

# 05 Apr 2019: UPSC Exam Comprehensive News Analysis

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## B. GS2 Related

### Category: INTERNATIONAL RELATIONS

#### 1. [UAE's top honour for Modi](#)

##### Context:

UAE President Khalifa bin Zayed Al Nahyan has awarded Prime Minister Narendra Modi the country's highest civilian award, 'the Order of Zayed'.

##### Details:

- In appreciation of the PM's efforts in reinforcing the historical and strategic ties with UAE, the UAE President who is also deputy supreme commander of the UAE's armed forces announced the award.

- The Zayed medal is the highest decoration awarded to kings, presidents and heads of states
- In the past, the honour has been given to leaders of several countries
- Previous recipients of the Order of Zayed include Russian President Putin, Chinese President Xi Jinping, British Queen Elizabeth II, and former Pakistan President Musharraf.

### **India- UAE Relations:**

- India and the UAE share warm relations that received impetus after Prime Minister Modi paid a visit to the nation in 2015, according to the ministry of external affairs.
- The Crown Prince visited India in 2017 as the Chief Guest for Republic Day celebrations in New Delhi.
- UAE is one of the few countries Prime Minister Modi has visited twice.
- India-UAE commercial relations are anchored by energy cooperation, trade, investments by UAE in India and investments & businesses driven by Indian expatriates in UAE.
- UAE accounts for 8 per cent of India's oil imports and is the fifth largest supplier of crude oil to India.
- The country is also a part of the International Solar Alliance (ISA), which is headquartered in Gurugram, India.
- India-UAE trade stood at about USD 50 billion in 2017, making India the second largest trading partner of UAE, while UAE is India's third largest trading partner (after China and the USA).
- Moreover, UAE is India's second largest export destination, accounting for over USD 31 billion for the year 2016-17.

## **Category: HEALTH**

### **1. Time to push for a sustainable food system, say scientists**

#### **Context:**

The EAT-Lancet Commission released a report on healthy diet.

#### **EAT-Lancet Commission:**

- The EAT-Lancet Commission on Food, Planet, Health brings together more than 30 world-leading scientists from across the globe to reach a scientific consensus that defines a healthy and sustainable diet.
- While EAT is a science-based global platform for food system transformation, The Lancet is a weekly peer-reviewed general medical journal. It is among the world's oldest, most prestigious, and best known general medical journals.
- The EAT-Lancet Commission's report, for the first time proposes scientific targets for what constitutes a healthy diet derived from a sustainable food system.

#### **Details:**

- The Commission delivered the first full scientific review of what constitutes a healthy diet from a sustainable food system, and which actions can support and speed up food system transformation.
- The way food is being produced is causing increased emission of greenhouse gases, depleting fresh water supply, compromising land use, exhausting the nitrogen and phosphorous cycle, and endangering biodiversity.
- The need to find a safe space to provide food security to everyone by 2050 was stressed upon.
- It was highlighted that feeding all the people in India a healthy diet in a sustainable manner without compromising on the ecology and environment is going to be the most important challenge in the

coming decades.

- It was opined that if the food system is not fixed, the UN's Sustainable Development Goals cannot be achieved.
- Presenting some key steps required for the 'great food transformation', the executive director, Global Alliance for Improved Nutrition (GAIN), said: "Taxes on unhealthy foods, subsidies for healthier food options, strong leadership in the public and private sectors and strong civil society movements, is the need of the hour."
- As food systems become more formal and organised, food safety threats increase, not decrease. Steps need to be taken to ensure food safety.

#### **GAIN:**

- GAIN is a global initiative launched by the United Nations
- It is an independent non-profit foundation based in Geneva, Switzerland.
- It was developed at the UN 2002 Special Session of the General Assembly on Children.

## **C. GS3 Related**

### **Category: ECONOMY**

#### **1. RBI cuts benchmark interest rate again, lowers GDP forecast to 7.2%**

##### **Context:**

The monetary policy committee of the Reserve Bank of India (RBI) for the second consecutive time cut the benchmark lending rate by 25 basis points to 6%.

##### **Why the rate cut?**

- The rate cut is widely expected to boost the economy.
- It is a move that will result in lower cost of borrowing for the banks that are expected to transmit the same to individuals and corporates.
- The Governor expressed concern over monetary transmission, while noting banks have only reduced lending rate by 10 bps after RBI reduced the policy rate by 25 bps in February.
- These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

##### **Details:**

- The Four members of the committee voted for a rate cut, while RBI Deputy Governor for status quo.
- The committee maintained the neutral policy stance, which means interest rates can move in either direction.
- "With the inflation outlook remaining benign, the RBI will address the challenges to sustained growth of the economy while ensuring price stability on an enduring basis," Governor Shaktikanta Das said.
- Domestic GDP growth is also estimated to slow in 2018-19, with high frequency indicators suggesting slackening of urban and rural demand as well as investment activity.
- It cited concerns over growth as it lowered the GDP forecast to 7.2% for the current financial year from 7.4% projected in the February policy.
- The central bank said the output gap remained negative and the domestic economy was facing headwinds, especially on the global front.

- **Output gap** refers to the difference between the actual output of the economy and its maximum potential.
- The need is to strengthen domestic growth impulses by spurring private investment that has remained sluggish.

## 2. SEBI panel for more players in commodities

### Context:

A panel constituted by the Securities and Exchange Board of India (SEBI) has recommended opening the commodity derivatives segment to all categories of institutional investors in a phased manner, to enhance the depth and liquidity of the commodity market.

### What are commodity derivatives?

- A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index).
- Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes and stocks.
- If the underlying instrument are commodities, such as oil, gas, metals, agricultural products and minerals, then it is referred to as a Commodity Derivative.

### Details:

- The Commodity Derivatives Advisory Committee (CDAC), which has been formed to review the commodity segment and suggest measures to improve the depth and efficiency of the market, has suggested that the capital markets regulator should adopt a 'calibrated approach' before opening up the segment to overseas investors.
- The panel is of the view that in the next phase, institutional investors like foreign portfolio investors, banks, insurance companies and pension funds should be allowed in the commodity derivatives segment.
- Commodity derivatives would be a new asset class for the investors and can be used as hedge against inflation.
- Investment in commodity derivatives in a portfolio may also benefit the investors in terms of better portfolio diversification.
- Incidentally, last month saw the regulator giving the final go-ahead to mutual funds and portfolio managers to participate in the commodity segment.
- Last year, the so-called eligible foreign entities (EFE) that have an exposure in the Indian physical commodity market were allowed to trade in the commodity derivatives segment.
  - Foreign entities having actual exposure to Indian commodity markets are known as "Eligible Foreign Entities"(EFEs).
- According to the panel, a substantial number of investors, including retail investors, are not able to directly access the commodity derivatives markets due to lack of knowledge and expertise.
- Market participants are of the view that while institutional players do help in broadening the segment, the market also needs to offer more liquidity especially in the longer dated contracts to attract bigger players.
- Allowing more institutional participation in the Indian commodity segment is a welcome move as it offers the benefit of broadening the market though their participation depends on the depth and liquidity that the segment offers.

## D. GS4 Related

## E. Editorials

### Category: SCIENCE AND TECHNOLOGY

#### 1. Outer clarity

##### What's in the news?

On April 1, 2019, the Indian Space Research Organisation launched the PSLV-C45 rocket that placed 29 satellites in three different orbits.

##### Editorial Analysis:

- Experts opine that the Indian Space Research Organisation's successful April 1, 2019 launch of the PSLV-C45 rocket that placed 29 satellites in three different orbits is remarkable both for the complex set of multi-tasking the mission accomplished and for the timing.
- Coming three days after ISRO and the Defence Research and Development Organisation knocked out a satellite in a Low Earth Orbit with a direct hit, it would appear that the Indian space programme stands galvanised and poised for a giant leap.

##### Significance of this mission and previous missions:

- The dexterity with which so many satellites, most of them American, were placed in three different orbits certainly showcases both the reliability and the expertise that ISRO offers. It is also important to note that this is not a new development.
- In February 2017, the PSLV-C37 placed 104 satellites, 96 of them from the U.S., in one go, a testimony to ISRO's ability to launch satellites at a fraction of the cost that other countries incur.
- Equally important, just as the February 2017 launch also placed the fifth of the Cartosat 2 series in orbit, an earth observation satellite with cameras that have a resolution of less than a metre, the PSLV-C45 placed EMISAT, which can, among other things, aid in electronic intelligence.
- In other words, India is carefully putting in place a space military architecture. Over the next few months, as many as eight satellites are expected to be launched, strengthening the defence dimension.

##### Need for Communication: Addressing the growing militarisation in space

- Experts point out that this is precisely why the government should articulate much more clearly the doctrinal aspects of the space programme, as well as the deterrence sought to be achieved by it.
- India must communicate its peaceful intentions just as it showcases its capabilities, so as to contribute to a better understanding among countries it hopes to deter and thereby reduce the chances of wrong inferences being drawn in crisis situations.
- After all, missiles are but one aspect of space warfare. There are other, less visible but equally effective methods to incapacitate satellites that are being developed and are of equally serious concern.
- The problem is that there is no global regulatory regime to address the growing militarisation in space.
- In the year 2018, at the UN Disarmament Commission, India expressed concern about the "weaponisation" of outer space, and sought collective action to secure space-based assets.
- In this regulatory vacuum, India has legitimate reasons to develop deterrence for the security of its



space-based assets.

### Concluding Remarks:

- Experts point out that New Delhi must take a bigger lead in forging a global and legally binding instrument to prevent militarisation of space.
- It is encouraging that after the ASAT test, India said it “expects to play a role in the future in the drafting of international law on prevention of an arms race in space”.
- This is morally and pragmatically in keeping with India’s power projection.
- Given the prohibitively expensive nature of space projects, India and other countries must utilise the increased presence in space to legitimately advance the well-being of their people.

## Category: POLITY AND GOVERNANCE

### 1. Making democracy meaningful

#### Note to Students:

The points covered in this article would help in writing points for essays as well. We have highlighted some of these points in bold.

#### Editorial Analysis:

- Within Indian common sense periodic elections, party-based competitive candidates, and universal adult franchise have turned out to be the primary ingredients of democracy.
- This common sense has come to cloud everything centrally associated with the idea of democracy in general and constitutional democracy in particular.
- **Reading elections as democracy has also led to the equating of means with ends, celebrating the former, and abdicating it from all responsibility the latter demands.**
- Denoting elections as ‘the festival of the masses’, a phrase that tweaks Mao’s dictum ‘revolution is the festival of the masses’, or terming India as the ‘largest democracy in the world’ tends to suggest a view of democracy in which the role of the masses decidedly ends at the hustings.
- This reduction of democracy to elections, today, threatens to undermine the core aspirations associated with it.
- For appreciating such aspirations we do not necessarily have to revert to the classics on this term elsewhere, such as Rousseau’s Du Contrat Social, Tocqueville’s Democracy in America, Marx’s writings on the revolutions of 1848 in the Neue Rheinische Zeitung and Dewey’s Democracy and Education, but India’s own reflections on it in such works as B.R. Ambedkar’s Annihilation of Caste, K.M. Panikkar’s Caste and Democracy, Ram Manohar Lohia’s Marx, Gandhi and Socialism, Jayaprakash Narayan’s A Plea for Reconstruction of Indian Polity, and above all the Constituent Assembly Debates (1946-1949). These later writings do have a place for elections and representation that they engender, but also call for pre-requisites for a fair election that claims to represent the will of the people, and stipulate conditions for its continued salience.

#### Elections as tools

- **Some experts take the view that elections can hardly be termed as the sole and effective conveyor belts of popular will in India any longer.**
- Probably, they were never so. But there were reasons to hope, as the poor and the marginalised, cutting across diversity and the social and gender divide, rallied behind it in strength.
- However, some sections take the view that the hype that has come to surround elections, the resources that it calls for, the close monitoring of the voters by boxing them in social straitjackets,

and the media's obsessive focus on elections as a gladiators' den have deeply compromised elections as the preeminent device of representation of popular will.

- **In the process the electoral space of the poor and the marginalised has shrunk, as other devices have been put in place to elicit their assent.**
- The trustworthiness of the election machinery alone cannot ensure that the voter is enabled to make a deliberated choice of momentous significance to his everyday life, opportunities and access to resources.
- Political parties with their stakes, almost without exception, have increasingly tended to fix the voters in social silos, rather than help them redefine their affiliations and connect to the wider social ensemble, if they choose to do so.
- **Redistribution of resources and opportunities has been lost in the endless litany of promises of goods and bounties. A promise, here and there, in the manifestoes of political parties that allude to redistribution sounds theatrical before their socially conservative stance.**
- Sections of the media have come to play second fiddle in amplifying the sound-bites of political leaders, deploying them to construct and reconstruct opponents, with specified social constituencies in view.
- They have found jingoism and archaic frames easy to stoke rather than nudge public sensitivity to reinforcing the democratic temper.
- Highlighting fragments from popular memory-lane, spreading isolated events wide across the political space, and nurturing the effect of simultaneity, particularly with certain audiences in view, have been the take of much reporting these days.
- Negatively, the advances people had made in shaping their self-rule, in a context of bewildering diversity and complexity and widening inequalities, are given short shrift.
- While elections have been successful in reproducing the order of things, they can hardly be considered as the tool of deepening democracy and the nursery of imagining alternative human possibilities.

### Imaginary of democracy:

- There has been an ambivalence regarding elections as the route to democracy in India from early on, even before Independence.
- It is important to recall that **the Indian National Congress rejected the Montagu-Chelmsford Reforms (1919) that expanded the then electoral base, and entertained grave doubts with regard to the provisions of the Government of India Act, 1935 till it accorded a qualified endorsement to it.**
- There have always been political tendencies in India after Independence, particularly on the Left, that have sought boycott of elections by appealing to a richer and thicker version of democracy. But there is little to suggest that those who sought to reject or do away with elections have had much success in putting together an alternative, or enjoyed significant and consistent mass support for any appreciable time across the complex and deeply plural social ensemble in India.
- If the great scholarly account of W.H. Morris-Jones, *Parliament in India*, is to be believed, the 1951-52 general elections demonstrated to an incredulous world, entertaining deep doubts about the prospects of parliamentary democracy in India, the faith that people had come to repose in elections as a mode of choosing their rulers.
- **Subsequent developments, particularly the option of Left parties to take the parliamentary path, demonstrate that elections as a device of choosing representatives find deep echo in the public culture in India.**
- **The challenge that the democratic project confronts in India can scarcely be imagined by setting aside elections.**
- In the reflections on democracy in India, a distinct imaginary of the same stands out, i.e. a political community of free and equal citizens who wish to define their collective life in the indefinite future, irrespective of, and taking along, the differences among them.
- Some experts opine that there is a disconnect between this imaginary and the turn elections have

taken in India today.

### Looking ahead:

- **As a political community, the bonds that unite Indians are not given but have to be forged, and have to be forged consciously and deliberately.**
- Certain inheritances, beliefs, memories and shared practices can be a great help in this direction, but it is also important to realise that they can be equally divisive. India's constitutional layout and public institutions can extend much support in streamlining and directing this political project, but cannot be its replacement.
- **In a complex society such as India, such a political project needs all layers of the political community. The deliberation and participation such a project calls for will remain merely a slogan unless we foreground freedom, and enable everyone to contribute one's best to it.**
- Experts opine that there is no reason for anyone to participate in such a project unless it welcomes them as equals and enables them to pursue what they regard as the best for them.
- This calls for auditing the election promises of political parties, extending support to some measures and rejecting others.
- Measures such as access to quality education in the mother tongue, neighbourhood schools, strengthening public health systems, public transport, entrepreneurship and skill development, universal social insurance, and reaching out to those who suffer disadvantages in accessing these measures are definitely in synchrony with the democratic project.
- At the same time for a large number of Indians the beliefs they uphold, and the practices that ensue therefrom are central to their idea of themselves.
- There is no reason why India's democratic project cannot encompass such embeddedness and aspirations. There is a dire need to create a helm to focus on India's democratic project.

## Category: ECONOMY

### 1. No surprises

#### Editorial Analysis:

- Experts have opined that there was no surprise in the 25 basis points cut in benchmark interest rates by the Reserve Bank of India in its first bi-monthly policy statement of the financial year announced on 4<sup>th</sup> April, 2019.
- As a matter of fact, the market had anticipated such a cut and the only question was whether the central bank would surprise with a deeper 50 basis points cut.
- In the event, the Monetary Policy Committee (MPC) seems to have decided to hold its horses and settle for a conservative approach given the divergent sets of data that it was confronted with.
- On the one hand, inflation, despite the mild spike in February 2019, is well under control at 2.6% and is projected to average 3.2% to 3.4% in the first half of 2019-20.
- This is below the 4% target set for the MPC. However, there are some factors that could spring a surprise on the upside, such as the behaviour of the monsoon and the trend in global oil prices, both of which feed directly into inflationary expectations.
- **Early forecasts indicate a strong possibility of a below-normal monsoon due to El Niño.**
- Such an event would cast a shadow on agricultural output, and consequently the food prices.
- Similarly, global oil prices are now edging close to the \$70 a barrel mark on the back of production cuts by the OPEC cartel.
- While the soft growth trends in the global economy could act as a check on any runaway increase in oil prices, the chances of a sharp fall in the next few months appear remote at this point in time.
- If these are points of upward pressure on inflation, on the other side growth has been faltering in the last few months, going by both data on industrial output and overall GDP.



- The Central Statistics Office has revised the GDP growth for 2018-19 downwards to 7% while the RBI has projected a lower growth of 7.2% in 2019-20 compared to the 7.4% estimated in the last policy.

### Concluding Remarks:

- The 25 basis points cut is, therefore, an acknowledgement by the MPC of the slowdown in growth.
- It also signals a shift in policy since Shaktikanta Das assumed office as Governor of the RBI, whereby the MPC is not solely focussed on inflation but also takes into account growth trends with equal seriousness.
- The MPC's neutral policy stance is prudent given the uncertainties ahead as it gives the central bank the flexibility to tailor policy to emerging data sets.
- Meanwhile, Mr. Das has sent out a welcome, clear signal on the central bank's commitment to the framework for resolution of stressed assets in the backdrop of the Supreme Court striking down its circular issued on February 12, 2018.
- **While underlining that the RBI's powers have not been compromised, he has indicated that the central bank will soon reissue the circular taking into account the apex court's observations. This is as it should be.**

## 2. Jobs or doles: which is the way forward?

### Note to Students:

- The article, "Jobs or doles: which is the way forward?" published in the Hindu on the 5<sup>th</sup> of April, 2019 essentially presents the excerpts of a conversation between experts such as Mahendra Dev (who has been Vice Chancellor of Indira Gandhi Institute for Development Research) and Pronab Sen (who was the first Chief Statistician of India), who talk of the importance and problems of direct cash transfers.
- This particular discussion is moderated by Sharad Raghavan.
- Also, since the issue concerning the Nyuntam Aay Yojana (NYAY) scheme has been in the news for some time now, we take into account some of the important points and perspectives covered in previous editions of the Hindu as well. Thus, we feature the broader perspectives and insights on the Nyuntam Aay Yojana (NYAY) scheme first, and then present the excerpts of the discussion between Mahendra Dev and Pronab Sen.
- The below editorial analysis focuses on the larger issue of 'Universal Basic Income'.

• We at BYJU'S have covered a detailed lecture on 'Universal Basic Income' as part of our YouTube video release. The link is as below:

<https://www.youtube.com/watch?v=vEMDVYqfq2Q>

### Why in the news?

Recently, the Indian National Congress made a promise of transferring ₹6,000 a month to poor households.

### Larger Background:

- UBI (Universal Basic Income) is a form of social security where all citizens receive an unconditional sum of money.
- It was originally considered for one of two reasons; as we are moving towards a more technologically competent world, a large portion of the workforce in various sectors, such as

agriculture, may become redundant.

- As a result, UBI would be granted in order to compensate for the losses to make ends meet.
- Whereas in a developing world, UBI was proposed to help reduce the overall inequality levels.
- The Indian Ministry of Finance's 2016–17 Economic Survey provides the most exhaustive treatment thus far of implementing an Indian UBI. It finds that India's largest welfare schemes are poorly targeted; in comparison, it argues that a UBI distributed directly into bank accounts will limit pilferage, be easier to administer, and prove a more effective antipoverty intervention.

#### A Perspective on Certain Alternatives:

- There have been alternatives suggested that could be implemented alongside UBI.
- For example, the introduction of a negative income tax (NIT) as a social policy could help bolster the tax base.
- Currently, under 2% of the Indian population pays income tax.
- Simply put, as agricultural activity in the country is not taxable, a significant proportion of people are employed in the informal sector.
- As over 90% of Indians earn less than Rs 2.5 lakh annually and are hence exempt from paying income tax, a significant tax base doesn't exist.
- The lack of adherence from certain sections of the population due to tax morale also plays a vital role in creating the difference between the number of citizens registered under the taxable bracket and those who file for income tax.
- The introduction of NIT would register people under a tax bracket, even though they would not be liable to pay taxes.
- In order to avail accrued benefits, individuals will have to register their income levels.
- In this regard itself, some experts take the view that an NIT is superior to a generic UBI.

#### A Look at Certain Specifics:

- Some experts have opined that it would be easy to dismiss the Congress party's promise of transferring ₹6,000 a month to poor households as just a pre-poll gimmick by an Opposition party seeking to be one up on the ruling regime's minimal cash transfer scheme in the form of PM-KISAN.
- For now, however, the party has not fully spelt out the details of its minimum income guarantee scheme, Nyuntam Aay Yojana (NYAY), and has limited itself to saying this would be a flat transfer of ₹6,000 a month to identified poor households.
- **Currently, there has been little word on how the Congress party expects to finance (Nyuntam Aay Yojana) NYAY.**
- A ballpark estimate of the fiscal expenditure, to transfer ₹72,000 every year to the poorest 20% of the approximately 25 crore Indian households, would be ₹3.6 lakh crore.
- This is twice the estimated amount set aside for food subsidy and five times that for fertilizer subsidy in the 2019-20 Union Budget.

#### Certain Questions that need to be answered:

- It is not clear whether the Congress, should it come to power, will cut back on other subsidies and programmes in order to finance NYAY.
- There is also the additional problem of the identification of the poor — the Socio-Economic and Caste Census of 2011 is the most comprehensive exercise for this, but it has been split apart by reliability and authenticity issues and has only been partially released to the public as yet.
- Further, by having an inbuilt provision of targeting the beneficiaries, NYAY can fall short as other programmes have, such as the targeted public distribution system.
- It is important to note that the idea behind NYAY is not entirely unsound.
- An unconditional transfer of a specified minimum income support to the poor will go a long way in

helping address immediate needs related to health, education and indebtedness.

- A large section of the targeted poor would include landless workers and marginal farmers in rural areas, and unemployed youth in families engaged in menial labour in urban areas.
- Besides shoring up income to meet such basic needs and pushing wages upwards, the transfer scheme can help spur demand and consumption in rural areas in particular.
- There are disincentives inherent in the scheme as well.
- A section of the beneficiaries could withdraw themselves from employment but this could be mitigated by the expected overall spur in demand in the economy through consumption, and by the rise in real wages consequent to the shrinking of the labour market.
- Limited cash transfers in the form of direct farm income support in States such as Telangana and Odisha have helped ameliorate agrarian crises. This was the reason why the BJP-led government came up with the PM-KISAN Yojana as a countrywide scheme.
- It is important to note that a massive programme such as NYAY, however, has no precedent.

### A Deeper Perspective:

- The idea of a minimum income guarantee (MIG) has caught up with political parties.
- A MIG requires the government to pay the targeted set of citizens a fixed amount of money on a regular basis.
- With the promise of the **Nyuntam Aay Yojana (NYAY)** by the Congress party, it is clear that the MIG is going to be a major political issue for the coming general election.
- A limited version of the MIG in the form of the PM KISAN Yojana is already being implemented by the NDA government at the Centre.
- It is important to note that State governments in Odisha and Telangana have their own versions of the MIG.
- The NYAY is the most ambitious of these MIG schemes. It promises annual income transfers of ₹72,000 to each of the poorest five crore families comprising approximately 25 crore individuals.
- If implemented, it will cost the exchequer ₹3.6 lakh crore per annum.

### Some Important questions that arise:

- Several questions arise. These are as follows:
  1. Is there a case for additional spending of such a large sum on the poor? The answer is yes.
  2. Can government finances afford it? No.
  3. Even if the government can mobilise the required sum, is the scheme a good way of spending money on the poor? No.
- It is important to note that many landless labourers, agricultural workers and marginal farmers suffer from multi-dimensional poverty.
- Benefits of high economic growth during the last three decades have not percolated to these groups. Welfare schemes have also failed to bring them out of destitution. They have remained the poorest of Indians. Contract and informal sector workers in urban areas face a similar problem.
- Due to rapid mechanisation of low-skill jobs in the construction and retail sectors, employment prospects for them appear increasingly dismal.
- These groups are forced to borrow from moneylenders and adhatiyas (middlemen) at usurious rates of 24-60% per annum.
- For instance, for marginal and small farmers, institutional lending accounts for only about 30% of their total borrowing. The corresponding figure for landless agricultural workers is even worse at 15%. **There is a strong case for direct income transfers to these groups. The additional income can reduce their indebtedness and help them get by without falling into the clutches of the moneylender.**
- However, the fiscal space is limited. The Congress's scheme will cost about 1.92% of the GDP. No

government can afford it unless several existing welfare schemes are converted into direct income transfers, or the fiscal deficit is allowed to shoot up way above its existing level, 3.4% the GDP.

### Shape of the scheme:

- The welfare of the poor and downtrodden trumps concerns over the fiscal burden.
- Nonetheless, the form of an income transfer scheme should be decided carefully.
- **We know very little about the aggregate effects of unconditional cash transfers at the large scale conceived under NYAY.**
- On the one hand, income transfers will surely reduce income inequalities and help bring a large number of households out of the poverty trap or prevent them from falling into it in the event of shocks such as illness or death of an earner.
- It is important to note that the poor spend most of their income, and a boost in their income will provide a boost to economic activities by increasing overall demand. On the other hand, large income transfers can be inflationary, which will hurt the poor more than the rich.
- The effect of cash transfers on the workforce is also a moot point.
- In principle, the income supplement can come in handy as interest-free working capital for several categories of beneficiaries such as fruit and vegetable vendors and small artisans, and promote their businesses and employment. At the same time, large cash transfers can result in withdrawal of beneficiaries from the labour force.
- **Crucially, a MIG can also provide legitimacy to the state's withdrawal of provisions of the basic services.**
- There are very few studies on these issues. Existing studies have dealt with limited income transfers to only a small set of the poor. In the absence of empirical evidence regarding the aggregate effects of large income transfers, it will be irresponsible to dismiss the concern over such issues as elitist.

### A Possible Route the Scheme can Adopt:

- Some experts have opined that the scheme should be launched in incremental steps.
- An income support of, say, ₹15,000 per annum can be a good start. This amount equals 30% of the annual income of marginal farmers; and more than one-fourth of the average consumption of the poorest 40% of households.
- Studies show that even a small income supplement can improve nutrient intake at high levels of impoverishment.
- Besides, it can increase school attendance for students coming from poor households. This would mean improved health and educational outcomes, which in turn will make the working population more productive. **Moreover, with a modest income support the risk of beneficiaries opting out of the workforce will also be small.**
- Besides, a moderate income support can be extended to a larger set of poor households. For the lowest 40% (about 10 crore households), income is less than their consumption expenditure. In other words, on an average these households have to borrow to meet their expenses. These people can surely do with additional income support.

### Identifying the beneficiaries:

- According to the **Socio-Economic and Caste Census (SECC) 2011**, around six crore households suffer from multidimensional poverty.
- These include the homeless, tribal groups, the landless, families without an adult bread-earner or a pucca house.
- Within this group it is almost impossible to exactly identify the poorest five crore households to be covered under the NYAY.
- However, the SECC along with the Agriculture Census of 2015-16 can help identify a larger set of poor based on verifiable criteria; namely, multidimensional poverty, landlessness and the marginal



farmer.

- Together, these criteria cover the bottom 40%, approximately 10 crore households.
- Drawing upon the experiences with the poor-centric welfare schemes such as MNREGA, Saubhagya and Ujjwala and PM-KISAN, datasets can be prepared and used to update the list of needy households.
- For these 10 crore households, to start with, the scheme will require ₹1.5 lakh crore per annum. The PM KISAN Yojana can be aligned to meet a part of the outlay.
- Moreover, the tax collection would need to be increased by reintroducing the tax for the super-rich.
- Nonetheless, the required amount is beyond the Centre's fiscal capacity at the moment.
- Therefore, the cost will have to be shared by the States. Still, the scheme would have to be rolled out in phases, as was done for MGNREGA.

#### **Some salient points:**

- All considered, no income transfer scheme can be a substitute for universal basic services.
- The direct income support to the poor can deliver the intended benefits only if it comes as a supplement to the public services such as primary health and education.
- This means that direct transfers should not be at the expense of public services for primary health and education.
- Moreover, universal health and life insurance are equally important, and so is the case with crop insurance.
- Each year, medical shocks and crop failures push many families into the poverty trap.
- The scope of Ayushman Bharat needs to be expanded to include outdoor patient treatments.
- Some experts opine that the PM Fasal Bima Yojana can be made more comprehensive by providing free and wider insurance coverage.

#### **Editorial Analysis:**

##### **Excerpts of the Discussion:**

**Professor Dev, in the light of unemployment being such a big issue now, should the government that comes to power next double down on employment creation or opt for direct transfers to the people who need it?**

Mahendra Dev: Let me start on the employment question. Productive employment is the best way to remove poverty. But the organised sector constitutes only about 10% of the population; unorganised sector employees constitute almost 90%. In that context, unless you create jobs for everybody in the organised sector, the working poor will have problems. People are working, but at low wages.

About 50% are self-employed. Unless you create productive jobs, you need to have social protection measures because the poor face many risks — health risks, labour market risks, financial risks.

But whether it is a minimum income guarantee or the Pradhan Mantri Kisan Samman Nidhi Yojna (PM-Kisan), are these the best ways to reach them, or some other programmes like old-age pensions and maternity entitlements? That's the debate.

But the need for social protection for the poor is important in the context of risks. And now there is also rural distress. The best way is to create jobs, but for job creation at the higher level, we need to increase more labour-intensive manufacturing, which may take time. So, in that context, giving cash transfers may be right, but how to get resources for the scheme and implement it is another issue.

**Dr. Sen, is the way forward to try to increase the number of productive jobs, increase skilling and**



**train people better, or provide them with economic assistance?**

Pronab Sen: I think what Mahendra Dev is saying is that the two are not mutually exclusive. We keep talking about governments creating jobs, but the fact is that governments don't of themselves create jobs. The best a government can do is to create conditions whereby private enterprises create jobs. That has to be done, and people must have the expectations of being able to access the jobs. In the interim, when you have people who cannot get employment, like the old, you do need social protection for them.

And then comes the problem of the working poor, which is the largest chunk of the Indian economy. Do you need to do a top-up is the question. Now, the thing is, the two are related. So long as productivity and the income accruing from jobs don't reach a particular level, a certain amount of help is necessary.

The problem with entitlement sort of programmes, which is what both PM-Kisan and NYAY are, is that they don't create that link. When we think about jobs, we should be very careful in our choice of words. Jobs are when someone else is employing you. What we are really talking about is income-generating activities. That could be a job, it could be self-employment, there is a variety of things that people do.

We have simply gone away from the discussion on how to increase income-creating opportunities for the people at large. Our focus is too much on the formal sector, which, as Mahendra Dev rightly says, employs just 10%. Even if it grows at a very rapid rate, it is not going to make a dent for a while. But we are really not discussing the steps, the measures, the macroeconomic conditions that are necessary to create non-formal jobs which have been the mainstay of income for the bulk of the Indian working class.

**Professor Dev, keeping that in mind, would increasing allocations to, say, MGNREGA, which is giving people work and also income, be one way instead of directly giving money to those who can work?**

Mahendra Dev: I am an advocate of MGNREGA. Of course, that is for unskilled workers mostly, although some skilled component is there. It is a self-targeted programme also. In the minimum income guarantee scheme, the problem of targeting errors is there. There will be exclusion and inclusion errors in identifying the poor. In MGNREGA, it is mostly self-targeted. The rich may not participate unless they do some corruption with the muster rolls. Otherwise MGNREGA is a good one. But that itself may not be enough because we have the self-employed poor and the old. That is one of the social protection things...

But also remember that the amount allocated for this minimum income guarantee, ₹3 lakh crore, comes with opportunity costs. Human development people say, why can't this be spent on health and education instead of on minimum income guarantee? There are opportunity costs to any expenditure, unless the government expands the tax base much more. Otherwise, there is always a trade-off.

**Dr. Sen, how does one pay for something like the minimum income guarantee scheme?**

Pronab Sen: Let's be very clear. The scheme is a pure transfer, which is perfectly legitimate in any society that is caring. You take from the rich and you support the poor.

There is nothing inherently wrong with that, but the implication is that you are going to have to tax the rich. And if you really look at the discourse we have been having in India over the last 25 years, it has mainly been focused on how to increase profitability of Indian enterprises and persuade them to invest and create jobs.

Now that part of the narrative continues to be valid if you're talking about creating jobs. But in a context where you need to tax the rich and get much more out of them, some of this narrative is going to have to change. For instance, we have sequentially been lowering the corporate tax rate. This government has already announced that it wishes to bring the corporate tax rate to 24%. It's been done for one category of companies but has not been fully extended yet. All of those are actually leading to reduction in the amount

you are taxing the rich, which becomes a problem for you to fund this sort of a programme.

The other way you can do it is to remove a whole bunch of government activities. But anybody who has taken a long, hard look at the government's budgets knows that there are very few items of expenditure which you can legitimately question as being unnecessary. So, there is a problem, and the problem now is that if the discourse now says, we are going to do this, we are going to tax the rich, what effect it has on the larger macroeconomic picture then becomes an issue that we need to debate.

**Professor Dev, the thing with directly giving people money is that you are in essence just increasing their consumption expenditure, but the revenue earned by the government from them is more or less the same. Yes, there is some increase in indirect tax collections, but direct tax collections remain the same, whereas the consumption expenditure goes up. Is that a sustainable way? How do you mitigate that?**

Mahendra Dev: As Pronab said, we are not against the concept of minimum income guarantee. But how we do that is important. If the consumption expenditure increases, the demand for industrial goods, many durable or non-durable goods will increase. So that may have some taxes for the government. But how do you raise ₹3 lakh crore is an important issue. There are implications, as Pronab mentioned, like taxing the corporate sector. So, one has to see how to raise the resources. Can you reduce the so-called non-merit subsidies or concessions to the corporate sector in the Budget? These are issues one has to see, apart from how to identify the poor and implement the scheme.

**Dr. Sen, if the government does manage to raise this quantum of resources, would direct transfers be the best way for it to utilise this extra resource?**

Pronab Sen: I think this is where Mahendra Dev and I completely agree. The problem with the direct transfer mechanism is that there is an inherent assumption which has not been discussed, that is, the poor always remain poor. This is not necessarily the case. We are in a fairly dynamic economy and a person or household that was poor three years ago or five years ago may no longer be poor because their children have started working, they are earning better. The direct income transfer that is being talked about now is inherently non-dynamic. It's very difficult to drop people who have been receiving these funds.

On the other hand, MGNREGA is dynamic. That is, as people move into poverty, they will access MGNREGA because, as Mahendra Dev rightly said, it is self-targeting. People who are moving out of poverty will stop going to MGNREGA work sites. So, the ideal combination would be to have MGNREGA as a safety net and to have direct transfers to those who, for whatever reason — physical, age, gender — are unable to access the work market. It's a combination of social protection and a social safety net.

**Professor Dev, Dr. Sen had mentioned that the corporate tax rate has been lowered and it could possibly be increased. Do you feel this is the case for personal income tax as well? There was a calculation that increasing the tax rate for people earning more than ₹2.5 crore a year by 2 percentage points would pay for this scheme. Is something like that feasible?**

Mahendra Dev: I don't know the implications for the economy of increasing the tax rate for the ultra-rich. Economist Thomas Piketty talks of a wealth tax. One has to see the implications and how much you get and those kinds of things. One has to think much more about resource mobilisation and how to mobilise this ₹3 lakh crore and also continuously map the dynamic poor. For example, the Socio-Economic and Caste Census (SECC) is of 2011. From that data, one can identify the poor, but what we had in 2011 could be quite different in 2019.

**Dr. Sen, how then do we increase targeting? Do we need to increase the frequency of surveys such as**

**the SECC or is there some other form of targeting we can use?**

Pronab Sen: There are other forms of targeting. It could be on the basis of readily verifiable parameters such as age, physical disability, being an orphan. There are ways of targeting without going into the issue of poverty itself. So that what you are targeting is the inability to work and you focus on the growth process and for social safety nets like MGNREGA to take care of those who are able to work.

## F. Tidbits

### 1. Women activists join hands against liquor use in elections

- Braving the scorching sun, female anti-liquor activists formed human chains to create awareness against the use of liquor during election campaign in 12 panchayats of Daringbadi block in Odisha.
- For the last three decades, women from this area are continuing their crusade against liquor menace under the banner of 'Nari Mahasangh'.
- Their aim was to make the local residents and political campaign vehicles notice their unity and conviction.
- The women who participated in the human chains were farmers and daily wagers who are the worst sufferers of liquor addiction of men in their families.
- Their organisation has decided to ask women in their area not to vote for parties which use liquor to woo voters during the elections.
- They have also started collecting written promise on stamp papers regarding their demands from political activists who visit their panchayats to campaign.
- They are also demanding a complete ban on intoxicants in Kandhamal and Odisha as well as land rights to the landless, especially destitute women of the area.

### 2. Small tea growers to get app-based training

- The organised tea industry has helped launch an app that would benefit the small tea growers.
- The app will act as a digital training tool for these growers while helping establish traceability for the segment, promoting quality and safe-farm practices.
- Digital traceability has already been established for 2,500 such growers in Assam, West Bengal and the southern States... this will now be gradually extended to 70,000 small tea growers by this year end.
- The app has been launched in association with a global sustainability organisation, Solidaridad.

#### **Solidarid:**

- The Solidaridad Network is an international civil society organisation founded in 1969.
- Its main objective is facilitating the development of socially responsible, ecologically sound and profitable supply chains.
- It operates through nine regional expertise centers in over 40 countries.
- Solidaridad Asia provides sustainability and training initiatives for several international projects covering tea and other commodities.
- Its current project is being implemented under the aegis of pacts signed between the Indian Tea Association, Association of Small tea growers in Assam and West Bengal and the United Planters Association of Southern India (UPASI).

## G. Prelims Facts

### 1. Bejjur vultures

- Three Indian vultures from the famous Palarapu cliff-habitat in Penchikalpet forest range of Kumram Bheem in Telangana died of unknown reasons about two months ago.
- They are also known as longbilled vultures (*Gyps indicus*).
- Long-billed Vulture is the smallest of the vultures.
- They feed exclusively on carrion, and mainly remains of cattle.
- These vultures breed in colonies.
- The long billed vultures are listed under the 'critically endangered' category by the International Union for Conservation of Nature (IUCN).
- The vultures play an important role in the ecosystem by consuming dead and decomposed carcass.
- They can prevent microbial growth due to which some epidemics break out in the forests, indirectly affecting humans and are nature's safeguards.
- They are vulnerable to poisoning by Diclofenac, used in southern Asia as livestock treatment. This drug is toxic to vultures when they feed on contaminated carcasses.

## H. Practice Questions for UPSC Prelims Exam

**Q1) Democracy Index is published by:**

- a. Economist Intelligence Unit
- b. INSEAD
- c. UN Development Programme
- d. UN Sustainable Development Solutions Network

**Answer: a**

**Explanation:**

The Democracy Index is an index compiled by the Economist Intelligence Unit (EIU), a UK-based company. Its intention is to measure the state of democracy in 167 countries, of which 166 are sovereign states and 164 are UN member states. The index was first published in 2006, with updates for 2008, 2010 and later years. The index is based on 60 indicators grouped in five different categories, measuring pluralism, civil liberties and political culture. In addition to a numeric score and a ranking, the index categorises each country in one of four regime types: full democracies, flawed democracies, hybrid regimes and authoritarian regimes.

**Q2) Consider the following statements:**

1. Champaran Satyagraha was Gandhiji's first satyagraha in India.
2. It occurred in Champaran district of Gujarat in 1917.

Which of the following statement/s is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

**Answer: a**

**Explanation:**

The first Satyagraha movements inspired by Mahatma Gandhi occurred in Champaran district of Bihar in

the year 1917. The Champaran Satyagraha was the first to be started, but the word Satyagraha was used for the first time in Anti Rowlatt Act agitation.

**Q3) Mamita is a folk dance of the North Eastern State of**

- a. Assam
- b. Sikkim
- c. Tripura
- d. Arunachal Pradesh

**Answer: c**

**Explanation:**

Mamita is a folk dance of Tripura. It is performed on the occasion of Mamita festival, which is the harvest festival of Tripuri People.

**Q4) Consider the following statements:**

- 1. Leprosy is an infectious disease.
- 2. India's National Leprosy Eradication Programme is a centrally sponsored Scheme.

Which of the following statement/s is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

**Answer: c**

**Explanation:**

Leprosy is a chronic infectious disease caused by Mycobacterium leprae and is highly contagious. National Leprosy Eradication Programme of India is a centrally sponsored Health Scheme of the Ministry of Health and Family Welfare which aims to eradicate leprosy from India.

## I. UPSC Mains Practice Questions

- 1. Are electoral bonds posing a threat to democracy? Critically comment. (10 Marks)
- 2. What is the Model Code of Conduct (MCC)? Is the MCC in its present form efficient enough to ensure Free and Fair Elections in India? Suggest reforms needed. (10 Marks)



