

28 Aug 2020: UPSC Exam Comprehensive News Analysis

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Category: POLITY AND GOVERNANCE

1. Borrow from RBI to bridge GST gap, Centre tells States

Context:

The Centre acknowledged that states are likely to face a GST revenue gap of ₹3 lakh crore this year, as the economy may contract due to [COVID-19](#).

Details:

- Compensation cess collections are only expected to bridge 22% of this gap.
- Of the remaining ₹2.35 lakh crore, the Centre said only ₹97,000 crore was due to GST implementation itself, rather than caused by the impact of COVID-19.
- The Centre claimed that ₹97,000 crore is the portion hardwired into the compensation law.

- The economic slowdown has pushed both GST and cess collections down over the last year (2019-20), resulting in a 40% gap last year between the compensation paid and cess collected.

Compensation Cess

- The cess will compensate the states for any revenue loss on account of implementation of GST.
 - This cess will not be payable by exporters and those persons who have opted for compensation.
 - The input tax credit of this cess can be only used to pay compensation cess and not the other taxes like CGST, SGCT or IGST.
-
- The Centre has offered states two options for borrowing to meet the shortfall.
 - A special window would be provided, in consultation with the RBI, so that the states can get ₹97,000 crore at a reasonable rate of interest, and this amount can be repaid after five years through the collection of cess.
 - Another option is that this entire gap of ₹2.35 lakh crore can be met by the borrowing by the states.

This issue has been covered in [11th August 2020 CNA: Making up for shortfalls in GST collection.](#)

2. Arunachal House to push for Sixth Schedule status

This topic has been covered in the [14th August 2020 CNA: Arunachal groups push for 6th Schedule status.](#)

3. States can have sub-groups among SC/STs, says court

Context:

Supreme Court judgement on sub-classification of Scheduled Castes and Scheduled Tribes in the Central List.

Judgement:

- A five-judge Bench of the Supreme Court has held that States can sub-classify Scheduled Castes and Scheduled Tribes in the Central List to provide preferential treatment to the “weakest of the weak”.
- “Citizens cannot be treated to be socially and educationally backward till perpetuity; those who have come up must be excluded like the creamy layer,” the judgment said.
- With this, the Bench took a contrary view to a 2004 judgment delivered by another Coordinate Bench of five judges in the E.V. Chinnaiiah case.
 - The Chinnaiiah judgment had held that allowing the States to unilaterally make a class within a class of members of the Scheduled Castes would amount to tinkering with the Presidential list.
- Justice Mishra disagreed with this and reasoned that sub-classifications within the Presidential/Central List does not amount to tinkering with it as no caste is excluded from the list.

The Central List of Scheduled Castes and Tribes is notified by the President under Articles 341 and 342 of the Constitution. The consent of the Parliament is required to exclude or include castes in the List. In short, States cannot unilaterally add or pull out castes from the List.

Details:

- The Constitution Bench, led by Justice Arun Mishra, said reservation has created inequalities within the reserved castes itself.
- The court pointed out that there is a caste struggle within the reserved class as the benefits of reservation are being usurped by a few.
- The judgment is significant as it fully endorses the push to extend the creamy layer concept to the Scheduled Castes and Scheduled Tribes.

Note:

Now with two numerically equal Benches of judges holding contrary viewpoints, the issue has been referred to a seven-judge Bench of the court.

Also read: [Important Supreme Court judgements for UPSC.](#)

C. GS 3 Related

Category: ECONOMY**1. Govt. moots action against personal guarantors****Context:**

The finance ministry has asked public sector banks (PSBs) to monitor cases where insolvency proceedings could be initiated against individuals who are guarantors of corporate debtors that have defaulted on loans.

Details:

- In an advisory, the Department of Financial Services has asked PSBs to consider putting in place a mechanism for monitoring the cases which may require initiation of individual insolvency process before the [National Company Law Tribunal \(NCLT\)](#) against personal guarantors to corporate debtors.
- It has suggested that banks may also consider setting up an IT system to collate data regarding personal guarantors to corporate debtors.

Insolvency and Bankruptcy Code:

- The Insolvency and Bankruptcy Code (IBC) provides for a time-bound and market-linked resolution of stressed assets.
- The Code also provides for the initiation of insolvency proceedings against personal guarantors of corporate debtors, even though the provision has not been used much by lenders to recover dues.

Note:

- The rule governing the initiation of the insolvency process against the personal guarantor to corporate borrowers came into effect from December 2019.
- It empowers creditors to file insolvency applications against personal guarantors under the IBC.

2. India can be weapons supplier: PM

Context:

The Prime Minister has said that India has the capability to become a reliable weapons supplier to friendly nations.

- The PM said that India will consolidate its position as the net security provider in the Indian Ocean region, highlighting self-reliance in defence manufacturing.

Details:

- A series of measures were recently announced to boost domestic defence manufacturing.
- Corporatisation of the Ordnance Factory Board (OFB) is under progress.
- For the first time, 74% Foreign Direct Investment (**FDI**) in defence is allowed through the automatic route.
- Also, the government recently issued a draft Defence Production and Export Promotion Policy (DPEPP) 2020 for public feedback with the aim to achieve a manufacturing turnover of \$25 bn or ₹1,75,000 crore, including exports of \$5 bn in aerospace and defence goods and services by 2025.
- Work is in progress in the two defence industrial corridors in Uttar Pradesh and Tamil Nadu and a target of ₹20,000 crore investments had been set for the next five years.
- Recently, 101 items' negative import list was announced and these items have been reserved for the domestic industry.

Read more on this topic covered in the [4th August 2020 CNA: Govt. issues draft policy to ramp up defence exports](#).

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: SECURITY

1. An air-tight case

What's in News?

The National Investigation Agency has filed a chargesheet against 19 people including Maulana Masood Azhar, the leader of the terrorist group Jaish-e-Mohammed (JeM), for planning the Pulwama attack.

Pulwama Attack:

- The Pulwama attack was a dastardly terror attack on a Central Reserve Police Force convoy in Pulwama, Kashmir, that killed 40 personnel, in February 2019.
- JeM claimed responsibility immediately after the attack in February 2019.

Details:

- The chargesheet details the role of the JeM's handlers and its local associates in Kashmir and how the attack was in the works since 2016.
- The investigation, based on forensic evidence, makes a thorough claim on JeM's and Pakistan's role in the attack.
- The Indian agency claimed explosives used in the attack came from Pakistan but Pakistan claimed the material was sourced from within the region of Jammu and Kashmir.
- The chargesheet indicates that:
 - The JeM's role was in reconnaissance, training and indoctrination.
 - The group could not have procured and transported the high-intensity explosives without the involvement of the Pakistani security establishment.

After-effects of the Pulwama Attack:

- The Pulwama attack was followed by the bombing of a terror training centre in Balakot in Pakistan by the Indian Air Force and retaliatory airstrikes by Pakistan.
- These have resulted in a breakdown of diplomatic ties and deterioration of every aspect of relations between the already strained relations between India and Pakistan.

Way forward:

- The Pulwama investigation could present an opportunity for Pakistan to initiate meaningful changes in its approach towards cross-border terror, and reform its deep State.
- This is essential for Pakistan considering its continued grey-listing at the Financial Action Task Force (FATE), as well as the presence of the names of hundreds of Pakistani terror groups and individuals on UN terror lists.
- For the Indian Government, the chargesheet presents a case not just for detailing the role of Pakistan and its proxy actors in Kashmir, but to re-evaluate its strategy.
- The involvement of a local Kashmiri youth in the attack as a suicide bomber is also a warning about the alienation setting into the Valley.
- Withdrawal of the special status of Jammu & Kashmir, the detention of scores of political leaders including mainstream actors; and the continuing restrictions on access to broadband Internet have deepened the alienation.
- Security and diplomatic measures alone would not suffice to isolate and destroy terror outfits.
- The prevention of terror attacks will entail addressing the roots of alienation that contribute recruits to the cause of terrorism.

Jaish-e-Mohammed (JeM)

- JeM is a Deobandi jihadist terrorist group active in Kashmir. The group's primary motive is to separate Kashmir from India and merge it into Pakistan.
- It has carried out several attacks primarily in the Indian state of Jammu and Kashmir. It also maintained close relations with the [Taliban](#) and Al-Qaeda in Afghanistan and continues to be allied to them.
- Jaish-e-Mohammed is viewed as the "deadliest" and "the principal terrorist organisation in Jammu and Kashmir".

- In 2001, 38 people were killed when a three-member JeM squad blew up a car outside the J&K Assembly.
- In 2016, Jaish was suspected of being responsible for an attack on the Pathankot airbase in India. The Indian Government, and some other sources, accused Pakistan of assisting Jaish in conducting the attack. Pakistan denied assisting Jaish, and arrested several members of Jaish in connection with the attack, who were then released by the security establishment.

Category: GOVERNANCE

1. Can a digital ID aid India's primary health ecosystem?

Context:

Recently, the Prime Minister launched the National Digital Health Mission and made an announcement on the creation of a digital health ID for every Indian.

Read more about National Digital Health Mission (NDHM) covered in the [16th August 2020 Comprehensive News Analysis](#).

What is the national health ID system?

- The national health ID will be a repository of all health-related information of a person.
- Each Health ID will be linked to a health data consent manager — such as National Digital Health Mission (NDHM) — which will be used to seek the patient's consent and allow for a seamless flow of health information from the Personal Health Records module.
- The Health ID is created by using a person's basic details and mobile number or Aadhaar number. This will make it unique to the person, who will have the option to link all of their health records to this ID.

Which systems does the national health ID interact with?

- As envisaged, various healthcare providers — such as hospitals, laboratories, insurance companies, online pharmacies, telemedicine firms — will be expected to participate in the health ID system.
- While the option of digital Health ID will be there, in case a person does not want Health ID, then also treatment should be allowed.

What is needed to ensure that the digital health benefits masses?

- A digital health system can be built only on the basis of a well-functioning health system and integration of data.
- Integrated management of health data must be based on a larger reorganisation and integration of the health system.
- There is a need to regulate the private healthcare sector, strengthen basic data collection from the primary healthcare level in the public health system, and ensure that this data is used in a manner that is respectful of the citizens' privacy.
- Having something like the Data Protection Act in place is essential.

- In the absence of these preconditions, a digital health ID will be of limited use. And, it definitely cannot substitute for the much wider health system changes required urgently.

With a digital ID as a tool, what is the sequence to achieve universal health coverage?

- At least two or three important elements are needed for building both a robust health system and an effective digital e-health system.
 - Certain foundational policies which relate to the larger health system.
 - Enabling strategies, which support an integrated information-based system.
 - e-health applications.
- A foundational change is on the public health Management Information System. While India already has an MIS, it is not functioning adequately.

What is being done to address the concerns with respect to citizens' privacy?

- The draft Health Data Management Policy of the National Digital Health Mission (NDHM) states that patients who opt for the health ID will be given complete control and decision-making power over the manner in which their personal data and any sensitive data associated with them is collected and processed.
- They will also be allowed to withdraw their consent at any time.
- Those processing the data, including health information providers and health information users, are expected to formulate and implement a “personal data breach management mechanism”.
- This is to ensure that any instances of violations and non-compliance, including any unauthorised or accidental disclosure, sharing, alteration or use of the personal data, are “promptly” reported to the NHA and other relevant entities.

Have there been global instances of such a centralised health record system?

- In 2005, the UK's National Health Service (NHS) started deployment of an electronic health record system with a goal to have all patients with a centralised electronic health record by 2010.
 - While several hospitals acquired electronic patient records systems as part of this process, there was no national healthcare information exchange.
 - The program was ultimately dismantled after the cost to the UK taxpayer was more than £12 billion, and is considered one of the most expensive healthcare IT failures.

F. Prelims Facts

Nothing here for today!!!

G. Tidbits

1. Pakistan providing shelter to Azhar is regrettable, says MEA

What's in News?

The Ministry of External Affairs (MEA) has said, it is regrettable that Masood Azhar continues to find shelter in Pakistan, after Pakistan rejected the charge-sheet of the [National Investigation Agency \(NIA\)](#) regarding the Pulwama terror attack.

- Jaish-e-Mohammed had claimed responsibility for the Pulwama attack.

- Pakistan has now categorically rejected the charge-sheet by the NIA, calling the report as fabrications.
- The Indian agency claimed explosives used in the attack came from Pakistan but Pakistan claimed the material was sourced from within the region of Jammu and Kashmir.

Note:

In 2019, the UN Security Council 1267 Committee listed Jaish-e-Mohammad chief Masood Azhar as a designated terrorist.

Read more: [UN Security Council designates Masood Azhar as global terrorist](#)

2. India's state refiners halt crude oil purchases from Chinese firms

What's in News?

Indian state refiners have stopped buying crude oil from China-linked companies, following the recent regulation aimed at restricting imports from countries that India shares a border with.

Note:

- To participate in Indian tenders, the order makes registration with a department in the Commerce Ministry 'mandatory' for any bidders from nations sharing a border with India.
- India shares borders with China, Pakistan, Bangladesh, Myanmar, Nepal and Bhutan, but the government statement did not name any specific country.

Details:

- Since the new order was issued, state refiners have been inserting a clause in their import tenders on new rules restricting dealings with companies from countries sharing a border with India.
- State refiners, which control 60% of India's 5 million barrels-per-day refining capacity, regularly tap spot markets for crude.
- India is the world's third-biggest oil consumer and importer and imports almost 84% of its oil needs.
- China does not export crude to India but Chinese firms are major traders of the commodity globally.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to compensation cess:

1. The cess will not be payable by exporters and those persons who have opted for compensation levy.
2. The cess will compensate the states for any revenue loss on account of the implementation of GST.
3. The input tax credit of this cess can be used to pay taxes like CGST, SGCT or IGST.

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

- a. 1 and 2 only
- b. 2 only
- c. 1, 2 and 3 only
- d. 2 and 3 only

CHECK ANSWERS:-

Answer: a

Explanation:

- The compensation cess will compensate the states for any revenue loss on account of the implementation of GST.
- This cess will not be payable by exporters and those persons who have opted for compensation levy.
- The input tax credit of this cess can be only used to pay compensation cess and not the other taxes like CGST, SGCT or IGST.

Q2. Which of the following tribes are Particularly Vulnerable Tribal Groups residing in the Andamans?

1. Great Andamanese
2. Jarawas
3. Onges
4. Shompens
5. North Sentinelese

Choose the correct option:

- a. 1, 2 and 4 only
- b. 1, 2, 3 and 5 only
- c. 1 and 5 only
- d. 1, 2, 3, 4 and 5

CHECK ANSWERS:-

Answer: d

Explanation:

The five Particularly Vulnerable Tribal Groups residing in Andamans are Great Andamanese, Jarawas, Onges, Shompens and North Sentinelese.

Q3. Consider the following statements:

1. Articles 341 and 342 of the Constitution of India define as to who would be Scheduled Castes and Scheduled Tribes with respect to any State or Union Territory.
2. The Central List of Scheduled Castes and Tribes is notified by the President.
3. The consent of the Parliament is required to exclude or include castes in the List.

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

- a. 2 only
- b. 1 and 3 only
- c. 1, 2 and 3
- d. None of the above

CHECK ANSWERS:-

Answer: d

Explanation:

- Articles 341 and 342 of the Constitution of India define as to who would be Scheduled Castes and Scheduled Tribes with respect to any State or Union Territory.
- The Central List of Scheduled Castes and Tribes is notified by the President under Articles 341 and 342 of the Constitution.
- The consent of the Parliament is required to exclude or include castes in the List.
- States cannot unilaterally add or pull out castes from the List.

Q4. Consider the following statements with respect to the Insolvency and Bankruptcy Code (IBC) :

1. It provides for a time-bound and market-linked resolution of stressed assets.
2. It does not provide for the initiation of insolvency proceedings against personal guarantors of corporate debtors.
3. Any person aggrieved by the order of the National Company Law Tribunal may make an appeal to the High Court.

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

- a. 1 only
- b. 1 and 3 only
- c. 2 and 3 only
- d. None of the above

CHECK ANSWERS:-

Answer: c

Explanation:

- Insolvency and Bankruptcy Code provides for a time-bound and market-linked resolution of stressed assets.
- Any person aggrieved by the order of the National Company Law Tribunal may make an appeal to the National Company Law Appellate Tribunal.
- The Code also provides for the initiation of insolvency proceedings against personal guarantors of corporate debtors.
- The rule governing the initiation of the insolvency process against the personal guarantor to corporate borrowers came into effect from December 2019.
- It empowers creditors to file insolvency applications against personal guarantors under the IBC.

I. UPSC Mains Practice Questions

1. Lower than expected GST revenues have resulted in delayed and pending compensation payments to states. Discuss the available solutions to tackle this issue. (GS 2/Polity) (15 Marks, 250 Words).
2. Discuss the challenges for India in achieving self-reliance in defence production and suggest suitable measures to overcome such challenges. (GS 3/Defence) (15 Marks, 250 Words).