Category: POLITY AND GOVERNANCE

1. Higher education to get a boost with Rs. 1.5 lakh crore action plan

Context:
In what could be one of the first new initiatives of the NDA government, the Ministry of Human Resource Development plans to launch an ambitious Rs. 1.5 lakh crore action plan to improve the quality and accessibility of higher education over the next five years.

Details:
- This is being described as the implementation plan for the National Education Policy.
The last National Education Policy (NEP) was released in 1986, with a revision in 1992. EQUIP project was being worked on in order to bring transformational change to the Higher Education system.

**EQUIP:**

- EQUIP stands for the Education Quality Upgradation and Inclusion Programme
- It was crafted by ten committees led by experts within the government such as NITI Aayog CEO, principal scientific advisor K. Vijay Raghavan and former revenue secretary Hasmukh Adhia, as well as some corporate chiefs.
- The ten committees have drafted strategy to improve access to higher education, especially for underserved communities.

**Category: INTERNATIONAL RELATIONS**

1. **Centre bans terror outfit based out of Bangladesh**

**Context:**

Bangladesh based terror outfit- the Jamaat-ul-Mujahideen Bangladesh (JMB) was banned by the Centre under the anti-terror law Unlawful Activities (Prevention) Act.

**Details:**

- JMB was allegedly involved in the 2016 terror attack at a cafe in Bangladesh's capital city Dhaka.
- A notification issued by MHA said that the outfit was planning to set up permanent bases within ten kilometres along Bangladesh border in several districts of West Bengal, Assam and Tripura.
- The notification said the group planned to spread its network in South India with an overarching motive to establish Caliphate in the Indian subcontinent.
• It also mentioned that the outfit has committed and promoted acts of terrorism and has been engaged in radicalisation and recruitment of youths for terrorist activities in India.
• Therefore, the Jamaat-ul-Mujahideen Bangladesh or Jamaat-ul-Mujahideen India or Jamaat-ul-Mujahideen Hindustan and all its manifestations have been inserted in the First Schedule to the Unlawful Activities (Prevention) Act, 1967.

UAPA Act:
• Unlawful Activities (Prevention) Act is an Indian law aimed at effective prevention of unlawful activities associations in India.
• Its main objective was to make powers available for dealing with activities directed against the integrity and sovereignty of India.
• The Act makes it a crime to support any secessionist movement or to support claims by a foreign power to what India claims as its territory.

C. GS3 Related

Category: ECONOMY

1. SEBI panel moots changes to FPI rules

Context:
As part of its attempts to streamline the regulations to encourage foreign inflows in the Indian market, the Securities and Exchange Board of India (SEBI) has proposed fast track on-boarding procedure for such investors, apart from a simplified registration process.

Details:
• The capital markets regulator released the report of the working group formed under the chairmanship of former RBI deputy governor HR Khan last year.
• The group’s primary objectives were consolidation, simplification, rationalisation and liberalisation.
• As a key source of capital to the Indian economy, it is believed that it is important to ensure a harmonised and hassle-free investment experience for international investors and improve transparency as economic regulations evolve.
• The committee has further proposed a liberalised investment cap under a review of prohibited sectors for foreign investment for FPIs, restriction on Sovereign Wealth Funds (SWFs) for investment in corporate debt securities, and permitting FPIs for off-market transactions.
• The committee has also proposed alignment of regulations for FPIs and Alternate Investment Funds (AIFs) and the harmonisation between investment restrictions in FPI regulations and Foreign Exchange Management Act (FEMA).
• “Keeping in view the emerging global concerns on the integrity and identity of cross-border investors, it is considered important to continue to focus on sound and stable market polices, with robust anti-money laundering rules, while at the same time ensuring investor-friendly measures to attract and retain long term capital,” the report read.
• In terms of restrictions on FPI investments in mutual funds, the group said that there was a need for further deliberations on whether such restrictions should be there.
• FPIs are currently not permitted to invest in liquid and money market mutual fund schemes.

2. RBI mulls liquidity buffer for shadow banks
**Context:**

The Reserve Bank of India (RBI) proposed introducing a liquidity coverage ratio (LCR) for large non-banking financial companies (NBFC) to help tackle liquidity issues in the sector.

**Background:**

- The collapse of the Infrastructure Leasing and Financial Services (IL&FS) last year triggered a series of defaults across the shadow banking sector, as borrowing costs for the sector surged.
- The central bank is concerned about the liquidity issues facing some of the so-called shadow banks such as mortgage or auto lenders and wants to ensure the problems do not become a systemic issue.

**Details:**

- The central bank said it planned to implement LCR, a liquidity buffer, in a calibrated manner over four years starting from April 2020.
- The liquidity coverage ratio is proposed for all deposit-taking NBFCs and non-deposit-taking NBFCs with an asset size of Rs.5,000 crore ($720 million) and above.
- NBFCs will have to maintain minimum high quality liquid assets of 100% of total net cash outflows over the following 30 calendar days according to the RBI.

**Shadow banking:**

- A shadow banking system is the group of financial intermediaries facilitating the creation of credit across the global financial system but whose members are not subject to regulatory oversight.
- The shadow banking system also refers to unregulated activities by regulated institutions.

**Category: SCIENCE AND TECHNOLOGY**

1. **SpaceX launches 60 Starlink satellites**

**Context:**

SpaceX has launched the first 60 satellites of its “Starlink” constellation, which is intended to provide Internet from space in an array that could one day contain over 12,000 transponders.

**Details:**

- The launch was on a Falcon 9 rocket.
- The 60 satellites mark the beginning of SpaceX’s deployment of a global internet megaconstellation intended to generate more revenue to fuel the company’s interplanetary ambitions.
- The final orbit of the satellites is slightly higher than the International Space Station, but well below terrestrial satellites.
- The lower orbit means less signal lag, and also ensures that atmospheric drag will pull satellites down in five years or less, reducing the risk of space debris from any damaged or defunct spacecraft, SpaceX said.
- Some of that new technology includes propulsion systems that run on krypton instead of the typical xenon fuel.

**D. GS4 Related**

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E. Editorials

Category: POLITY AND GOVERNANCE

1. It’s time to take stock of the electoral process

Editorial Analysis:

- The biggest election in the world has finally come to a successful end for which the three Election Commissioners and their 12 million staff deserve appreciation.
- However, unfortunately, what deserved to be remembered as a subject of national pride became mired in several controversies.

A look at the question marks raised surrounding this election:

- At the top of the list was the unprecedented attack on the Election Commission (EC) which was accused of being soft on the top leadership of the Bharatiya Janata Party (BJP) for repeated violations of the Model Code of Conduct (MCC).
- Questions were also raised about the prolonged election of seven phases.
- The EC has always maintained that the most pressing concern is voter security.
- All political parties demand that Central armed police forces be deployed, but due to their limited availability they have to be rotated, which necessitates multi-phase elections.
- If the numbers of these forces were adequate, the EC could conduct elections in one day.
- After all, the MCC is difficult to operationalise in the age of social media in staggered elections.
- This is a trade-off the EC is fully aware of.
- Further, the cost-benefit analysis of multi-phase versus short phase elections in the face of new challenges can be done afresh.

The Highlight of the 2019 elections:

- The highlight of 2019 was the highest ever voter turnout in a general election so far (67.11%), even though there was a lower turnout than usual in many constituencies, possibly because of oppressive weather, and varied turnouts across phases.
- This proves that the EC’s voter education programme (Systematic Voters’ Education and Electoral Participation) is effective.

A Cause for Alarm:

(a) The role of money power:

- In this election, the role of money power was alarming.
- It is becoming more and more expensive to contest elections and the problem of black money is alive.
- Even before the first phase had started, it was evident that Indian democracy is overwhelmed by the overarching role of money, media and mafia.
- The EC seized crores worth of money, liquor and drugs.
- As a matter of fact, as on May 24, 2019, money, drugs/narcotics, liquor, precious metals and freebies worth an estimated ₹3,475.76 crore were seized.
- The figure in 2014 was ₹1,200 crore. According to EC data, Tamil Nadu (₹952 crore), Gujarat (₹553.76 crore), Delhi (₹430.39 crore), Punjab (₹286.41 crore) and Andhra Pradesh (₹232.02 crore)
were the top five States/Union Territories that accounted for the total seizures. A cause for worry is that drugs/narcotics formed a large part of the seizures, with Gujarat topping the list (almost ₹524.35 crore).

(b) Code violations:

- Some experts opine that what was most painful was witnessing the EC repeatedly coming under the scanner due to its delayed and often perfunctory actions on violations of the MCC.
- As a matter of fact, the Election Commission of India, has for many years been lauded for its conduct of free and fair elections in the world’s largest democracy which have been held with precision and integrity. However, this time, the Election Commission of India it was criticised both nationally and internationally.
- For example, the check on the Prime Minister’s helicopter in Odisha on April 16th, 2019 should have been used by the EC to demonstrate its commitment to equality of all before the law. But it chose a different course.
- It is also important to note that the Election Commission of India was also questioned for its stand on the sample size for Voter-Verified Paper Audit Trail (VVPAT) verification.
- Its line was that tallying VVPAT paper slips with the EVM count one per Assembly constituency was based on scientific methodology and endorsed by the Indian Statistical Institute.
- However, Opposition parties went to the Supreme Court which advised the EC to raise the mandatory random counting to five VVPATs per Assembly segment laying emphasis on “better voter confidence and credibility of electoral process”.
- The court believed that the move would ensure the “greatest degree of accuracy and satisfaction”. Rather than being on the defensive, the EC should have discussed this issue with political parties, with an open mind.

A Few More Important Observations on the 2019 Elections:

- As the election progressed, the Opposition made two more demands:
  1. The five machines must be counted in the beginning and
  2. in case of even one mismatch, all machines in the Assembly segment must be counted. The EC examined these proposals only to reject them as being unfeasable.

- Experts opine that the top court’s repeated interventions (as many as six) also have long-term implications given that Article 329 of the Constitution bars courts from interfering in electoral matters after the election process has been set in motion.
- However, the court had to intervene repeatedly for course correction.
- The Supreme Court expressed displeasure over the EC’s stand on April 15th, 2019 when it submitted that it was “toothless” and “powerless” to act on hate speeches.
- When the court set the EC a deadline of May 6th, 2019 to act on this, the EC took strong and unprecedented action against some political leaders, debarring them from campaigning for up to three days by invoking Article 324.
- This action was laudable, however, when it came to acting on complaints against the Prime Minister and the BJP president, it reacted differently, giving the two leaders ‘clean chits’, and casting a shadow on its own reputation for fearless independence.
- Much later, it was shown that at least one Election Commissioner had dissented in five out of 11 EC decisions concerning violations of the MCC.
- It is important to note that in the absence of unanimity, decisions can be taken by a majority vote, and his dissent did not change the result. But dissent is good news for a constitutional body as it is a healthy sign of objective deliberation and democratic functioning.
- As a matter of fact, his demand for his dissenting note to be made public was worthy of positive
Concluding Remarks:

- The ascendant role of money power, paid and fake news, communal polarisation and hate rhetoric pose a serious challenge to the very foundations of our electoral system.
- As soon as the dust settles, India must introspect over these issues and find answers.
- A democracy is only as credible as the strength of the institutions fundamental to its legitimacy.
- It is hoped that the 17th Lok Sabha will take it upon itself to reform the electoral process and enable the world’s largest democracy to become the world’s greatest.

Category: ECONOMY

1. The NDA has its task cut out

Note to Students:

This editorial analysis takes a look at some of the priority areas for the new government— with a focus on the economy.

Editorial Analysis:

- Experts opine that Indian voters have shown remarkable maturity and thoughtfulness in delivering a stable government at the Centre.
- They realise the necessity of a stable government, and so often vote differently in national and State elections.
- As a matter of fact, forecasts of political and economic instability made in 2014, when the macro economy was vulnerable, proved incorrect. There were similar forecasts that were made this year (2019) as well.
- These forecasts were made based on the Bharatiya Janata Party (BJP)-led National Democratic Alliance’s losses in the Karnataka, Madhya Pradesh and Rajasthan Assembly elections.
- The Congress underestimated the voters’ continuing need for good governance. Experts opine that the Congress did not choose dynamic Chief Ministers when it had the option. As a matter of fact, it also underestimated the voters’ need for a positive narrative. Talking of slow job growth and farmer distress did not work.
- The Nyuntam Aay Yojana scheme (the Congress’s proposed social welfare programme) was not acceptable as a substitute for jobs.
- On the other hand, experts opine that the BJP promised to improve ease of living, beyond just the ease of doing business, and strengthen the self-respect and ability of the average citizen to do more, which is exactly the right approach for an aspirational India.

Important focus areas for the new government:

(a) Agriculture, Administrative Reforms and Targeted Direct Benefit Transfers:

- There was fear of competitive populism in the event of a weak government being elected at the Centre. Now the BJP will hopefully focus, as promised in its manifesto, on infrastructure, housing, technology, health, education, water, the environment, and facilitate the move away from agricultural jobs to raise farmer incomes.
- It is important to note that only 23% of rural income now comes from farming, and there is a major ongoing shift to add value in agriculture.
- Apart from this, administrative reforms should be the focus.
- There are police and judicial reforms on the anvil.
- Well-targeted direct benefit transfers will efficiently deliver relief to the really distressed at low cost.

(b) Special Focus on the Economy:

- The slow growth of jobs was largely due to strict monetary and credit policies that started in 2011. International monetary theories were not adapted as required in the Indian context.
- The inherited non-performing assets (NPA) burden dragged on.
- Further, since major loans had gone to private business, a bankruptcy regime had to be put in place, to prevent the entire burden of resolution from falling on tax payers.
- However, today, with some clean-up, inflation is below the target set by the Reserve Bank of India (RBI). There is still stress in the non-banking financial companies (NBFC) sector.
- It is important that the government must move fast to nip this in the bud and support growth.
- Further, private investment growth has stagnated since 2011.
- Policymakers may believe that private investment will revive now and foreign money will pour in. But the latest data show a fall in private investment as real interest rates have risen and liquidity remains tight.
- There are also external shocks from the global slowdown and trade wars.

(c) A wider tax base:

- Although the RBI is now keeping short-term liquidity in surplus, banks scarred by a long battle with NPAs are just parking them with the RBI instead of increasing lending.
- If the share of durable liquidity is increased, it will encourage banks to lend and also bring down market rates.
- Also, despite RBI permissions, banks are not lending to NBFCs, since they are afraid of having to make provisions.
- A full recapitalisation of banks, possible now with bankruptcy and governance reforms in place, will increase their confidence.
- Also, the RBI does not want to open a special liquidity window to NBFCs because of credit risk.
- It believes weaker NBFCs should be allowed to exit. But NBFCs were financing consumption growth and real estate, which are slowing, creating systemic risk, against which the RBI has to act.
- Also, even stronger NBFCs, in the current environment, are choosing to sit on a fat liquidity cushion rather than lend. If an RBI liquidity window is made available against collateral with high rates, it may not be used much, but fear of liquidity shortage would disappear, allowing NBFC lending to revive.
- This is required also because fiscal space, though it is there, is limited.
- Demonetisation and the Goods and Services Tax (GST) have increased the tax base, reducing rampant tax evasion.
- However, despite simplifications and tax cuts, the tax base is expected to raise more revenue post-elections. Also, unspent government cash balances will be spent as the spending slowdown is reversed. Money from completed schemes can be reallocated.

Concluding Remarks:

- Humility should come with strength.
- After an exceptionally bitter election season, the NDA will hopefully follow a constructive and inclusive agenda and encourage moderate progressive stances.
- Further, it is important to note that institutions are the backbone of any economy and must be strengthened. The people know the government took difficult decisions to clean up the system, and chose to give it a second chance. It is time to meet their expectations.
1. India and the perils of being an outlier

Note to the Students:

The following editorial analysis is taken from the article titled, “India and the perils of being an outlier”, published by the Hindu Business Line on the 25th of May, 2019.

Editorial Analysis:

- India has a history of choosing principle over pragmatism.
- Experts opine that from turning its back on the nuclear Non-Proliferation Treaty and its sibling, the Comprehensive Test Ban Treaty, to siding with Palestine against Israel and keeping away from the Refugee Treaty, **India has taken a moral ground at the risk of coming across in the eyes of the world as a recalcitrant heel-digger.**
- As a matter of fact, experts question whether India’s decision to keep out of China’s Belt and Road Initiative is yet another instance of India refusing to join the global mainstream.
- However, the triumph of principle over pragmatism doesn’t seem to have done India much good.

Non-Proliferation Treaty:

- One should take the example of the Non-Proliferation Treaty, which entered into force in March 1970. As a matter of fact, **few people can disagree that the treaty is discriminatory.**
- The voice of the nuclear weapons states comes out clear in it, saying ‘we shall have nuclear weapons, but you shall not get yourselves one’.

What lent strength to India’s stand on the NPT?

- The fact that in the following years and right up to the peak of the Cold War, the nuclear weapon states, principally the US and the erstwhile Soviet Union, went on unrelentingly producing more and more nuclear weapons (“vertical proliferation”) lent strength to India’s stand.
- Further, having just fought a war with a nuclear weapons possessor, China, in 1962, and having faced intimidatory moves by the US in the Indian Ocean in the height of the war with Pakistan in 1971, there was no way India would deny itself the opportunity to get itself a nuclear umbrella.

What were the consequences?

- It set off an armament race, impelling Pakistan to also acquire nuclear weapons, with the help of an obliging China.
- In the end, Pakistan possessing nuclear weapons — in larger numbers than India — has caused the country to level with India, thereby **blunting India’s undeniable edge in conventional weapons superiority.**
- Alongside, keeping out of NPT, lost India access to technology and fuels for nuclear energy, leaving the country to fend for itself.
- An important question thus arises: **where did we end up after 50 years?**
- Critics point out that India has a measly 6,870 MW of nuclear power capacity, when it could have easily been ten times as much.
- It is logical that with access to cheap, clean nuclear power, Indian economy would have fared much better.
The Case of CTBT:

- The CTBT, was again described by India as discriminatory. This description is something which many strategic experts also concur with.
- As many as 185 countries have signed the treaty since it opened for signature in 1996, of whom 168 have also ratified it.
- Yet the treaty is not yet on because under a clause in it, the 44 countries that possess nuclear capabilities and research reactors have to sign and ratify, otherwise the treaty won’t come into force.
- Eight of the 44 have not ratified and India is one of them.
- The eight is an elite club that includes China and the US; but though China and the US have not ratified (India has not even signed), they are ‘in’, funding and participating as observers.
- The US has been a big funder for the CTBT Organisation (CTBTO) that is meant to bring the treaty to fruition; China actively participates by allowing test detecting and monitoring stations on its soil.
- The CTBTO is pleading with India to join at least as an observer and there is no indication of India saying yes.
- Critics have opined that by staying well away, India only loses in being close to emerging technologies such as radionuclide, hydro-acoustic and infra-sound that the CTBTO uses for detecting and monitoring tests.

The Case of GM crops:

- Take another instance — genetically modified foods.
- Well, saying no to GM crops is not quite due to any ‘principles’, but nevertheless one that shows India as an out-of-liner.
- Experts opine that India would be well-positioned to take US’ place as a major supplier of soya beans to China as the US vacates the space due to the trade war with China.
- Delhi University has developed a GM mustard that is drought-resistant and can raise yields by 25 per cent; the seed was approved by the Genetic Engineering Appraisal Committee, of the Ministry of Environment, Forest and Climate Change in 2016, but the government is yet to allow its use — and the farmers are losing an opportunity.
- GM crops are rising the world over, the area under which has grown from 1.7 million hectares in 1997 to 230 million hectares now.
- The US, Brazil, Argentina, and Canada have all immensely benefited by GM.
- Nevertheless, India says no. There are projections that Bangladesh would overtake India in terms of per capita income by 2030, growing rich by adopting GM.

The Case of the Belt and Road Initiative:

- As many as 122 countries have signed co-operation documents with China.
- Initially, only some resource-rich, low GDP countries signed up with China; now even Europe is joining in. However, India sits out.
- India’s two main objections are:
  1. part of the BRI runs through Pakistan Occupied Kashmir and
  2. many projects are opaquely financed.

Experts opine that the first, obviously, is a valid point. However, by staying out of the BRI, India is not likely to make the mildest difference to China’s activities in PoK, which, by the way, are not confined to just the BRI projects.

- Critics point out that for long, China has been plundering PoK by, for instance, carting away copper from Gilgit-Baltistan, and India has been a silent spectator.
• Thus, to keep out of the BRI because a Chinese road passes through PoK is disingenuous.
• On the other hand, however, being ‘in’ could give India some leverage over China.
• Having said this, an important question arises: what does India lose by allowing China to carry out its proposal to build a high-speed rail between Kolkata and Kunming, which would run through one of the least developed parts of India?
• As for the opacity argument, true, as many as 29 countries — including Pakistan and Malaysia — have had problems with BRI projects. These are the countries that were lured into acquiescence.
• But who prevents India from making sure that the BRI projects in India are transparent?
• Experts point out that one can always negotiate for better terms — as Malaysia did recently, when it cancelled a railroad project and readmitted it after China agreed to slash costs.

Concluding Remarks:

• China is a huge trading partner for India, with trade volumes reaching $90 billion in 2017-18.
• The BRI has seen overwhelming international response; India would only be worse off not joining the game.
• True, China is not exactly a friend.
• However, India should not forget the basic principle of engagement: keep friends close, enemies closer.

F. Tidbits

1. After failing to deliver Brexit, Theresa May calls it a day

• British Prime Minister Theresa May said that she would quit after failing to deliver Brexit, setting up a contest that will install a new PM who could pursue a cleaner break with the EU.
• Her departure deepens the Brexit crisis as a new leader, is likely to want a more decisive split, raising the chances of a confrontation with the EU and potentially a snap election.
• She's faced massive criticism for failing to deliver her flagship policy of leaving the European Union, missing two Brexit deadlines.

2. DRDO test-fires guided bomb from Sukhoi

• The Defence Research and Development Organisation (DRDO) successfully test fired an indigenously-developed 500 kg class guided bomb.
• The bomb was test fired from a Sukhoi combat jet at Pokhran in Rajasthan.

G. Prelims Facts

Nothing here for today!!!
Answer: b

Explanation:

STEM and Gender Advancement (SAGA) project was launched in 2015 to strengthen and focus its work in support of gender equality in Science, Technology and Innovation. It is a global UNESCO project supported by Swedish Government through the Swedish International Development Cooperation Agency (SIDA).

Q2. Consider the following statements:

1. Objective of open market operations is to adjust the rupee liquidity conditions in the market
2. When there is excess liquidity in the market RBI resorts to buying of securities

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

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

Answer: a

Explanation:

Open Market Operations are the market operations conducted by the RBI by way of sale or purchase of Government Securities in the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis. When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity. Similarly, when the liquidity conditions are tight, RBI may buy securities from the market, thereby releasing liquidity into the market.

Q3. Consider the following statements:

1. A bond is a debt instrument in which an investor loans money to an entity
2. Debenture is a bond without a collateral

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

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

Answer: c

Explanation:

Although the term bonds and debentures are often used interchangeably the two are distinctly different: A bond is typically a loan that is secured by a specific physical asset. A debenture is secured only by the issuer's promise to pay the interest and loan principal. Hence it is not backed by a collateral.

Q4. Consider the following statements with respect to Foreign Portfolio Investment
1. FPI provides the owner with direct ownership of the financial assets.
2. FPI is a part of a country's current account

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

a. 1 only 

b. 2 only 

c. Both 1 and 2 

d. Neither 1 nor 2 

Answer: d 

Explanation: 

FPI consists of securities and other financial assets passively held by foreign investors. FPI does not provide the investor with direct ownership of the financial assets. While Foreign Direct Investment FDI aims to take control of the company in which investment is made, FPI aims to reap profits by investing in shares and bonds of the invested entity without controlling the company. FPI is part of countries capital account and is listed on its balance of payments (BOP). 

I. UPSC Mains Practice Questions

1. Alongside various government initiatives, the private sector has a significant role to play in correcting the imbalance arising out of financial exclusion in India - for achieving an all-round, inclusion-predicated, transformation of the country. Comment. (15 Marks, 250 Words)
2. Incidents of people dying while cleaning sewage without protective gear continue to occur in the county. Eradication of manual scavenging is a very high priority of the government. Discuss.