

01 Sep 2020: UPSC Exam Comprehensive News Analysis

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A. GS 1 Related

Category: ART AND CULTURE

1. Rare Renati Chola era inscription unearthed

Context:

A rare inscription dating back to the Renati Chola era has been unearthed in a remote village of Kadapa district in Andhra Pradesh.

Details:

- The inscription was written in archaic Telugu.
- It was assigned to the 8th century A.D. when the region was under the rule of the Chola Maharaja of Renadu.
- The inscription also throws light upon the priority given to morality in those days.

Renati Cholas:

- The Telugu Cholas of Renadu (also called Renati Cholas) ruled over the Renadu region, the present-day Kadapa district.
- They had the unique honour of using the Telugu language in their inscriptions belonging to the 6th and 8th centuries.
- The inscriptions at Gandikota at Jammulamadugu and Proddatur are proof of this fact.

B. GS 2 Related

Category: POLITY AND GOVERNANCE

1. SC imposes ₹1 fine on Bhushan for contempt

Context:

The Supreme Court punished civil rights lawyer Prashant Bhushan with a fine of ₹1 for committing criminal contempt by scandalizing the court.

- “By showing magnanimity, instead of imposing any severe punishment, we are sentencing the contemnor with a nominal fine of ₹1,” a three-judge Bench led by Justice Arun Mishra said.

Also read about [contempt of court](#).

Judgement:

- The judgment authored by Justice Mishra pointed to an internal mechanism to deal with grievances against judges.
- The mechanism is intended to protect the dignity of “sufferer judges”.
- “Judges cannot take to the public forum to answer allegations made against them. This handicap, imposed by their code of conduct, however, causes them suffering till eternity”, the judgment said.
- “Truth can be the defence to the judges also, but they are bound by their judicial norms, ethics and code of conduct,” the judgment said.

Read more about proceedings for criminal contempt of court against lawyer-activist Prashant Bhushan covered in [CNA dated July 27, 2020](#) and [CNA dated Aug 2, 2020](#).

C. GS 3 Related

Category: INTERNAL SECURITY

1. Naga groups seek accord review

Context:

The Working Committee of the Naga National Political Groups (NNPGs) has sought a review of the Framework Agreement (FA) that the Centre had signed with the rival Isak-Muivah faction of the National Socialist Council of Nagaland, or NSCN (I-M), in August 2015.

- The NNPGs comprise seven rival factions of the NSCN (I-M) and older armed groups.

This topic has been covered on [11th August 2020](#) and [12th August 2020](#) Comprehensive News Analysis.

Category: ECONOMY

1. RBI moves to ease liquidity further

Context:

The Reserve Bank of India (RBI) has announced measures to ease liquidity pressures amid rising yields on government securities and concerns of higher government borrowing.

Details:

In order to ensure orderly market conditions and congenial financial conditions, RBI has announced more measures.

Special Open Market Operations:

- It has said that it would conduct additional, special open market operations (OMOs) as part of its efforts.
 - The OMOs via auctions involving the simultaneous purchase and sale of government securities for an aggregate amount of ₹20,000 crore in two tranches of ₹10,000 crore each, will be conducted.

Statutory liquidity ratio securities:

- The RBI also allowed banks to hold fresh acquisitions of statutory liquidity ratio securities acquired from September 1, 2020 under Held-To-Maturity up to an overall limit of 22% of net demand and time liabilities up to March 31, 2021.
- This will be reviewed thereafter.

Term Repo Operations:

- RBI said it will conduct term repo operations for an aggregate amount of ₹1 lakh crore at floating rates (i.e., at the prevailing repo rate).
- This is to relieve pressures on the market on account of advance tax outflows.

2. GDP falls 23.9% in first quarter

Context:

According to data released by the National Statistical Office, the Gross Domestic Product (GDP) of India has shrunk by a record 23.9% in the April to June 2020 quarter in comparison to the same period in 2019.

Details:

- The contraction reflects the severe impact of the [COVID-19](#) lockdown, as well as the slowdown trend of the economy even pre-COVID-19.
 - Agriculture was the only sector which recorded a modest growth of 3.4% in year-on-year terms.
 - All other sectors saw a contraction, with the steepest fall of 50% in construction, and the trade, hotels, transport and communication services category shrinking 47%.
 - On the expenditure side, private consumption fell 26.7%, while investments, as reflected by gross fixed capital formation plunged 47%, and exports contracted almost 20%.
 - Government final consumption expenditure grew 16.4%.

Concerns:

- A member of the Advisory Council to the [15th Finance Commission](#) opined that the Indian economy is in a deeply vicious cycle, where demand is contracting so heavily, while the capacity to neutralise this contraction has also contracted equally because of the tax revenue contraction.
- Economists expect this to contribute to a contraction in annual GDP in 2020-21.
- The last contraction of the economy occurred in 1979-80, when GDP shrank 5.2%.
- There have been four other instances of minor contraction between 1965-68, and 1972-73.
- However, it is opined that 2020-21 could see the worst contraction in the history of independent India.
- Economists opine that the government needs to step up its own expenditure suggesting that the government can borrow from the market or the RBI (Reserve Bank of India).

Note:

- NSO said that the contraction is estimated based on limited indicators pertaining to the formal sector. Data collection was hampered due to the lockdown.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: ECONOMY

1. GST reform needs a new grand bargain

Context:

- The GST compensation issue.

Background:

Benefits of GST system

Higher economic growth:

- The nationwide GST system would result in the formation of an integrated national market which could help ensure frictionless commerce across State borders. This will help boost economic growth.

Tax buoyancy:

- The doing away of multiple taxes at the state and central levels would help address the issue of cascading tax effect while also ensuring leakproof tax compliance. This is expected to result in tax buoyancy which will help ensure enhanced financial resources in the hands of the governments for public spending.
- The States gave up their right to collect sales tax and sundry taxes, and the Centre gave up excise and services tax.

GST compensation issue:

For information on this issue, refer to:

[CNA dated Aug 11, 2020: Making up for shortfalls in GST collection](#)

Central Government's proposal:

- To address the GST compensation issue, the central government recently came up with the idea of states borrowing to meet the shortfall. This option has been rejected by some states.

For information on this issue, refer to:

[CNA dated Aug 30, 2020: Centre must borrow and pay States' GST dues: Kerala](#)

Flaws in the current GST system:

- The current design and implementation of the GST system have failed to deliver on the promise of enhanced economic growth and tax buoyancy.

Design flaws:

- The article argues that the assured **14% year on year tax growth for five years was too optimistic a target** to achieve given the fact that neither the national aggregate nor any of the major States had such high growth rates for the previous five years.
- The **fixed 14% growth rate** may also have not been the right way forward. The article suggests that the GST compensation system should have been based on the successful design as implemented under the Value Added Tax (VAT) system.
- VAT was the precursor to GST. The design envisaged for the Value Added Tax (VAT) rates involved a similar compensation payment but the assured growth rate tapered over the years, thus incentivizing the state to undertake tax efforts on their side.

Implementation flaws:

- The **frequent changing of rate slabs** has led to confusion and has also led to litigation in some cases. This has led to the politicizing of economic issues such as taxation and hence is a great cause of concern.
- The Centre's moves to push **more goods in the "sin tax" cess category**, to earn revenue that is not shareable with the States, has been opposed by the states.
- The **interstate GST and the administration of the e-way bill** system are too complex and burdensome and has thus failed to reduce the transaction costs.

Way forward:

- The article argues that the issue of GST compensation is just a small part of the larger concerns with respect to the GST system and calls for a radical overhaul of the GST system. The article argues in favour of the adoption of a new GST system with the following provisions.

Universal coverage

- **GST must include all goods and services with very few exceptions**, such as food and medicine. The article argues for the inclusion of petrol, diesel, electricity, transport and real estate as well.
- This will help ensure the **widening of the tax base**.

Adopting a single rate

- There is a need to go back to the original recommendation of a **standard rate of 12%**, to be fixed for at least a five-year period.
- The commitment to a **low and stable rate**, as observed in other federal democracies, is a must.
- A low moderate single rate of 12% encourages **better compliance**, reduces the need to do arbitrary classification and discretion, reduces litigation and will lead to buoyancy in the collection.

Ensuring states' revenue autonomy

- Extra elbow room for the States' revenue autonomy can be ensured by allowing the States non-VATable surcharges on a small list of "sin" goods such as liquor, tobacco, polluting goods such as sport utility vehicles, and industrial fuels such as diesel, aviation turbine fuel and coal.
- This would, while allowing a single tax rate, also help ensure that sin goods are charged higher tax rates.

Compensation payment

- The compensation-cum-reimbursement incentive must be retained, but it should be based on more realistic assured rates and also the assured rates should decrease over time.
- This will, while ensuring the states' cooperation in the implementation of the GST system, also lead to a more economically viable and efficient model.

Third tier of government

- The new design must **recognise the increasing importance of the third tier of government and address the issues being faced by them**.
 - Despite the empowering constitutional provisions of the 73rd and 74th Amendments, the local governments do not have the promised transfer of funds, functions and functionaries. These local bodies face increased responsibility of providing government services especially in view of increasing urbanisation and decentralisation.
- The article calls for some devolution of GST share to the third tier of government as well.

- Of the proposed 12% GST, 10% could be equally shared between the States and the Centre, while 2% **must be earmarked exclusively for the urban and rural local bodies.**
- The actual distribution across panchayats, districts and cities could be decided by the respective State Finance Commissions.
- This provision will help ensure some degree of basic **revenue autonomy** of these institutions and help **improve their performance in public service delivery and governance.**

Simplified mechanisms

- There is also the need for an overhaul of the complex interstate GST and the administration of the e-way bill system.
- A more simplified mechanism will help reduce transaction costs drastically.

Category: ENVIRONMENT AND ECOLOGY

1. The environment is a national issue

Context:

- Given the **mainstreaming of environment issues** in recent times, the author Jayanthi Natarajan, a former Environment Minister discusses the issues and suggests policy measures to ensure better environmental conservation.

Background:

Environment Performance Index:

- **India secured the 168th rank out of 180 countries** in the 12th edition of the biennial Environment Performance Index (EPI 2020). India's rank was 177 in 2018.
 - The EPI Index 2020 measures the environmental performance of 180 countries by considering 32 indicators of environmental performance across 11 issue categories covering environmental health and ecosystem vitality.
 - The 2020 EPI features new metrics that gauge waste management, carbon dioxide emissions from land cover change, and emissions of fluorinated gases - all important drivers of climate change.
- Ranked 168 out of 180 countries; all South Asian countries, except Afghanistan, were ahead of India in the ranking. India scored below the regional average score on all five key parameters on environmental health, including air quality, sanitation and drinking water, heavy metals and waste management.

Concerns:

- India faces a number of **serious environmental health risks, like poor air quality and contaminated water.**
 - The great winter smog and pollution in North India is a glaring example of this challenge. Indian cities often figure in the world's most polluted cities. The high water pollution level is only exacerbating the water scarcity problem in India.
- There have been concerns over the alleged preoccupation with "ease of doing business" leading to **lax environmental regulations** that have proved to be detrimental to the environment.
 - The draft EIA has invited criticism from many experts and environmentalists.

For more information on this issue, refer to:

[CNA dated June 29, 2020: 'Draft EIA notification fosters non-transparency, encourages environmental violations'](#)

- There are also problems of environmental laws that seem to be only focussed on large sources of pollution and **tend to neglect the smaller but numerically larger number of pollution sources.**
 - While existing laws focus on point sources like industries, they tend to neglect the agriculture-related pollution such as stubble burning or public usage pollution relating to vehicular and household sources.
 - Forest clearances for mining and industries and the population pressure on forests in the form of conversion of forest to cultivated land are both major drivers of deforestation. However, while diversion of forests for mining and industry is regulated by law and challenged in courts, the other major drivers are not even discussed.
- The lack of coordination between the Centre and the States has had a detrimental impact. **'Forests' was a State subject until transferred to the Concurrent List by the 42nd Amendment Act.** However, de facto, the powers of the state governments continue and they have been reluctant to work together to find solutions to environmental challenges.
 - The stubble burning in North India exemplifies the anomalies of federalism, where the imperatives of the Centre and States differ.

Way forward:

- India needs to re-double national sustainability efforts on all fronts. The country needs to focus on a wide spectrum of sustainability issues, with a high-priority to critical issues such as air and water quality, biodiversity and climate change. **India's decarbonization agenda needs to be further accelerated.**
- There is a need to **balance between the environment and the development needs of the country.**
- The critical need of the hour is to harmonise the working of the central, state, and local governments.
- There is a need for better **monitoring and compliance with environmental laws.**
- The environment is **a national issue that requires the unwavering participation of all governments, and all citizens.**

F. Prelims Facts

Nothing here for today!!!

G. Tidbits

1. Fiscal deficit overshoots FY budget target

What's in News?

India's [fiscal deficit](#) in the four months to end July 2020 stood at 103.1% of the budgeted target for FY21.

- Net tax receipts were ₹2.03 trillion, while total expenditure was ₹10.5 trillion.
 - This is indicative that the government had stepped up its spending to combat the impact of COVID-19.
- According to economists, the deficit is predicted to cross 7.5% of GDP in FY21, from initial government estimates of 3.5%, due to a sharp economic contraction triggered by the pandemic.

2. 'Most firms availing moratorium were struggling before COVID-19'

What's in News?

Crisil Ratings said that three out of four entities that availed of loan moratorium were rated in the sub-investment grade, and that most of them were grappling with a slowing economy before the pandemic began.

- Only one out of four companies that availed of the moratorium is rated in the investment grade (rated CRISIL BBB- or higher).

Read more on [Credit Rating Agencies in India](#).

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to "contempt of court":

1. Provisions in the Constitution of India empower both the Supreme Court and the High Court to punish people for their respective contempt.
2. The Constitution includes contempt of court as a reasonable restriction to the freedom of speech and expression under Article 19.
3. Willful disobedience of a court order or judgment or willful breach of an undertaking given to a court amounts to criminal contempt.

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

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

CHECK ANSWERS:-

Answer: a

Explanation:

- Articles 129 and 215 of the Constitution of India empower the Supreme Court and High Court respectively to punish people for their respective contempt.
- Article 19(1)(a) of the Constitution gives the right to freedom of speech and expression to all citizens. However, the Constitution includes contempt of court as a reasonable restriction to the freedom of speech and expression under Article 19.
- **Civil contempt of court** most often happens when someone fails to adhere to an order from the court, with resulting injury to a private party's rights. It can be willful disobedience of a court order or judgment or willful breach of an undertaking given to a court.
- **Criminal contempt of court** is written or spoken words or any act that scandalises the court or lowers its authority or prejudices or interferes with the due course of a judicial proceeding or interferes/obstructs the administration of justice.

Q2. Which of the following are quantitative methods of credit control by RBI?

1. Bank Rate
2. Credit Rationing
3. Open Market Operations
4. Variable Cash Reserve Ratio

Choose the correct option:

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

CHECK ANSWERS:-

Answer: c

Explanation:

- Bank rate, Open Market Operations, Statutory Cash Reserve Requirement, Statutory Liquidity Ratio, Variable Cash Reserve Ratio are the instruments of quantitative credit control.
- Credit Rationing, Moral Suasion, Regulating Marginal Requirements on Security Loans, Direct Action, etc. are the instruments of qualitative/selective credit control.

Q3. Consider the following statements with respect to the River Wainganga:

1. It originates in the Mahadeo Hills in Madhya Pradesh.
2. Gosikhurd irrigation project is being constructed on the Wainganga River.
3. It is a tributary of River Ganga.

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

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

CHECK ANSWERS:-

Answer: c

Explanation:

- River Wainganga rises in the Mahadeo Hills in the Seoni District of Madhya Pradesh.
- It is a tributary of River Godavari.
- Gosikhurd Irrigation Project is one of the major irrigation projects in the Godavari basin being constructed on the river Wainganga.

Q4. Rezang La is a mountain pass in:

- a. Sikkim
- b. Ladakh
- c. Himachal Pradesh
- d. Uttarakhand

CHECK ANSWERS:-**Answer: b****Explanation:**

Rezang La is a mountain pass in the union territory of Ladakh.

I. UPSC Mains Practice Questions

1. The current design and implementation of the GST system have failed to deliver on the promise of enhanced economic growth and tax buoyancy. Analyze. Also, suggest suitable changes in the GST system to attain these goals. (15 marks, 250 words)(GS Paper 3/Economy)
2. In the light of India's poor performance in the Environment Performance Index, 2020, discuss the major concerns with respect to environmental conservation efforts in India. (10 marks, 150 words)(GS paper 3/Environment and Ecology)