

# **9pm Compilation**

**31<sup>st</sup> Jan to 5<sup>th</sup> Feb 2022**

## 9 PM Compilation for the Month of February (First Week), 2022

### General Studies - 1

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- 1 Mahatma Gandhi, the out-of-the-box thinker

### General Studies - 2

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1. State administrative services are crucial to federalism
2. Explained: India, Oman ties and why its top defence official's Delhi visit important
3. A year on from Myanmar's 'annus horribilis'
4. Explained: The Pakistan-China relationship
5. India calling with quite a lot of trade in mind
6. We should expect the economic cost of the closed minds to increase
7. Why UNSC joint statement on nuclear weapons is important
8. On Ukraine crisis: Brinkmanship over Ukraine doesn't bode well for India
9. Go cold on China: India right to diplomatically boycott Winter Games
10. Pendency of cases in Supreme Court: The supreme failure
11. The case for vaccinating children against Covid-19
12. An exploration of why children are learning little in classrooms
13. Interrogating the false merit-reservation binary
14. Explained: The India-Israel relationship
15. FM call for paradigm change in urban planning 'opportunity of a lifetime': Experts
16. For the finance Minister to note
17. A hazy picture on employment in India
18. Doing Business in a New World

### General Studies - 3

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1. How surging oil prices threaten world's climate goals
2. How Auroville can teach us all a thing or two about offsetting carbon
3. Amplify e-commerce and help all MSMEs reach markets online
4. Budget's missed healthcare opportunity
5. A betrayal of the social sector when it needs help
6. MGNREGA: Is the govt expecting unemployment levels to change soon?
7. A recipe to deepen the distress in rural economy
8. Budget sets up the digital pitch for India to bat on
9. A takeaway is the good infrastructure push
10. Great On Growth, Not on Jobs
11. Creating jobs by increasing Capex
12. The Budget has ignored the poor
13. Regarding the budget: 4 Choices, No Free Lunch
14. Fiscal management during a pandemic
15. A bigger, not better, defence budget
16. A budget that overlooks real needs
17. Budget disappoints on healthcare
18. A less taxing state
19. Ink India-Britain free trade, unlock new opportunity
20. Artificial intelligence technologies have a climate cost

## 9 PM Compilation for the Month of February (First Week), 2022

- 21. Show Me the Money – On Fugitive Economic Offenders
- 22. INDIA'S Quest to Decarbonize Transport
- 23. Frequent marine heatwaves in Indian Ocean disrupt India's monsoon pattern
- 24. Financial inclusion is integral to holistic development
- 25. In 60 years, climate change took seven years of agri-productivity growth

ForumIAS

# General Studies Paper - 1

### General Studies - 1

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#### 1. Mahatma Gandhi, the out-of-the-box thinker

**Source:** This post is based on the article “Mahatma Gandhi, the out-of-the-box thinker” published in the Times of India.

#### What are the qualities of Mahatma Gandhi?

**Out of box thinker:** Mahatma Gandhi understood categories of people and identified himself with the weakest. His concept of just and truthful politics stressed that the weakest should have the same opportunities as the strongest.

**Simplicity:** Gandhi was remarkable for his simplicity and transparency. His simplicity reflects in his actions and his mode of life. Instead of being driven by the corporate mindset of being successful, Gandhi drew joy and fulfilment in pursuing less.

Gandhi was a perpetual truth seeker. With Gandhi's ideals, people are never confronted with absolute Truth.

**Read more:** [Gandhi and Savarkar shared goal of independence, differed on means](#)

**Ambiguous Personality:** There was a moral or spiritual interrogation in all of Gandhi's historical actions. He did not mask himself or Indian history. He, therefore, let Indians to historical and civilization awareness. He guided the spiritual conversion of Indians to non-violence.

**Method of thinking:** Gandhi, like Socrates, was guided by an inquisitive method of thinking. Gandhi believed that the true test of life lies in – **self-discipline and self-restraint**. Gandhi's version of community is also inspired by these two ideals. According to Gandhi, a self-realized and self-conscious community can reconcile the self-determination of an individual along with recognition of shared values.

**Read more:** [Recognising Gandhi the philosopher](#)

**Self-transformation:** According to Gandhi, the real strength of democracy lay in the self transformative nature of citizens. This self-transformation should influence individual life and public life. Also, solidarity is not just compassion but people's responsibility of loyalty towards mankind.

**Read more:** [New education policy follows Mahatma Gandhi's “Nai Talim” in terms of mother tongue: Vice President](#)

# General Studies Paper - 2

### General Studies - 2

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#### Issues with State Civil Services

##### 1. State administrative services are crucial to federalism

**Source:** This post is based on the article “State administrative services are crucial to federalism” published in the Livemint.

**News:** The Union Government proposal to amend IAS Cadre Rules has attracted the opposition of various states. But the state's failed to recognise the challenges associated with the State administrative services.

**Read here:** [Deputation of Cadre Officers and the Proposed Amendments – Explained, pointwise](#)

#### What is the problem with the State administrative services?

1) State failure to recruit an adequate number of civil servants, 2) Inadequate training, 3) Not fairly managed, 4) Unsatisfied performance, 5) Dysfunctional machinery.

#### Shortage of officers/required staff in various departments

Manpower shortage is found in almost all the departments. For e.g. in fire department, staff employed is below the prescribed international strength. Same thing is with nurses and doctors. Over 20 states have a doctor to population ratio below the WHO norm of 1:1,000.

On average, the state police force is 24% under their sanctioned strength. The condition is same with the best-governed states of India. Like Karnataka, which has conducted only 3 rounds of recruitment into the Karnataka Administrative Exam for over a decade. In which one round was stayed by High Court due to irregularities, another one was notified in 2015 conducted in 2017 and the recruitment remained incomplete.

A similar shortage has been experienced in almost all the departments like teachers, tehsildars, engineers etc.

#### What is the reason for the crisis in State administrative services?

In India, government jobs have become the spoils of power, to be distributed along the caste and regional lines, mostly to help politicians win elections. When this political reality meet the government recruitment rules, things got stuck. The deeper reason for state failure to nurture competent and professional civil services is the **political economy**.

#### How to improve State administrative services?

The best solution will be adopting the same examination for union and State Public Services. States can also adopt the similar criterion of UPSC examination ranks for their state-specific tests. This will help to reduce the status disparities between the centre and states and can also raise the standards of state officers.

## 9 PM Compilation for the Month of February (First Week), 2022

GS2 – INTERNATIONAL RELATIONS – INDIA AND ITS NEIGHBORHOOD

### **INDIA –OMAN RELATIONS**

#### **2. Explained: India, Oman ties and why its top defence official's Delhi visit important**

**Source:** This post is based on the article “Explained: India, Oman ties and why its top defence official's Delhi visit important” published in the Indian Express.

#### **What is the purpose of the visit?**

He is going to co-chair the 10th **Joint Military Cooperation Committee (JMCC)** with Indian Defence Secretary. JMCC is the highest forum of engagement between India and Oman in the field of defence. It evaluates and provides guidance to the overall framework of defence exchanges between the two sides.

The present JMCC is expected to comprehensively evaluate the ongoing defence exchanges and provide a roadmap for further strengthening defence ties in the upcoming years.

#### **What are the salient features in India – Oman relationship?**

**Historical:** Oman's longest-reigning leader, Sultan Qaboos bin Said, was a great friend of India. He was also a student of President Shankar Dayal Sharma. On his demise, India had announced national mourning for one day in his honour. He was also conferred with [Gandhi Peace Prize](#), in recognition of his leadership in strengthening the ties between India & Oman and his efforts to promote peace in the Gulf region.

**Indian diaspora:** About 6.2 lakh Indians are living in Oman, of which about 4.8 lakh are workers and professionals. There are also Indian families living in Oman for more than 150-200 years.

**Defence:** Oman is India's closest defence partner in the Gulf region. It provides critical operational support to Indian naval deployments in the Arabian Sea for anti-piracy missions.

It is the only country in the Gulf region with which all three services of the Indian armed forces conduct regular bilateral exercises. Oman also actively participates in the [Indian Ocean Naval Symposium \(IONS\)](#). Forces of both the countries also engaged with each other in various training programmes.

**Read here:** [Royal Navy of Oman ships arrive in Goa for naval exercise Naseem Al Bahr](#)

**Strategic:** To counter Chinese maritime influence, India has secured access to the key Port of Duqm in Oman for military use, reconnaissance aircraft, and logistical support. Recently, India had deployed an attack submarine to Duqm port in the western Arabian Sea.

**Duqm port:** It is situated on the southeastern seaboard of Oman, overlooking the Arabian Sea and the Indian Ocean. It is strategically located, near the Chabahar port in Iran. With the Assumption Island being developed in Seychelles and Agalega in Mauritius, Duqm fits into India's proactive maritime security roadmap.





**Economic:** Port of Duqm also has a special economic zone, where Indian companies invested around \$1.8 billion. The Adani group had signed an MoU with Duqm port authorities in recent years.

In the context of strategic oil reserves near Duqm, India had extended an invitation to Oman to participate in building strategic oil reserves in India.

**MoU in various fields:** To strengthen bilateral defence ties, both countries had signed the MoU on Military Cooperation, in 2005 and renewed it in 2016. Another MoU was signed in 2016 on cooperation in maritime security and between Coast Guards of the two countries. Both countries are also committed to supporting each other towards promoting regional peace and security, counter-terrorism, information-sharing and capacity-building, etc

**Also read:** [India, Oman agree to isolate sponsors of terror](#)

## 9 PM Compilation for the Month of February (First Week), 2022

### INDIA-MYANMAR RELATIONS

#### 3. A year on from Myanmar's 'annus horribilis'

**Source:** This post is based on the article "A year on from Myanmar's 'annus horribilis'" published in The Hindu.

**News:** February 1 marks one year of military seizing power in Myanmar. The decade-long experiment of hybrid Democracy ended, paving way for violence, oppression and instability.

**What is the background of the issue?**

**Read here:** [Political crisis in Myanmar](#)

**What has been the result of the military takeover?**

The opposition formed a parallel government named **National Unity Government**. But it lost momentum and Myanmar denounced it as a terrorist. The national economy has weakened as pointed by [World Bank](#) terming it as critically weak. Government support to manage the pandemic was also greatly impacted.

**What has been ASEAN's role in Myanmar's development?**

[ASEAN](#) persuaded the senior general of Myanmar to accept a **five-point consensus**. It included cessation of violence, national dialogue and mediation by ASEAN. When Myanmar did not implement this, The senior general was barred from ASEAN summits.

The Cambodian Prime Minister has adopted a softer approach, which is backed by Thailand and Laos. It seeks compromise on denial of access to Suu Kyi to ASEAN mediators and little dilution of the 2008 Constitution.

**Read here:** [ASEAN's Initiative to End Political Crisis in Myanmar](#)

**What is the role of other players?**

**The West** was unable to comprehend the dynamics of power as the USA and EU failed to resolve the issues in Myanmar. The policy of imposing sanctions has been ineffective.

**China, the principal player:** China has enormous leverage in golden land through control over separate ethnic armed organisations and projects like the Belt and Road initiative. China also protects the military regime in the Security Council via veto.

But Myanmar rulers also desire independence and balance in their external policy. **Japan** understands this, but it is acting alone and cannot make much difference.

**What is India's policy towards Myanmar?**

India is always happy to work with fellow democracies. But it is not keen on exporting democratic values to other countries. India supports diplomatic efforts through the UN and through ASEAN. India also engages in humanitarian efforts by providing 1 million made in India vaccine doses.

India is following a **two-track policy** of supporting democracy and maintaining cordial relations with the government in power. Guided by realism and pragmatism, India is driven by the desire to protect India's interests.

## 9 PM Compilation for the Month of February (First Week), 2022

Read here: [India's strategy for Myanmar](#)

### What should be the way forward for India?

India has to discourage the mass influx of refugees, check cross-border insurgency in the northeast, safeguard ongoing projects and investments and also counter China's growing influence.

Read here: [Why India must engage with Myanmar](#)

### INDIA-CHINA RELATIONS

#### 4. Explained: The Pakistan-China relationship

**Source:** This post is based on the article "Explained: The Pakistan-China relationship" published in Indian Express.

**News:** Recently, Rahul Gandhi blamed the central government for weakening the country and bringing Pakistan and China together.

### How does Pakistan and China relations develop?

**Recognition:** Pakistan had recognised the People's Republic of China after India and established diplomatic ties in 1951. But, due to Pakistan's membership in SEATO and CENTO – US-led anti-communist military pacts, it was seen as part of the non-Soviet bloc. While China is part of the soviet.

**War:** Both countries developed close relations during the India-China war of 1962. China also supported Pakistan diplomatically in the 1965 India-Pakistan war.

**Boundary Agreement:** In a boundary agreement, Pakistan ceded the Shaksgam Valley or the Trans Karakoram Tract to China. It is part of the Hunza-Gilgit region of Pakistan-occupied Kashmir and is a territory of India but controlled by Pakistan. The agreement laid the foundation of the Karakoram highway, built jointly by China and Pakistan in the 1970s.

**Nuclear cooperation:** China has played a significant role in helping Pakistan develop its nuclear energy technology, especially after India tested its nuclear device in 1974. In 1986, both countries signed an agreement to facilitate the transfer of civil nuclear technology. In 1991, China agreed to supply Pakistan with its indigenously developed Qinshan-1 nuclear power plant.

**Kashmir:** India's move to abrogate [Article 370](#), bring both countries closer.

**Also read:** [China unmoved by U.S. bid to discuss Masood Azhar in UNSC](#)

**Economic:** Pakistan's economic dependence on Beijing has increased in recent years. China also invested a lot in [CPEC](#) under its [Belt and Road Initiative \(BRI\)](#) initiative.

**Defence:** The Pakistan Army has procured Chinese-made battle tanks, combat drones. Pakistan endorses China's position on core issues including the South China Sea, Taiwan, Xinjiang, and Tibet.

Read here: [China exports warship to Pak., to be deployed in the Indian Ocean](#)

## 9 PM Compilation for the Month of February (First Week), 2022

**Afghanistan angle:** China saw an opportunity in Afghanistan. China also held that Afghanistan should not be used as a base for East Turkestan Islamic Movement (ETIM) attacks. For this, China needs support from Pakistan.

### India-China relationship

Both countries adopted the same anti-colonial, non-aligned approach and gave slogans like **Hindi-Chini Bhai Bhai**. The **1988 rapprochement** saw a shift of China policy where it now saw India from an economic lens and focused on trade, while separately talking to India on the border dispute.

In 1996, the then Chinese President didn't mention Kashmir explicitly in his speech. During the Kargil conflict of 1999, China advised Pakistan to withdraw troops and solve conflicts through peaceful means. China also asked both countries to respect the line of control in Kashmir and resume negotiation as per Lahore declaration.

A similar cautious approach was adopted by China after the Parliament attack in 2002, the Op Parakram buildup, the Mumbai terror attack, Balakot airstrikes. China also acknowledge blocking Jaish-e-Mohammad chief Masood Azhar's designation as a global terrorist in March 2019 at the UNSC summit.

**Read here:** [India – China Bilateral Relationship Demands a Minimalist Approach](#)

But, with US-India nuclear deal and close relationship, there was a change in China stand. Since 2013, China indulges in border stand-offs in Depsang, Chumar, Doklam and eastern Ladakh.

**Read here:** [China-India Relations and India's Weakening Geo-Political Position](#)

GS2 – INTERNATIONAL RELATIONS – INDIA-UK RELATIONS

### 5. India calling with quite a lot of trade in mind

**Source:** This post is based on the article “India calling with quite a lot of trade in mind” published in The Hindu.

**News:** Recently, India and UK formally launched the negotiations for free trade agreement (FTA).

#### Why India and UK trade deal will be “a new age FTA”?

**One,** negotiations are aimed at achieving a “fair and balanced” FTA. It covers more than 90% of tariff lines. It will not only cover goods, services and investments, but it will also include intellectual property rights, geographical indications, sustainability, digital technology and anti-corruption.

**Two,** both countries are respecting sensitive issues of each other. Hence, there can be an interim pact to cover low-hanging fruit, which will be followed by a full-fledged FTA. Since India has a poor record in concluding FTAs, that's why it can be a good strategy.

#### Why concluding FTA with the UK is important for India?

## 9 PM Compilation for the Month of February (First Week), 2022

**One**, since the pandemic has disrupted the supply chains, India cannot afford to lose more time in restructuring. Hence, India is showing new seriousness and negotiating 16 new trade pacts with different countries.

**For example**, Canada, the United States, the European Union and South Korea. The India-U.K. FTA will be the next in line after FTA with the UAE and Australia.

**Two**, new trade blocs in the Indo-Pacific such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are gaining significance. Hence, the government is showing flexibility in engaging with its partners to balance trade pacts.

**Three**, China's economic power and influence is increasing. Hence, strategic partnerships without strong economic relations have no meaning in the Indo-Pacific.

### Why UK is interested in finalizing trade deal with India?

**First**, to adopt a more robust Indo-Pacific strategy. Also, the U.S. which is U.K.'s closest ally is focusing more on Indo-Pacific and the U.K. also recognizes the importance of a free and open Indo-Pacific.

**For instance**, Australia, the United Kingdom, and the United States (AUKUS). It has given UK a greater voice in the region.

**Second**, trading implications of Brexit and changing approach towards China requires a diversification of trading partners. The U.K. is also trying to find out a direction and purpose to its post-Brexit foreign policy through its Indo-Pacific tilt.

**Three**, the Integrated Review of British foreign, security, development and defence policy was released in March 2021. It underlined that the UK will deepen its engagement in the Indo-Pacific to establish a greater presence. Hence, a trade deal with India is critical to integrate the U.K. economically to the Indo-Pacific.

**Four**, trade and investment are a key dimension which has necessitated greater access to non-EU markets. And, Indo-Pacific is now largely the force behind global economic growth.

**Five**, the U.K. is looking to reap the benefits of its historical connections. It also wants to increase its credibility with respect to efforts made to combat climate change. It will help in establishing the UK as a serious player in the region.

**Six**, Indian economy is rapidly growing, and the trade deal will help UK to increase its access to new market across numerous industries from food and drink to services and automotive.



#### 6. We should expect the economic cost of the closed minds to increase

**Source:** This post is based on the article “We should expect the economic cost of the closed minds to increase” published in Live Mint.

**News:** Although the Omicron variant has not caused the expected damage and this is seen as a positive development in global fight against the pandemic. However, the **World Bank’s biannual Global Economic Prospects report** shows that the effect of the pandemic is far from over.

#### What are the predictions in the report for global economy?

It forecasts that **global economic growth will slow** to 4.1% in 2022, from 5.5% last year. This is because **governments globally are losing the capacity to provide further fiscal support** because of rising debt burdens, supply-chain bottlenecks that impede the flow of goods and services, and resultant rising inflation. This also means that several economies are at **high risk of debt distress**.

**Energy prices** will **surge** further.

Although the report projects a **high growth rate for some economies** like 10% for Argentina, 8.3%, for India but there is a catch in this statistic. This growth is the result of the **base year effect**, as the pandemic caused a contraction in many of the economies in 2020.

Usually, emerging market and developing economies (EMDEs), helped by their lower base, grow faster than advanced economies. But, they will perform poorer than advanced economies in 2023. This is because EMDEs have limited policy space to provide additional support.

#### What are the reasons for this uneven growth?

One of the main reasons for the uneven recovery is the recent growth of **hyper nationalism**. It is typically **disastrous for an economy in the long run**.

Countries under the influence of hyper nationalism try to become self-sufficient by **raising barriers to trade, capital and ideas from elsewhere**.

#### What are the possible implications of this hyper nationalism?

This **may stagnate growth** (*as happened in Argentina in the early decades of the 20th century*) and **prevent the development of the society**.

In this globalized world, new ideas and research is emerging everywhere. Countries should try to absorb the **best from everywhere**, and uphold the vision of a **common human identity**.

## 9 PM Compilation for the Month of February (First Week), 2022

GS2 – INTERNATIONAL RELATIONS – Effects of policies and politics of developed and developing countries on India's interests

### 7. Why UNSC joint statement on nuclear weapons is important

**Source:** This post is based on the article “Why UNSC joint statement on nuclear weapons is important” published in the Indian Express.

**News:** Five permanent [United Nations Security Council](#) (P5) members have pledged to avoid the ongoing arms race and to prevent the proliferation of nuclear weapons.

This pledge was made ahead of a review of the [Non-Proliferation Treaty \(NPT\)](#), 1970.

#### What is the pledge made by P5 members on nuclear proliferation?

P5 members emphasized on:

- Creating a **secure environment** by working together with the ultimate goal of having a world without nuclear weapons.
- Adopting **bilateral and multilateral diplomatic approaches** to avoid military confrontations and to increase mutual understanding and confidence.
- Engaging in **constructive dialogue** with mutual respect and acknowledgement of each other's security interests and concerns

**Read here:** [Non-Proliferation: World powers vow to stop spread of nuclear weapons](#)

#### How could world countries avoid nuclear proliferation?

According to UN Secretary-General António Guterres, the following approaches need to be adopted:

**First**, member states should move towards nuclear disarmament.

**Second**, Countries should adopt new measures of “transparency and dialogue.”

**Third**, Member states should address the boiling nuclear crises in the Middle East and Asia.

**Fourth**, Countries should strengthen the existing global bodies that support non-proliferation, including the [International Atomic Energy Agency \(IAEA\)](#).

**Fifth**, Member states should promote the peaceful use of nuclear technology

**Last**, Member states should remind “the world's people – and especially the young ones – that eliminating nuclear weapons is the only way to guarantee that it will never be used.

#### Why is maintaining world peace important?

According to **Gandhiji**, the **Right to peace** is an essential framework for all human rights and to maintain it is the work of everyone, regardless of vocation, profession, or discipline.

## 9 PM Compilation for the Month of February (First Week), 2022

**Justice Oliver Wendell Holmes Jr.**, called “education in the obvious” precisely **peace education**. This is required at multiple levels, ranging across the planetary, global, supranational, regional, national, and local levels of social cognition and action. As these spheres are intensely related, critical and transformative.

**UN Resolution 39/11** also proclaims that the peoples of our planet have a “**sacred right to peace**” and declares that the “preservation of the right of peoples to peace and the promotion of its implementation constitute a fundamental obligation of each State.

**UN Resolution 53/243 B**, declared a programme of **action for a culture of peace** (1999). It owes a great deal to Gandhi’s legacy and mission.

### 8. On Ukraine crisis: Brinkmanship over Ukraine doesn’t bode well for India

**Source:** This post is based on the article “**Brinkmanship over Ukraine doesn’t bode well for India**” published in the Livemint.

**News:** With Russia building up tanks and troops along Ukraine’s eastern front, the atmosphere of war has been created.

#### What is the historical background of Ukraine?

The territory of Ukraine was established in the **ninth century as Kievan Rus** on the banks of the Dnieper River.

In **medieval history**, western and northern Ukraine had been occupied by Poland and southern Ukraine by Tartars (descendants of Mongol invaders).

In the **17th century**, Cossacks recovered much of the territory from Poland and established a Hetmanate that is the forerunner of today’s Ukraine. This Hetmanate entered into various treaties with Imperial Russia that made it a vassal state.

**18th century:** Russia annexed much of the territory of today’s Ukraine and Crimea during this period. When the **Bolshevik revolution** established the Soviet Republic in Russia, Ukraine was engaged in a civil war for independence.

In **1921**, the **Ukrainian Soviet Socialist Republic** (UkSSR) was established, when the Red Army conquered two-thirds of Ukraine. The western third became a part of Poland. In Russia, the Ukrainian territory has been referred to as “**Little Russia**“. In a surprise move, Soviet leader Nikita Khrushchev transferred Crimea to Ukraine, despite an ethnic composition in Crimea that was two-thirds Russian.

After the fall of the Soviet Union, Ukraine declared independence in 1991. A new democratic constitution was adopted in 1996 and a new currency hryvnia (a Kievan Rus term) was introduced.

**Read here:** [About the historic Russia Ukraine conflict](#)

#### What is the Russian stand on the ongoing crisis?

According to Russia, Russians and Ukrainians are one people, and “**Russians, Ukrainians, and Belarusians are all descendants of Ancient Rus**”, which was the largest state in Europe.

To stop this crisis, Russia also offered to fully withdraw its troops and missiles from its eastern front. But, in return, it wanted that Ukraine should not be allowed to join Nato.



## 9 PM Compilation for the Month of February (First Week), 2022

Read here: [Dire strait: on Russia-Ukraine sea clash](#)

### What is the reaction of West Countries?

West countries will put sanctions on Russia if it tries to invade Ukraine. It will include cutting off Russian access to the **international payment system called Swift**, which will have severe economic consequences on the Russian economy.

Read here: [What is the present status of Russia-West relations?](#)

### Why Ukraine-Russia conflict is bad for India?

Read here: [Explained: What is India's stakes in its ties with Ukraine and Russia?](#)

GS2 – INTERNATIONAL RELATIONS – INDIA-CHINA RELATIONS

## 9. Go cold on China: India right to diplomatically boycott Winter Games

**Source:** This post is based on the article “Go cold on China: India right to diplomatically boycott Winter Games” published in Times of India.

**News:** India has recently joined leading democracies diplomatically and has decided to boycott the Beijing Winter Olympics.

### Why India's decision is right?

**One**, China has made PLA regiment commander involved in the 2020 Galwan clashes the torch bearer in the Olympic relay. Therefore, China has politicized the Games.

**Two**, due to China's human rights violations, the US and UK, Canada, Australia, Estonia, Lithuania, Belgium, Kosovo and Denmark had announced diplomatic boycotts of the Games. These countries constitute a sizeable 35% of the global GDP.

**Three**, countries like Japan and ASEAN are well-performing, but their relation with China is also becoming unstable in recent years. It will give a larger message to China that its political and security misadventures will not be costless.

**Four**, many dignitaries who will attend the winter games will be from authoritarian countries. The clear difference between global appreciation for China during the 2008 Summer Olympics and the differences with important countries in Winter Games will give a message to China that it is going wrong.

### What is the way forward?

**First**, India has aligned with other major democracies on the issue, which shows the future course. India should align with other powers for coordinated responses whenever possible.

**Second**, Russia and China's closeness is growing. However, if India need Russia's weapons, then Russia also needs India's arms orders. Hence, it is not tough for India to solve this problem and form a strategy for China.

#### 10. **Pendency of cases in Supreme Court: The supreme failure**

**Source:** This post is based on the article “**The supreme failure**” published in **The Hindu**.

**News:** Supreme Court of India has delivered judgment on many important matters like [Decriminalizing homosexuality](#), the [Right to privacy a fundamental right](#), etc, and brace the belief in republican values like equality, liberty, etc.

But still, many important cases are pending for the final judgment. This has serious repercussions on the fundamental rights of citizens and core republic values.

#### **What are the significant cases pending in front of the Supreme Court?**

According to **Vidhi Centre for Legal Policy**, there are 25 main cases pending before the five-judge constitution bench and five cases each pending before the seven-judge and nine-judge benches. Some of the important cases pending in SC:

- Challenging constitutionality of [Citizenship \(Amendment\) Act, 2019](#).
- Challenging [Presidential order that diluted Article 370 and split Jammu Kashmir into two Union Territories](#)
- Challenging the [constitutionality of the 103rd Amendment Act, 2019](#)
- Constitutional [challenge to the electoral bonds scheme](#)
- **Vivek Narayan Sharma v. Union of India case:** It's been in the SC for more than 5 years. This case is related to the legality of demonetisation of all ₹500 and ₹1,000 notes. According to RBI, demonetisation went horribly wrong because more than 99% of the cash came back into the banking system. SC did not hear this case since September 2, 2019.

#### **What is the way forward for Supreme Court?**

According to **Granville Austin**, SC is the custodian of law. It should fulfil its custodial responsibility by making sure that the law applies fairly to all citizens. It should also make sure to deliver the judgments in a time-bound manner.

## 9 PM Compilation for the Month of February (First Week), 2022

### GS2 – SOCIAL ISSUES – ISSUES RELATED TO CHILDREN

#### 11. The case for vaccinating children against Covid-19

**Source:** This post is based on the article “**The case for vaccinating children against Covid-19**” published in **The Hindu**.

**News:** Protecting all children, especially those who have risk factors, should be a humanitarian priority for the Government.

#### How many children’s deaths are because of covid 19?

**Brihanmumbai Municipal Corporation’s COVID dashboard** showed 16,426 total deaths, of which 19 were in children below 10, and 43 in children between 10-18 years (total of 62 or 0.38%).

January’s data from **UNICEF** show that 0.4% of a total of 3.5 million COVID-19 deaths were in children and adolescents. India’s reported deaths were 4.86 lakh till January 17, 2022. Among these, child deaths at a 0.4% rate would amount to 1,944.

**Independent analysis** by expert epidemiologists estimated a six to seven-fold higher number of deaths, suggesting a far higher number of child deaths.

#### What are the diseases developed in children after Covid-19?

**Multisystem Inflammatory Syndrome (MIS):** According to statistics, India showed 5% mortality among 800 children hospitalized for MIS. Among these, more than half required intensive care and prolonged hospital stay.

**Read here:** [Paediatric Inflammatory Multisystem Syndrome](#)

**Diabetes:** According to the U.S. Center for Disease Control and Prevention (CDC), on 80,893 children (below 18 years), the incidence of post-COVID-19 diabetes was 31 per 10,000 versus control, 11.8/10,000 after other respiratory infections.

#### What are the other diseases that are prevalent among children of India?

It is estimated that 2,00,000 children are born with congenital heart defects every year in India. New cases of cancer in children are about 50,000 per year. A huge number of children also suffering from neurological disorders.

According to a **United Nations estimate**, about 40 million in India are disabled due to various diseases, among whom over 7% are children. India has the second-highest number of obese children in the world (~14.4 million). The burden of childhood nephrotic syndrome annually is about 1,40,000. Sickle cell disease is highly prevalent in the tribal populations in India. The **Indian Society for Primary Immune Deficiency estimates** that over a million children have primary immune deficiency disease.

Considering the data, there is an urgent need to vaccinate children against COVID-19 and protect them from its severe damages.

#### Which vaccine should be allowed to vaccinate children against Covid?

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There are vaccines which are having serious adverse reactions like mRNA vaccines and Adenovirus vectored vaccines. This needs to be avoided for children.

**Read here:** [Should children be giving COVID 19 jabs](#)

Children should be vaccinated with vaccines that have little or no risks of serious adverse reactions.

**Also read:** [Expert panel okays use of Covaxin in 2-18 age group](#)

GS2 – SOCIAL ISSUES – ISSUES RELATED TO CHILDREN

### Child Education

#### **12. An exploration of why children are learning little in classrooms**

**Source:** This post is based on the article “**An exploration of why children are learning little in classrooms**” published in **Livemint**.

**News:** It has been observed that a massive proportion of children are lacking in basic language and mathematics. The same thing has also been noticed by National Education Policy.

#### **Why are children between 0-6 yrs lacking in basic language and maths?**

**Capacity to learn:** All children have the capacity to learn. Some disabled children may not have this capacity.

**More children in class:** Perhaps children are distracted from learning and do things that interest them more, like social interactions with their friends.

**Financial condition:** There can even be external distractions like hunger, disturbed home environment, and other obstacles created by poverty. For instance, a lack of basic learning is often found in children from poor families.

**Read more:** [Early Childhood Care and Education \(ECCE\): Anganwadis should provide early childhood care and education](#)

#### **What should be the way forward?**

**First,** The perception that “**children of the poor are dull and never learn**” should be changed. Teachers should understand that all the children have the capacity to learn

**Second, Curriculum should be updated** according to the interests of the children. Teachers should also make the curriculum more excited and interesting

**Third,** Teachers should **understand the obstacles** which children are facing and should be sensitive towards that specific obstacle that each child faces.

**Fourth,** the **Stakeholders approach** should be adopted where the schools will be equipped with adequate resources and hunger should not be a problem in education.

**Read more:** [School education: Children and schooling in the post covid 19 era](#)

## 9 PM Compilation for the Month of February (First Week), 2022

### GS2 – SOCIAL ISSUES – RESERVATION AND RELATED ISSUES

#### 13. Interrogating the false merit-reservation binary

**Source:** This post is based on the article “Interrogating the false merit-reservation binary” published in **The Hindu**.

**News:** Recently the Supreme Court has upheld the admissions notice of NEET-2021 in view of implications on public health due to delay in medical admissions and hearing on the validity of the ₹8 lakh limit is listed for March.

#### What was the case?

The case was related to resolution of the issues around the implementation of Other Backward Classes (OBC) and economically weaker sections (EWS) quotas in the National Eligibility cum Entrance Test (NEET)-All India Quota (AIQ) admissions to medical colleges.

AIQ is a judicially created category where 15% of undergraduate seats and 50% of post graduate seats are filled on a domicile-free, all-India basis.

The Government had decided to extend the existing Scheduled Caste and Scheduled Tribe reservations within this category to provide for OBC reservations.

However, the petitioners had challenged the order on the grounds that the implementation of OBC reservation would affect professional merit.

Moreover, they have also challenged the EWS reservation because of ₹8 lakh income limit for EWS reservation.

#### What is the significance of the judgement?

**First**, this judgement has the potential to settle the merit versus reservation debate. The judgement has given more importance to substantive equality rather than formal equality. The intent of the framers was to remove structural barriers that prevented the realization of equality of opportunity.

**Second**, the court has said that individual difference cannot be used to negate the role of reservation in remedying the structural disadvantage suffered by some groups.

**Third**, the court has reiterated that reservations under Article 16(4) is not an exception but an extension of the principle of equality under Article 16(1). In **K.C. Vasanth Kumar vs State of Karnataka** (1985), the court had criticized the purely economic understanding of reservation and the rigid nature of the socio-cultural institution of caste.

Hence, reservations are crucial for achieving the goal of equality of opportunity and status amongst all citizens.

**Fourth**, it has also recognized the role of cultural capital. The cultural capital ensures that a child is unconsciously trained by the environment to take up higher education or high posts based on family's standing.

Hence, it is a disadvantage for first-generation learners and for individuals who come from communities whose traditional occupations are not helping them to perform well in open examination.



## 9 PM Compilation for the Month of February (First Week), 2022

**Fifth**, more focus on merit results in exclusion, legitimize community linkages and reaffirms social hierarchies. The judgement has relied on the judgement in **B.K. Pavitra vs State of Karnataka**.

It says that efficiency of administration is not an ideal which can be measured by the performance of a qualified open category candidate.

**Sixth**, the judgement has also questioned examination as a measure of merit. It says that there is an indirect and weak link between what examinations measure and what tasks the candidate is supposed to perform. Hence, exams can only reflect the current competence of an individual but not the range of their potential, capabilities or excellence.

### What is the way forward?

**First**, EWS reservation has fixed the same income limits for 'creamy layer' OBC and EWS, but it has not considered the question of cultural capital. Hence constitutionality of it has to be reviewed by the judiciary.

**Second**, efficiency of administration must be defined in an inclusive sense. The diverse segments of society should find representation in governance. Hence, there is a need to rectify prejudicial stereotypes.

**Third**, there is a need to redesign examinations to make them free of linguistic, class, school boards, and regional bias. It will help in democratizing access to higher education.

**Fourth**, the judgement has recognized the existence of social privileges that hide behind merit. Hence, it highlights the need of caste census that can reveal privilege accumulation and warn us against conservative policy demands.

## GS2 – INTERNATIONAL RELATIONS – INDIA AND ITS NEIGHBORHOOD

### 14. Explained: The India-Israel relationship

**Source:** This post is based on the article " **Explained: The India-Israel relationship**" published in **Indian Express**.

**News:** Recently India and Israel had marked 30 years of full diplomatic relations. Despite the ongoing Pegasus controversy, leaders of both countries congratulate each other on this occasion.

**Read here:** [India and Israel relationship: Namaste, Shalom to friendship](#)

### About India- Israel relations

**1990:** Though India recognized Israel in 1950, normalization took another 4 decades. This was aided by the weakening of Arab support to Palestine. This improved further after the break-up of the Soviet Union.

**1992:** While there were defense deals and cooperation in S&T and agriculture, India balanced its ties with its historical support for the Palestinian cause, its dependence on the Arab world for oil, and the pro-Palestinian sentiments of the country's Muslim citizens.

## 9 PM Compilation for the Month of February (First Week), 2022

**2000:** L K Advani became the first Indian minister to visit Israel. The same year, Foreign Minister also visited Israel. The two countries also set up a joint anti-terror commission in that year.

**2003:** Ariel Sharon became the first Israeli Prime Minister to visit India.

**2017:** The year marks the first visit of the Indian Prime minister to Israel. With [Abrahamic accords](#) in 2020, UAE, Sudan, Bahrain, and Morocco normalized relations with Israel. This has made India more confident of its relations with Israel.

**Read here:** [India – Israel relationship at a glance](#)

### About India – Palestine relations

Despite Indo-Israel ties, India is walking the tightrope between Palestinian and Israel cause. This was evident in India's statement in [UN Security Council](#) where India held Israel responsible for violence and explicit strong support to just Palestinian calls and a two-state solution. Earlier, India went to the extent of backing Palestinian self-determination and even rallied behind the Palestine Liberation Organization(PLO) and its leader Yasir Arafat.

**Read here:** [Indian Model presents a viable solution to Israel-Palestine Conflict](#)

India also voted for Palestine to become a full member of [UNESCO](#) in 2011. In 2012, it co-sponsored the UN General Assembly resolution that enabled Palestine to become a “non-member” observer state at the UN without voting rights. India also supported the installation of the Palestinian flag on the UN premises in September 2015.

**Read here:** [India's Palestine policy](#)

### How there is a shift in India's policy towards Israel and Palestine?

The first big shift came in 2017 when India dropped the customary line in support of East Jerusalem, the capital of Palestine. Indian PM visit to Israel did not include Ramallah, which was the customary practice.

But the balancing act has continued. Indian PM made a separate visit to Ramallah in 2018. He calls for an independent Palestinian state. India abstained at UNESCO in December 2017 and voted against the recognition of Jerusalem as Israel's capital.

At UNHRC's 46th session in Geneva in 2021, India voted against Israel in three resolutions – the **right of self-determination of Palestinian people, Israeli settlement policy and on human rights situation on Golan Heights**. [India abstained on fourth resolution](#) which asked for UNHRC report on the human rights situation in Palestine.

In 2021, International Criminal Court claimed jurisdiction to investigate human rights abuses in Palestinian and blamed the Israeli security forces and Hamas for the same, India refused to take any stand on the same.

**Read here:** [India's Stand on Palestine and Israel Conflict](#)

## 9 PM Compilation for the Month of February (First Week), 2022

GS2 – GOVERNANCE – GOVERNANCE RELATED ISSUES

### Urban Governance

#### **15. FM call for paradigm change in urban planning ‘opportunity of a lifetime’: Experts**

**Source:** This post is based on the article “**FM call for paradigm change in urban planning ‘opportunity of a lifetime’: Experts**” published in the **Indian Express** on **2nd February, 2022**.

**News:** On emphasizing urban planning, Finance Minister (FM) said when India will celebrate its 100th Independence Day, nearly half the population would be in urban areas.

**Must read:** [Union Budget 2022-23: Highlights, tax proposals, concerns – Explained, pointwise](#)

**What is the announcement on urban planning from budget 2022-23?**

FM said that urban planning will help India realize its economic potential, including livelihood opportunities for the demographic dividend. To achieve this, there is a need for a **paradigm change**, like

- India needs to nurture the megacities and their hinterlands to become current centers of economic growth.
- India needs to facilitate its tier 2 and 3 cities. There is a need to reinvent cities into centers of sustainable living with opportunities for all, including women and youth.

**What is the need for urban planning?**

**First**, Indian urban planning is still working on philosophies of the socialist era. It is characterized by a **command and control approach**, **license-permit raj**, and an **anti-market outlook**. This brings more problems and harm to the poorest section of the urban population. So, it urgently needs reform and liberalization.

**Second**, Urban planning is missing in most of the Indian cities “as their growth trajectory determined by realtors”.

**What is the significance of good urban planning?**

According to experts:

- well-planned urbanism will add to the GDP and contribute to economic growth.
- Involvement of various stakeholders at multiple levels and emphasis on paradigm change will help to make the urban sector perform better.

**Read more:** [Urbanisation and the Need for Sustainable Cities – Explained, pointwise](#)

**What steps should the government need to adopt for better urban planning?**

- Lay plans that address specific problems and characteristics of specific cities.
- Ensure good public transport is present in these areas.
- Focus on creating mobility grids that would connect the secondary cities to megacities.

**Read more:** [NTI Aayog Launches Report on Reforms in Urban Planning Capacity in India](#)



# General Studies Paper - 3

#### GS3 – INDIAN ECONOMY – INCLUSIVE GROWTH AND ISSUES ARISING OUT OF IT

##### 1. For the finance Minister to note

**Source:** This post is based on the article “**For the finance Minister to note**” published in **The Hindu**.

**News:** World Inequality Report 2022 has pointed out that India is now among the most unequal countries in the world. Inequality today is as great as it was at the peak of western imperialism in the early 20th century. The pandemic has only worsened it.

**What does the report say about the inequality in India?**

Read [here](#).

Nations have become richer, but governments have become poor. Global multimillionaires have captured a disproportionate share of global wealth growth over the past several decades. And companies continue to devise novel ways to escape the taxation.

**What are the factors that may lead to an increase in inequality?**

Government have recently tried to **lower the tax rates**.

- This reduces government revenue at a time of growing public deficit and declining public wealth.

- Also, due to lower taxation on corporates, High-income individuals choose to incorporate their business so that they can shift income from personal income tax to corporate tax.

Further, there has been recently a lot of discussion around the issue of **global minimum taxation**.

- Around 130 countries had in July 2021 agreed for the introduction of the global minimum tax of 15% on MNCs. This is lower than what working class and middle-class people in high-income countries pay.

- Most of the Big MNCs are working in the digital space like Metaverse, Microsoft, etc but as the digital access has not been equitable it will be a challenge to implement the proposed global minimum tax.

**What are the possible positive implications of global minimum tax on India?**

Read [here](#).

**What are the apprehensions regarding India joining the implementation of global minimum taxation?**

Read [here](#).

**What is the way forward?**

The World Inequality Report suggested a minimum global tax on MNCs at 25%.

MNCs and their shareholders have been the main winners from globalisation. Their profits have boomed due to the ever-closer integration of world markets. Therefore, there is need for a socially conscious policymaking that supports equity.

#### **UNEMPLOYMENT IN INDIA**

##### **2. A hazy picture on employment in India**

**Source:** This post is based on the article “**A hazy picture on employment in India**” and “**Govt can’t create jobs**” published in **The Hindu and Business Standard**.

**News:** This article says that the employment data in India is not consistent and does not show a clear pattern.

The two important indicators of structural transformation in any economy are rates of growth and changes in the structural composition of output and the workforce.

India has experienced fairly consistent changes in the first indicator, especially after the 1991 reforms, but the trend in employment has not revealed any consistent or clear pattern.

**What are the challenges associated with the pattern of employment as revealed by the PLFS survey?**

Between 2019-20 and 2017-18, 56.4 million new jobs were created but 57.4% of this were created in the agriculture and allied sectors, 28.5% in services, and 14.5% in industry.

This shows only a small increase of jobs in the manufacturing sector and labor shift out of agriculture is not happening.

The growth of jobs in the agriculture sector reveals that among the young educated labor force only a few succeeded. This is due to the capital-intensive nature of industries and labor-displacing technologies.

The rising share of industry and services in national income without an increase in employment share raises questions on the relevance of conventional models of economic growth and development.

**What are the problems/challenges in creating jobs?**

**One**, there is **no clear separation between agricultural, manufacturing, or services and formal or informal business**. For example, agriculture is consolidating and gradually becoming partly manufacturing and partly services too.

Similarly, most manufacturing companies have realized the need to redefine themselves as service providers in order to deliver customer value. Hence, it is difficult to devise policies for job creation in specific sectors.

**Two**, **fixed-term labor contracts were introduced in the 2018 budget**. But it did not result in growth in employment over the last four years. Hence, there is a question of whether job creation initiatives work.

Similarly, Incentives are given for formalizing jobs through subsidies on social security contributions. But it is not known that the rise in payroll employment is creating additional jobs or a mere transfer from informal to formal jobs.

**What is the way forward?**

**First**, labor laws should be amended to encourage industries to adopt labor-intensive production and provide employment-linked production incentives.

## 9 PM Compilation for the Month of February (First Week), 2022

**Second**, the prime minister's economic advisory council should include corporate and business data analysts with access to real-time data from not only government sources but also private players.

**Third**, the government should increase investments in information flows about jobs and skilling. For example, releasing monthly payroll information to know formal jobs.

**Fourth**, the government should first understand how the economy works and how jobs are created, what skills are in demand, then only better policy responses can follow.

### Goeconomics

#### 3. Doing Business in a New World

**Source:** This post is based on the article “**Doing Business in a New World**” published in **Indian Express**.

**News:** Recently, Luttwak an american strategist discussed the legacy of the Indian strategist late K Subrahmanyam and addressed the emerging consensus on the importance of economics in global affairs.

#### **What is current scenario of Indian economy?**

India's is recovering after a slowdown and its geopolitical significance will continue to rise. India's total trade is expected to touch \$1.3 trillion this year which is about 40 per cent of India's GDP. India could cross \$8 trillion and become the third-largest by the end of the decade. But the world is geo-economically changing. Hence, transition for India will be a challenging one

#### **How geo-economics plays a significant role in geopolitics?**

**One**, globalisation which was seen as irreversible is changing. Geo-economic has become an important term now which was used by Edward Luttwak during the end of the Cold War and economic globalisation.

**Two**, the classic example of geo-economics is China's rapid economic rise and its success in leveraging it for political gain. Luttwak has not said that economics will replace geo-politics, but he has offered a more powerful argument on the relationship between geopolitics and goeconomics.

#### **How Luttwak's has explained the relationship between geopolitics and goeconomics?**

**First**, according to him, economic interdependence will not eliminate the disputes among nation-states. Hence, national interest will remain powerful in the economic domain and the geopolitical domain as well.

**Two**, Luttwak propounded that zero-sum situation exists in the economic domain like in military conflict, which sometimes triggers conflicts. Zero-sum is a situation in which one person's gain is equivalent to another's loss.

He further says the replacement of politics by goeconomics will continue, but it cannot be completely replaced. For example, Pakistan. It needs a long transition to move from geopolitics to a developmental state.

## 9 PM Compilation for the Month of February (First Week), 2022

**Three**, he had also warned against illusions of economic interdependence and globalization. For example, US-China relations in recent years.

Capitalist America and communist China have formed a strong economic partnership, which is complemented by the linkage between business elite and civil societies. But economic nationalism has re-emerged. The US is also strengthening domestic research and industrial capabilities to compete more effectively with China. China is also reducing exposure to external factors.

### How India is adapting to new geo-economic order?

**First**, India has walked out from the Regional Comprehensive Economic Partnership (RCEP). India did not accept China-centred regional economic order.

**Second**, India has turned towards free trade agreements with countries like Australia, Britain, UAE, and Israel. India is deepening its engagement with countries whose economies are complementary.

**Third**, India has argued that no large country can leave domestic manufacturing to other countries in the name of economic efficiency and globalisation. That is why India is taking initiatives to promote domestic manufacturing under the banner of “Atmanirbhar Bharat”.

### What is the way forward?

**First**, India's policy must be related to the structural changes in the international economic order.

**Second**, India should find better ways to integrate its financial, trade, technological, security and foreign policies to adapt to the current global geo-economic order.

**Third**, India needs a strategy to build domestic capabilities, develop geo-economic partnerships and construct geopolitical coalitions with like-minded countries.

## GS3 – ENVIRONMENT – CLIMATE CHANGE

### Oil price rise and climate change goals

#### 4. How surging oil prices threaten world's climate goals

**Source:** This post is based on the article “**How surging oil prices threaten world's climate goals**” published in **Down to Earth** on 31st Jan 2022.

**News:** Oil prices globally have seen a massive surge due to reduced supply and increased demand due to economies rebounding from the effects of the COVID-19 pandemic. The geopolitical tensions in Russia-Ukraine are also helping the price surge.

### What are the implications of the price rise?

**Economic aspect:** Companies may be tempted to invest in oil and gas extraction. However, this will **not be profitable in the long term as oil demand will slow down** as governments around the globe have climate commitments and are planning to increase reliance on electric vehicles.



## 9 PM Compilation for the Month of February (First Week), 2022

This may lead to **oversupply and stranded assets**, and **Shareholders could face catastrophic levels of value destruction** as prices fall.

**Environmental aspect:** Not only this investment is unsound economically but has obvious negative implications for the environment. Around **53% of the 34.81 gigatonnes of carbon dioxide** emitted from the burning of fossil fuels in 2020 **came from oil and natural gas**.

This is specially important as wealthy countries have not made commitments to **limit oil and gas production**. Major producers like the United States, Canada and Norway have aggressive production plans in place for the next few years.

**Impact on India:** As India **imports 86% of its crude oil and 55% of gas**. It is thus **heavily exposed to global fluctuations** in the oil markets.

### What is the way forward?

Oil and gas industry is well aware of the energy transition underway— from fossil fuels to zero-carbon renewables and electrification. So to effectively **manage this transition**, they must resist the temptation to invest heavily on short-term price signals

Failure to acknowledge these change involves the **risk of wasting** huge amounts of **capital**, delivering **sub-par returns to investors** and locking-in **emissions that will make the world miss Paris goals**.

### GS3 – ENVIRONMENT – BIODIVERSITY AND CONSERVATION

#### 5. How Auroville can teach us all a thing or two about offsetting

**Source:** This post is based on the article “**How Auroville can teach us all a thing or two about offsetting carbon**” published in **Down to Earth**.

**News:** The Auroville Forest Group, a non-profit in Puducherry, has introduced a new method of increasing tree cover that can mitigate climate change effectively in the future.

Lessons from Auroville can be implemented on a larger scale all over the country.

Auroville, an international town in Puducherry, has planted about three million trees from 1968 onwards.

### How was this achieved?

**Removal of invasive alien species**, planting native tree species and improving the area through various **soil and moisture conservation measures** like building check dams and percolation ponds.

**Protecting trees** from wood cutters and grazing.

Around **30 tropical dry evergreen forest trees were identified** which were indigenous to the town and has potential to sequester one million tonnes of carbon during their lifetime. The program laid emphasis on their plantation.

A methodology was devised to **convert transport details into total emissions**. Here a carbon converter, a greenhouse gas (GHG) emission calculator, a tool using global conversion factor from the GHG Protocol for Corporate Accounting is used.

## 9 PM Compilation for the Month of February (First Week), 2022

Emissions from transportation like flights, cars, buses and trains can be calculated by using the method. Thus, the impact of transport on the environment can be calculated, and the same can be compensated by planting the required number of trees.

### How can this practice be implemented on a large scale?

**Legislation-** Government may bring legislation to emulate the same methodology as the one followed in Auroville. Due **provision for carbon offsetting** can be provided under the Act.

**Tax-** A green tax may be calculated by considering the carbon emissions from cars, buses, trains and flights and the cost of planting the required number of trees and subsequent maintenance. The same **amount can be allotted** to the city corporation or the forest department concerned **for carrying out planting activities**.

**Note-**On a similar line, compensatory afforestation programmes currently are carried out by the state forest departments from the funds allotted by the Centre. This is done under the provisions of the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) act.

### GS3 – INDIAN ECONOMY – INDUSTRIAL POLICY AND GROWTH

#### 6. Amplify e-commerce and help all MSMEs reach markets online

**Source:** This post is based on the article “**Amplify e-commerce and help all MSMEs reach markets online**” published in **Livemint**.

**News:** The author of this article says that to achieve a \$5 trillion economy, India should boost digitalization. It will support MSMEs, ensure GST parity and empower small businesses to venture into the online ecosystem and diversify their operations.

#### What is the significance of digitalization?

**One,** Covid has caused shift in all spheres of lives, economy, education but digitalization and e-commerce have remained a common thread. For example, e-commerce, fintech, ed-tech, medical teleconsultation, online entertainment, virtual travel and work-from-home.

**Two,** it has encouraged innovation and led to growth of enterprises and tech startups. India is now the world's third-biggest startup hub.

**Three,** digitization can help Micro, small and medium enterprises (MSMEs) to survive. For example, inventory management and interface with markets via the e-commerce ecosystem. MSMEs account for 30% of India's gross domestic product (GDP) and constitute more than 40% of exports, but less than 10% of Indian MSMEs sell online and 85% are unregistered.

According to a report by Accenture and the Trust for Retailers and Retail Associates of India, digitizing 10% of India's 13 million kirana stores has the potential of generating an estimated 3.2 million new jobs in the country.

#### How GST is acting as hurdle for MSMEs in transitioning from conventional sales to e-commerce platforms?

## 9 PM Compilation for the Month of February (First Week), 2022

**One**, Goods and services tax (GST) rules increases compliance costs and processes. According to GST Rules, any offline seller with annual turnover under ₹40 lakh engaged in intra-state sales must obtain GST registration to sell online.

**Two**, offline sellers under ₹1.5 crore annual turnover with intra-state sales cannot continue with simplified GST compliance processes under the composite GST scheme if they want to sell online. Hence, even if MSME's turnover does not cross the threshold, it would be required to register itself under GST and fulfil all compliance requirements.

**Three**, MSMEs operating through online platforms are burdened with time-consuming periodical compliance needs like registration and the monthly filing of returns. It prevents them from registering under the GST Network.

**Four**, the difference between registration thresholds for online and offline sellers stop small businesses to venture onto e-commerce platforms. This results in tax revenue loss for the government also.

### **What is the way forward?**

**First**, there is a need to provide an enabling GST ecosystem in the interest of all suppliers, online as well as offline. Policymakers should focus on reducing their compliance burden.

**Second**, there should be similar GST rules and registration process for all MSMEs whether they sell offline or online.

**Three**, there is a need to amend the rules to allow small offline sellers to sell online without needing a GST registration. It will increase GST and income tax collections for the government, improve transparency and efficiency of tax collection.

**Four**, the differentiation of essential from non-essential products and services should be removed and Section 194-O, relating to TDS on payments made to e-commerce participants, should be terminated. It only increases the compliance burden.

### **7. Budget's missed healthcare opportunity**

**Source:** This post is based on the following articles:

**"Budget 2022: Can the finance minister solve India's health challenges?"** published in the **Business Standard**.

**"Budget's missed healthcare opportunity"** published in the **Indian Express**.

**News:** Given the Covid pandemic it was expected that health would be the focus of the budget. But government's focus is more on capital expenditure.

#### **Why is the government focusing on health important?**

An estimated 70,000 crore have been spent on out-of-pocket expenditure by people. This pushed millions below the poverty line. Children have lost two years of schooling. Covid resulted in a 30% shortfall in covering immunisation and reproductive and child health programmes.

Though The budget allocation on health has increased to 83,000 crores, it is only an increase of 16.4% over the previous year.

#### **Why less allocation is a challenge for the health sector?**

**First**, because of the COVID-19 pandemic fiscal space for health is small. And the key priorities of defence, education and subsidies also cannot be ignored.

**Second**, While the Centre bears only 8% of health expenditure, states spend twice that amount. There is a huge divergence in health spending across states, with states like Uttar Pradesh and Bihar becoming major determinants in health outcomes.



## 9 PM Compilation for the Month of February (First Week), 2022

**Third**, improvement in health outcomes needs long-term planning, which is lacking in India.

### **Why investment in health sectors is important?**

Investment in maternal and child health and nutrition will pay dividends with a more capable workforce. Investments in health provide financial risk protection to the population. This can save families from going into poverty.

The window of long-term investment is small. The 26 million children born in India every year are part of human capital that should be converted into an active and healthy workforce.

### **What should be done going forward?**

There should be a **sustained 20-year plan to reach critical milestones** like infant mortality, nutrition, child immunisation, reductions in infectious diseases etc.

India can **learn from the Chinese plan** and long-term investment which pulled millions out of poverty by investing in health.

The national health Mission thus becomes key for attaining long-term health goals in India.

## **8. A betrayal of the social sector when it needs help**

**Source:** This post is based on the article “**A betrayal of the social sector when it needs help**” published in **The Hindu**.

**News:** India continues to rank poorly in various global indices such as the Human Development Index, the Global Hunger Index and others. But, despite this, the budget has put less emphasis on the social sector like health, education and food security.

### **What is the present condition of Indian economic growth?**

Various reports like **Oxfam’s ‘Inequality Kills’** and the **ICE360 survey**, found that the recovery in economic growth in India is **K-shaped**. It means that the incomes of the poorer sections of the society are decreasing, while those of the richer sections are increasing.

India has been experiencing increasing inequality over the last couple of decades. Also, there is stagnancy in real wages and an increase in unemployment after 2016.

### **What are the allocations provided to the social sector in the Budget 2022-23?**

**School Education:** The government acknowledged learning challenges created by the closure of schools. Yet, the government announced an expansion of the ‘**one class, one TV channel**’ scheme instead of allocations of school. The government needs to focus on school infrastructure, teachers vacancies, etc

The budget for school education at ₹63,449 crores is a slight improvement over last year’s ₹54,873 crores (2021-22 budget estimates, BE). Allocation to [PM Poshan](#), has also reduced from ₹11,500 crores last year to ₹10,233 crores this year.

**Public Health System:** Despite the pandemic, the budget for the department of health and family welfare has gone up only 16%. Even, the budget for [jal jeevan mission](#) increased to 60,000 crores, only 44% of allocated funds were spent as of December 2021. Also, the budget for water and sanitation should not be clubbed with health.

**Public Distribution scheme:** Though the national food security act covered only 60% of the population, PDS served as a lifeline during the pandemic period. Eligible persons benefited from additional foodgrains under PMGKAY. But food subsidy of 2.06 lakh crore is only enough to cover NFSA entitlements.

## 9 PM Compilation for the Month of February (First Week), 2022

**Schemes:** Budgets for important schemes such as Saksham Anganwadi, maternity entitlements and social security pensions are around the same as the allocations for last year. The allocation for [MGNREGA](#) at ₹73,000 crores also does not reflect the increased demand for work or the pending wages of ₹21,000 crores.

### How less allocation of resources can affect the social sector?

[International Labour Organization](#), shows that the spending on social protection (excluding health) in India is 1.4% of the GDP, while the average for low-middle income countries is 2.5%. Budgets on health and education have also been low, much below the desirable levels of 3% and 6% of the GDP. This together, can impact the inclusive development of India.

### MGNREGA: Is the govt expecting unemployment levels to change soon?

**Source:** This post is based on the article “**MGNREGA: Is the govt expecting unemployment levels to change soon?**” published in **Business Standard** on 2<sup>nd</sup> Feb 2022.

**News:** Recently finance minister released Union Budget 2022-23.

This article discusses the regressive nature of budget in terms of social welfare.

### Why the budget 2022-2023 appears regressive in nature with respect to social welfare?

**One**, last year only Rs 73,000 crore was budgeted but the allocation for MGNREGA was increased to Rs 1.11 trillion due to pandemic. The funds were utilized within seven months itself and 23 states/UTs used more money than they received but still there are complaints of delay in payments.

This year again MGNREGA budget estimate is again Rs 73,000 crore. It appears that government is expecting jobs to increase.

**Two**, under Pradhan Mantri Garib Kalyan Yojana, 60 per cent of the population, receive 6 kg of free grain and dal. But the budget has not given clarity on its continuance.

**Three**, the mid-day meal scheme saw budget cut in 2021-22 and the Revised Estimate was lower. The scheme has been renamed PM Poshan but the allocation is same this year. If it is adjusted for inflation, it will be lower by 40 per cent.

Poshan Abhiyan aims to improve nutritional outcomes by 2022, but the government had released only 46 per cent of the annual outlay by October 31, 2020. Also, in 2021, the budget was cut by 27 per cent.

**Four**, the expenditure on ICDS was also lower in nominal terms in 2021-22 compared to 2014-15. ICDS schemes reduce the mortality, morbidity, malnutrition and school dropout and enhance the capability of the mother. But Inflation adjusted expenditure is 36 per cent lower for 2021-22 compared to 2014.

The ICDS was clubbed with the Poshan Abhiyan, the Scheme for Adolescent Girls, and the National Creche Scheme, and now known as Saksham. Its budget for 2021-22 was less than the previous year's budget for the ICDS alone and estimates for 2022-23 is unchanged from last year revised estimate.

**Five**, the Drinking Water and Sanitation Department saw its budget rise but Rs 50,000 crore of that was for the Central Road and Infrastructure Fund. It suggests an act of cover up to avoid questions.

## 9 PM Compilation for the Month of February (First Week), 2022

**Six**, the Pradhan Mantri Matru Vandana Yojana was clubbed with the Beti Bachao Beti Padhao scheme for girls' education, the Mahila Shakti Kendra and other general gender budgeting. It is now known as Samarthya. It received less than allocated funds in 2021-22 and there is no direct reference to it in 2022-23 Budget.

**Seven**, the allocation for Ayushman Bharat was Rs 6,400 crore in 2021-22 which was same as previous year. But the Revised Estimates show that only Rs 585 crore was actually spent.

### 9. A recipe to deepen the distress in rural economy

**Source:** This post is based on the article “**A recipe to deepen the distress in rural economy**” published in **Live-Mint**.

**News:** The pandemic induced slowdown has **disproportionately affected those at the bottom**. Also the economy specially the rural economy had been facing challenges due to **demand deficiency** even before the pandemic started.

Given that monetary policy has limited success in dealing with a crisis of this nature, fiscal policy is expected to play the dominant role.

#### How can fiscal policy help the rural economy come out of distress?

It can be done by **increasing consumption** demand in the economy and also **protect those impacted by the slowdown** and the pandemic. One way of doing this is to **raise incomes of those engaged in agriculture**, directly as well as indirectly.

#### How has the Budget missed out on addressing rural economy distress?

**Rising cost of agricultural inputs:** Budget has drastically reduced the subsidy on fertilisers for 2022-23. This is in addition to the high prices for energy, which has also seen a sharp rise last year as **prices for both diesel and electricity rose**.

This will lead to **farmer incomes declining** even more than the levels of 2019.

Although there has been a **rise in inflation**, **the budget has not increased allocation for support schemes**, such as crop insurance, interest subvention and cash transfer scheme.

Due to the challenges faced by the agriculture economy, rural non-farm economy acted as a refuge for a majority of wageworkers. **For example** – Majority of the workers took employment under the National Rural Employment Guarantee Scheme (NREGS). However, budget **allocation of NREGS also has been reduced** compared to last year.

Overall, there is a **net result is a 12% decline in the budget of rural development** at a time when distress in the rural economy is at its highest.

Government should strive to provide protection of incomes, employment and basic services to the majority in rural areas.

### 10. **Budget sets up the digital pitch for India to bat on**

**Source:** This post is based on the article “**Foundation for digital India 2.0**” published in **The Hindu** and “**Budget sets up the digital pitch for India to bat on**” published in **Live-Mint**.

**News:** Finance Minister has recently presented the budget.

## 9 PM Compilation for the Month of February (First Week), 2022

Although there are many positives in the Indian economic scenario like with 9.3% India is the fastest-growing large economy, it has over \$630 billion of foreign reserves equaling 13 months of imports.

However, there are some challenges too like the problem of unemployment rate.

### How the present budget tries to address these issues?

**Infrastructure**– The current budget allocates ₹7.5 lakh crore to infrastructure, which is **35% higher than previous year**.

It has the benefit of triple effect that is it generates employment, revives the core sector and improves the productivity of the economy.

A large part of this allocation will be to fund the PM Gatishakti, with special emphasis on setting up 100 multimodal cargo terminals and data connectivity for seamless movement of goods. This initiative will bring tremendous benefits to “Make in India” & PLI initiatives and reduce business costs.

However, government should focus on proper implementation to harness its complete benefit.

**Financial assistance to States for capital Investments has increased:** This reflects the true spirit of a federal structure.

**Digital India:** Government initiatives like issuing digital currency, Digital University, emphasis on digital banking, auctioning 5G spectrum, building optical fibre network, etc will improve efficiency and lead to generation of employment in the services sector.

It also puts emphasis on urban planning and development, as 50% of India’s population lives in urban areas. This will improve quality of life.

### What the budget still missed to address?

**Healthcare** did not get the expected share of allocation. This is specially important as India has one of the lowest hospital infrastructures for its population.

While there is mention of light touch regulation for **AI, green energy and clean mobility**, there was need for more to accelerate growth in these sunrise sectors.

The budget also misses overcoming the shortfalls of the **Privatisation and asset monetisation initiatives** that under delivered, and reforms were expected to ensure that those get back on track.

The other sector, one of the largest employers of blue-collared workers, i.e. the real estate sector, was missing in terms of suitable incentives, especially when it is still recovering from the pandemic

Indian Diaspora had a long-standing demand that the OCI (Overseas Citizen of India) investments be treated at par with the resident investors, Budget could have used the diaspora as an additional economic engine if it fulfilled this demand.



## 9 PM Compilation for the Month of February (First Week), 2022

### 11. A takeaway is the good infrastructure push

**Source:** This post is based on the article “A takeaway is the good infrastructure push” published in **The Hindu**.

**News: Recently** Union Budget 2022-23 has been released which has focused on expanding capital expenditure.

The article discusses the projected growth, revenue, expenditure, debt and real growth.

#### What is projected income growth?

Budget has projected a nominal GDP growth estimate of 11.1% for 2022-23. The real GDP growth is estimated of 8% with an implicit price deflator (IPD)-based inflation of 2.9%. It will deliver nominal growth of 11.1%.

#### But what could be real GDP?

According to NSO, real GDP in 2021-22 will exceed marginally from 2019-20 level. In the second half of 2021-22, real GDP growth was only 5.6% without any base effects. But the IPD-based inflation will be relatively high in 2022-23.

The reason of high IPD- based inflation is high wholesale price index in the first half of 2022-23 due to high prices of global crude and primary products. Hence, the real GDP growth will be around 7%-7.5% in 2022-23 with nominal growth assumption of 13% and IPD-based inflation will be 5%.

#### What is projected revenue and expenditure?

**One**, the Centre's gross and net tax revenues are estimated to grow at 24.1% and 23.8%. However, the tax buoyancy has been reduced to 0.9. But the Centre's tax buoyancy will be higher than 0.9 due to digitization and formalization of the economy.

**Two**, the total expenditure will grow by 4.6%. But the revenue and capital expenditures will grow by 0.9% and 24.5% respectively. This structural change will increase output and act as employment multiplier.

#### What is projected level of debt and fiscal deficit?

As per Economic Survey for 2021-22, the general government debt relative to GDP is close to 90% at the end of 2021-22 and 2022-23. The debt-GDP ratio will increase in 2022-23 which will cover major part of the Government's revenue budget.

There will be reduction in fiscal deficit by 0.5% points and the target is to reach a level of 4.5% by 2025-26. This will result in reduction of 0.63% points in fiscal deficit per year in the next three years.

#### What are the other changes made in Budget 2022?

**One**, it incentivized States to expand capital expenditures by permitting a fiscal deficit limit of 4% of GDP. 0.5% is marked for expanding power infrastructure. Also, ₹1 lakh-crore has been allocated to States for capital expenditure in 2022-23 as 50-year interest-free loans.

## 9 PM Compilation for the Month of February (First Week), 2022

**Two**, subsidies are reduced to 1.2% of GDP in 2022-23 from 1.9% in 2021-22 to reduce the burden of interest payments which has gone up from 3.5% in 2021-22 to 3.6% in 2022-23. Interest payments are also rising due to increased borrowings from the market.

### What is the way forward?

**First**, there should be medium-term assessment of the National Infrastructure Pipeline (NIP) to indicate the sectors of deficient investment to increase transparency.

**Second**, Fiscal Responsibility and Budget Management (FRBM) Act should be re-examined to give the sustainable levels of debt and fiscal deficit and the adjustment path given the high debt-GDP levels.

**Third**, there is need to correct the under-assessment of tax buoyancy and nominal GDP growth assumption. It will increase fiscal space for raising expenditure

### Great On Growth, Not on Jobs

**Source:** This post is based on the article “Great on Growth, Not on Jobs” and “Short, Sharp & Smart” published in **Time of India**

**News:** Recently Union Budget 2022-23 has been released.

The article discusses the wise choices made in the budget along with challenges still existing to be resolved.

### What are the excellent strategies seen in the Budget 2022-23?

**One**, the finance minister has avoided populist measure and focused on increasing public investment.

Government capital expenditure is expected to grow by 35% and interest-free loans will be given to states for capex spending.

It will increase private investment and build a base for strong growth in the future. Also, the twin balance sheet problem is on path of recovery and banks are ready to lend.

It will help in achieving virtuous growth cycle. To further encourage private investment, the Budget has offered stability in the direct tax regime.

It is done even when there is risk of high inflation because Inflation is mostly due to higher energy and commodity prices and the government has very less control over these factors.

**Two**, Budget 2022-23 has also focused on soft infrastructure. It will help in building trust, reducing cost of business and becoming a part of the world's China+1 strategy.

**Three**, Budget has imposed 30 % tax on income from trading in virtual digital assets. RBI will also come out with an e-rupee, a digital version of the paper currency next year.

Finance minister has also said that 30% tax on digital assets doesn't mean legalizing them. But the Budget has made the first move towards accepting the reality of crypto assets. This will give time to crypto asset holders to adjust their portfolios.

**Four**, Finance minister has acknowledged that economic recovery is uneven. Hence, extended credit guarantee for MSMEs.

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### How has the government planned to finance the increased capex?

**First**, nominal GDP is expected to grow 11.1% in 2022-23 which will increase gross tax revenue by 9.6% and the total expenditure is budgeted to increase by only 4.6%. Hence, huge capex can be funded by increased tax revenue.

**Second**, the food subsidy and MGNREGA allocation have been lowered by about Rs 1.05 lakh crore. Also, spending on vaccines and Air India will fall in 2022-23. These steps will free up resources.

### What are the challenges existing for the Indian economy?

**First**, the major issue is joblessness and pandemic has added to it. For instance, nearly 10 million jobs have been lost due to growth slowdown and the shift in activity from the labour-intensive informal sector to the capital-intensive formal sector.

India is in need of huge numbers of jobs that can be fulfilled by MSMEs. MSME sector is job-intensive but Budget has nothing new for this sector except continuing the existing guarantee schemes.

**Second**, other major issue is fiscal deficit. It is 6.9% of GDP this year and it has to decline to 6.4% by next year. Budget 2022-23 has committed to bring it down to 4.5% of GDP by 2025-26. But it has not given the path and steps that will be taken to achieve that target. This would have enhanced credibility and reduced government's cost of borrowing.

**Third**, people who want to shift to virtual transaction have already shifted to UPI-based fast payment systems. Hence, there are doubts about success of e-rupee.

**Fourth**, if inflation will rise, retail fuel prices will start rising again and RBI's MPC will increase rates. But any sharp rate hikes will affect growth without bringing down cost-push inflation.

### What is the way forward?

PLI incentives can be linked to job creation. Government should not follow protectionist policies and import tariffs should be reduced to make export sector competitive as it creates jobs.

### 12. Creating jobs by increasing Capex

**Source:** This post is based on the article “**Creating jobs by increasing Capex**” published in **The Hindu**.

**News:** Recent budget has put a lot of attention into enhancing capital expenditure. It is due to the huge potential of capex to generate employment.

### What is the employment scenario in India?

**Employment to population ratio:** According to data from ILO, India's employment to population (over the age of 15) ratio has steadily dropped from 55% in 2005 to 43% in 2020. This was much lower than in other neighbouring countries like 52% in Bangladesh, 63% in China and 73% in Vietnam.

**Female labour force participation:** Women form just 20% of India's workforce, while they comprise between 30% and 70% of the workforce in the other three countries.

### What is capex and its multiplier effect?

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Read [here](#).

**What are the provisions in recent budget regarding capital expenditure?**

Read [here](#).

**What are other positive trends in the budget which can help in generating employment?**

Centre's revenue receipts of the current fiscal year 2021-22 (FY22) are going to reach the full year target in just nine months.

This has been possible due to **higher income tax and Goods and Services Tax (GST)** collections, increased **formalisation** of the economy, **conservative Budget projections** of last year.

A sustained momentum in tax collections will provide **an additional degree of fiscal policy freedom to the government** to foster domestic jobs and output.

**What are the challenges that can arise?**

Not all the headline capital expenditure is indicative of fresh greenfield investments. Some of it comes from the disinvestment.

**Higher fiscal deficit:** Thrust on capital expenditure has resulted in notably higher fiscal deficit numbers than expected, which can raise the risk of inflation, higher current account deficits, and also be a threat to financial stability.

**What is the way forward?**

There is a visible thrust on hard capital expenditure. However, spending towards critical areas such as education, healthcare and urban infrastructure is equally important.

**Execution risks:** Although the budget has provided ample funds for the infrastructure thrust. It is up to the entire administration – Central, State, and local – to ensure that the funds are utilised in a timely fashion, and result in delivery of world-class infrastructure.

For this it is **significant to maintain ease of doing business**, especially around key areas such as land acquisition, contract enforcement, and policy stability.

For more about challenges, read [here](#).

### **13. The Budget has ignored the poor**

**Source:** This post is based on the article “**The Budget has ignored the poor**” published in **The Indian express** on 3rd Feb 2022.

**News:** The 2022-23 Union Budget was presented in the backdrop of acute unemployment, growing poverty, burgeoning wealth and income inequalities, and accelerating inflation which affect the poor disproportionately.

However, the recent budget falls short of addressing these concerns.

**Where is the current budget lacking in addressing the problems of the poor?**



## 9 PM Compilation for the Month of February (First Week), 2022

**Not enough government expenditure:** Although the budget shows a rise in capital expenditure, but the rise is just 4.6 per cent which is even lower than the inflation rate. This means that the government expenditure as a proportion of GDP will decline, and this will have a dampening effect on the economy.

**Decline in allocation of MGNREGA:** As expansion of increased allocation takes time, and delayed wage payment can discourage demand. It is essential that any increase in allocation in such a demand-driven scheme takes place in the budget itself.

**Fuel prices:** Oil price is set to increase for consumers because of the additional excise duty.

### Why the current fiscal policy strategy may not serve the needs of the poor?

The government has **reduced corporate tax** and is also **not introducing wealth tax**, which is sharp contrast to fiscal policy followed in other countries.

For example, USA is spending more on welfare schemes, by resorting to heavier corporate taxation. For this, it has even negotiated an internationally-agreed minimum corporate tax rate to prevent corporates from parking profits in tax havens.

This policy may lead to **recession**. As **raising fuel taxes** raises prices in general and since the money incomes of the working people do not increase in parallel to it, there is **a reduction in real demand, and hence a recession**.

Due to this recession, **private corporate investment** that was supposed to increase in lieu of decreased corporate taxation, **actually will decrease**.

### What conditions demand a change in fiscal policy?

**Internal scenario:** Although there was some recovery that had occurred in 2021-22 relative to 2019-20, but it did not affect real consumption expenditure, which continues to be below its 2019-20 level.

Unutilized capacity in the consumer goods sector has increased, which means that investment will come down, and its multiplier effects on consumption will make it shrink further.

**External scenario:** The oil price is on the rise and this will prompt the government to pass on the higher import price to the consumers for fear of losing revenue, which will only exacerbate domestic inflation.

The near-zero interest rate policy pursued in the US is coming to an end because of the acceleration of inflation there. This threatens a depreciation in the external value of the rupee. It will further add to the rate of inflation in the Indian economy and higher rupee prices of imported oil.

## 14. Regarding the budget: 4 Choices, No Free Lunch

**Source:** This post is based on the article “4 Choices, No Free Lunch” published in **Times of India** on **4th January 2022**.

**News:** The government has followed a capital expenditure strategy in the recent budget, but there are certain questions associated with the government's strategy.

### What is the dilemma the government is facing?

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On the one hand, the economy still needs fiscal support to drive growth and employment. On the other hand, the global backdrop has become much more risky. For instance, the Fed is set to deliver a series of rate hikes in 2022 (already spilling over into Indian bond yields) and crude prices are close to \$90. In addition, public debt/GDP has climbed towards 90% and the current account deficit has widened past 2% of GDP.

**Must read:** [Explained: Significance of US Federal Reserves rate cut and its impact on India](#)

### How did the budget support growth while consolidating the deficit?

The Budget pegs this year's deficit at 6.9% of GDP. If Govt introduced more growth, the fiscal deficit will widen. But this is not the case because

- The Government introduced a fiscal impulse of up to 3.1% of GDP last year. But this year the government has planned to withdraw subsidies up to 1.6% this year.
- The government has automatic stabilisers in the form of higher-than-expected direct tax collections.

Hence, the Fiscal consolidation in FY 2023 will be more modest at 0.2% of GDP, due to withdrawal of significant stimulus packages.

### The debate of income support versus capital expenditure tradeoff

Components of demand (private consumption and investment) will take time to recover, some sectors got severely hit because of the pandemic. Only a perceived increase in permanent income (ie a job) can induce households to spend. Introducing employment is therefore absolutely key to livelihoods and future consumption prospects. So, the capital expenditure will provide the required benefits.

**Must Read:** [What is the core strategy adopted by the Union Budget 2022-23?](#)

### How does the budget facilitate the creation of fiscal buffers?

Every budget will focus on creating a buffer against global and domestic shocks, either by ex-ante (before the shock) or by ex-post (after the shock).

In the present budget, the government decided to work on ex-ante. This is done by conservative tax accounting for next year. According to the budget, the Tax buoyancy is pegged at just 0.4 next year vis-à-vis an expected outturn of 1.8 this year. Hence, the tax collections are likely to exceed budgeted targets, with a buoyancy of 1 delivering an extra 0.5% of GDP to the Centre.

This fiscal buffer will be used to deal with shocks. e.g. If oil surges, excise duties can be cut, if fertilizer prices remain high, its subsidy allocation can be increased.

**Read here:** [Union Budget 2022-23: Highlights and Concerns – Explained, pointwise](#)

### What should be done to facilitate near-term growth and simultaneously preserve medium-term stability?

The long term stability has been managed by capital expenditure and job creation. To bring short term stability, the government has introduced various borrowing programmes. It is now the time for RBI to ramp up monetary policy parallelly to balance the fiscal policy of the government by normalising the inflation rates.

## 9 PM Compilation for the Month of February (First Week), 2022

### 15. Fiscal management during a pandemic

**Source:** This post is based on the article “**Fiscal management during a pandemic**” published in **Indian express**.

**News:** India's actual growth performance for the fiscal years 2020-21 and 2021-22 was above the projections made by the Finance commission. Even for the fiscal year 2022-23, the economy is projected to grow at 11% (*at current prices*) compared to 9.5% projected by the Commission.

#### What is the effect of this improved growth performance?

Higher growth performance is also reflected in higher revenue mobilisation, thus creating fiscal space for higher spending. Govt has also introduced higher capital expenditure as a way to generate demand and employment in the economy.

#### Why Government's decision to improve allocation for capital expenditure is perfectly timed?

It is very **imperative that government makes capital investment** in such uncertain times to achieve a strong and sustainable recovery from the pandemic, specially when **private and household investments have been negatively affected by the pandemic**.

However, as two-thirds of the general government's capital expenditure is undertaken by states, so the announcement of the Rs 1 lakh crore interest-free loans to the states to increase public investment has been a significant step.

#### How this increased allocation to states will be helpful for the economy?

Since in the year 2021-22, many states had reported revenue deficit in their accounts, this loan facility can **prevent the risk of reduction in capital expenditure** at the state level.

Also, since it is meant for capital spending, it **cannot be diverted to finance revenue deficit** and thus has the potential to augment capital spending at the state level and thereby the overall capital spending in the country.

Effective utilization of this facility to states will also be critical for **higher public investment**.

#### What has been the scenario on the revenue side of the budget?

Although there has been an **increase in taxes** in both the 2020-21 (the first year of the pandemic) and 2022-23, but **revenue deficit continues to be more than 55% of the fiscal deficit**.

This needs to be kept in consideration while deciding for revenue expenditure, that is, interest payments and allocation under various centrally sponsored and central sector schemes.

It is also important to consider central sector scheme (CSS) especially when it is contributing to the high revenue deficit of the central government and binding state resources for matching contribution, thereby increasing states' deficit.

#### What should be government's stance on fiscal consolidation to ease this deficit?

Although the fiscal deficit for the year 2022-23 is higher than what was recommended by the Fifteenth Finance Commission, but it still is on the decline.

## 9 PM Compilation for the Month of February (First Week), 2022

Government should focus on the direction of fiscal consolidation rather than a specific reduction, especially in an unprecedented time like these.

### 16. A bigger, not better, defence budget

**Source:** This post is based on the article “A bigger, not better, defence budget” published in **Business Standard**.

**News:** Even as the total allocation for defence under the current budget has increased, it has fallen as a percentage of GDP.

#### About the recent budget allocation in the defence sector

The government allocated Rs 5.25 trillion to the Ministry of Defence, out of the total government outlay of Rs 39.45 trillion. This accounts for 13.31% of total government spending.

**Navy:** Among these, the Navy received a significant rise in its capital allocation. The navy’s capital budget has been enhanced by about 43 % in comparison to FY 2021-22 to FY 2022-23. It will be used for the acquisition of new platforms, like six [air-independent propulsion \(AIP\)](#), a second indigenous aircraft carrier (IAC-2), 57 twin-engine deck-based fighters (TEDBFs), etc.

**Coastal Security:** The capital budget of the Indian Coast Guard has been enhanced by over 60% in FY 2022-23.

**Border Roads Organisation (BRO):** The capital budget of the BRO has been augmented by 40% from the current year to FY 2022-23.

**Defence Research & Development Organisation (DRDO):** The DRDO’s capital budget allocation is up by 5.3%. This denotes a limited boost to indigenous R&D projects.

#### Why the defence allocation under Budget 2022-23 is not enough?

## 9 PM Compilation for the Month of February (First Week), 2022

### ANNUAL DEFENCE ALLOCATIONS

Figures in ₹ crore

	2020-21 (Actual)	2021-22 (RE)	2022-23 (BE)
Total revenue allocation	217,703	240,419	245,353
Capital allocation			
Army*	29,389	28,877	35,515
Navy**	44,170	49,258	51,837
Air Force	58,138	51,831	55,587
DRDO <sup>†</sup>	7,838	11,275	13,367
OFB	377	4,347	3,765
"Make" projects	70	—	—
Total capital allocation	139,982	145,588	160,071
Total pension allocation	128,066	116,878	119,696
Total defence budget	485,751	502,885	525,120
Central government spending	3,509,836	3,770,000	3,944,909
Percentage of govt spending	13.8%	13.35%	13.31%
Total GDP	22,489,420	23,214,703	25,800,000
Percentage of GDP	2.4%	2.16%	2.03%

\*Includes Border Roads, J&K Light Infantry, Rashtriya Rifles and NCC

\*\*Includes budget for Coast Guard

<sup>†</sup>Including budget for Quality Assurance

**First,** The present allocation is the lowest in percentage terms since the 1950s. Also, as a percentage of GDP, the defence allocation amounted to just 2.03%. This is a reason of concern, especially in times when China claims many parts of Indian territory as their own.

**Second,** India is focusing on military modernisation and border infrastructure development for its national security. There has been a 76% rise in the defence capital outlay from 2013-14 to 2022-23. Although it seems like a healthy growth rate, it actually amounts to less than 5 %, compounded annually.

**Third,** seven new defence public sector undertakings(DPSUs) were incorporated under the defence ministry after the dissolution of the [Ordnance Factory Board \(OFB\)](#). They require a huge sum for their planned modernisation.

**Read here:** [PM launches 7 defence PSUs carved out of OFB](#)



## 9 PM Compilation for the Month of February (First Week), 2022

### 17. A budget that overlooks real needs

**Source:** This post is based on the article “**A budget that overlooks real needs**” published in **Indian express**.

**News:** The recently presented budget has digital technology at its core. It focusses on providing important services like education, health, employment to even the remotest corners of the country with the help of digital initiative.

However, there are apprehensions that this may not be appropriate to solve the pressing issue of rural India

#### What are the issues in rural India?

Rural India has many complex structural problems like **caste-class skewed distribution of land and natural resources, inadequate public institutions** of health and education, persisting problems of **malnutrition** etc.

#### Why the current budget's vision is not sufficient to solve problems of rural India?

There has been a failure to see that the basic services of health and education cannot be met via technology. Health and education in rural areas require **brick-and-mortar institutions, with qualified personnel** to cater to health and learning needs.

The pressing issue of unemployment should be addressed by the creation of learning, skilling and employment opportunities for rural natural resource restoration, agricultural as these form part of the rural service economy. This will be **beneficial for both employment generation and strengthening biodiversity**.

Apart from this, the economic survey proposes a shift from the previous dominant “**waterfall**” (or detailed study) approach to an “**agile**” **approach** for policy implementation.

#### How is the current approach different from the previous one?

The agile approach is based on “**feedback loops**” and “**high frequency indicators**” related to **data** from GST collections, power consumption, mobility, digital payments, satellite imagery, toll collections etc. are drawn on to make budgetary allocations and plans.

### 18. **Budget disappoints on healthcare**

**Source:** This post is based on the article “**Budget disappoints on healthcare**” published in **Indian express**.

**News:** Recently unveiled budget proposes many initiatives for health sector like digitally managed health ecosystem and provisions for mental health.

But, many expectations for the health sector remain unfulfilled.

#### What are the limitation in current budget's approach towards health sector?

Budget's emphasis on **Digital technology** could be a game-changer, but only if the facility, doctors, patients, and systems work in tandem.

## 9 PM Compilation for the Month of February (First Week), 2022

**Problem with excessive reliance on digital ecosystem:** When it comes to Covid vaccinations, the digital platform has been a runaway success, primarily due to the COWIN platform. It was simple, and the citizen could choose between public and private facilities.

However, management of hospital beds across the country is a different story. Nearly 95% of them are operated by small hospitals or nursing homes. The setting up of a **National Digital Ecosystem** which “will maintain digital registries of health providers and health facilities,” is a positive move but needs elaboration on how it will manage to include these private facilities.

Also there are apprehensions regarding the **consent and compliance cost** in maintaining such a database.

**Mental healthcare:** Although inclusion of this subject in budget makes society aware that such conditions can afflict anyone, but the disease can be treated, and patients should not be stigmatised.

Also, the budget speech did not mention if the mental health strategy will focus on all psychological problems or only those that have arisen in the wake of Covid.

Also, many mental health conditions encompass disorders that are **not suited to teleconsultation**, which is at the core of digital health strategy envisaged in this budget.

### What is the way forward?

There is need to substantially **raise the overall budgetary contribution** to the health sector. It is currently set at **1.8% of the GDP** and the push in the budget appears very small.

During the pandemic, the **unorganised middle class** was caught without adequate (or even any) **health insurance**. There is need for some provisions for supporting this lower end of the “missing middle”.

Ayushman Bharat should be expanded **to cover the outpatient costs faced by the poor**. The Economic Survey has recognised that such expenditure is huge.

There is need to address the **crisis of non-communicable diseases** — hypertension, diabetes, and cardiovascular diseases. They can be addressed by the same strategy of fiscal measures, incentives, and disincentives that have reduced the incidences related to lethal consequences of smoking.

## 9 PM Compilation for the Month of February (First Week), 2022

GS3 – INDIAN ECONOMY – GOVT BUDGETING AND FISCAL POLICY

### Taxation and related issues

#### **19. A less taxing state**

**Source:** This post is based on the article “**A less taxing state**” published in **Times of India** on **4th Feb 2022**.

**News:** India has had a very high rate of tax litigation. Therefore, Government has recently announced that the overarching aim of direct tax policy reform is to move towards a simpler regime, without exemptions and low rates.

#### **What has been the status of tax litigation in the country?**

In 2014-15, about Rs 2.1 lakh crore had been under dispute for a duration between one and two years. By **2020-21**, it had increased more than threefold to **Rs 6.6 lakh crore**. This also **limits the tax collection**.

#### **How a simpler tax regime for corporate tax is helpful?**

Sovereign governments face limitations in setting tax rates on companies because capital is mobile. Therefore, a shift to a simpler tax regime will reduce the incidence of litigation and, thereby, attract more investment.

#### **How personal income tax can be made more appropriate as per the current economic situation?**

Around 75% of the returns filed are for income below Rs 5 lakh. Therefore it is important to reform this aspect of revenue collection as well.

The current **threshold for tax, which is Rs 2.5 lakh, needs to be indexed to inflation**. The current floor has been in place since July 2014. Inflation has effectively lowered the tax threshold over succeeding years. Linking it with inflation makes it fairer.

Also there is a need to decide a timeline when **everyone can be moved to a regime without exemptions** except the retirement savings, and also the **process of filing returns should be made more simple**.

## 9 PM Compilation for the Month of February (First Week), 2022

GS3 – INDIAN ECONOMY – TRADE AGREEMENTS: BITs, FTAs

### **FREE TRADE AGREEMENTS (FTAs)**

#### **20. Ink India-Britain free trade, unlock new opportunity**

**Source:** This post is based on the article “ **Ink India-Britain free trade, unlock new opportunity**” published in **The Hindu**.

**News:** Both India and UK are working together to build a strong relationship and to harness new opportunities.

**Read here:** [India UK Relations and its challenges – Explained, Pointwise](#)

#### **What are the new developments in the India UK relationship?**

- India and the UK also declared their ambition to more than double bilateral trade by 2030, which totalled over £23 billion in 2019.
- UK enables a greater number of Indian fisheries to export shrimp to the U.K.
- Unlocking the export of British apples to India
- Both countries aim to finish negotiations on a comprehensive and balanced FTA by the end of 2022.

#### **What is the present status of the business in both countries?**

**Companies:** Nearly 600 U.K. companies in India employed more than 3,20,000 people. Eg: Barclays has its biggest office outside of London in Pune, JCB's products manufactured in India are exported to over 110 countries across the globe, etc

**Investment:** India is a big investor in the U.K. especially in sectors like fintech, electric vehicles, and batteries. In 2020-21, India was the U.K.'s second-largest source of investment in terms of several projects. Recently, both Essar Group and Ola Electric announced investments into the U.K.

#### **How the FTA will help India-UK to grow business further?**

According to U.K. government analysis, an [Free Trade Agreement](#) would add around £14.8 billion to India and the UK GDP collectively by 2035. Trade deals can help diversify supply chains by making it easier and cheaper for more businesses to do business across borders. Lower barriers would also incentivize new small and medium-sized enterprises to export their goods and services.

GS3 – SCIENCE AND TECHNOLOGY – INFORMATION TECHNOLOGY

**Artificial Intelligence and related issues**

**21. Artificial intelligence technologies have a climate cost**

**Source:** This post is based on the article “**Artificial intelligence technologies have a climate cost**” published in **The Indian express**.

**News:** Recent budget has described AI as **sunrise technology** that has the potential to assist sustainable development at scale and modernise the country.

While a large amount of focus is on achieving economic prosperity and global competitiveness with **AI**, **there is hardly any acknowledgement of the environmental cost associated with it.**

**What is the climate impact associated with increased use of AI?**

There will be a **lot of energy use in training and operating large AI models.**

This with increased demand of AI from developing countries to solve various socio-economic issues will only lead to growing share of AI in technology-linked emissions in the coming decades.

In 2020, **digital technologies accounted for** between **1.8% and 6.3% of global emissions.**

**What are the challenges in mitigating the environmental impact of AI?**

Although international organisations like UNESCO and Big tech companies like Amazon, Alphabet, Microsoft, etc have taken steps to overcome this issue, but they are not sufficient.

Apart from this, the major challenge is **inequity in the AI space**. That is, few developed economies possess certain material advantages right from the start, and they also set the global rules. They have an advantage in research and development, and possess a skilled workforce as well as wealth to invest in.

This inequity is visible in the **difference in the tech adaptability** of government in developing and developed nations, and also **under-representation of developing countries** on international platforms discussing AI.

At the same time, the emerging challenge at the nexus of AI and climate change could deepen this inequity.

**What is the way forward?**

Developing countries like India should assess their technology-led growth priorities in the context of AI's climate costs. India should analyse how it can use AI sustainably in its **unique social and economic contexts.**



**ISSUE OF FUGITIVE ECONOMIC OFFENDERS**

**22. Show Me the Money – On Fugitive Economic Offenders**

**Source:** This post is based on the article “**Show Me the Money**” published in **Times of India**.

**News:** Recently, Supreme Court suggested halting criminal proceedings against economic fugitives, who are willing to repay the money they owe to lenders and others they defrauded.

This article discusses that government should revisit its current stance on fugitive economic offenders.

**What is the case?**

The co-accused in the Sterling Biotech fraud case has claimed that he had repaid a portion of the money and would repay the remaining amount. But he is looking for protection from prosecution and harassment by investigating agencies. But the CBI isn't willing to leave him because the law doesn't allow it to use discretion.

**Why SC's suggestions should be taken seriously?**

**One**, this will save resources like time, money, and effort of investigating agencies like ED and CBI who are trying to bring fugitives back from foreign jurisdictions. Also, the legal process on extradition is lengthy.

**Two**, the government has allowed investigating agencies to go after high-value offenders via the Fugitive Economic Offenders Act, 2018. The act allows quick seizure and sale of their assets. But such fugitives have assets in foreign countries, or they have Benami assets that are away from the eyes of agencies.

**Three**, the legal processes, paperwork, and evidence required in each country are different. However, the end goal of banks and investigating agencies is to recover the money, criminalization will make the process more complex.

**What is the way forward?**

**First**, the government can explore option of imposing monetary penalties. For example, SEBI imposes a monetary penalty on insider trading. It helps in avoiding costly litigation and also penalizes violators.

**Second**, adopt US's plea-bargaining method. It is also known as a deferred prosecution agreement. This helps in avoiding criminal prosecution of company executives in place of fines and compliance monitoring in a court-approved deal.

### GS3 – ENVIRONMENT – CLIMATE CHANGE

#### **Decarbonization of public transport**

#### **23. INDIA'S Quest to Decarbonize Transport**

**Source:** This post is based on the article **“INSIDE INDIA'S QUEST TO DECARBONIZE TRANSPORT”** published in **Live Mint on 3<sup>rd</sup> Feb 2022**.

**News:** India has recently committed to achieving net-zero emissions by 2070 and public transport is one of the largest emitters.

This article discusses **the Opex model of Ahmedabad** and the challenges that exist while modernizing urban transport.

#### **How did Ahmedabad modernize its transport system?**

Ahmedabad introduced an **operational expenditure (opex) model** in 2007. The municipality purchased bus services for an annual fee from private contractors and linked it to per kilometer run per bus per day. It improved frequency and reduced fares.

Also, in 2019, Ahmedabad Janmarg Ltd, started an experiment to make it the first Indian city that will electrify its entire bus fleet.

#### **Why opex model is beneficial?**

Offering public transit with electric buses under the opex model is cheaper than owning a fleet that uses internal combustion engines. Gujarat is now replicating this model in Surat and Rajkot by offering viability gap funding to its municipalities.

#### **What is the issue with other cities?**

Other city corporations have not modernized due to inadequate policy, lack of innovative vehicle models and deficiencies in financing.

Also, the rate of private ownership is low and over 90% of Indians rely on state-run vehicles, private vehicles, and shared mobility like scooters, taxi cabs, and rickshaws, to commute.

#### **Why public transit needs to be modernized?**

**First**, the transport sector is the third-biggest emitter of greenhouse gases in India and has tripled its carbon emissions over the three decades.

**Second**, India's urban population is expected to double by 2050. Hence, public transport has to improve its efficiency to reduce its emissions.

**Third**, India has also pledged to cut total carbon emission by 1 billion tonnes and reduce the carbon intensity by less than 45% by 2030 at the COP26 summit. Hence, it needs to promote electric vehicles (EV) quickly.

**Four**, current EV penetration is less than 1% and the government's EV 30@30 campaign aims to achieve the target of 30% electric vehicle auto sales by 2030. Hence, the focus should be on expanding existing capacity.

#### **What are the existing challenges?**

## 9 PM Compilation for the Month of February (First Week), 2022

**One**, only about half of Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) subsidies were used in three years. In April 2019, FAME II was launched, but only 215,000 vehicles have been approved under both schemes so far.

**Two**, the current policy is designed to primarily benefit two-wheeler sales and the public transport segment (three-wheelers and buses).

**Three**, the FAME subsidy is similar to opex model and only applies under a gross cost contract basis. But most municipal-run transport services are unfamiliar with it. Also, there is a delay for states in issuing tenders for e-buses.

Furthermore, due to the lack of standardized concession agreements, the private sectors are reluctant to sign as counterparties. For instance, Delhi had issued a tender for 1,000 buses, which was later canceled.

**Four**, another major challenge is demand aggregation. Bus companies want to be promised at least 70,000 km per year. But in congested cities, it's hard to offer such long routes. The maximum that's possible is 160-170 km a day, but in that case, the bid prices go up and municipalities can't afford it.

**Five**, India's EV policy is scattered across different programs with no set annual targets. It allows the stock of new combustion engine vehicles to grow till 2029. Hence, Automakers aren't motivated to set up new production lines.

For instance, Clean Energy Ministerial 30@30 initiative lacks concrete sales targets. Also, FAME II ends in 2024 and after that, there is no clear roadmap.

**Six**, tenders move slowly due to the lack of manufacturing capacity and that is why charging depots aren't set up fast enough.

### What is the way forward?

**First**, State and city transport should replace ageing bus fleets with buses that run on clean energy.

**Second**, the Niti Aayog has recommended creating escrow accounts to prioritize payment of services from fares collected to the private contractor to make tenders pick up faster.

**Three**, the easy way out is low-carbon shared mobility. For instance, Delhi's battery-powered rickshaws are offering last-mile mobility. Another example is BluSmart Mobility, which started in 2019 and has about 40,000 unique users on a monthly basis today. There is no surge pricing with a zero-cancellation policy.

### GS3 – ENVIRONMENT – CLIMATE CHANGE

#### **Indian monsoon and related issues**

#### **24. Frequent marine heatwaves in Indian Ocean disrupt India's monsoon pattern**

**Source:** This post is based on the article “**Frequent marine heatwaves in Indian Ocean disrupt India's monsoon pattern**” published in **Down to earth**.

**News:** A phenomenon called Marine heat waves (MHW) have increased significantly in the past few decades in the Indian Ocean region. This is also impacting the Indian monsoon.

#### **What are marine heatwaves and why they occur?**

These are **periods of increased temperatures** over seas and oceans.

They are caused by an **increase in the heat content of oceans**, especially in the upper layers.

Marine heat waves are one of the **major result of human-induced global warming**, as around 90% of the warming caused by greenhouse gas emissions is absorbed by the oceans.

#### **What is the impact on the oceans?**

These events cause **habitat destruction** due to coral bleaching, seagrass destruction and loss of kelp forests, affecting the fisheries sector adversely.

An underwater survey showed 85% of corals in the **Gulf of Mannar** near the Tamil Nadu coast got bleached after the marine heatwave in 2020.

#### **How are they impacting the Indian monsoon?**

The recent increase in marine heat waves in the Indian Ocean was **due to rapid warming and strong El Niño events**.

In the Indian Ocean, the worst-affected area was its western part and northern Bay of Bengal. This **reduces the monsoon rainfall over central India** while **increasing rainfall over the southern peninsular area**.

Climate model projections suggest further warming of the Indian Ocean in the future, which will very likely intensify the marine heatwaves and their impact on the monsoon rainfall.

#### **What is the way forward?**

It is important to update current weather models to skilfully predict the challenges presented by a warming world and also enhance ocean observational arrays to monitor these events accurately.

GS3 – INDIAN ECONOMY – ISSUES RELATED TO GROWTH AND DEV

### **FINANCIAL INCLUSION AND RELATED ISSUES**

#### **25. Financial inclusion is integral to holistic development**

**Source:** This post is based on the article “Financial inclusion is integral to holistic development” published in Live mint.

**News:** India is working on the path to achieving the motto of “**Sabka Saath, Sabka Vikas, Sabka Vishwas**“, a vision enshrined by the Prime Minister of India. Recently budget also shows that the government is focused on boosting financial inclusion.

**Read here:** [Financial Inclusion and challenges associated with it](#)

#### **What steps does government initiate to achieve financial inclusion?**

**Financial system:** Reserve Bank of India has constituted [an innovation hub](#) to address the challenges of financial inclusion and efficient banking. The government took the initiative to resolve stressed assets worth ₹2 trillion via the [National Asset Reconstruction Company \(NARCL\)](#).

The government also introduces various steps to strengthen the financial system. e.g. An asset-quality review in 2021, reported that the gross [non-performing assets \(NPAs\)](#) of public sector banks had decreased by 31.2%. The reforms launched under this government have helped recover about ₹5 trillion from financial defaulters.

**Read here:** [RBI chalks out financial inclusion strategy for 2024](#)

**Expanding the banking system:** In the recent budget, the government announced to bring 100% of India's 150,000 post offices into the core banking system. The government has also provided infrastructure and policy support for the fintech sector to prosper. India has witnessed a 72% rise in the number of digital payments processed in 2021 over 2020.

The government has also launched bank mobile vans. It helps provide banking and ATM services to spread financial awareness and educate people

**Schemes:** The government introduced [JAM Trinity](#), to increase financial inclusion and reduce leakages. In 2020-21, ₹2.1 trillion was sent directly to people's accounts under various schemes such as the [Mahatma Gandhi National Rural Employment Guarantee Act](#), the public distribution system, [Pradhan Mantri Awas Yojana](#), and others.

**Read here:** [JAM: Scheme for social and economic inclusion](#)



### GS3 – ENVIRONMENT – CLIMATE CHANGE

#### **Impact of climate change on agriculture**

#### **26. In 60 years, climate change took seven years of agri-productivity growth**

**Source:** This post is based on the article “In 60 years, climate change took seven years of agri-productivity growth” and “India has fabulous plant diversity — we venerate life-giving plants” published in Times of India.

**News:** Recently, Ariel Ortiz-Bobea who is an economist discussed his research findings about climate change and its impact on agricultural productivity with Times Evoke.

This article discusses the rich plant diversity in India, its significance and impact of climate change on Agri-productivity.

#### **What is the significance of plants in India?**

**One,** India has rich plant diversity and has two of the world’s biodiversity hotspots in the Western Ghats and the eastern Himalayas. Then there is Eastern Ghats, the central Indian forests, the western Himalayas, deserts, wetlands and mangrove forests. Each region has its own kinds of plants, and it holds 11% of the world’s flora.

**Two,** plants have special place in Indian culture. For example, in Biligiri Rangaswamy Tiger Reserve (Karnataka), the Soliga tribe has a ‘dodda sampige mara’, a huge champak tree. It is believed that this tree is 2,000 years old. On the request of locals, a highway was adjusted to prevent the damage to the tree. Villagers have also built a small temple within the tree.

#### **How climate change is impacting economy and agriculture?**

**First,** each plant has its own environmental range or the temperature, humidity and soil within which it grows. Climate change is making the higher parts warmer. New plant varieties can be grown there but many traditional crops can no longer be grown.

**Second,** forests are growing drier with more frequent forest fires. It is increasing opportunities for invasive plant species like thorny lantana which makes the forest dry and crowd out productive plants. This has implication on food chain as well.

For example, animals have to come out of forest in search of food. In Bannerghata National Park, many farmers have started growing non-food crops like eucalyptus as animals seek food crops to eat. But such nonfood crops are water-hungry, increase soil pollution and do not supply food to animals as well.

**Third,** increased warming lowers the agricultural productivity and to produce the same outputs, more inputs are required. The impact is more on countries lying near the equator than temperate regions, which also.

**Fourth,** agriculture is more sensitive to high temperatures and this increase the slowdown effect. That is why there is need of more investment to build resilience.

**Fifth,** climate change has serious implication on global food production and their prices. Hence it also impacts food security and employment.

## 9 PM Compilation for the Month of February (First Week), 2022

For instance, climate change will reduce food supply and hence food prices will rise. Farmers will try to grow more but increasing inputs to grow more means more fertilizers, more soil pollution and deforestation.

### What is the way forward?

**First**, there is need to protect plant from dangers. For instance, slum inhabitants in Bengaluru live in tin shacks but plant saplings in old paint buckets.

**Second**, there has to be more investments in research to find a sustainable way to boost agriculture by increasing efficiency.

**Third**, the problem of climate change requires systemic change. India should take steps to increase water use efficiency and rethink the current water pricing, which encourage more use of water than needed.