

26/10/2016

① Ans: Wholesale Price and Consumer price index are the two indices to measure inflation in India. The two indices differ in various aspects as under:

Wholesale Price Index	Consumer price Index.
<p>① The basket of WPI consist of primary articles (food, minerals), fuels and manufactured articles but no <u>services</u>.</p> <p>② It indicates the change in price at the wholesale stage and not of retail stage as a result it does not take into account the impact on final consumers.</p> <p>③ It is published by Department of Industrial Policy & promotion under Ministry of Commerce & Industries</p> <p>④ The base year of WPI is 2004-05.</p>	<p>① The basket of CPI consist of consists of services like health, education along with food etc.</p> <p>② It indicates the change of price in the retail level as a result of which the affect on the final consumer can be assessed.</p> <p>③ It is published by the Central Statistical office under Ministry of statistics and Programme Implementation</p> <p>④ The base year of CPI is 2011-12.</p>

The main reasons behind the negative WPI in recent times are :-

① Fall in oil prices

It had a great impact as fuel consumption takes a very vital part of the WPI.

② World Economic Downturn

This has led to decrease in exports as a result flooding of goods in the Indian markets leading to lower price.

③ Dumping

The Dumping of Chinese goods especially steel too had its impact in the fall of prices.

④ Agricultural Wage : Decreased due to success of schemes like MGNREGS. CPI has been recently replaced by WPI for measuring tracking inflation in India, the reasons being :-

① It reflects the real impact on the final consumer which is not done by the WPI.

② It ~~has~~ ^{covers} services under it and service sector is ^{continues} the major part of India's economy.

③ The ~~with~~ weightage of food is the highest in the CPI which measures the impact on the most vulnerable sections.

④ The CPI is further divided into Rural-Urban which reflects the dichotomy in the two existing in the change of price.

Overall, CPI reflects the real effect of inflation on consumers

and it was a step in the right direction

Q. Ans: Inflation in India has been on the lower side since the last couple of years bringing great respite to consumers. However, a small amount of inflation is always good for the and even essential for economic growth.

The reasons of lower inflationary expectations in India are :-

① Better Monsoon

After two consecutive El Niño years, the temperate crop this year is expected to increase due to the better Monsoon rainfall.

② Oil prices still lower

The oil prices are still languishing around at \$50/barrel and show no sign of rising up in the recent times.

③ Overall Global Economic Scenario

The economic slowdown is still hurting some nations in the developed world like Japan, EU etc. which leads to overall less aggregate global demand.

④ Government Policies

The Government's policy towards making the 'price stability' or 'inflation targeting' as the sole mandate

of RBI can also reduce inflationary pressure

However these can be traded off by:-

- ① The sanctioning of the recommendations of the 7th pay commission which can lead to higher aggregate demand.
- ② The problem of stalled and halted projects and the supply side constraints can lead to supply side inflation.

'Price stability' and 'economic growth' both are vital objectives of the Monetary policy. Though both are often seen to be in contradiction, both should be placed in equal footing in the overall content of Monetary policy.

Access thrust to price stability:-

- ① Lack of Demand \rightarrow Corporate houses closed down \rightarrow Employment growth \downarrow
- ② Price \downarrow \rightarrow deflationary pressure as it has been happening currently in Japan for which it has resorted to (-ve) interest rates.

While uncontrolled thrust to economic growth:-

- ① \uparrow price \rightarrow would hurt the poor the most.
- ② Export competitiveness decreases.
- ③ Unsustainable growth \rightarrow inequality \uparrow

Thus a balance should be strike between ~~the~~ 'price stability' and 'economic growth'.

(3) Ans: The 7th pay commission recommendations which have led to unrest amongst central employees are :-

(1) A large no. of allowances : 36 have been subsumed and they would no longer exist.

(2) The issue of Dearness Allowance.

(3) The percentage increase per year is kept at the same 3%.

(4) In paper, the rise of ~~the~~ wage for employees is 23.55% but the actual rise is less if inflation is taken into account.

The options available to the government to align its fiscal consolidation target with the demands are :-

(1) Performance based payment

The employees if paid based on performance would not lead to parity payment at the same level as a result, the fiscal pressures would reduce. Eg: The Chairman of NIPF would be

paid based on performance.

② Technological Usage

This would reduce the ~~no~~ number of people required for a particular type of job → less wages to be paid → Less pressure.

③ Voluntary Retirement

This step is ~~at~~ already under consideration of the government in which the employees over a certain age (50) who are not able to perform to the mandate can be given voluntary retirement.

However, a total focus on ^{reduction of} "just wages of employees" can lead to disincentivization for work which ~~in~~ turn can lead to inefficiency in governance. So, a balanced should be struck.

④ Ans: The Indian banking sector has been suffering from the problem of fund crunch ~~due~~ for quite some time now owing to the rising NPAs. However the Corporate Houses are not able to flush capital in the ~~cor~~ sector due to the following reasons:

① Generally, RBI ~~for~~ prefers greater participation of the companies already involving in financial sector due to their experience and knowledge of prudence eg:- The in principle approval of the banks a couple of years back by RBI ~~not~~ only preferred Micro finance Institutes like Bandhan & IFC finance, when a large no. of 'corporate houses' themselves ^{were} in the race.

② Balance Sheet Crisis:- the corporate houses in India themselves are suffering from ~~the~~ a typical ~~balance sheet crisis~~ fund crunch and so it is not possible for many to flush capital.

③ Skepticism of Profit : ~~It~~ Out of the 11 licensees for the small payment banks, 3 of them ~~is~~ have backed out as they don't see ^{it} as a ^{proposal} ~~proposal~~ ~~proposal~~ due to the lack of provision of credit in ^{finance} ~~finance~~ banks, competition from other banks, ~~the~~ the advent of Unified Payments ~~and~~ interface etc.

RBI has recently come with the guidelines for on tap bank licensing which would allow the aspiring banks to directly propose ~~it~~ to their interest to the RBI. The provisions in the guidelines are as under:

① An entity proposing for on tap bank licensing should not have proportion of non financial income of more than 40%.

② They have to be registered in the stock market within 6 years.

③ A Capital Adequacy Ratio of 13%.

④ Any corporate house or an individual has to have an experience of 10 years in the market.

⑤ Ans: The Indian banking sector is facing a big problem of stressed and non performing Assets.

An asset is classified as a stressed when the debt ~~along~~ is not recovered within a period of 30 days from the due ~~due~~ date. While when it extends to a period of 90 days, it is classified as a non performing Asset.

The current state of NPAs is ~~to~~ mainly ^{have} hurting the public sector banks whose NPAs ~~are~~ ^{have} risen to an extent of ~~70~~ 12.5% of the total assets. While ~~that~~ of the private sector

banks is relatively better and is hovering around 3% taking the overall NPA of the banking sector to be around 8%.

The main reasons of the rising NPAs are:-

① Governance: poor governance at the Top level along with the dual burden ~~created~~ (asset & liabilities) by the government policies.

② Stalled projects: Due to various reasons like regulatory red tapes, lack of viability of PPP projects etc.

③ KYC norms: Lack of prudence and strict adherence to the 'Know your customer' norms.

④ Willful Defaulters: - As seen in the case of Kingfisher.

⑤ Hounding by Investigating agencies: This is leading to accumulation of NPAs as the bankers are reluctant to ~~give~~ the process of one time settlement.

The steps taken by the government in this regard are:-

① Merger of Banks

The concept of 'anchor Bank' which would

lead the other banks.

② Bank Boards Bureau

To guide the Public Sector Banks to handle the problem.

③ NPA Panel

To mediate the one time settlement of NPAs and save banks from the wrath of investigating agencies.

④ Insolvency and Bankruptcy Code

For easy liquidation of unviable businesses.

⑤ Recapitalization : Rs. 40000 crore so far and Rs. 70000 crore ~~prop~~ proposed for the next four years.

Way Ahead :-

The 4 R's ~~as are~~ : Recognize, Recapitalize, Recover

Reform as proposed in the Economic Survey 2015-16. ~~to~~ must be followed.

(6) The foreign trade policy of India was unveiled in 2015 which gives a clear direction for the next five years.

~~Some~~ The changes that have been recorded in the recent times in foreign trade of India are:-

(1) The Indian Agricultural goods are highly subjected to Non tariff barriers by ~~countries~~ developed countries and even countries like Russia ~~&~~ due to which the growth has not been upto the mark.

(2) There is a rising defense ^{purchase} trade towards the favour of ~~the~~ U.S. however it has been traded off by recent deal ^{with} of Russia on the S-400 air missile support system.

(3) With Africa, there is an increasing trade relations due to the complementarity with Indian states.

Mali —

Cotton	Tentile
--------	---------

 — Tamil Nadu.

Tunisia —

phosphate	Fertilizer
-----------	------------

 — Gujarat.

There is an increase of trades in ~~the~~ other areas like ~~dealing a~~ signing of deal with Mozambique.

- on pulses import. They are also a big market for Indian Generic medicines.
- (4) With West Asia, the majority still remains oil while there is an increased interest in getting technologies related to renewable energy, & climate smart agriculture etc.
 - (5) With the advent of regional blocks like TPP & TATIP and ~~India~~ the (trve) discrimination towards ~~India~~ LDCs, Indian textile exports are facing steep competition from countries like Vietnam & Bangladesh.

The foreign trade policy 2015-20 seeks to rise the India's contribution to foreign trade to 2.9% from the existing 1.5%.

This is sought to be achieved by the following ways:-

- (1) Preferential Trade Agreements :- with countries having complimentarities.
- (2) Region based focus :- The requirement of a particular region should be taken into consideration.
- (3) Project export :- China has been rising as

the international trade due to its high project exports. So, India ~~now~~ would engage in such ventures especially in Africa & Latin America

(4) Easing processes : In line with the Trade Facilitation agreement of WTO.

If implemented in right spirit, the FTP 2015-2020 has the potential to make India a "bright spot" in foreign trade.

(7) India is leading a great thrust towards the development of solar energy. The National Solar Mission aims to increase the solar capacity of India to 100 GW ~~but~~ by 2022.

However, its impact on the energy imports over the coming years would be minimal due to the following reasons:-

(1) ~~India~~ National Solar Mission would mainly cater to the electricity needs of India while the energy of fossil fuels in the form of petroleum products ~~is~~ which is vital for the automobiles ~~can~~ form the most important part of energy imports.

② ~~Increase~~ The industries. Such as Fertilizers etc. would require the import of ~~is~~ Natural Gas.

The National Solar Mission is a very ambitious programme of the govt. of India as it ~~could~~ ^{can} lead to :-

① ~~Achieving~~ Achieving our INDC pledged in UNFCCC & the sustainable development goals.

② Through various financial models like Accelerated Depreciation, Renewable Purchase obligation, Feed in Tariff etc, the cost of renewable power would reduce sufficiently leading to higher reach of energy.

③ India also is leading an International Solar Alliance of the 'sunshine countries' which could lead to cross country research in the sector leading to energy equity throughout the world.

④ Models like Solar park, Solar pumps owned by communities can lead to great reduction of energy dependency.

Thus we see that solar power has the long

term potential to ~~now~~ decrease energy imports though not in the short term due to ~~to~~ the present energy pattern of India. Solar technologies ~~using~~ like solar powered cars, etc must be promoted.

9. The red line campaign on antibiotics is that in the packages of Antibiotics, from now on would consist a red line as a sign of warning against consumption. It used to be present in the exported medicine and the govt. has proposed to introduce it in the domestic market as well.

The main reason for the launch of the campaign is the growing menace of Anti Microbial Resistance in India. ~~This~~ ^{The} ~~is~~ due to the ~~country~~ counter sales of antibiotics without prescriptions, improper dosages and increased consumption ~~for~~ is giving impetus to the ~~is~~ resistance. Also, it has been made worse by the ~~is~~ lack of knowledge of the doctors who prescribe ~~is~~ antibiotics in rural

infections like cold etc. which leads to improper usage.

It has just recently been rolled out and now the medicine retailers sell ~~the~~ such antibiotics only ^{on a} prescription by a registered doctor.

(10) 'Smart cities' are not possible without 'Smart mobility'. This ~~has~~ in turn has created concepts like 'Transit led growth' & 'Multi Model Transit systems'.

Globally, the transportation sector ~~has~~ ^{is} going smart by increased use of technologies like GPS systems in cars for safety as well as data, analyses of the big data created by the transport sector, RFID tags in toll booths and even usage of drones to keep the vehicles in track.

The San Francisco local government claims that ~~prior~~ before ~~it~~ it cost them \$ 4.5 billion/annually for the ~~mob~~ public mobility and after starting the big data analyses of the mobility patterns, the

cost have come down to \$ 2.5 billion.

It has also led to lower congestion, people's satisfaction, saving of time and so on, over improvement in efficiency of the economy.

India has been on a path of mass transportation but it has so far seen a mixed

Result :-

① Successes :-

① BRTS system of Bus in Ahmedabad.

② Delhi Metro.

③ RFID toll booths installed in Assam port election last year ~~lead~~^{led} to increase in toll.

Failures :-

① Cycle routes & BRTS in South Delhi.

② Lack of data collection & analyses of the networks like Uber & Ola.

③ Roads congestion still hurts people.

Way Ahead :

The projects like ~~Four~~ Transit hub in NCR & use of drone ~~like~~ in Mumbai Pune Expressway must be implemented in right spirit and ~~to~~^{ment} they

transport & ~~can~~ has great potential for economic efficiency improvement.

Ans (ii): Grass roots innovations are the ones which have the potential to touch & improve the lives of the most marginalized section of population. They have more of social value than the economic value. They ^{also} have the potential to bring about inclusive. Innovation can be an tangible technology or business model.

Grass root innovations can lead to sustainable and inclusive growth in the following way:-

① Cost of Innovation

~~With less cost~~ such innovations generally involve low cost and time and they have the potential to benefit a very large section of population. So, the cost-benefit ratio is very high.

② Ecological Sustainability

Such innovations always have low ^{cost}

sustainability dimension which leads to good for all. Eg: Organic farming technologies, precision farming, micro grids etc.

③ Empowerment

It can lead to empowerment of people for eg: the e-NAM market platform for farmers can lead to great increase in their bargaining power.

④ Optimum & judicious use of resources:

They also lead to resource conservation for the future generations and avoid their overexploitation. Eg:- Climate Smart Agriculture etc.

Thus we see that Grass root innovations have great potential in ameliorating hardships of the most marginalized people which can lead to inclusive growth.

⑫ Virtual Reality refers to the technology through ~~and~~ which an entity which might not exist in real is represented in such a way that an user is unable to differentiate

between the real and the unreal. It involves ~~was~~ incorporation of graphics, sounds and animation to make it seem more real.

Virtual ~~education~~ reality has great potential in the education sector in the form of Massive Online Open Courses (MOOCs) and tele-education & in following ways:

(1) It ~~can~~ can lead to better understanding in students by imulating models which they generally study in theoretical text books.

(2) It can lead to repeated reference, unlike the traditional ^{one time} classrooms. ^{by students}

(3) Since it has animated and mobile features, it can drive the interest of students better.

(4) It can also be a panacea for the menace of teacher's absentism and lack of quality teachers by making it mandatory to use virtual reality in village schools → to inclusive education.

Along with education, virtual reality can be

used in the entertainment sector, social networking, and even in government to Citizen & Govt. to Business communications which can lead to great improvement in governance efficiency.

(13) The issue surrounding the use of Bt-cotton has been a long drawn one. ~~The~~ ^{The} root of issue basically revolves around ~~two~~ ^{three} dimensions:-

- ① Efficacy
- ② Monopoly
- ③ Patent

Efficacy :- It is an empirical fact that Bt-cotton has greatly increased the production of cotton and led to increased farmers' income but the recent ~~soft~~ ^{in Punjab} infestation of Bollgard-II variety with Bollworm has led to questions regarding its efficacy.

Monopoly :- Monsanto has been the only sole supplier of Bt-cotton seeds due to which the government wants to reduce its clout in the sector. At times harsh regulations like limits on royalty the compulsion of selling seeds to the aspiring seed companies are creating problems for Monsanto.

Patent: In India, the patents are not granted for plants and animals while it is available for microbiological processes which is present for Bt-cotton with Monsanto. But the seed companies introgress the seeds from Monsanto and ~~from~~ their own varieties of hybrid plants which are protected under the Plant Variety Protection of Plant Varieties & Farmers' Rights Act 2001. This has also caused a great regulatory nightmare for the government & problems for Monsanto as well.

Way Ahead:

- ① Consultation with involving Govt, Monsanto & Seed Companies.
- ② Streamlining of legislation & policies.
- ③ Balance to be struck between ~~tech~~ prices & technology.

19) Ans: Indian economy like ~~the~~ all other in the world is greatly plagued by the rising

menace of Black money. So tackling of Black Money is a complex task involving the adoption of both hard & soft methods. In this context, the government ~~has~~ ^{had} recently rolled out the Income Declaration Schemes where the tainted money would be ^{were} taxed at 45% of the value. ~~Even~~ The previous amnesty scheme was rolled out in 2011.

Advantages of amnesty :-

① Increase in govt. exchequer.

45% of ₹. 62,250 which amounts to

₹. 29000 ~~has~~ more ~~are~~ added to the Government Exchequer under the Income Declaration Scheme.

② Business Confidence

A large ~~amount~~ ^{number} of business houses which have tainted money can come out clean & they can continue the business.

③ Economic wheels

A complete crackdown on black money can hurt the economy too due to sudden

shock and so in such cases amnesty is a right step.

~~Dis~~

Disadvantages of Amnesty

(1) No Deterrence

It does not deter corporate wrongs due to a ~~scope~~ scope of coming out clean later.

(2) Difficult to Ascertain

It is not sure, how many people having black money have really disclosed it.

(3) Portray's Weak Resolution

As there involves ~~no~~ no or very low pecuniary provisions for black money in ~~these~~ amnesty schemes.

Way Ahead:

It was just an icing in the cake and the government is if truly committed to crackdown on black money must:

- (1) Make funding to political parties more transparent
- (2) Implement the principles related to Base Erosion

and Profit sharing in true spirit.

② Improve government machinery.

⑮ Radicalization is currently hurting the whole of the world. Whether it is the spate of attacks in France and Belgium or the unrest in Kashmir, all have its roots to ~~radical~~ increasing radicalization in society.

The factors responsible for this trend are :-

① Propaganda

The propaganda mechanisms of the terrorist organizations especially ISIS are attracting a large no. of disillusioned youth through out the globe. ~~owing to~~

② Spread of Salafism

The Salafist preachers proliferating in South Asia is turning out to be a great concern eg: The Bangladesh youth involved in Dhaka attack was influenced from an ^{Indian} preacher.

③. Lack of integration

This is a big problem where a particular community is ghettoized and they do not reap the advantages of govt. policies.
Eg: Molenbeek area in Brussels.

④. Geo politics

The issues of Syria & Israel - Palestine
→ Migration → Refugees → Disillusionment -

The following steps must be taken to reduce the trend :-

- ①. Setting up of 'Deradicalization portals' so that the parents of suspicious ^{children} _{youths} can seek professional help.
- ②. Streamlining of Madrasa education and add secular values to it.
- ③. An intense outreach programme by the Government to the Minority Communities.
- ④. Restricted use of rhetoric by those in political positions against minorities.

(16) Ans: Maharashtra has recently rolled out the internal security policy, which has the following provisions:-

(1) Installation of CCTV cameras in ~~public~~ public places and ~~set~~ set up police establishments.

~~The~~ Criticism: This can have its impact on the privacy of people & over exploitation by policemen.

(2) Creation of Special Security Zones: ~~where~~ where

~~should~~ no arms, explosives or unaccounted money would be allowed to pass through.

This is a step in right direction however due care has to be taken demarcation of these zones so that it ~~does not~~ does not lead to arbitrariness.

(3) Special protection of Critical Infrastructure System
like dams ~~power grids~~

This is a very important step as the whole economy in some way is dependent on it.

④ No Liability of the Government

This ~~is a~~ ^{can be} blatantly misused and lead to arbitrary use of power by police.

⑭ Ans: ~~the~~ India's offensive defense policy has recently been in the news owing to the surgical strikes conducted on terrorist camps in POK.

Pros of offensive policy:

- ① It can create ~~det~~ deterrence in the enemies that India would not be a mere viewer of attacks.
- ② Successful operations boost the morale of the army. ~~of~~ in case there is a full fledged war.
- ③ It symbolizes a ~~g~~ strong government sitting at the helm of affairs.

Cons of offensive policy:

① It can be counterproductive: Pakistan being a nuclear powered state.

② It reduces the clout of India's soft power: As India is viewed a country of tolerance & pluralism in the world which works to its great advantage.

③ ~~was~~ It increases chance greatly for a full fledged war which can lead to various social & economic hardships.

Way Ahead:

A mixture of defensive and offensive policy must be followed with the objective of Strategic Deterrence?

⑫ Media has grown in such a way that it has become the 4th pillar of democracy. But in certain cases, Media has acted insensitively a large no. of times due to which the problems were aggravated.

① During Communal violence, the media out

restrain from broadcasting the flights ~~was~~ of the people immediately as it has the potential to spread even in distance areas.

(2) In conflict ridden zones: Example: the ~~of~~ Assam Rifles ~~has~~ ^{had} warned the media houses in Nagaland to publish any of the demands of NSCN-IM and the recent issue in Kashmir where a news channel had juxtaposed the photo of 'D' Burhan Wani with IAS officer Shah Faisal.

(3) In the ONU case earlier in the year, the entire news media was spitted into left and right.

(4) The issues of depiction of Maoists ~~was~~ and the resultant crackdown on the Barta ~~Fero~~ Journalists -

So, the Journalists must try to be as neutral as possible taking into consideration the sensitivities and the possible implications of their coverage.

20) The threat faced by urban centres due to climate change are multifarious.

They are :-

- 1) ~~Creation~~ Creation of Urban Heat Islands with colder areas surrounding it.
- 2) The increase in the amount of ^{frequencies} ~~the~~ urban floods.
- 3) In the urban wetlands which used to be the buffers for disaster and water to large varieties of biodiversity are on a verge of decline.

4) Increasing health hazards in urban areas.

Strategies to tackle the crisis are as under :-

- 1) Better urban governance
- 2) Application of strict Building codes.
- 3) Stopping the encroachment of drains & storm water.
- 4) Smart Mobility
- 5) Afforestation along the roads.

⑥ Increasing the number of parks and open areas.

⑦ Restoration of Urban Wetlands.