

9pm
Compilation

21st to 26th Feb 2022

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General Studies - 2

GS2 – GOVERNANCE – GOVT POLICIES AND INTERVENTIONS FOR DEV OF VARIOUS SECTORS

GS3 – INDIAN ECONOMY – INDUSTRIAL POLICY AND GROWTH

1. Regulation, not prohibition – on online skill gaming industry

Source: This post is based on the article “Regulation, not prohibition – on online skill gaming industry” published in The Hindu on 23rd February 2022.

News: The Karnataka High Court has delivered a judgment striking down major portions of the Karnataka Police (Amendment) Act, 2021. This law was introduced to ban online gambling and skill-based gaming platforms like rummy, poker, and fantasy sports that involved risking money on an uncertain event.

Apart from Karnataka, Madras and Kerala High Court also struck down the law on online gaming.

What is the court’s view of online gaming?

In the **Chamarbaugwala case in the 1950s**, SC held that in any game, if the element of skill is dominant over the element of chance, then it is a game of skill and cannot be construed as gambling. Several states argued that the case is outdated now, as technology has progressed significantly and most games are played online. But Karnataka High Court judgment negates the view that the judgment needs a relook, as it has been reaffirmed by a series of Supreme Court and High Court decisions since then.

The court held that games, where substantial effort, knowledge, and skills are required, are different from games of mere luck or chance.

What should be the way forward?

Gaming is the sunrise sector that has immense investment and revenue-generating potential. The sector currently employs 40,000 people. It also received massive foreign investment. In the last five years, the online gaming sector has received around \$1,700 million in venture capital and private equity.

So, instead of banning the games, State governments should introduce a reform-oriented policy structure based on checks and balances.

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GS2 – GOVERNANCE – GOVT POLICES & INTERVENTIONS FOR DEV OF VARIOUS SECTORS

Draft India Data Accessibility & Use Policy 2022

2. Data openness is good but its safe use is a must

Source: This post is based on the article “Data openness is good but its safe use is a must” published in the Live mint on 23rd February 2022.

News: The Government of India has released a policy document called “Draft India Data Accessibility & Use Policy 2022”.

About the Draft India Data Accessibility & Use Policy, 2022

Read here: [Draft India Data Accessibility & Use Policy, 2022: India’s draft data policy unlocks govt data for all, mulls monetization](#)

What are the challenges in allowing public access to data?

India’s new open data proposition is, although comprehensive, will have exceptions. But it will still be safe, as safety caveats will prevent misuse or illegal use of data. However, It still needs many precautions to prevent misuse:

First, All possible eventualities, that could expose the personal lives of people through data, should be taken into account. For example, the details of vehicle ownership are available online, which have led to cases of women being stalked, should be checked.

Third, Even though tagged data is supposed to be aggregated and anonymized into metadata, it should not compromise individual privacy. It is important because software tools for disaggregation exist in the market.

Fourth, A law to keep personal data safe from disclosure should be made.

Lastly, while classifying data as sensitive, one must take a maximalist approach. Laws leave scope for unmasking of data. Laws do not grant ownership of data to users that belongs to them.

GS2 – POLITY – FUNDAMENTAL RIGHTS

FUNDAMENTAL DUTIES

3. On legally enforcing Fundamental Duties: Wrong call

Source: This post is based on the article “Wrong call” published in Times of India on 23rd Feb 2022.

News: Supreme court has been hearing a PIL that seeks to legally enforce fundamental duties. It has also issued notice to the centre and states for the same.

Fundamental duties (Article 51A) are in the form of general directives to citizens to display some “ideal” conduct in their public lives. However, they are **not justiciable** and there have been some objections in making them legally enforceable.

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What are the concerns regarding legal enforcement of fundamental duties?

Abuse and misuse: Fundamental duties deal with diverse areas such as environment, education, national security, heritage conservation, etc. Making them legally enforceable will make such a law prone to huge abuse and politicisation.

Provisions already present: There are many laws like Prevention of Insults to National Honour Act, IPC 124A, Contempt of Courts Act, Environmental Protection Act, Ancient Monuments and Archaeological Remains Act, Right to Education Act that already cover some fundamental duties.

Law making is Parliament's and the political executive's arena and not that of the Courts, who mainly interpret such a law.

PILs are a double-edged sword, so the Judiciary must entertain only those PILs where it fears immense harm to public interest owing to inaction by governments and institutions.

GS2 – SOCIAL ISSUES – HEALTH RELATED ISSUES

ISSUES RELATED TO PUBLIC HEALTH

4. No slacking: On action plans against antimicrobial resistance

Source: This post is based on the article “No slacking: On action plans against antimicrobial resistance ” published in The Hindu on 21st February 2022.

News: Lancet recently released its report on the **Global Burden of bacterial antimicrobial resistance (AMR)**.

Also read: [Living in a world of emerging antimicrobial resistance](#)

What are the findings of the Lancet report?

Report states AMR deaths to be around 4.95 million in 2019. It identifies the main reason behind this resistance is pathogens and the pathogen–drug combinations

Bacterial AMR occurs when the drugs used to treat infections become less effective, as a result of the pathogens becoming resistant to the drugs. This is because of indiscriminate use of antibiotics, availability of antibiotics over the counter, poor hygiene and sanitation, use in livestock and agriculture, lack of vaccines and newer antibiotics, and poor infection control practices in hospitals.

Read here: [AMR and health crisis](#)

What steps did the government introduce to stop AMR-related deaths?

2008 strain of NDM1 enzyme and its backtracking to India served as an alarm bell.

India released its AMR action plan in 2017 and also announced a task force implementation. By 2019, Kerala and Madhya Pradesh had ruled out state action plans. In 2019 India banned the use of Colistin in poultry etc.

Read here: [Controlling AMR](#)

What are the problems in controlling AMR-related deaths?

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-11 other states are yet to frame their action plants.

– The **Chennai declaration**, a consortium of doctors against AMR, was formed in 2012 but is yet to take concrete action.

– Scientific publications showed poor hygiene, lax administrative governance, and poor ratio of public-private expenditure as one of the root causes.

Read here: [AMR and associated challenges](#)

What is the way forward?

Government should work to raise the standard of living to provide them accessible and affordable quality health care, besides regulating the sale and use of antibiotics.

GS2 – POLITY – UNION AND STATES

FEDERALISM AND RELATED ISSUES

5. Trust and Loan – on Central loans to states

Source: This post is based on the article “Trust and Loan” published in Indian Express on 23rd Feb 2022.

News: In the Union budget 2022-23, Finance Minister has provided Rs. 1 lakh crore in loans to state governments to enable them to increase their capital expenditure. These loans will be interest free and repayable after 50 years.

Why such an arrangement raises questions regarding Centre-state fiscal relations?

One, the first and foremost issue is related to Article 293 (3) of the Constitution. According to it, states may not raise any loan without the consent of the government of India as long as there is still an outstanding loan. Thus, state borrowings are restricted by the Centre’s approval.

But, over the past decade, the Union government has done away with the loan component in the central plan assistance. States’ liabilities towards the Centre are declining as per the 15th Finance Commission. Thus, over time states will not have any obligations towards the Centre which should eventually increase their freedom.

However, loans from multilateral agencies to states are also routed through the Centre which is not going to end in the near future. Hence, the budgetary proposal along with the constitutional provision is giving the Centre greater say over the states’ fiscal management at a time when it had been decreasing.

Two, there is another concern over the possibility of conditions being attached to these loans. Also, the amount is not being transferred to the states in the form of a grant. A grant is shown as part of revenue expenditure, while loans have been shown as capital expenditure.

Three, the burden of execution will fall on the states. The states which are politically aligned with the Centre or those whose finances are uncertain may opt for this option. But others may not borrow, as they have rights to deny.

Four, the funds meant for capital expenditure may be shifted towards revenue expenditure due to a fall in capital spending being balanced by these loans.

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What is the way forward?

There is a need to create an environment of trust between the center and states. Considering the fault lines in Centre-state relations, this arrangement can be seen as interference on states' fiscal independence and become a political issue.

GS2 – INTERNATIONAL RELATIONS – INDIA AND ITS NEIGHBORHOOD

INDO – US RELATIONS

6. India-US partnership for post-pandemic world

Source: This post is based on the article “India-US partnership for post-pandemic world” published in the Indian Express on 22nd February 2022.

News: There are ample opportunities in the post-pandemic works in which India and USA can work together.

The present geostrategic and geoeconomic situation demands greater economic cooperation between India and US. During the pandemic, both India and US cooperated to airlift hundreds of millions of free doses of vaccines to low-income countries.

What are the challenges caused by the pandemic times?

- Shrinking consumers' buying power because of inflation and supply chain woes.
- workforce shortage, shipping delays, and in some cases, empty store shelves.
- Increase in prices of essential commodities like fuel, cooking oil, etc.

What should US and India do to strengthen their relations?

Both countries are aspiring to achieve \$500 billion in bilateral trade in goods and services.

They should work together to increase supply, bring prices down, improve economic confidence, remove unnecessary trade barriers, secure the free world's supply chain, and promoting investment across the corridor, etc.

India can also secure its border through a stronger defense partnership with the USA on the lines of India-US Civil Nuclear Agreement.

Both countries can also make the free world's supply chains more robust and resilient through closer cooperation across a range of sectors including defense, energy, healthcare, and agriculture.

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ISSUES RELATED TO INDIA'S CHINA POLICY

7. Use international law, call out China's violations

Source: This post is based on the article **“Use international law, call out China's violations”** published in **The Hindu** on **22nd February 2022**.

News: In the recent [foreign affairs meeting of Quad](#), India's External Affairs minister said that the situation at the India-China Line of Actual Control (LAC) has arisen due to the “disregard” by China of written agreements.

What is the base of India-China agreements?

India-China LAC engagement is guided by a series of bilateral agreements that both have signed over the years.

1993 Agreement: It said that neither side shall use nor threaten to use force against the other by any means. It further enunciates that the India-China boundary question shall be resolved through peaceful and friendly consultations.

1936 Agreement: Article I of this agreement talks of confidence-building measures between the two sides and prohibits the use of military capability against the other side.

2005 and 2013 agreements: The prohibition on the use of force is also enshrined in Article I and Article VIII of these agreements.

Article 2(4) of the United Nations (UN) Charter also forbade states from using force in international relations with two exceptions self-defense under Article 51 and [UN Security Council](#) authorization under Chapter VII.

What are the violations done by China against India?

The Chinese aggression not only violates all the bilateral treaties between India-China, but also the UN Charter. Line of Actual Control (LAC) witnessed violent clashes in Galway valley in Ladakh. China also [implemented a new border law](#) that renames several places in Arunachal Pradesh and aims to set up boundary markers on all its land borders. There are also reports of a huge military build-up by China with heavy weaponry including missiles in the Eastern Ladakh Sector.

The LAC transgressions and the new border law violate Article IX of the 2005 agreement that mandates both sides to “strictly respect and observe” the LAC. Placing armed forces along the LAC breaches another key tenet of both the 1993 and the 1996 agreements.

-Article III of the 1996 agreement specifically requires the two sides to reduce armaments such as combat tanks and vehicles, missiles, etc.

What are the other violations done by China globally?

– China denounced a 2016 ruling in favor of the Philippines by the [UN Convention on the Law of the Sea \(UNCLOS\)](#), in a maritime dispute between the two sides in the South China Sea.

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– China exploited the WTO system to pursue its policy of mercantilism. It is accused of providing illegal subsidies, manipulating currency to make exports competitive, stealing intellectual property, and forcing companies to transfer technology.

– American scholar in his book, Lawfare: Law as a Weapon of War, said that China secretly violates the obligations of nuclear nonproliferation treaty by providing nuclear technology to its allies, often through proxies.”

What should be the way forward for India?

India should develop strategies based on ethical lawfare by adding international laws in its diplomatic toolkit.

India should look to gather international support by using UN treaties, Right of self-defense under Article 51 of the UN charter, enacting a national security law to impose restrictions or sanctions on those countries with whom India shares a land border.

INDO-PACIFIC AND RELATED ISSUES

8. The significance of EU-India partnership in the Indo-Pacific

Source: This post is based on the article “**The significance of EU-India partnership in the Indo-Pacific**” published in the **Indian Express** on **21st February 2022**.

News: Ministerial Forum is going to be held in Paris under France’s ongoing presidency of the EU. Foreign affairs ministers from EU member states and 30 Indo-Pacific countries, including India are going to join it.

What are the focus area of the meeting?

Security and defence : [Indo – Pacific and related issues](#)

Connectivity and infrastructure: EU’s **Global Gateway initiative** aims to address this by pooling the resources of the EU’s institutions and its 27 member states to raise 300 billion euros to build sustainable links

Strengthening relations: Forum will focus on strengthening connections between Europe and the Indo-Pacific, especially in the air and digital domains. The EU and India have already concluded a **Connectivity Partnership** to enhance the connectivity.

Collective Action: Forum will focus on **tackling the global challenges** like climate change, biodiversity protection and health resilience. It will provide support to the countries in terms of green finance, to achieve their ecological transitions in a just manner.

Health: Forum is going to discuss steps to strengthen health sovereignty and promote the “**One Health**” approach to the pandemic response. France will propose the creation of an **Indo-Pacific health campus**, to be established in India, to bring together India’s pharmaceutical prowess and Europe’s technological capacity for the benefit of the region.

What are the areas of cooperation between India and France?

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- India joined the France-initiated international [High Ambition Coalition for Nature and People](#) to protect 30 per cent of the land and seas by 2030.
- Both countries are collaborated in protected areas and national parks.

INDIA – UAE RELATIONS

9. UAE treaty could give a fillip to Indian exports to the Gulf and Africa, benefit pharma and MSME sector

Source: This post is based on the following articles:

“UAE treaty could give a fillip to Indian exports to the Gulf and Africa, benefit pharma and MSME sector” published in the Indian express on **21st February, 2022.**

“A good start” published in the **Business Standard** on **21st February, 2022.**

News: After its exit from RCEP, India and Mauritius signed a Comprehensive Economic Co-operation and Partnership Agreement. Interim trade agreements with the UK, Canada and Australia are in the pipeline. India recently announced trade deal with UAE also.

What are the key outcomes of the India-UAE trade treaty?

The Free Trade agreement is expected to revive export-oriented industries in India, especially in the MSME sector because of a zero-tariff welcome by the UAE. The jewellery sector is also expected to receive a uplift with a concessional import duty. The agreement also speaks about speeding up work on a special investment zone for UAE companies and joint ventures, and a dedicated India Mart in the Jebel Ali free zone.

India and UAE are also now part of an economic relations, informally named “Middle East Quad”, in which the United States and Israel area also members.

Read here: [India-UAE Bilateral Relationship – Explained, pointwise](#)

GS2 – INTERNATIONAL RELATIONS – EFFECT OF POLICIES AND POLITICS OF DEVELOPED AND DEVELOPING COUNTRIES ON INDIA'S INTERESTS

10. India’s Ukraine dilemma

Source: This post is based on the article “India’s Ukraine dilemma” published in **Indian Express** on **22nd February 2022.**

News: As Russian pressure increases over Ukraine, it is time that India changes its perspective towards central Europe.

What is the issue?

Russia has raised the tensions over Ukraine and set his demands of security guarantee from NATO. India has largely remained silent over the issue. This opens the doors for European accusations of diplomatic duplicity.

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What are other examples of such accusations against India?

India did not speak against Russia in 1956 at the Soviet invasion of Hungary, while India denounced the Anglo-French attempt to seize the Suez Canal. Similar Indian is silenced over the invasion of Czechoslovakia in 1968 to crush Prague Spring, while India criticized the US invasion of Vietnam.

Even now, India criticizes Chinese aggression but is silent about Russian actions in Ukraine.

Why Central Europe must not be viewed only as the US and Russia's sphere of influence?

First, there are no takers for a broad sphere of Russian influence in Central Europe. Neither former Warsaw members nor Baltic or ex-Soviet states.

Second, Russian security concerns are legitimate, but they can best be addressed through political accommodation.

Third, few central European countries buy into the French argument of European sovereignty and strategic autonomy. They are more inclined towards the US-led NATO as a security guarantor.

Fourth, though these countries are keen on the US and EU security umbrella, they are not keen to adopt political values antithetical to their traditional values.

Fifth, central European countries are also working to develop regional institutions like Visegrád Four – Poland, Hungary, Czech Republic, and Slovakia and other institutions like the “Three seas initiative”.

Thus, any of India's approaches must not be influenced by the views of NATO or Russia. It should lead to an independent appreciation of the geopolitics of Central Europe

GS2 – INTERNATIONAL RELATIONS – WORLD TRADE ORGANIZATION (WTO)

Agriculture related issues

11. The farm deal that needs to be reworked

Source: This post is based on the article “The farm deal that needs to be reworked” published in **Business Standard** on 21st Feb 2022.

News: This article discusses the vital issues related to agriculture that the government needs to keep in view while formulating the country's strategy for future negotiations on agriculture-related matters in various WTO forums.

Why AoA of WTO needs to be reviewed?

One, Agreement on Agriculture (AoA) under the World Trade Organization (WTO) and its amendments at the biennial ministerial meets has not been able to provide a level playing field for agricultural trade between developing and developed countries.

Two, the agreement has numerous asymmetries which adversely affect the interests of small-holder farmers of developing countries. They are not able to access broader market for their farm produce to realize better prices.

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Three, other issues such as domestic support to farming, export facilitation subsidies, and grain stockholding for food security also remain unresolved. Hence, AoA needs to be reviewed to ensure a rule-based, fair and equitable trade regime.

Four, the AoA was crafted when negotiators from developing countries did not fully appreciate the needs of the farm sector. For instance, Indian officials were mostly from the commerce ministry and farm experts were not consulted. Also, the agriculture ministry was not kept in the loop.

Five, negotiators from developed countries dominated and hence they managed to safeguard their commercial interests. Developing countries were just viewed as the prospective markets for their industrial and agricultural goods.

Six, this accord also left enough space for the rich nations to raise their farm subsidies (aggregate measure of support, or AMS). 1986-88 was accepted as benchmark to measure this support which allowed rich nations to increase their financial assistance to their farmers.

The developing countries were only permitted to continue their ongoing support programmes for a limited period. This resulted in overproduction of many farm goods in developed countries and depressed the global prices.

For instance, flaws of AoA did not allow India to take up welfare measures for the growers and end-users. India is also dealing with many disputes at the WTO regarding its support programmes for agri-commodities.

What is the way forward?

First, the National Academy of Agricultural Sciences (NAAS) has brought out a policy paper on WTO-related issues. It has suggested to develop a road map for negotiations to seek redress for the existing drawbacks in the AoA.

Second, there is need to revisit the aggregate measure of support entitlements which enable the developed countries to provide high trade-distorting benefits under the special provision called “Amber Box”.

Third, the period of “reference prices” that is 1986-88 also needs to be updated. It affects the minimum support prices a country like India can provide to its farmers.

Fourth, the developing countries should oppose any step that aims to dilute the special and differential treatment provisions. The advanced nations have been seeking to cap the support under the “Development Box” which would mean curtailing the minimal domestic support the developing countries can provide even if it distorts the trade.

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GS2 – INTERNATIONAL RELATIONS – WTO

TRIPS WAIVER ISSUE

12. India risks being left out of TRIPS waiver

Source: This post is based on the article “**India risks being left out of TRIPS waiver**” published in the **Indian Express** on **23rd February 2022**.

News: India, with South Africa, proposed to waive key provisions of the TRIPS agreement on Covid-19 vaccines, drugs, therapeutics, and related technologies. Developed countries attempt at limiting the waiver to vaccines alone, leaving out diagnostics and therapeutics and excluding India.

Read here: [US Support to TRIPS Waiver – Challenges Ahead](#)

What are Trade-Related Aspects of Intellectual Property Rights (TRIPS)?

Read here: [TRIPS and the waiver on IP Rights](#)

What are the shortcomings that impacted India’s global campaign?

First, during the pandemic, India rarely made use of the existing flexibilities under the Indian Patent Act, such as [compulsory licenses \(CL\)](#). These flexibilities are consistent with the TRIPS agreement, to increase the supply of Covid-19 medical products, despite being pushed by the judiciary.

On the contrary, during the second Covid wave, the government filed an affidavit in the Supreme Court stating that the main constraint in boosting the production of key drugs is the unavailability of raw materials, not IP-related legal hurdles. This stand completely contradicted India’s argument internationally that views IP as an obstacle to augmenting the supply of Covid-19 medical products.

Second, TRIPS waiver at the WTO is only an enabling framework. Member countries need to amend their domestic IP laws to implement the waiver. Although, India leads the TRIPS waiver battle internationally, it did not develop a national strategy to implement the TRIPS waiver as and when it is adopted.

Third, the government failed to get the Indian pharmaceutical industry on board. Many Indian pharmaceutical bodies are not in the favor of the waiver, thus denting India’s global campaign.

Fourth, India has successfully developed a fully indigenous Covid-19 vaccine, Covaxin. Although India signed the technology transfer agreements with domestic companies, it should make the vaccine technology available to anyone interested globally, at a minimal price. This would strengthen India’s position on the TRIPS waiver and also inspire develop countries to do the same.

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GS2 – GOVERNANCE – GOVERNANCE AND RELATED ISSUES

GS3 – INDIAN ECONOMY – INDUSTRIAL POLICY AND GROWTH

ISSUES RELATED TO GOVERNANCE

EASE OF DOING BUSINESS IN INDIA AND RELATED ISSUES

13. New CSR disclosure framework for companies: Onerous disclosures

Source: This post is based on the article “Onerous disclosures” published in **Business Standard** on 23rd Feb 2022.

News: Government has brought out a new disclosure framework for companies that requires a detailed level of reporting from FY21 within a prescribed format of its Corporate social responsibilities (CSR) activities.

Companies need to submit these details to the Registrar of Companies.

What does the government directive say?

The disclosure requires some **granular details**.

– Companies will need to show **how much they are spending** on ongoing and new projects, **how much fund has been left unspent**, and whether capital assets have been created, in addition to impact assessment reports.

– They will also need to **submit information on the constitution of the company’s CSR committee**, the details of the committee, and approved CSR projects on the company’s website. Although this will help government in analytical purposes as well as to inform stakeholders better on CSR obligations, there are some apprehensions as well.

What are the concerns that may arise due to this detailed reporting?

Duplication of work: Companies have pointed out that much of this information is already available on corporate websites and in the directors’ report, which accompanies all annual reports. Submitting all of this information into a government-prescribed form will lead to duplication of work.

Ease of doing business: Currently India urgently needs investment and the new disclosure requirements may hurt India’s reputation as an easy place to do business.

There is also an apprehension that the political parties may use this to determine whether corporations are donating to causes that align with their **political agendas**. This may also **affect their independence** in terms of donating to causes of their choice.

Although it is **logical and morally right** to encourage companies to spend their surpluses on social projects such as education and health instead of merely enhancing shareholder value, it is **not a panacea that can completely transform society**.

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GS2 – GOVERNANCE – ISSUES RELATED TO DEV AND MGMT OF EDUCATION

HIGHER EDUCATION AND RELATED ISSUES

14. Barring students from studying Indian history or culture in foreign universities speaks of prickliness and prejudice

Source: This post is based on the article “**Barring students from studying Indian history or culture in foreign universities speaks of prickliness and prejudice**” published in the **Indian Express** on **23rd February 2022**.

News: Under the new government guidelines, courses concerning Indian Culture, History, and Social Studies in foreign universities shall not be covered under National Overseas Scholarship (NOS).

What the new guidelines are not justified?

- It will shrink the student opportunities, and put a ceiling on their academic ambitions.
- Government should not decide on what students can or cannot study. The academic autonomy of scholars should be respected.
- Additional conditions will make it more difficult for people from marginalized communities to gain from scholarships. At present, only a tiny number of students from underprivileged communities manage to make that leap.

What is the government’s justification for the new guidelines?

Ministry of Social Justice and Empowerment has given the argument that Indian culture can be better studied in Indian institutions and that foreign universities are better suited for more technical expertise.

The government view is wrong as some of the most interesting work on India has been carried out by foreign scholars like Paul Brass, Lloyd, Susane Rudolph, Stephen Cohen, Amartya Sen, etc.

Online courses by autonomous colleges: UGC gets Bold

Source: This post is based on the article “**UGC gets bold**” published in **Times of India** on 22nd Feb 2022.

News: UGC (University Grants Commission) is planning to allow autonomous colleges that are under top-100 ranks in the NIRF subject rankings or having NAAC-grade higher than 3.26 to offer online degrees from the next academic session.

What are the implications of this move?

Quality education: Although many universities are offering online degrees but allowing prestigious colleges to run such courses will benefit a large number of students, if the colleges offer same quality online.

This will definitely help those with lower grades who are seeking quality education, which is in short supply.

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Gross Enrolment Ratio: These online degrees could help India improve the gross enrolment ratio in higher education, which is a key metric in improving human capital. National Education Policy envisages to double India's GER to 50%.

Affordability: Nearly three in four young Indians don't enrol for higher education due to economic pressure. Affordable online degrees with a measure of flexibility could offer a ray of hope to these people.

Employability: One leading problem in Indian higher education sector is that the employability of many graduates is poor. Online education from a top college may help solve this problem, as it will be a better alternative than campus learning in a low-ranked institution.

What is the way forward?

Although UGC's proposal is a positive development, but there is need for more investment in improving quality of online education.

Infrastructure also needs to be set up, including manpower for continuous assessment of a larger student intake.

For the initiative to be successful, there is a need for **a) ensuring availability of good internet speeds, b) creating engaging online content, c) enhancing National Testing Agency's capacity to conduct online semester examinations.**

There will also be need for **Public funding** to support students who are **economically weaker and for infra upgrades.**

NATIONAL EDUCATION POLICY AND RELATED ISSUES

15. Tapping technology for multilingual learning

Source: This post is based on the article **"Tapping technology for multilingual learning"** published in **The Hindu** on **21st February 2022.**

News: Mother tongue represents an individual or a community's cultural identity. Thousands of different languages are spoken in India, making India's cultural diversity unique in the world. But this uniqueness is vanishing in present times.

What is the reason behind declaration of International Mother Language Day?

Languages are the key bridges that ensure cultural and civilizational continuity, Globalisation and Westernisation have impacted the growth and survival of many of these languages. According to the UN agency, at least 43% of the estimated 6,000 languages spoken in the world are endangered. To preserve the decline of many languages, **UNESCO demarcated February 21** as International Mother Language Day in 1999.

How International Mother Language Day 2022 theme is of great significance?

The theme of 2022 is **"Using Technology for Multilingual Learning: Challenges and Opportunities"**. The central idea of the theme is to **discuss the role of technology** to support and enrich the teaching-learning experience on a multi-lingual level. It also aims at achieving a qualitative, equitable, and inclusive educational experience. Director-General of UNESCO also highlights the importance of technology as it can provide new tools for protecting linguistic diversity.

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Importance of technology also came to light during the pandemic times when the education system switched its mode from physical to online.

Why multi-lingual approach is required in Indian classrooms?

The use of mother tongue in teaching is bound to create a positive impact on learning outcomes, and the development of the cognitive faculties of students. There is an urgent need to create and improve scientific and technical terminology in Indian languages. It would help transform the educational experience by making existing knowledge systems accessible to learners.

Renowned physicist, **Sir C.V. Raman**, also observed the need for teaching in our mother tongue. He observed that India has been able to create a large English-based education system in fields like medicine and engineering but excludes a vast majority of learners from accessing higher education.

In [the All India Council for Technical Education \(AICTE\) survey 2020](#) which involves over 83,000 students, nearly 44% of students voted in favor of studying engineering in their mother tongue, highlighting a critical need in technical education. So, [National Education Policy \(NEP\) 2020](#), is a step in this direction

Read here: [Mother tongue must be the medium of instruction to preserve India's cultural diversity, heritage](#)

What steps did the government introduce in promoting regional languages?

– AICTE and IIT Madras collaborated in translating some courses on the central government's e-learning platform [SWAYAM](#) into eight regional languages such as Tamil, Hindi, Telugu, Kannada, Bengali, Marathi, Malayalam, and Gujarati.

– AICTE also permitted B. Tech programmes in 11 native languages, in tune with the NEP.

What is the way forward?

India is home to 19,500 languages or dialects, of which 121 languages are spoken by 10,000 or more people in our country. Indians should collectively take the responsibility to revive and revitalize the 196 Indian languages which fall under the “endangered” category.

Government should also learn from EU countries and Asian powers and adopt policies to promote education in mother tongue and local languages.

GS2 – GOVERNANCE – WELFARE SCHEMES

NREGA AND RELATED ISSUES

16. Questions on MGNREGA budget estimation

Source: This post is based on the article “[Questions on MGNREGA budget estimation](#)” published in **The Hindu** on 22nd Feb 2022.

News: The disappointing allocation for the Mahatma Gandhi National Rural Employment Guarantee Act in the FY 2022-23 budget has created a buzz.

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Government's allocation for MGNREGA has been much lower than what State governments ask for and civil society actors had recommended.

For instance, The initial allocations in the past two FYs have been just about half of what was recommended by groups like the People's Action for Employment Guarantee (PAEG) and NSM (NREGA Sangharsh Morcha).

Why is the government's allocation so much lower than what State governments ask for and civil society actors recommend?

Firstly, the issue of underestimation of the projected person-days.

Projected persondays are the total days of work anticipated for the year. For instance, the projected persondays for Q4 in FY 2021-22 appeared to be strangely and significantly lower than that in Q3. Also, there seems to be no clarity on how this projection was arrived at.

Since budget allocations are based on projected persondays Underestimated projections will lead to inadequate allocation.

Secondly, the official MGNREGA daily wages also contribute to keeping the budget low.

According to the NREGA 'At a Glance' report, the average MGNREGA wages paid this year remain at a meagre ₹209 per day. Whereas, the expert committee (under the chairmanship of Anoop Satpathy) suggested a need-based national minimum wage of ₹375 per day as of July 2018. Even the PAEG recommended a minimum wage of ₹269 per day in its recently released pre-budget brief.

Even if we take the wage rate of ₹209 per day, the government's estimated expenditure will be ₹1.19 lakh crore by the end of this FY. And yet, the government has allocated only ₹98,000 crores (₹73,000 crores in the initial budget plus ₹25,000 crores as supplementary grants) for the FY.

How it has impacted the MGNREGA Scheme?

First, the consistent shortage of funds has caused a situation endemic to MGNREGA. For example, deficits for State governments, long delays in wage payments, decline in the work provided in the last two-quarters of the FYs, and significant pending dues at the end of the FYs. Further, less than 5% of households active this year have completed 100 days of work.

Second, the Centre's approach has eroded the very premise of employment guarantee as a legal right.

Any rural household can demand to work up to 100 days every year, and the government has to provide it. As and when the demand arises, the government must fulfill it. In this context, treating the budget allocation as a 'ceiling' to the work that can be provided erodes the core premise of the scheme.

What is the way forward?

Increasing the financial allocation: For FY 2022-23, PAEG had recommended a minimal allocation of ₹2.64 lakh crore, and NSM had recommended ₹3.64 lakh crore.

Provision for Supplementary Grants: MGNREGA funds must be regularly replenished by supplementary grants provided based on actual work demand in each State

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General

Studies

Paper – 3

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General Studies - 3

GS3 – INDIAN ECONOMY – ISSUES RELATED TO GROWTH AND DEV

ESG Funds, Ratings and related issues

1. Address the challenges of doing ESG ratings at the onset

Source: This post is based on the article “Address the challenges of doing ESG ratings at the onset” published in **Livemint on 22nd Feb 2022**.

News: Recently, the Securities and Exchange Board of India (Sebi) has come out with a paper on how credit-rating agencies (CRAs) should go about ESG exercise.

The article says there is need of proper assessment before allowing CRAs to become ESG rating agencies.

How Environmental, Social and Governance (ESG) investing is becoming the ‘next big thing’?

ESG compliance is becoming very important. The government is talking of issuing sovereign green bonds and the recipient of funds must be green-compliant. Foreign investors are keen to invest in ESG-complaint firms.

Is ESG exercise trivialized?

One, all companies claim that they are doing a lot for the environment. But while businesses say they have changed bulbs and use auto switch-on/off power devices, they make employees work beyond office hours, which consumes a lot of power with large servers running overtime.

Two, social responsibility is also unclear. During the pandemic, private companies with big reserves sacked employees or made them take pay cuts. Also, the top management corner more benefits in terms of increments.

Three, governance write-ups can also be questioned. It is well known that in some owner-driven businesses, even reputed directors are mere dummies. Also, typically members spend no more than 24 hours a year, earn ₹12 lakh upwards, and are not really interested. For instance, a recent episode of a stock exchange’s governance.

Why CRA cannot do the ESG rating job?

First, CRAs face problems with getting data from companies when they rate debt. The number of ‘Issuer not cooperating’ cases for surveillance has increased manifold. Once such firms procure a rating, their continued cooperation is not easy to obtain. For example, the recent announcement of entrusting CRAs to check the use of initial public offering (IPO) proceeds has drawn mixed reactions.

Second, there is an inherent conflict of interest. If a large company that pays a CRA, say, ₹5 crore in fees for a debt rating also asks for an ESG rating, then the risks of a compromised assessment cannot be ruled out.

Third, CRAs have little competence in evaluating environmental and social impacts. Some CRAs are talking of using artificial intelligence and machine learning for rating operations. It can be disastrous because algorithms will use annual-report data that can’t always be taken at face value. Hence, humans must decide ratings, not machines.

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What is the way forward?

First, SEBI should mandate that ESG rating jobs be done by research institutions that specialize in ESG assessments.

Second, if CRAs have to be involved, it should be selective. Those CRAs should be specially qualified for the task. An external rating panel with experts in these fields should be compulsory until the system stabilizes.

REGIONAL IMBALANCES IN GROWTH AND DEV

2. On an equal footing

Source: This post is based on the article “On an equal footing” published in **The Hindu on 21st Feb 2022**.

News: The growth potential of India cannot be achieved without giving equal opportunity to every State. This article discusses the deprivation faced by many states and suggests few power sector reforms.

How low-income States (LIS) are deprived on many fronts?

One, LIS have low accessibility to credit, low investments, low power availability and accessibility, and high energy costs. However, the high-income States (HIS) have a big share in industry and commerce. For instance, six HIS (Maharashtra, Tamil Nadu, Gujarat, Karnataka, Andhra Pradesh and Telangana) together account for 56.4% of factories and 54.3% of the net value added to the country, while their share in population is only 32.3%.

Two, 55% of total institutional credit and 56% of total industrial credit goes to five HIS. The six LIS (Bihar, Jharkhand, U.P., M.P., Odisha, and Rajasthan) access only 15% of total institutional credit and barely 5% of total industrial credit, while their share in population is 43%.

Three, the maximum benefit of the Atmanirbhar package also went to the HIS as they have a higher share in industry.

How energy sector/power play a role in increasing the disparity?

The availability of adequate quality power at the cheapest rate attracts investments. For example, of the total consumption of electricity, industry and commerce account for more than 50%. Also, Energy India Outlook 2021 concluded that Electricity prices vary between states due to different taxes and subsidy regimes which make consumers in some states pay five times more.

What changes are needed in power sector?

First, eliminate price discrimination in the power sector. The idea is of ‘One Nation, One Grid, One Frequency’ will help in enhancing the transfer of quality energy. It will also pave the way for establishing a vibrant electricity market and facilitate the trading of power across regions through the adoption of the ‘one tariff’ policy.

States with higher power purchasing costs face the difficulty of making energy traffic competitive and hence they are unable to attract investments.

Second, there is need of inclusion of electricity duty under the Goods and Services Tax (GST) to bring uniformity in electricity duty. This decision will benefit the whole nation through rational

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tax devolution. According to the Central Electricity Authority, in 2020-21, six States consumed 50% of the total installed capacity of power. Thus, only 32% of the population used 50% of power. However, six backward States got only 25% of the power though their share of the population is 43%. It shows the direct association between income and electricity consumption.

Also, the major proportion of the power cost incurred in HIS is also borne by the LIS which buy those industrial products because the input cost of power has already been included in the product's price.

What is the way forward?

The electricity duty should be redistributed among the States under the ambit of GST equally shared by the CGST and SGST. However, 100% CGST should be devolved among the States through the Fifteenth Finance Commission formula, without being shared with the Centre (as electricity duty is State subject).

GS3 – INDIAN ECONOMY – GOVT BUDGETING AND FISCAL POLICY

POST-COVID ECONOMIC POLICY

3. The Tobin funnel and post-covid stimulus withdrawal dilemmas

Source: This post is based on the article “The Tobin funnel and post-covid stimulus withdrawal dilemmas” published in Livemint on 23rd Feb 2022.

News: The Government has recently signaled that India will exit its extraordinary fiscal and monetary policies of pandemic times, gradually.

Why there is a need to exit the pandemic-induced extraordinary policy?

The pandemic has affected all the economies and made the governments spend more. The central banks also injected extra liquidity into financial systems. Such coordinated action was necessary during a crisis. But now, since normal life is returning and the economic impact of the pandemic is receding, policymakers have to figure out how to reverse the decisions taken.

India decided to exit gradually because the economy needs policy support till private-sector demand becomes stronger, but it has disturbed the local bond market.

What are the policy challenges existing for India?

First challenge is to withdraw the macroeconomic stimulus before economic imbalances build up. Because if the economy failed to get out in time, it can lead to excess inflation or balance-of-payments pressures (or both). But it is tricky because the recovery is uneven across various sectors.

Second challenge is to figure out the different speeds at which the monetary and fiscal stimuli are withdrawn. James Tobin, who won the Nobel Prize for economics in 1981 has provided a model for such coordination.

What is Tobin Funnel model?

As per this model, a nation-state has control over two taps; **one** for net government spending and **another** for money supply. The water rushes through a common funnel into a tank below.

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The moment the tank below the funnel gets full, it overflows in the form of inflation. The volume of the tank depends on the supply side of the economy.

So, the underlying assumption in the Tobin funnel is that fiscal and monetary policy can sometimes be used alone and sometimes in combination for policy coordination.

But the issue is that it assumes that fiscal and monetary policies have the same effect. Hence, the question arises whether it is applicable in case of supply shock like pandemic. Also, another question is whether the law has created separate zones of intervention for the government and the central bank, then how the interventions can be made.

How Tobin model creates policy dilemma?

The extra government borrowing creates huge public debt. For example, in the case of India, the bond market believes that the Centre's borrowing program in the next fiscal year is too high. Along with this, there is inflation and RBI is the inflation manager of the economy as well as debt manager.

Now the dilemma is whether RBI should raise interest rates to tackle inflation or keep them low to support the government budget.

What is the way forward?

The economic scenario depends on the pace at which the stimulus is withdrawn and on the relative role played by fiscal and monetary policies. The finance ministry has laid out a clear path of fiscal consolidation, but the monetary policy signals have been confusing. That is why there is a need for clear signals which are important as the actual actions.

AGRICULTURE SECTOR

4. The budget spells green-shoot for agri subsectors

Source: This post is based on the article "**The budget spells green- shoot for agri subsectors**" published in **The Hindu** on 21st Feb 2022.

News: Although the recently introduced Union Budget has had no big ticket announcements on agriculture and rural development, it tries to focus on sub-sectors that matter such as livestock, fisheries and food processing.

Which sub-sectors in agriculture have seen an increase in allocation in the budget?

Livestock and fisheries: These two subsectors roughly contribute about 33% of the gross value added in agriculture, and more than 15% of farmer's income is derived from livestock subsector. Allocation for livestock health and disease control, [National Livestock Mission](#) ,[Pradhan Mantri Matsya Sampada Yojana](#) has increased.

Value addition in agriculture: Allocation for the Production-linked incentive scheme for food processing has increased, which will help in value addition in agriculture.

Allocation for the [Rashtriya Krishi Vikas Yojana, or RKVY](#) has been increased which is in line with this year's budget's emphasis on capital expenditure.

Agri-infrastructure: Allocation for the [Agriculture Infrastructure Fund \(AIF\)](#) and **Formation and Promotion of Farmer Produce Organisations (FPOs) scheme** has been increased.

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Technology: Apart from the increased allocations in above sub-sectors, Budget envisages to promote kisan drones and encourage start-ups to improve value chains of farm produce. The adoption of modern technology in agriculture should not only help the rural economy, but could also possibly encourage the younger generation to consider agriculture as a career option.

Which sub-sectors have seen a decrease in allocation in the budget?

Output price support: [Pradhan Mantri Annadata Aay SanraksHan Abhiyan \(PM-AASHA\)](#), has received an allocation of just ₹1 crore.

The allocation for the **Price support programme of pulses and oilseeds** (the Market Intervention Scheme and Price Support Scheme, or MIS-PSS) and **Price stabilisation fund** has declined.

Subsidies: The budgeted estimate of fertilizer subsidy and food subsidy have shown a decline.

Although most major rural development programmes such as the Pradhan Mantri Gram Sadak Yojana (connectivity to unconnected habitations), the Pradhan Mantri Awas Yojana (housing for all in urban areas) have received small increases in allocations but **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** is an exception here. This flagship rural employment programme, which has been instrumental in reducing distress in the rural economy during the waves of the COVID-19 pandemic, has received **lower allocation**.

GS3 – AGRICULTURE – MAJOR CROPS – CROPPING PATTERNS IN VARIOUS PARTS

TRENDS IN INDIAN AGRI SECTOR

5. After the Harvest

Source: This post is based on the article “**After the Harvest**” published in **Indian express** on **21st Feb 2022**.

News: According to Ministry of Agriculture and Farmers Welfare’s Second Advance Estimates of Production of Foodgrains for 2021-22, India’s agriculture sector is all set to create an all-time high production record this year.

What has been the Agriculture production trajectory in the last decade?

Food grains production has **gone up** from 252 million tonnes in **2015-16** to **316 million tonnes** now and **has risen every single year**.

Contrast this with the performance in the six years preceding 2016-17 — production fluctuated between 244 and 265 million tonnes.

What are the crops that’ve seen an inc in production and those that’ve seen a decline?

Coarse grains such as **jowar, bajra and ragi are expected to see a decline** in output while maize, rice, Wheat, Pulses are expected to see their output grow.

Oilseeds are expected to see a production growth of 3.3 per cent, due to significant increases in mustard and soybean production. Among the key cash crops, sugarcane is expected to see an increase, while cotton production may decline.

What are the implications of this?

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Effect on food inflation: Domestic production, the minimum support prices announced by the government as well as the international prices of these commodities influence the prices of these commodities. The effect of the combination of these factors will be seen in the year ahead.

For example, lower production in cotton when prices are already high will raise the raw material costs of the domestic textile industry, weakening its competitiveness.

Although there has been a sustained increase in farm production in India, but there is **also a rise in farmers' distress as the terms of trade have worsened**.

GS3 – INDIAN ECONOMY – ISSUES RELATED TO GROWTH AND DEV

INDIA'S TRADE POLICY

6. Method to the Make-in-India plan: Decoding our import tariff policy

Source: This post is based on the article “**Method to the Make-in-India plan: Decoding our import tariff policy**” published in **Live mint** on **22nd Feb 2022**.

News: According to the World Trade Organization's (WTO) Tariff Profile for 2021, India has one of the highest average tariffs of 15% in the Asia-Pacific region.

This article discusses the need to align Make-in-India with trade policy.

How Make-in-India plan and trade policy is evolving?

First, the government wants to boost “Make in India”, reduce import dependence and promote exports to become the third-largest economy by 2047. For instance, [Production Linked Incentive \(PLI\)](#) schemes to scale up domestic manufacturing.

Second, many studies confirmed that higher import duties on raw materials/intermediate products than on finished medical devices are hampering domestic production. Hence, inverted duties are reduced in sectors like medical devices.

Third, the government has rationalized customs exemptions, imposed new tariffs, and reduced tariffs for certain products to resolve the issue of inverted duties. This has delivered positive results in electronics and India has started manufacturing smartphones.

Fourth, India's previous trade agreements were mostly geostrategic, but now India is focusing on greater market access in key export destinations. For example, after withdrawing from the Regional Comprehensive Economic Partnership (RCEP), India sealed a deal with the UAE.

Fifth, India is focusing on finalizing the early-harvest pact. For example, Australia shares similar concerns regarding over-dependence on China and UK. Also, India has relaunched trade talks with the EU.

What other countries are doing?

High tariffs are not uncommon in South Asia. The average MFN tariffs of Bhutan (22.1%), Bangladesh (14%), Nepal (12.2%), and Pakistan (12.1%) are all high, but these countries are yet to integrate well with global value chains.

Also, India's free-trade agreement (FTA) partners like the Republic of Korea (ROK, 13.6%) and Thailand (10.2%) also have fairly high average autonomous tariffs. But both ROK and Thailand

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have been able to develop domestic manufacturing capabilities and integrate well with global supply chains through their trade agreements.

What does India need to learn from previous agreements?

India's comprehensive economic partnership agreement (CEPA) with ROK has been a key learning experience. For example, according to the United States Geological Survey (2020), India was the fifth-largest zinc miner, while ROK was not among the top 10.

But after its trade agreements with India, Australia, China, and the US, ROK became the world's leading exporter of zinc in 2020. Also, India's imports from ROK increased from 9.1% in 2010-11 to more than 50% in 2020-21. In 2010-11, India had a trade surplus with ROK but in 2020-21, it had a deficit.

The ROK used smart negotiations on rules-of-origin and focused on domestic value addition. India should learn to use high tariffs and trade agreements as a tool to boost exports.

What is the way forward?

First, before launching trade talks with a smart negotiator like the US, India should have a domestic policy regime in place for areas like data sharing.

Second, high tariffs should be used as a tool to facilitate investment in domestic manufacturing and to bargain for greater market access in trade deals through reciprocal tariff reductions and also in areas like regulatory compliance and mutual recognition of technical standards.

MANUFACTURING IN INDIA AND RELATED ISSUES

7. Manufacturing exports can gain from India's empowerment push

Source: This post is based on the article "Manufacturing exports can gain from India's empowerment push" published in **Livemint** on 22nd Feb 2022.

News: The recent released Budget 2022-23 carries forward the government's vision of empowering Indians and enabling economic activity.

This article discusses how manufacturing can help India in empowering people and increase the growth rate.

How manufacturing exports can help India's empowerment push?

First, the weakening of manufacturing in many developed nations has caused social divisions and devastation of communities. That is why the Production Linked Incentive (PLI) scheme is extended to ensure higher economic growth and better living standards for people.

Second, manufacturing provides more room than services for less-skilled and less-educated individuals. For instance, the prospects are not bright for less skill-intensive services such as tourism, aviation, and tourism traffic, which are badly hit by COVID. Thailand which was mostly relied on tourism is dependent on merchandise exports to mitigate the shock.

Third, in India, the revival of manufacturing is essential for mass employment and income growth. Upgrading the sector's expertise, increasing exports, and adding high value-added service exports are also mutually related.

What is the challenge in relying on service exports?

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The Global Trade Update 2022 published by UNCTAD states, During Q4 2021, trade in goods increased by almost US\$200 billion. During the same period, trade in services rose only by US\$50 billion, a value just above pre-pandemic levels.

Also, India's export of goods was up 25% in the fourth quarter of 2021, whereas export of services was up 7%. Further, growth in the export of engineering goods in April 2021-January 2022 was higher by nearly 38%.

What steps have been taken by the government to spur manufacturing growth?

One, the government has been pursuing formalization of the economy for enhancing incomes and offering workers wage security. For instance, the government is providing for the payment of employers' provident fund contributions subject to conditions and limits.

Two, the rapidly rising enrollment in the E-Shram portal is a sign that the government aims to bring better access to many formal benefits available, credit facilities, etc., to millions of workers.

Three, the creation of physical and digital infrastructure and process reforms such as Gati Shakti will lower costs of logistics over time. It will enable goods made in the interiors to be shipped globally.

What is the way forward?

First, state governments should review the rules and laws to help entrepreneurs to focus on generating jobs and profits and aid economic growth. For instance, the Observer Research Foundation and Teamlease show that the majority of laws that attract criminal punishment are in the domain of states.

Second, the commercial sector has to recognize that making profits and increasing labor income are equally important. Hence, it has to improve the complexity and sophistication of India's manufactured products.

Also, Indian businesses must utilize a low-tax regime, low real interest rates, and a regime determined to improve business conditions.

GS3 – ENVIRONMENT – ENVIRONMENTAL ISSUES

GS3 – INDIAN ECONOMY – INDUSTRIAL POLICY AND GROWTH

GREEN HYDROGEN AND RELATED ISSUES

8. Making Green Hydrogen work

Source: This post is based on the article “**Making Green Hydrogen work**” published in **Business Standard** on **22nd Feb 2022**.

News: Recently, a new **green hydrogen and green ammonia policy** has been introduced that envisages building a prominent role for clean fuels in the country's fossil fuel-dominated energy mix.

What does the policy offer?

The policy offers some **concessions on interstate electricity transmission** charges, which has the potential to **halve the current costs of producing green hydrogen**.

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Other important provisions deal with **ease of doing business**, grid connectivity, and single window clearances. The policy aims to meet the output target of 5 million tonnes of green hydrogen by 2030 from nil now.

What are some issues with the policy?

The policy is tilted towards the supply side measures and has very little **to no measures to create demand** for the fuel.

Policy also has missed focusing on **electrolysers and fuel cells**, which are used in producing and storing green hydrogen. Fuel cell systems are used from electric vehicles to large-scale installations providing electricity directly to the grid and can serve as an alternative for batteries.

If these measures are not subsequently incorporated, India may **end up depending on imports again** to meet hydrogen goals.

Why is Hydrogen important for India?

Hydrogen has **application in refineries, steel-making, power generation**, and transport, or to produce synthetic fuels such as methanol, diesel, and jet fuel.

The **investment potential in this area is significant**. Global sales of hydrogen could be worth \$600 billion, and the value chains of green hydrogen could become a \$11.7-trillion investment opportunity by 2050.

What is the way forward?

There is **need for both supply and demand side measures** as without demand, investments remain too risky for wide-scale production that could reduce costs, and without economies of scale the technology remains too costly.

Therefore, **incentives need to be provided** for industries to buy green hydrogen, without which private sector participation may be limited.

GS3 – AGRICULTURE – STORAGE, TRANSPORT AND MARKETING OF AGRI PRODUCE

APMCs IN INDIA AND RELATED ISSUES

9. The reforms that farming really needs

Source: This post is based on the article “**The reforms that farming really needs**” published in **Indian express** on **23rd Feb 2022**.

News: Central government repealed three farm laws that it introduced in the year 2020. This has again brought the focus to the APMCs (Agricultural Produce Market Committee) where the majority of the first time sale of farmer’s produce takes place.

It has been widely acknowledged that APMC markets across the country suffer from various irregularities and are in need of reforms.

What have been previous initiatives to improve the working of APMCs?

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Model APMC Act of 2003 and APLM (Agricultural Produce and Livestock Marketing) Act of 2017 have been some major efforts by the successive governments to improve functioning of the APMCs.

Although they have partially resulted in the opening of alternative marketing channels for farmers, several shortcomings still exist.

What are the reforms required in APMCs?

Number of Markets: Currently the country has about 2,477 principal regulated markets while according to a 2004 recommendation of National Commission on Farmers there is need for approximately 41,000 markets to enhance market access to farmers.

This will also help in maintaining density of regulated markets in the country. The commission recommends that **a regulated market should be available to farmers within a radius of 5 km.** Currently, farmers travel on an average of 50-100 km to sell their produce.

Infrastructure facilities: Although there are provisions for quality testing of produce in laboratories, however, only a very small fraction of the total produce is assessed in labs .

The rest of the quality testing takes place through traditional methods of examining the produce by hand. To overcome this, APMCs can adopt artificial intelligence machines for quality testing in order to hasten the testing process.

e-NAM: Although the majority of the country is integrated to the e-NAM, but the market integration to it is limited, with no benefits accruing to farmers. A significantly lower share of trade in APMCs takes place on e-NAM and here too it is the traders who benefit from it and not the farmers. **Farmers do not have any knowledge of digital media** to benefit from the perks of online trading, and in this case benefit goes to the traders who trade in both online and offline platforms.

There is need for Digital interventions and training services to increase farmers' integration into e-NAM-enabled markets.

MSP as the starting bidding price: Ideally, bidding in APMCs is supposed to start at the MSP for products that are covered under the MSP programme, but traders manipulate and exhibit a tendency to fix a price below the MSP, citing poor quality.

To ensure that the minimum support price (MSP) is the starting price for bidding, there is need for some mechanisms to **ensure that the prices do not fall below MSP** by a certain percentage, or strict adherence to quality checks need to be implemented.

Traders paying fee: In many APMCs it is the traders who have to pay commission agents and not the farmers. However it is the farmer who has to ultimately bear the loss as traders can further depress the price margin received by farmers to cover for the fee they paid.

Direct selling provision: There is a need to facilitate farmers so that they are able to take the benefit of the direct selling provision of the model APMC act. Apart from this, the existing APMC infrastructure should be effectively regulated. This will provide an edge to farmers, and they can also use APMC as a mode for bargaining.

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GS3 – INDIAN ECONOMY – MONETARY POLICY

INFLATION AND RELATED ISSUES

10. A new measure of inflation is brewing on the horizon

Source: This post is based on the article “A new measure of inflation is brewing on the horizon” published in **The Hindu** on 23rd Jan 2022.

News: A radical shift in paradigm with respect to the calculation of the Consumer price index has recently been initiated in the United Kingdom, by the British journalist, cookbook author, and anti-poverty campaigner, Jack Monroe. The “Vimes Boots Index” as the name of a price index, she planned to document inflation in prices of basic necessities.

What are the concerns with Consumer Price Index (CPI) calculation methodology?

First, the methodology used for selecting the ‘basket’ of commodities and their weights is not reflective of the different socio-economic conditions.

Second, while the CPI corresponds to a “common man”, nobody knows who that common man is and what is his consumption pattern. Consumption pattern widely varies across different economic classes.

Thirdly, India has no income survey and the last publicly available Household Consumer Expenditure Surveys’ data is a decade old. Hence, the choice of the ‘basket’ and fixing weights of its commodities are always tricky tasks.

What are Some of the important facts regarding the Consumer price index?

Consumer Price Index (CPI) — that reflects changes in the retail prices of selected goods and services on which a homogeneous group of consumers spends a major part of their income.

The National Statistical Office (NSO) periodically releases the All India CPI and corresponding Consumer Food Price Index (CFPI) for Rural, Urban, and Combined.

There are three distinct series of CPIs – for industrial workers (IW), for agricultural labourers (AL), for urban non-manual employees (UNME).

The CPI (IW), certainly, is the most popular one as the dearness allowance of Central government employees is calculated based on this index.

What is Sir Pratchett’s ‘boots theory’ is about?

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Sir Terry Pratchett had crisply explained the “**Sam Vimes ‘Boots’ theory of socio-economic unfairness**” in his book series ‘Discworld’. The theory basically explains how the working classes are robbed.

It illustrates that everybody knows that good clothes, boots or furniture are really the cheapest in the end, although they cost more money at first. But the working classes can never afford to buy good things and they are forced to buy cheap rubbish things which are dear at any price. As a result, the poor would spend more on the same good over a period of time than the rich.

He gave the following illustration. For example, a really good pair of leather boots cost \$50. But an affordable pair of boots, which is of poor-quality, cost about \$10. Good boots, however, last for years and years.

Thus, a man who could afford \$50 had a pair of boots that’d still be keeping his feet dry in 10 years’ time, while the poor man who could only afford cheap boots would have spent a hundred dollars on boots in the same time and would still have wet feet.

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General Studies - 4

GS4 – ETHICS – CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1. A red pen moment for corporate governance

Source: This post is based on the article “A red pen moment for corporate governance” published in **The Hindu** on **22nd February 2022**.

News: A lapse in Corporate Governance was observed recently in the conduct of the former Managing Director of National Stock Exchange (NSE).

Read here: [Corporate governance in India](#)

What are the challenges in ensuring effective Corporate Governance?

Managerial Misconduct: There were several managerial misconducts at NSE. As in the recent case, the board did not include discussion of the chief strategic adviser’s appointment in the minutes of meeting. It also allowed the former Managing Director’s resignation on liberal terms instead of taking action against her. Public interest directors failed to keep SEBI informed about on-goings at NSE.

Ineffective board members: Here the problem is structural. It involves two crucial factors a) the methodology of selection of board members b) absence of penalties when directors don’t live up to the mandate.

Board members are selected by top management. Board memberships are lucrative and carry attractive perks. So board members have an incentive in giving consent to what management wants. Challenging management may mean losing renewal and even provoking colleagues.

What steps can be undertaken to improve Corporate Governance?

Recruitment of independent directors: Top management should allow choosing not more than 50% of the independent direction. The rest of the members should be selected by other stakeholders like financial institutions, banks, small shareholders, etc.

Read here: [SEBI’s new rules for Independent directors](#)

Accountability: There is a need to make the board members accountable for the lapses in the system. Regulators should penalize board members through various instruments like financial penalties, removal from board and permanent member from board membership. Apart from the board members, regulators should also be held accountable.

Independent audits: Audits of all the regulators should be done by a panel of eminent persons. The audit should evaluate the regulators’ performance in relation to their objectives.

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2. Corporate governance is a pot on high-heat again

Source: This post is based on the article “Corporate governance is a pot on high-heat again” published in **Livemint** on **21st Feb 2022**.

News: SEBI has recently announced that company boards need not compulsorily split the posts of chairperson and managing director between two individuals. This choice is “voluntary” now. This was a roll-back of a directive issued in 2018.

Why this decision of SEBI needs to be analyzed in the context of corporate governance?

One, in India corporate structures are family-owned, and they dominate the business arena. Hence, the ideas seem inappropriate in this context.

Two, the split idea was floating around for four years, and space was opened for political rent-seeking as corporate groups lobbied for relaxation. In this sense, it will worsen crony capitalism.

Three, the empirical evidence shows that offenses can still occur in companies where those posts had been separated. For example, NSE.

Four, there is another issue whether this rule now is reversed for banks, where role-separation has been in force for some time but failed to prevent scandals like those at Yes Bank and ICICI Bank.

For example, the case of BharatPe. The discomfort of its board with its founder and chief recently led to his temporary exit. Also, there were reports of toxic work culture, irregularities that were uncovered by a forensic audit, and internal talks over a possible equity-sale deal for his final departure.

Five, violation of laws at the NSE shows that board members were involved who had the fiduciary responsibility of monitoring, fixing, and reporting lapses and violations. Hence, the recent SEBI norms need to be analyzed in this context.

What is the way forward?

The BharatPe case will test how regulators, financiers, and the government tighten the frame of governance for startups. Regulators should seek to balance the need for startup flexibility with that for best practices and accountability. It should become the normative regulatory approach for all companies in the country because investor trust is vital to India’s economic success.