:** Cooperative institutions get capital from the Centre, either as equity or as working capital, for which the state governments stand guarantee. This formula had seen most of the funds coming to a few states such as Maharashtra, Gujarat, Karnataka while other states failed to keep up. Over the years, the cooperative sector has witnessed drying out of funding. Under the new Ministry, the cooperative funding structure would be able to get a new lease of life.
- **Correcting an administrative anomaly:** India’s agriculture ministry already had a division to oversee cooperatives. Focusing on agriculture, however, the ministry has been poorly responsive to the needs of cooperatives. Cooperatives have changed as well. Most new registrations for co-operatives are not in the agriculture sector. They are now coming up in sectors like housing and labor. Hence, a separate ministry for cooperatives is a much better option.

### What are cooperatives?

Cooperatives are enterprises which are owned, controlled and run by its members to realize their common economic, social, and cultural needs and aspirations. Cooperative societies function for a common benefit with a motive to help its members.

- Cooperatives are formed at the grassroots level by people to harness the power of collective bargaining towards a common goal.

- The Cooperatives were **first started in Europe** and the British Government replicated it in India to mitigate the miseries of the poor farmers, particularly harassment by moneylenders.
- In agriculture, cooperative dairies, sugar mills, spinning mills etc are formed with the pooled resources of farmers who wish to process their produce.
- **Producer cooperatives** seek to obtain the highest possible value for the goods and services supplied by farmers, fisherfolk, artisans or labourers. **Consumer cooperatives**, likewise, provide inputs (fertiliser, seed, credit, fuel, etc), groceries, housing, health and other services at the most economic rates to their members
- As per the National Dairy Development Board's 2019-20 Annual Report, there are 1,94,195 cooperative dairy societies in the country.



## Structure of Cooperatives in India

- SCARDB = State Cooperative Agriculture and Rural Development Banks
- PCARDBs = Primary Cooperative Agriculture and Rural Development Banks

### **Constitutional provisions**

- The word “cooperatives” was added after “unions and associations” in **Article 19(1)(c)** under Part III of the Constitution. This allows all the citizens to form cooperatives by giving elevating it to the status of a fundamental right.

- **Article 43B** was added in the [Directive Principles of State Policy \(Part IV\)](#) regarding the “promotion of cooperative societies”.
- The **Constitution (97<sup>th</sup> Amendment) Act, 2011** added a new **Part IXB** right after Part IXA (Municipals) regarding the cooperatives working in India.

### Laws governing cooperatives

Cooperatives is a **State subject** under entry 32 of the State list under the **Schedule 7** of the Constitution. A majority of the cooperative societies are governed by laws in their respective states, with a **Cooperation Commissioner** and the **Registrar of Societies** as their governing office.

- In 2002, the Centre passed a **Multi-State Cooperative Societies Act** that allowed for registration of societies with operations in more than one state. These are mostly banks, dairies and sugar mills whose area of operation spreads across states. The **Central Registrar of Societies** is their controlling authority, but on the ground the State Registrar takes actions on his behalf.
- The **National Cooperative Development Corporation (NCDC)** works for the promotion of the cooperative movement in India. It is tasked with planning, promoting, coordinating and financing cooperative development programs at the national level. Also, it provides financial, insurance and technical support to cooperative institutions of farmers and other weaker sections.

**Also Read:** [Levels of Cooperatives in India](#)

### Significance of cooperatives

- Though not uniform across India, cooperatives have made **significant contributions in poverty alleviation**, food security, management of natural resources and the environment.
- Besides serving localities and segments that markets might ignore, cooperatives are also **effective in mediating politics at the local level**, outside of the parliamentary system
- Cooperative institutions elect their leaders democratically, with members voting for a board of directors. Thus, in states such as Maharashtra, cooperative institutions have **served as schools for development of leadership**. The movement has given the state multiple Chief Ministers as well as ministers, many of whom have gone on to make a mark at the national level too.

### Who controls the Cooperatives in India?

- While the administrative control of the cooperatives are with the states, its banking functions are regulated by Reserve Bank of India under the Banking Regulation Act, 1949 (as applicable to Cooperatives).
- This **dual control** has led to a lot of irregularities in the functioning of the cooperative banks.
- In June 2020, the **Centre promulgated an ordinance** to bring all urban cooperative banks and multi-state cooperative banks under the supervision of the RBI in order to protect the interest of depositors.

- The Ordinance amended the Banking Regulation Act, 1949 as applicable to cooperative banks. However, it did not affect the existing powers of the state registrars of Co-operative Societies under state co-operative laws.

**Also Read:** [History of Co-operatives in India](#)

### Criticism

Creation of a new Ministry of Cooperation has evoked criticism too.

- Critics fear that this Ministry is aimed to **concentrate even more powers** in the hands of the Centre.
- It is being seen as yet another instance by the Centre attempting to gain control over grassroots institutions, especially in Opposition-ruled states, and **undermining the principles of federalism**.
- Some suspect that this move is aimed at weakening the grip of opposition parties on cooperatives in key states such as Maharashtra.

### Way forward

- **Ease of doing business:** Ministry of Cooperation should **make it easier for cooperatives to do business**, right from registration to winding up. It should **liberate multi-state cooperatives from government control** and get all states to enact legislation compatible with the requirements of a modern market economy.
- **No need for multiple regulators:** Cooperatives can do without **multiple regulators** and thrive as truly member-owned businesses. India needs many more Amuls alongside the Ambanis, Adanis and Tatas.
- **Identify opportunities:** Ministry of Cooperation should **identify the areas where cooperatives-based business enterprises can be made**, provide the capital, technology and providing the ease of doing business.
- **Focus on women:** Should be a focus on women cooperatives because they are less than 3% of the 8 lakh cooperatives in the country.

### Conclusion

The cooperative model is most suited for India given that small farmers, workers and traders it caters to and ensures equitable distribution of wealth and profits. Experts who have studied the cooperatives in India over the years, believe that the next steps now will matter more than the creation of this new ministry.

## Lightning strikes in India: impacts and management – Explained, pointwise

### Introduction

Climate change may be sparking more lightning across the world, and there is an increasing scientific evidence pointing to the trend. According to a pre-print accepted for the journal Atmospheric Chemistry and Physics recently, the frequency and intensity of **lightning strikes in India are expected to increase by 10-25 percent and 15-50 percent by the end of this century**. Coastal areas may be at the highest risk.

In India, over the recent years, there's an **increasing trend in death toll and damages reported due to lightning. Lightning strikes kill more people in India than any other extreme weather event**, causing more than 2000 deaths every year.

### Global studies regarding Lightning

- A study published in 2015 found out that, an **increase of one degree Celsius would increase the frequency of lightning strikes by 12 percent**.
- A study published in Geophysical Research Letters in March 2021, too, has established links between climate change and rising incidences of lightning in the Arctic region.
  - The number of lightning strikes recorded during the summer months between 2010 and 2020 shot up from **around 18,000 at the start of the decade to more than 150,000 by 2020**.
- Another research finds out that, **Urbanisation, increased population and a warmer climate guarantee an intensification of human exposure to lightning hazards**.
- An increase in lightning incidents may be **directly related to the climate crisis and the availability of more moisture over land** due to warming.
- Scientists also found out the link between cloud burst events, which cause sudden heavy rainfall often triggering flash floods, and forest fires.

### Lightning in India

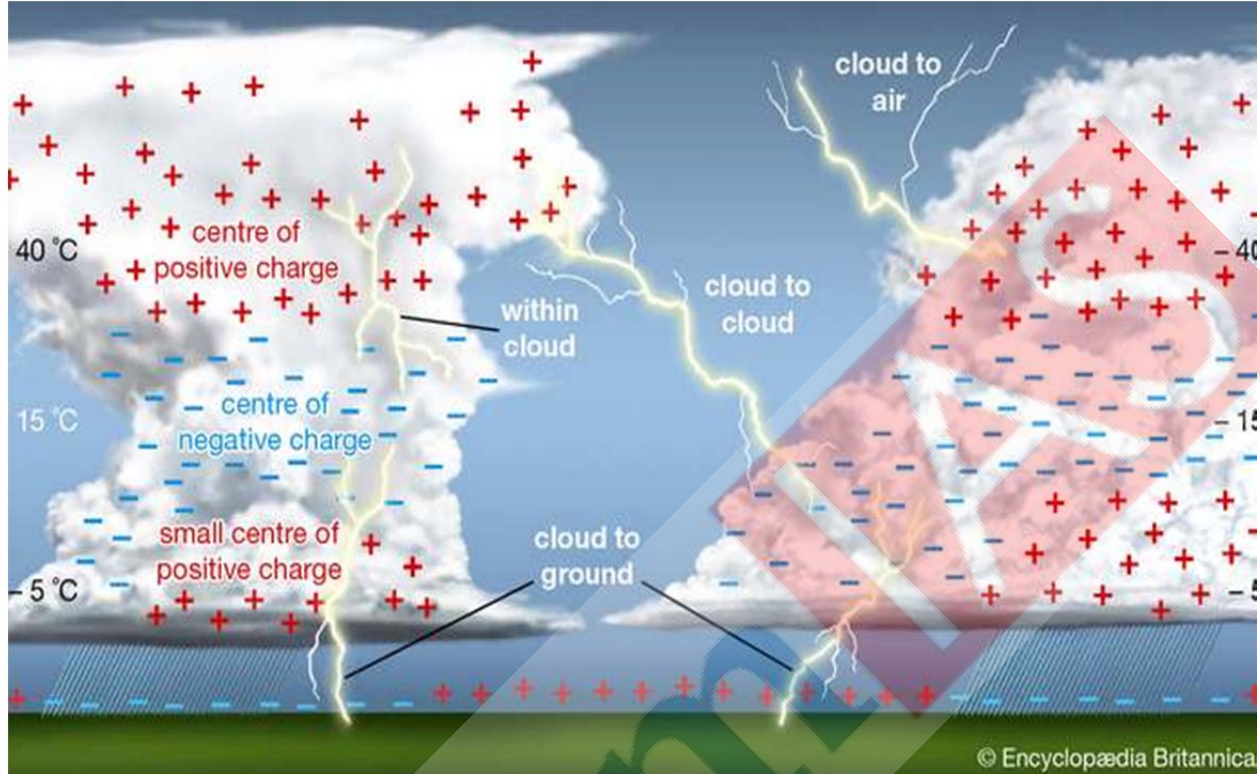
- As many as 18.5 million lightning strikes were recorded in India between April 1, 2020, and March 31, 2021, according to India's second annual report on lightning released by **Lightning Resilient India Campaign (LRIC)** recently. This is an increase of 34 percent compared to the previous year.
- At least 1,697 people died due to lightning between April 1, 2020, and March 31, 2021. Of this, 401 died in Bihar, followed by Uttar Pradesh (238 deaths) and Madhya Pradesh (228 deaths).
- Lightning strikes increased in Punjab 331 per cent, followed by Bihar (168 per cent), Haryana (164 per cent), Puducherry (117 per cent), Himachal Pradesh (105 per cent) and West Bengal (100 per cent).

### What is lightning?

Lightning is a very **rapid and massive discharge of electricity in the atmosphere**. It is the process of occurrence of a **natural 'electrical discharge of very short duration and high voltage between a cloud and the ground or within a cloud**.

- These discharges are generated in giant moisture-bearing clouds that are 10-12 km tall. These clouds have their bases about 1-2 km from the Earth's surface.
- There are two types of lightning. Such as,
  - **Intercloud or intracloud (IC) lightning**: These are visible and harmless.

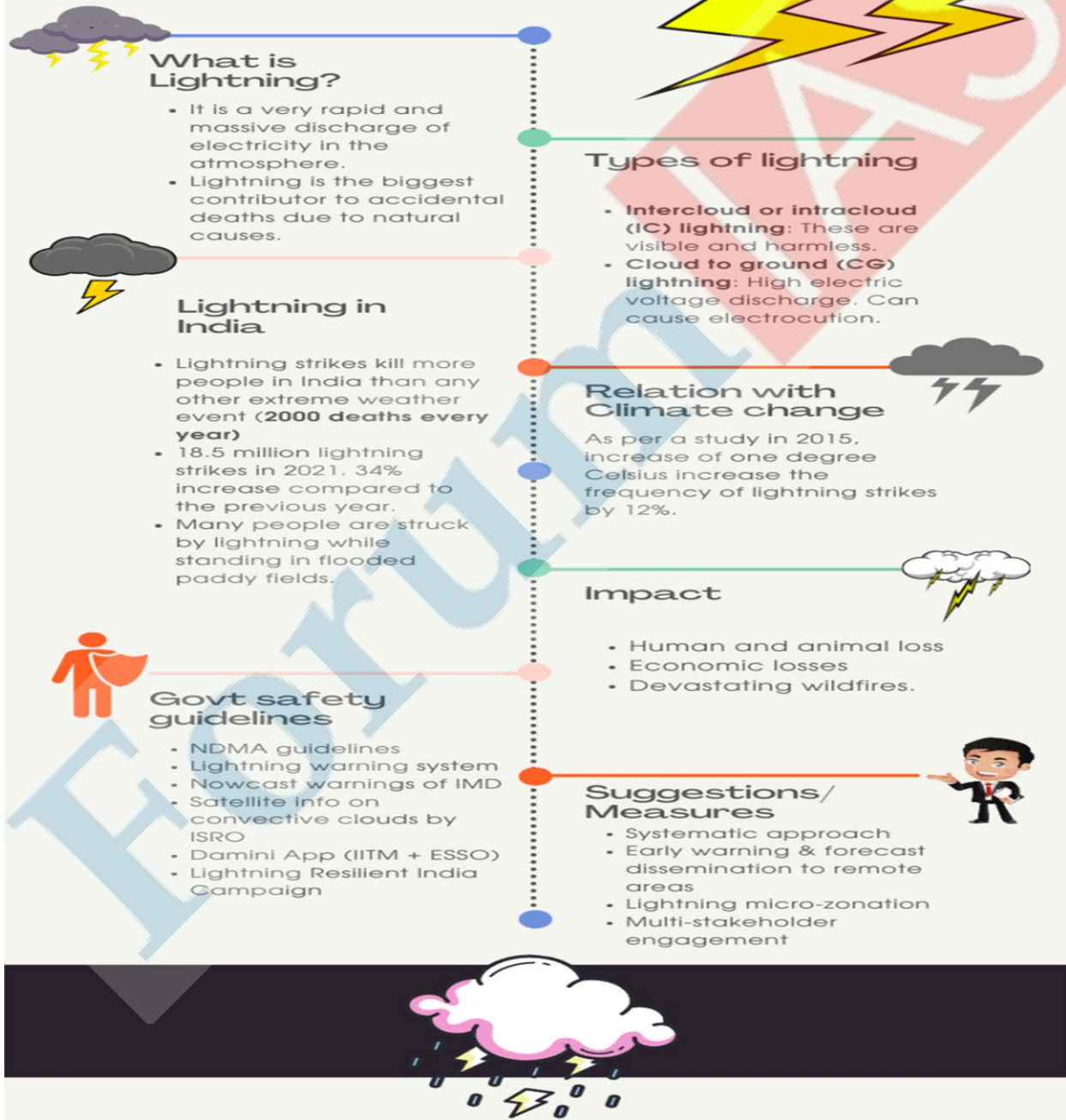
- **Cloud to ground (CG) lightning:** This is harmful as the 'high electric voltage discharge for very short time leads to electrocution.



### How does lightning strike?

1. It is a result of the difference in electrical charge between two points.
2. As **water vapour moves upwards** in the cloud, the falling temperature causes it to **condense**. A huge amount of heat is generated in the process, pushing the water molecules further up.
3. As they move to temperatures below zero, droplets change into ice crystals. This leads to a system where **smaller ice crystals move upwards while larger ones come down**.
4. The resulting collisions trigger the release of electrons. This process is similar to the generation of electric sparks. The moving free electrons cause more collisions and more electrons, leading to a chain reaction.
5. Over time, this process results in a situation where the **top layer of the cloud gets positively charged and the middle layer is negatively charged**.
6. The electrical potential difference between the two layers is huge (a billion to 10 billion volts). So, in a short time, a **massive current** (100,000 to a million amperes) **starts to flow between the layers**.
7. An enormous amount of heat is produced, and this leads to the **heating of the air column between the two layers of the cloud**. As the heated air column expands, it produces shock waves that result in thunder.
8. The Earth is a good conductor of electricity, it is electrically neutral. However, in comparison to the middle layer of the cloud, it becomes positively charged. As a result, **about 15%-20% of the current gets directed towards the Earth** as lightning.

# Lightning Strikes



**Losses due to lightning**

- Apart from human and animal loss, lightning can also cause the following losses.
- **Economic losses** like that of cultivated fields and buildings occur, infrastructure like communication networks, power plants and so on are often destroyed by lightning events.
- Sometimes, lightning and thunderstorms may **ignite potentially devastating wildfires**.

**Government safety guidelines to reduce lightning impact**

- National Disaster Management Authority (NDMA) has issued detailed guidelines on action-plan by state and local authorities. The NDMA guidelines follow a **community-centric approach**. “These guidelines, drawn from **international best practices**, provide do-s and don’t-s as well as steps to be taken by common people”.
- In pre-and post-monsoon season, **NDMA conducts workshops** with all stakeholders to discuss preparedness and mitigation measures for reducing the impact of thunderstorms & lightning, dissemination of early warnings at a local level, SOPs and so on.
- NDMA also works on **improving inter-agency coordination** which includes monitoring and reviewing mechanisms at field level, forecasting and dissemination of **nowcast warnings of IMD**, etc.
- India is among a few countries which has introduced a **Lightning Warning System**. This system has a **location-specific forecast up to 48 hours** about the occurrence of thunderstorms, lightning, squally winds, gusty winds, hailstorms.
- Besides, ISRO is **providing satellite information from INSAT-3DR about convective clouds**, which is uploaded every 15 mins.
- **Damini App** was developed by the Indian Institute of Tropical Meteorology (IITM-Pune) and Earth System Science Organization (ESSO) under the ministry of earth sciences.
  - The app monitors the lightning occurrence all over India and alerts the user of lightning near them by a GPS notification under 20 km and 40 km.
  - Further, the Damini app also triggers warning about lightning strikes **three hours in advance** which can help reduce losses to life and property.
- **‘Lightning Resilient India Campaign’**:
  - It is a joint initiative of Climate Resilient Observing-Systems Promotion Council (CROPC), NDMA, India Meteorological Department (IMD), Union Ministry of Earth Science, World Vision India, UNICEF among others.
  - The campaign aims to reduce the number of deaths to less than 1,200 a year by 2022.

**Suggestions**

- A **systematic approach in managing the risks associated** with these disasters can prevent or mitigate their impact.
- IMD’s timely weather warnings need to reach out to people at remote corners. In this context, **NDMA has constituted an expert committee** to develop a protocol on early warning and forecasting dissemination on thunderstorms and lightning.



- The report on lightning released by LRIC recommends **States should undertake lightning micro-zonation for the regions** depending on their geography to handle the disaster and death risks better.
- **Multi-stakeholders engagement at the national and state level** with governments, academia, non-profits and communities, **has been successful in bringing down deaths by more than 60 percent within two years**. So, the government has to intensify such collaboration.

**Source:** [Down To Earth](#), [PIB](#)

**Terms to know:**

- [National Disaster Management Authority \(NDMA\)](#)



## Population control measures in India – Explained, pointwise

### Introduction

Presently, India's population stands at nearly 134 crore. According to the UN Department of Economic and Social Affairs estimates, India's population will reach 1.5 billion by 2030. Further, the population will hit 1.64 billion in 2050. This would make India become the largest populous country, overtaking China. To prevent that India introduced population control measures.

Apart from the Central government, many states also announced population control measures. A [new draft Bill prepared by the Uttar Pradesh \(UP\) Law Commission](#) seeks to control the population by introducing a two-child policy.

Earlier, the Supreme Court also upheld a Haryana government law barring persons with more than two children from contesting local body polls. But such population control policies can create imbalances in society and create lasting problems.

### About Uttar Pradesh's population policy

- A new population policy released by the U.P government aims to bring fertility levels down. It also aims to create a **population balance among various communities**.
- Similarly, a **draft of the Uttar Pradesh Population (Control, Stabilisation, and Welfare) Bill, 2021** was published a few days ago and is currently open for public feedback.
  - It states that any citizen who "violates" a two-child policy would be barred from:
    - contesting local bodies polls,
    - applying for, or getting promotion in, government jobs, and
    - even receiving government subsidies.

### India's population control measures since Independence

<b>First Five-year plan</b>	In 1951, India became the <b>first among the developing countries to come up with a state-sponsored family planning program</b> . It emphasized the use of natural devices for family planning.
<b>Second Five-Year Plan</b>	The number of family planning clinics was increased significantly. But since these clinics were largely set up in urban areas, they did not provide adequate results.
<b>Third Five-Year Plan</b>	The technique of copper- T was adopted. An independent department called the Family Planning Department was set up.
<b>Fourth Five-Year Plan</b>	All kinds of birth control methods (conventional and modern) were encouraged.

<b>Fifth Five-Year Plan</b>	National Population Policy was announced in 1976. Some important measures under this policy were, Increasing the minimum legal age of marriage for girls and boys to 18 and 21 respectively. Improving the literacy levels of females Popularise family welfare programmes by using all forms of media Forced sterilization was permitted, which was later on given up.
<b>Sixth, Seventh, and Eighth Plans</b>	Efforts were made to control the population by determining long-term demographic aims
<b>Ninth Five-Year Plan</b>	In 1993, the government had established an expert group under the chairmanship of M.S. Swaminathan for formulating <a href="#">national population policy</a> . In 1997, the family planning programme was renamed the 'family welfare programme'.

- More substantive poverty reduction schemes and economic reforms have raised **labour productivity and employment opportunities, allowed families to empower women and reduced fertility rates** as rational choices.

#### Need for population control measures

- At present, India hosts **16% of the world's population with only 2.45% of the global surface area and 4% water resources**.
- The ecosystem assessments also pointed out that the human population's role in driving other species into extinction and precipitating a resource crunch.
- So, the population explosion would **irreversibly impact India's environment and natural resource base and limit the next generation's entitlement** and progress. Therefore, the government should take measures to control the population.

#### Challenges with the population control policies

**A very high level of population growth can create imbalances**, which make the job of the state more difficult, but the way the issue is being approached is problematic and will have unintended consequences.

1. The **approach is anti-poor**, as they tend to have more children than middle-class people. Further, it is an **anti-democratic practice** that **impairs a citizen's right to choice** and his/her sexual and reproductive rights.
2. People have more children if there is a **high prevalence of socio-economic issues** such as infant and child mortality.
  - For instance, the National Family Health Survey-4 (2015-16) reveals that women who have little access to health and education and those caught in a cycle of poverty, produce more and more children
3. India's **TFR is about to reach the net replacement rate**, or NRR, of about 2.1-2.2. So, India is **not being threatened by a "population explosion"**. The [National Family Health Survey \(NFHS\)](#) and Census data show that in most states, and many urban areas, the total fertility rate (TFR) has already reached replacement levels (2.1).
4. **Challenge with the two-child policy**: If the first two children are girls, one of them faces a risk to life immediately after birth, as their parents have a preference for male offspring. This will increase even more female infanticide in India.

- According to the 2011 census, the UP had 908 females per 1,000 males, compared to the national average of 940 females per 1,000 males. The two-child policy is bound to increase this imbalance.
5. **Population control measures address yesterday's problem:** The population control measures might end up creating difficulties for tomorrow. Attempts to address the population issue through exclusionary policies will not improve the quality of life in states. So, this creates problems in the future.
  6. **Against National Human Rights Commission order:** The incentives/disincentives approach has been denounced in the past by the NHRC after such measures were introduced by several States in the 1990s and 2000s. i.e., Haryana, undivided Andhra Pradesh, Madhya Pradesh, Rajasthan, Chhattisgarh, and Odisha.
  7. **Global examples:** The stricter population control policy from other countries are **not effective in the long run and also tends to skew the sex ratio**. **China**, for instance, resulted in a **significant gender imbalance** because of preference for a male child.

### Suggestions to control population

1. If the states want to ensure a lower and stable fertility rate, they first **need to strengthen medical infrastructure and focus on socio-economic issues**.
  - The success of India's southern states in containing population growth indicates that economic growth, as well as attention to education, health, and empowerment of women, work **far better to disincentivize larger families than punitive measures**.
2. **Adhering to the Cairo consensus:** Cairo International Conference on Population and Development in 1994 stressed population. The Cairo Consensus called for the **promotion of reproductive rights, empowering women, universal education, maternal and infant health to untangle the knotty issue of poverty and high fertility**. The consensus also demands an increase in the rate of modern contraceptive prevalence, male contraception. **States instead of releasing population control measures can start to adhere to implementing the Cairo consensus**.
3. **Adopting Women-Centric Approach:** Population stabilisation is not only about controlling population growth, but also entails gender parity. So, states need to **incentivize later marriages and childbirth**, promoting women's labor force participation, etc.
4. Seeing **Population as a Resource rather than Burden:**
  - As the Economic Survey, 2018-19, points out that India is set to witness a sharp slowdown in population growth in the next two decades.
  - Further, population estimates also predict a **generational divide between India's north and south, Fifteen years from now**.
  - So instead of population control policies at the state level, India **needs a universal policy to utilize population** in a better way.

India's TFRs have been reducing substantially across most States. To hasten the drop, States **should tackle the socio-economic issues** confronting India's largely youthful demography **rather than seeking** neo-Malthusian approaches to **population control**.

**Source:** [The Hindu](#), [Business Standard](#)

**Terms to know:**

- [National Family Health Survey \(NFHS\)](#)
- [National Human Rights Commission](#)
- [National Population Policy](#)
- [Total Fertility Rate \(TFR\)](#)

