



**We are not makers of history.
We are made by history.**

- Martin Luther King, Jr



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Category: ECONOMY

1. The repo rate in India

Syllabus: Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Prelims: Liquidity Adjustment Facility; Repo rate

Mains: Tools to contain inflation in the economy

Background:

- Recently, the Reserve Bank of India's [Monetary Policy Committee \(MPC\)](#) decided unanimously to raise the repo rate by 40 basis points to 4.40%. The move was aimed to contain the increasing inflation rates in the Indian economy to help preserve macro-financial stability.

For detailed information on this development refer to the following article:

[CNA dated May 5, 2022: RBI surprises with 40 bps rate increase, amid inflation 'alarm'](#)

Repo rate:

- The repo rate is one of the **monetary policy tools** used by the RBI.
- Repo rate is defined as the fixed interest rate at which the RBI provides overnight liquidity to banks against the collateral of government and other approved securities under the **liquidity adjustment facility (LAF)**.

Working of the repo rate:

Influences loan pricing:

- Since the repo rate is the rate of interest that the RBI charges commercial banks when it lends them money, the repo rate serves as a key benchmark for the lenders to fix interest rates for the loans they offer to their borrowers. Hence there is a direct loan pricing relationship with the repo rate. This influences the **credit off-take in the financial system** and subsequently the money circulating in the economy.

Control of money supply in the economy:

- Lower repo rates incentivize the banks into higher borrowing from the Reserve Bank, thus increasing the money supply available in the economy. Conversely, higher repo rates act as a disincentive for banks to borrow from the Reserve Bank at the repo rates. This reduces the money supply in the economy.
- Thus, the repo rate system allows central banks to **regulate the availability of liquidity or money supply within economies** by increasing or decreasing the availability of funds in the banking system.

Effect of repo rate on inflation:

- The repo rate influences interest rates. Higher repo rates make credit more expensive and savings more attractive, thus dissuading consumption. Thus, higher repo rates will work on the **demand side of inflation** to help slow it down.
 - Inflation can broadly be demand-driven price gains or a result of supply-side factors pushing up the costs of inputs or even a combination of both demand and supply-side pressures.
- Inflation under traditional economic models is said to be caused by more money chasing the same quantity of goods and services available in an economy. So as per this model, **regulation of the money supply can help slow down inflation.**

Factors influencing the repo rate's efficacy:

- The Reserve Bank of India in its annual '**Report on Currency and Finance**' observed the lag in the transmission of the repo rate changes into the real economy.
- The report noted the various channels affecting the transmission of monetary policy changes like the interest rate channel, the credit or bank lending channel, the exchange rate channel, the asset price channel and the expectations channel encapsulating the perceptions of households and businesses on the state of the economy and its outlook.

Nut Graf:

The Repo rate increase by the Monetary Policy Committee is aimed at controlling the high inflation rates in the Indian economy. However, given the lag in the transmission of the repo rate changes into the real economy, there could be some hindrances in achieving the policy objective sought by the change.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category: INTERNATIONAL RELATIONS

1. A war that is shrinking India's geopolitical options

Syllabus: Effect of Policies and Politics of Developed and Developing Countries on India's interests, Indian Diaspora.

Mains: Long term implications of the Russia-Ukraine conflict on India's geopolitical interests.

Background:

- The **U.S. withdrawal from Afghanistan**, Russia's **Ukraine war**, and the **rapid expansion of Chinese influence** have created great turmoil in global geopolitics and this article analyses how these developments are having an adverse impact on India's geopolitical choices.

Implications of the Russia-Ukraine war for India:

- India was able to manage its options well during the initial phases of the Russia-Ukraine conflict, wherein the two sides were seeking India's support for their positions in the ongoing war. India took a neutral stand and this stand seemed to propel India to the centre stage of global attention.
- However, the prolonged war would no doubt adversely impact India's interests in the long term by diminishing the options available to India.
- The following factors could prove detrimental to India's interests.

Diminishing Russian influence:

- India would not be able to rely on Russia any longer as a key strategic partner for balancing purposes. The lack of definitive victory in the conflict seems to have made Russia more dependent on India today than the other way round. Hence, Russia would no longer be available for India's pursuit of its regional interests. Also, there are concerns that in the longer run, **a war-fatigued and weakened Russia will become a junior partner to China.**

Growing Chinese influence:

- Russia's focus on its western borders would result in **Russia's absence from the Asian balance of power equations.** This would only result in enhancing Chinese influence in the region which has been busy consolidating the region under its influence. China has been making **inroads into the Central Asian region** through enhanced economic relations.

Shifting focus of the Western world:

- The diversion of the interests of the United States and its western partners towards eastern Ukraine would **limit their attention towards their Indo-Pacific policy and containment of China.** This could result in the weakening of the American influence in the Southern Asian region and the ability to produce favourable geopolitical outcomes for India in the region. This would give China a free hand in the region's geopolitics.

Implications of the U.S. withdrawal from Afghanistan for India:

- India's north-western continental strategy, towards Afghanistan and Central Asia, has been adversely impacted by the hasty withdrawal of the U.S. from Afghanistan.
- As a result of the rise of the Taliban, **India's presence in Afghanistan has almost entirely disappeared.** This means giving up India's strategic interests in Afghanistan and **reducing our engagement in the Central Asian region** at a time when China is making inroads into the region.

Nut Graf:

The geopolitical turmoil in recent times, exacerbated by Russia's Ukraine war will have adverse long-term impacts for India by limiting India's geopolitical choices. The main worry for India going ahead would be how to manage a China that is attempting to consolidate the region under its influence.

Category: EDUCATION**1. The technical higher education market dissected**

Syllabus: Issues Relating to Development and Management of Social Sector/Services relating to Education.

Mains: Concerns in the technical higher education sector**Background:**

- During the past three decades (1991-2020), there has been a rapid expansion of the technical higher education sector in India. As against the pre-1991 phase, wherein the technical higher education sector was dominated by government institutions, today the **technical higher education sector in India is dominated by private players**. There has been an exponential growth in the number of private institutions as well as student enrolment in these institutions.

Concerns in the technical higher education sector:**High level of differentiation:**

- Notably, **technical higher educational institutions in India remain highly differentiated and highly hierarchical**. There are some premier institutions like the Indian Institutes of Technology, the National Institutes of Technology and some high-quality private institutions, which continue to remain the most sought after. However, they account for only around 40,000 student intakes. They have been reluctant to expand capacity and the premier institutions especially the private ones are known to have exploitative pricing policies.
- The bulk of poor-quality institutions account for a much higher student intake and remain price takers.

Supply exceeding demand and its implications:

- The current intake capacity is around 32.85 lakh while the total demand for technical higher education appears to be no more than 20 lakh. Thus, supply far exceeds the demand for technical higher education in India.
- This has some adverse impacts on the private institutions. Their **capacity utilisation has been falling** for a long time and currently stands at 53.53% in 2020-21. This has resulted in many technical institutions remaining **saddled with sunk costs** due to their inability to fill their sanctioned seats.
- This adversely impacts their economic sustainability and are thus **unable to create quality infrastructure and human resources** and consequently become trapped in a vicious cycle of mediocrity.

Uncalled for interventions by the regulator:

- The regulator, **All India Council for Technical Education (AICTE)**, instead of trying to address the underlying structural problems has in the recent past taken some measures which could be termed short sighted.
- The proposals such as the abolishing of the condition of studying science and mathematics at the senior secondary/intermediate level in schools and raising the Student To Teacher Ratio — from 15 to 20 in the undergraduate programme in engineering could have long term adverse impacts on the quality of students passing out.

Recommendations:

- The AICTE must take necessary steps to **prevent commercialisation in technical education**. It must fix **norms and guidelines for charging tuition and other fees**. In this regard, the AICTE's proposal to ensure ceiling of fees charged is a welcome move.
- The AICTE should also ensure **the maintenance of adequate standards** in the technical higher education sector.

Nut Graf:

The increasing commercialisation in higher technical education and the trapping of the private institutions in the vicious cycle of mediocrity due to financial unsustainability does not augur well for India's vision of building a vibrant nation.

Category: GOVERNANCE

1. An eye on achieving SDGs

Syllabus: Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

Prelims: Sustainable Development goals

Mains: India's performance with respect to SDG implementation and recommendations

Context:

- NITI Aayog's 2020-21 [Sustainable Development Goals \(SDGs\) India Index](#).

Details:

Overall performance of India:

- There has been an overall improvement in the performance of India towards SDG implementation. Though India dropped down by two ranks, India scored 66 points (0-100 scale) and stepped into the **'Front Runner' category**.
- India has **done well in implementing SDGs 6,7, 11 and 12**.

- SDG 6 is regarding 'clean water and sanitation', SDG 7 is regarding 'affordable and clean energy', SDG 11 is regarding 'sustainable cities and communities', and SDG 12 is regarding 'sustainable consumption and production'.
- India's performance in SDGs related to 'gender equality', 'zero hunger', 'no poverty', 'quality education', 'decent work and economic growth', 'industry, innovation and infrastructure', and 'climate action', could be termed less than satisfactory.
- Despite some progress, hunger and poverty continue to remain major challenges in the socio-economic development of India.

State Performance:

- Notably, **no India State fared in the 'Aspirant' category**, the lowest in the index. All the States managed to score above 50 points in SDG implementation.

Odisha's performance:

- Odisha has performed well with respect to implementation of **two SDGs — 13 and 14, which are 'climate action' and 'life below water', respectively.**
- Under the climate action SDG, Odisha has integrated climate action and disaster risk mitigation and has emphasized sustainable natural resource management.
- Under the 'life below' water SDG, Odisha has taken decisive steps to conserve oceans, seas and marine resources by preventing marine pollution and illegal fishing practices. Odisha has registered improved shore water quality and an increase in the area under mangroves.
- Odisha has prioritised budgetary allocation towards the realization of SDG goals.
- **Odisha became the first state to introduce a climate budget in 2021.** Odisha has adopted a State Action Plan on Climate Change since 2010.
- Also in 2022, **Odisha became the first state in India to submit a separate SDG budget.**

Recommendations:

- There is a need for **multi stakeholder participation and partnership** to realize all SDGs. This calls for collaboration between governments, civil society organisations and businesses.
- There is a need to implement **SDG localisation efforts at the district, panchayat and village levels** so that implementation feedback from the field is available, besides enabling true internalisation of the SDGs by the community.

Nut Graf:

While India's overall performance with respect to SDG implementation remains notable, there continues to remain considerable implementational concerns when it comes to some select SDGs. These aspects need to be addressed to pull India up into the 'Front Runner' category from the 'Performer' category.

F. Prelims Facts

1. Indian and French Navies jointly patrol Indian Ocean

Syllabus: Security Challenges and their Management**Prelims: Exercise Sea Dragon-22; P-8I aircraft****Mains: Security challenges for India in the Indian Ocean Region and steps being taken by India to counter them**

- Recently, the **Navies of India and France concluded their second joint surveillance and patrolling operations** in the southwestern Indian Ocean from the French island of La Reunion. This sought to increase the level of interoperability between the two navies and help them serve as a net security provider in the region.
- In a similar development, an Indian Navy P-8I aircraft participated in coordinated operations in ASW and surface surveillance exercise held in Darwin, Australia in a sign of the **deepening India-Australia security partnership**.
- Also in January 2022, an Indian Navy P-8I participated in the multinational ASW **Exercise Sea Dragon-22** at Guam in the U.S. that saw the participation of the Quad countries, Canada, and South Korea.
- These developments underscore India's continued focus on expanding maritime surveillance and anti-submarine warfare cooperation in the Indian Ocean Region (IOR), especially in the backdrop of **increasing Chinese naval presence in the IOR**.

G. Tidbits

1. SCO terror meet starts, officials from China, Pak., Russia in Delhi

- Counter-terror officials from the Shanghai Cooperation Organisation's member countries met in Delhi at the start of the **Shanghai Cooperation Organisation's Regional Anti-Terrorist Structure (SCO-RATS)**.
 - The Regional Anti-Terrorist Structure is a permanent SCO body and seeks to emerge as a coordinating centre for **combating terrorism, separatism and extremism at the regional and global levels**. Thus, it seeks to evolve multilateral cooperation in the field of security.
 - RATS has two working bodies, namely the Council and the Executive Committee.
- India is serving as the Chairperson of the SCO-RATS mechanism for 2022.
- India would be hosting the SCO summit in 2023.

2. 'Assistive aids remain inaccessible'

- The "**Global Report on Assistive Technology**" released by the World Health Organization and [UNICEF](#) notes that around 1 billion out of more than 2.5 billion people needing assistive products, such as wheelchairs, and hearing aids continue to remain without adequate access to such assistive aids.
- This is more dire for people residing in low- and middle-income countries, where access can be as low as 3% of the need. **Affordability is a major barrier to access**.
- The number of people with disabilities in India (visual, hearing, speech, locomotor and mental disabilities) stands at around 26.8 million persons, accounting for **2.21% of the total population (2011 census)**. Of the people with disabilities, 49% are literate, 34% employed and 75% live in rural areas.

H. UPSC Prelims Practice Questions

Q1. Consider the following statements with respect to Kanheri Caves:

1. This group holds numerous rock-cut structures carved out of basalt rock.
2. Kanheri flourished under the patronage of Satavahana, Traikutakas, Vakatakas and Silaharas.
3. The caves are present within the Chandoli National Park.

Which of the given statement/s is/are correct? (Difficult)

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

Answer: a

Explanation:

- The Kanheri Caves are a group of caves and rock-cut monuments cut into a massive basalt outcrop in the forests of the Sanjay Gandhi National Park in the state of Maharashtra.
- The Kanheri caves comprise more than 110 different rock-cut monolithic excavations and are one of the largest single excavations in the country. These excavations were primarily undertaken during the Hinayana phase of Buddhism but also have several examples of the Mahayana stylistic architecture as well as a few printings of the Vajrayana order.
- Kanheri flourished under the patronage of Satavahana, Traikutakas, Vakatakas and Silaharas and through donations made by the wealthy merchants of the region.

Q2. Consider the following statements:

1. 5G works in 3 bands, namely low, mid and high frequency spectrum.
2. High band spectrum offers the highest speed of all the three bands and has greater coverage and signal penetration strength.
3. Low band spectrum is best suited for commercial cell phone users.

Which of the given statement/s is/are correct? (Medium)

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

Answer: b

Explanation:

- 5G works in 3 bands, namely low, mid, and high frequency spectrum.

- The high-band spectrum offers the highest speed of all the three bands but has extremely limited coverage and signal penetration strength.
- Low band spectrum is best suited for commercial cell phone users.

Q3. Consider the following statements with respect to Ecostress:

1. It is an instrument with a radiometer which was sent onto the International Space Station in 2018.
2. It can measure temperatures on the ground, as opposed to the air temperature.
3. It is tasked with measuring the temperature of plants and understanding their water requirements and the impact of the climate on them.

Which of the given statement/s is/are INCORRECT? (Medium)

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

Answer: d

Explanation:

- The ECOSystem Spaceborne Thermal Radiometer Experiment on Space Station (ECOSTRESS) is an instrument with a radiometer which was sent onto the International Space Station in 2018.
- It is tasked with measuring the temperature of plants and understanding their water requirements and the impact of the climate on them. It measures the ground temperature as against the atmosphere temperature measured by other radiometers.

Context:

- NASA's ECOSTRESS detected "Heat Islands" in extreme Indian heat wave.

Q4. Consider the following statements with respect to the Great Himalayan National Park:

1. It is located in the Kullu region in the state of Himachal Pradesh.
2. It is a UNESCO World Heritage Site.
3. Musk deer and the western horned tragopan can be spotted in the Great Himalayan National Park.
4. It is spread across four valleys.

Which of the given statement/s is/are correct? (Difficult)

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

Answer: d

Explanation:

- Great Himalayan National Park was constituted in 1984 and was formally notified as a national park in 1999. It is located in Banjar Sub-Division of Kullu District of Himachal Pradesh, India, in the far Western Himalayas.
- GHNP was awarded UNESCO World Heritage Site status in 2014, in recognition of its outstanding significance for biodiversity conservation. The park protects over 1,000 plant species, including many medicinal herbs, 31 mammal species and 209 bird species, as well as amphibians, reptiles and insects. Four of GHNP's mammal species and three of its bird species are globally threatened, including the musk deer and the western horned tragopan.
- Great Himalayan National Park is spread across four valleys (Sainj, Parvati, Tirthan and Jiwa Nal), each of which offers a wide variety of endemic and exotic flora and fauna. Himalaya is known to be home to 10% of the world's and 50% of India's endemic plant species.

Q5. Consider the following kinds of organisms:

1. Copepods
2. Cyanobacteria
3. Diatoms
4. Foraminifera

Which of the above are primary producers in the food chains of oceans? (Medium)

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

Answer: b

Explanation:

- Primary producers are the organisms who synthesise their own food using photosynthesis or chemosynthesis.
- Copepods are a group of small crustaceans found in nearly every freshwater and saltwater habitat. They are major primary consumers in the World Ocean.
- Cyanobacteria, also called blue-green algae, are microscopic organisms found naturally in all types of water. These organisms are primary producers who use sunlight to make their own food.
- Diatoms are photosynthesising algae. They are primary producers in the oceanic food chain.
- Foraminifera are heterotrophic organisms which consume smaller organisms and organic matter.

I. UPSC Mains Practice Questions

1. What are United Nations' Sustainable Development Goals? Assess the progress made by India towards these goals and identify the problem areas that still persist. (250 words; 15 marks) (GS Paper 2/Governance)
2. Throw light on the issue of wastewater management in India. What are some of the problems we are facing in improving our wastewater treatment capacity? (250 words; 15 marks) (GS paper 3/Environment)

