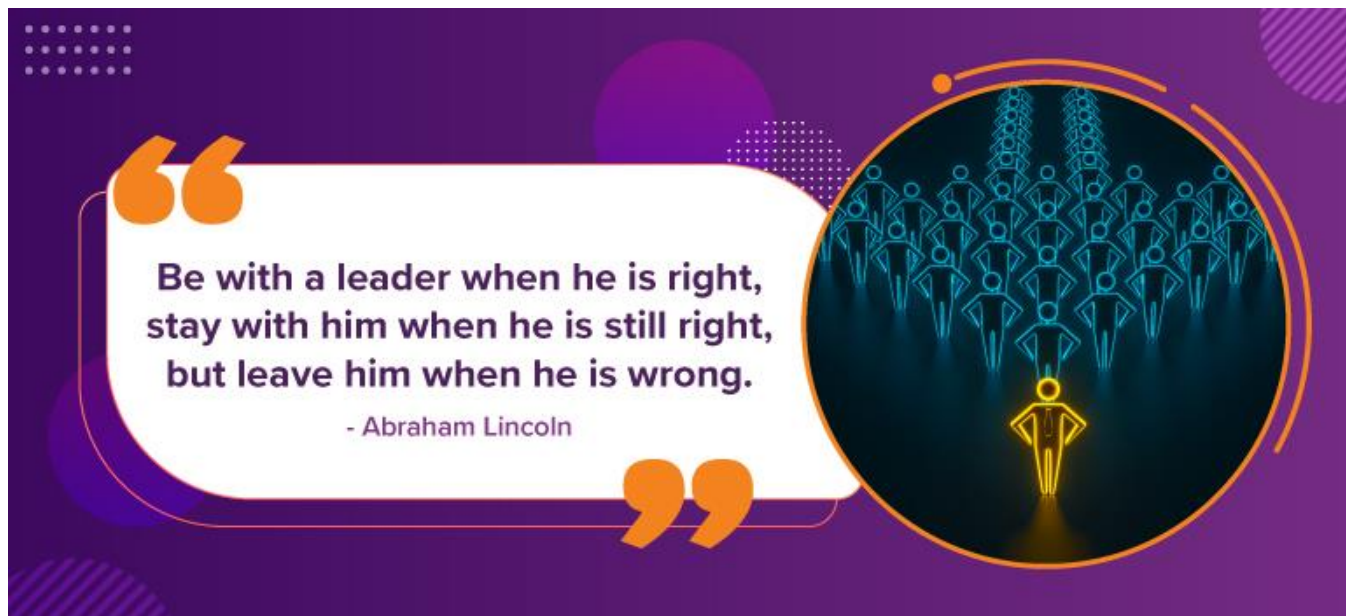


## 12 Jul 2022: UPSC Exam Comprehensive News Analysis



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## A. GS 1 Related

**Category: SOCIAL ISSUES**

### 1. Failing the forest

The article discusses the implementation of the [Forest Rights Act](#) and expresses concerns over the missed opportunity to use this Act as a tool for conservation given that this Act has come across as being against forest conservation. This article has been covered previously. Please find the link below.

[CNA dated Mar 4, 2019](#)

## B. GS 2 Related

**Category: GOVERNANCE**

### 1. The new guidelines to prevent unfair trade practices

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

*Prelims: Central Consumer Protection Authority*

#### Context:

- Recently, the Central Consumer Protection Authority (CCPA) announced guidelines regarding the levy of service charges in hotels and restaurants. Additionally, the CCPA has also called for strict compliance with the new guidelines and has warned of strict action against violations of the guideline.

#### Background:

**Central Consumer Protection Authority:**

- The Central Consumer Protection Authority (CCPA) has been established under **the Consumer Protection Act (CPA), 2019**. The CCPA has the authority to protect, promote and also enforce the rights of the consumers and prevent violation of their rights under the Act.
- The authority will **regulate violations of consumer rights, unfair trade practices, and false or misleading advertisements** that are prejudicial to the interest of the public.

#### **Service charge:**

- A service charge is a fee collected to pay for services associated with the purchase of a primary product or service. It is collected in hotels and restaurants as a fee for serving customers.

#### **New guidelines:**

- Hotels and restaurants are prohibited from levying service charges automatically or by default in the bill. They must clearly inform the consumers that service charges are voluntary, optional, and at their discretion.
- Also, hotels and restaurants would not be allowed to restrict entry or services based on the collection of service charges.

#### **Argument in favour of the new guidelines:**

- The act of charging a customer other than the price of food items displayed on the menu along with applicable taxes would amount to an **‘unfair trade practice’** under the CPA.

#### **Nut Graf:**

*By preventing the unfair trade practice of levying service charges, the new guidelines will go a long way in protecting consumer interests.*

### **C. GS 3 Related**

#### **Category: SCIENCE AND TECHNOLOGY**

#### **1. The search for dark matter**

*Syllabus: Awareness in the fields of Space*

*Prelims: Dark matter and dark energy*

#### **Context:**

- The dark matter detector experiment named **LUX-ZEPLIN (LZ) in South Dakota** in the U.S. has been in the news. It is believed to be the most sensitive dark matter detector in the world currently.

### **Dark matter and dark energy:**

- Many physicists strongly believe that all the atoms and light in the universe together make up less than five percent of the total contents of the cosmos. The rest is believed to be composed of dark matter and dark energy.
- Dark matter is a hypothetical form of matter. Dark matter is called "dark" because it **does not appear to interact with the electromagnetic field**, which means it does not absorb, reflect, or emit electromagnetic radiation (like light) and is, therefore, difficult to detect. The word "matter" is attributed to it because they **possess mass like normal matter and interact through gravity**.
- Dark energy is a theoretical form of energy postulated to **act in opposition to gravity**.

### **Why is dark matter difficult to detect?**

- Dark matter is made up of **particles that do not have a charge**. Hence the dark matter does not interact through electromagnetic interactions.
- The **gravitational force** exhibited by dark matter is yet to be fully understood and is also **extremely weak**.
- Hence, dark matter becomes rather elusive to detect.

### **Proof/evidence for dark matter:**

- There is strong indirect evidence for dark matter, and this evidence is reflected at various levels (or distance scales).
  - Smaller distance scale - The **rotation pattern of galaxies** is indicative of the presence of dark matter in the galaxy as no other explanation is possible to explain the varying speeds of rotation of the different stars at different positions of the galaxy. Other lines of evidence include observations in **gravitational lensing** along with astronomical observations of the observable universe's current structure. The **filamentous nature of the universe** is also indicative of the existence of dark matter.
    - Gravitational lensing occurs when a massive celestial body — such as a galaxy cluster — causes a sufficient curvature of spacetime for the path of light around it to be visibly bent, as if by a lens. The body causing the light to curve is accordingly called a gravitational lens.
  - Larger distance scale - The **formation of bullet clusters of galaxies** through the merging of two galaxy clusters also seems to be indicative of the existence of dark matter.

- Dark energy explains the driving force behind the **accelerated expansion of the universe**. Recent studies into **cosmic microwave background** have also been indicative of the presence of dark energy.
  - The cosmic microwave background (CMB) is leftover radiation from the Big Bang or the time when the universe began. The CMB is faint cosmic background radiation filling all space.

#### **Current efforts to detect dark matter:**

- Given the convincing indirect observations and calculations pointing towards the existence of dark matter and dark energy, experiments have been set up to decisively detect dark matter particles.

#### **Candidates for dark matter particles:**

- Neutrino
  - A neutrino is a subatomic particle that is very similar to an electron but has no electrical charge and a very small mass, which might even be zero. Neutrinos are one of the most abundant particles in the universe.
- Supersymmetric partner of the Z boson
  - Z-boson is a neutral elementary particle.
- Axions
  - Axions are a boson and a condensate of dark matter.

#### **Nut Graf:**

*Dark matter and dark energy dominate the structure and evolution of the universe. Hence a clear understanding of these is necessary for a better understanding of our cosmos.*

### **D. GS 4 Related**

*Nothing here for today!!!*

### **E. Editorials**

**Category: ECONOMY**

#### **1. The Scam faultline is damaging Indian Banking**

**Syllabus: GS:3: Banking system**



**Mains:** *Critically analyze the banking system of India.*

**Context:**

The article analyzes the recent biggest fraud in the banking industry.

**Background:**

- In the biggest-ever loan fraud case in India, the CBI has booked former promoters of Dewan Housing Finance Corporation Ltd (DHFL), Kapil Wadhawan, and Dheeraj Wadhawan, among 13 accused of defrauding a consortium of 17 banks of over Rs 34,000 crore.
- This is not the first case that happened this year before this, a company named ABG Shipyard Limited of Surat has also taken a fake loan of Rs. 23,000 crores.

**The Lender Banks and the actions taken:**

- After the scam came in media reports, a meeting of Consortium Lenders was held in February 2019, wherein a Core Committee of the seven largest lenders comprising State Bank of India (SBI), Bank of Baroda (BoB), Bank of India (BoI), Canara Bank, Central Bank of India, Syndicate Bank, and Union Bank of India (lead bank and complainant bank) was formed.
- Consultancy firm KPMG was appointed as Auditor to conduct a Special Review Audit of DHFL from April 1, 2015, to March 31, 2019.
- According to the CBI reports, the State Bank of India was the most badly affected bank with the [NPAs](#) of Rs. 9,898 crores out of the total loan amount of DHFL.
- The NPAs of Bank of India and Canara Bank were recorded as more than Rs.4000 crores each. Similarly, more than Rs.3000 crores were fraudulently taken by the DHFL from the Union Bank of India and the Punjab National Bank.

**Reasons behind the huge NPAs in the Indian Banking System:**

Following are the major reasons behind the NPAs:

**Scams and Frauds:**

- The primary reason behind the rising NPAs is scams and frauds in the banking system.
- According to the RBI data, approximately 34% of the scams in the banking industry happen because of inside work and poor lending services by the participation of junior and mid-level management.
- These scams and frauds also act as a hindrance in the way of the development of the banking industry.

- It is a strange fact that this is not the case in India alone, it is a worldwide issue according to the global banking fraud survey by KPMG.

### **Operational failure:**

- There are four major types of fraud in the banking industry. They are management, outsider, insider, and insider & outsider. All the scams, be it, insider or outsider, are the outcomes of operational failure.
- A research report by Deloitte has concluded that limited asset monitoring after disbursement was one of the major reasons for stressed assets.
- Apart from this, insufficient due diligence was another important factor behind the NPAs.

### **Poor Bank Corporate Governance:**

- A study by the Indian Institute of Management (IIM) Bangalore made it evident that poor bank corporate governance is one of the reasons behind rising scams in the banking industry and NPAs.

### **Impact of Rising NPAs:**

#### **Confidence of the citizen:**

- The banking system is regarded as the backbone of the economy. Any kind of loss incurred by the banks affects each and every person in the country because the amount of money deposited in the banks belong to the citizens of that particular country.
- It shakes the confidence of the citizens in the banking system.

#### **Increase operating cost:**

- Due to high NPAs, the interest margin of the bank reduces and the operating costs of the bank increase.
- To cover the operating expense, the banks charge a high convenience fee from their small customers on a day-to-day basis.

### **An NPA projection list:**

- The Financial Stability Report of the RBI, released in December 2021 has shown that there is a projection of the gross NPAs of banks rising from 6.9% in September 2021 to 8.1% of total assets by September 2022 (under a baseline scenario) and to 9.5% under a severe stress scenario.
- Every few weeks, the news of fresh bank scams is reported that breaks the trust of the citizens of the country. India has many examples of bank scams such as:

- the Nirav Modi and Mehul Choksi scam involving the Punjab National Bank (₹11,400 crores),
- the case of businessman Vijay Mallya (₹9,000 crores) involving nearly 13 banks,
- the Andhra Bank fraud (₹8,100 crores),
- the PMC scam (₹4,355 crores),
- the Rotomac Pen scam (₹3,695 crores), the Videocon case (₹3,250 crores),
- the Allahabad Bank fraud (₹1,775 crores),
- the Syndicate Bank scam (₹1,000 crores),
- the Bank of Maharashtra scam (₹836 crores),
- the Kanishk Gold Bank fraud (₹824 crores),
- the IDBI Bank fraud (₹600 crores), and
- the R.P. Info Systems Bank scam (₹515 crores),
- According to the data of RBI, out of the total bad loans, 70% belong to corporate loans while retail loans which include home loans, personal loans, and car loans, contribute only 4%.

**Some measures need to be taken:****Due diligence:**

- Bad loans lead to higher NPAs over a period of time. Hence, due diligence should be exercised by the banks while offering loans.

**Regulation of the Chartered Accountant:**

- One of the very important steps in reducing the NPAs is the regulation and control of the Chartered Accountant.
- Banks should be cautious while offering loans to companies that have taken a huge amount of loans abroad.

**Audit system:**

- The internal and external audit systems of the banks should be tightened.

**Rotation of employees:**

- The employees of the bank loans department should be rotated frequently.

**Internal rating agency:**

- An internal rating agency should be set up by the Public Sector Banks for rigorous evaluation of large projects before sanctioning loans.



- An effective Management Information System (MIS) should be implemented to monitor early warning signals about business projects.
- The CIBIL score of the borrower should be evaluated by the concerned banks and the RBI officials as well.

### **Artificial intelligence:**

- There is a great scope for reducing banking scams by using AI in the banking system. The financial transactions can be monitored by the AI.
- However, there is a concern also, that AI only considers quantitative information, not the qualitative aspects.

### **Way Forward:**

- The RBI and the government of India have introduced various reforms in the banking sector to resolve the issue of scams but, there is still a long way to go.
- Instead of writing off the bad loans from the balance sheet of the banks, the Indian banking industry should focus on improving the loan recovery process.
- Establishing a [National Asset Reconstruction Company Ltd. \(NARCL\)](#) is not the real solution. It will only help when a loan becomes bad, but will not prevent a loan from becoming bad.

### **Nut Graph:**

*Recently, the biggest scam of DHFL company was reported by the media which increased the NPAs of the Indian banks to a greater extent. The reason behind the NPAs is operation failure, mismanagement, lack of due diligence, etc. India needs to focus on improving the loan recovery system of the Indian banking industry.*

### **Category: SCIENCE AND TECHNOLOGY**

#### **1. Safety in the sky**

**Syllabus: GS:3: Indian Science and Technology**

**Mains: Aviation technology**

### **Context:**

In the last few months, aviation-related technical problems have been recorded. The article analyzes the case in detail.

**Background:**

- In the past 2 months, SpiceJet has experienced at least nine aviation-related technical problem occurrences.
- A Spicejet plane, which took off from Delhi and was heading to Dubai, had to make an emergency landing in Karachi, Pakistan after it developed a technical fault.
- In another incident involving SpiceJet, a Q400 turboprop aircraft flying from Kandla in Gujarat, made a priority landing in Mumbai after its outer windshield developed a crack mid-air.
- Similar incidents such as bird hits, component failure, engine surges and blade failures, flight deck indicators, system-related warnings, flight diversions, etc. also happened in the recent past.
- These incidents have raised a concern about the safety of the passengers.

**Show-Cause Notice:**

- The Directorate General of Civil Aviation (DGCA) issued a show-cause notice to Spicejet for its failure to establish safe, efficient, and reliable services.
- According to an official of DGCA, occurrences like go-arounds, diversions, medical emergencies, or technical snags are common and on average, 30 incidents occur in a day. However, most of them have no safety implications.
- In the case of Spicejet, however, a regulatory review revealed poor internal oversight and inadequate safety maintenance actions (as most of the incidents are related to either component failure or system-related failure) resulting in degradation of safety margins.

**Reasons behind the technical failure:****Inadequate Maintenance Actions:**

- A financial assessment carried out by the DGCA in September 2021 revealed that SpiceJet was operating on a cash and carry basis, and suppliers and approved vendors were not being paid on a regular basis, leading to a shortage of spares and frequent invocation of the minimum equipment list (MEL).

**Poor Internal Oversight:**

- It has been observed a number of times that the aircraft either turned back to its originating station or continued landing to the destination with degraded safety margins.

**Response by Spicejet:**

- Spicejet in response to the DGCA said that the company is an IATA-IOSA certified airline.

- SpiceJet successfully completed the meticulous audit program for recertification in October 2021.
- All the aircraft of SpiceJet were audited a month ago by the regulator and found to be safe.
- All flights of SpiceJet are conducted in compliance with the applicable regulations of the DGCA Civil Aviation Regulations on the subject.

### **What should be done?**

- Repeated snags raise a red flag and point toward the fault in the safety oversight system.
- Safety issues should be analyzed by taking the rate of occurrence into consideration using tiered categorization and the goal should be to reduce the threat to the minimum level.
- The number of passengers has now reached the pre-covid levels. New airlines have also entered the industry which compels the existing players to aggressively expand themselves. Hence, there is a need for a more vigilant approach by the regulators.
- In any case, the safety of the passengers should not be compromised.

### ***Nut Graph:***

*Spicejet airlines have experienced some aviation-related occurrences that questioned the safety of the passengers. The DGCA regarded poor internal oversight and inadequate safety management as the reasons behind the case. There is a need for proper monitoring and regulations so that the safety of passengers will be guaranteed during air travel.*

### **Category: INTERNATIONAL RELATIONS**

#### **1. Far Apart**

**Syllabus:** *India and its neighbourhood relations*

**Mains:** *Discuss the relationship between India and China.*

### **Context:**

In July 2022, the State Councilor and Foreign Minister of China Wang Yi met with the Indian External Affairs Minister Subrahmanyam Jaishankar on the sidelines of the Group of Twenty (G20) Foreign Ministers' Meeting on Bali Island.

### **Background:**

- The talks took place on the sidelines of a meeting of the foreign ministers of the G20 countries.

- It was the first meeting between the two foreign ministers since Wang visited India in March 2022.

**India's stand:****LAC issue:**

- India has been pressing for quick disengagement of troops from all the remaining friction points in eastern Ladakh to ensure de-escalation of the situation, asserting that peace and tranquillity along the border are pre-requisite for progress overall ties.

**Indian students:**

- Thousands of Indian students were unable to return to China for over two years due to Beijing's Covid-19 restrictions. Mr. Jaishankar stressed the need for expediting the process and facilitating the return of students on an early date.

**Beijing's Stand:**

- Contrary to India's view of establishing normality at the border, China does not appear to share the same.
- China laid emphasis on the engagement in various groupings such as BRICS and SCO with India.
- China and Russia consider these platforms as a counteractive measure vis-a-vis the West and to promote a fairer international order.

**Conclusion:**

Another attempt to revive [India-China ties](#) ended in an apparent stalemate as there was no fresh Chinese response to resolve the border stalemate or the issue of re-entry of Indian students.

***Nut Graph:***

*The India - China relations appear to have come to a stalemate with China stressing on using multinational fora like BRICS and SCO and India focusing on resolving the border dispute and the issue of Indian students' return to China.*

**F. Prelims Facts****1. RBI sets up system to settle international trade in rupees**

*Syllabus- GS paper 3- Economy: Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.*

*Prelims: Complete convertibility of rupee; Depreciation.*

**Context:**

- The Reserve Bank of India has put in place a mechanism to facilitate **international trade in rupees**.
  - Trade under the facility may be denominated and invoiced in rupees and the exchange rate between the currencies of the two partner countries would be market-determined.

**Objectives/benefits of the move:**

- In the short run, the move will **promote exports from India**.
- The move will also aid **trade with nations under sanctions** like Iran and Russia.
- The move will also **reduce the risk of rupee depreciation** as it will help reduce the demand for foreign exchange by promoting rupee settlement of trade flows.
- It is being seen as a step towards **complete convertibility of the rupee**. In the long run, this will help strengthen the rupee in the global financial system.

G. Tidbits

**1. India set to beat China in population: UN report**

- A recent UN report released on [World Population Day](#) notes that India would surpass China as the world's most populous country in 2023.
  - India's population was 1.21 billion in 2011.
- The report estimates the world population to reach 8 billion by this year, and grow to 10.4 billion in 2100.
- The report notes that more than half of the projected increase in the global population up to 2050 will be concentrated in eight countries — Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, the Philippines and the United Republic of Tanzania.
- The report warns that such a high population would challenge economic growth going ahead.

**2. MPs' panel oppose Mediation Bill**

- The Parliamentary Standing Committee on Law and Justice has recommended changes to the Mediation Bill, meant for the institutionalisation of mediation.

**Recommendations:**

- The panel recommends against making pre-litigation mediation compulsory. This could result in delays in the disposal of cases.
- It has also recommended against giving higher courts the power to frame rules for mediation as it considered such a move to be unconstitutional.
- The panel has made recommendations on the process of appointment to the Mediation Council as well as qualifications for the selection of members. The panel has recommended that the appointment of the Chairperson and Members of the Mediation Council of India should be made by a selection committee constituted by the Centre.

**H. UPSC Prelims Practice Questions****Q1. Consider the following statements: (Level – Medium)**

1. Although India was one of the first countries to extend recognition to Israel in 1950, Jawaharlal Nehru held back from establishing full diplomatic relations with the Jewish state.
2. Although the Narasimha Rao government established full diplomatic relations with Israel, he did not travel to Israel, nor did he receive an Israeli prime minister.
3. Prime Minister Narendra Modi became the first Indian PM to visit Palestine in 2018.

**Choose the correct code:**

- a. 1 & 2 only
- b. 2 & 3 only
- c. 1 & 3 only
- d. All of the above

**Answer: d**

**Explanation:**

- Although India was one of the first countries to extend recognition to Israel, it held back from establishing full diplomatic relations with Israel for fear of antagonizing other West Asian countries.
- Though the PV Narasimha Rao government of the 1990s established full diplomatic relations with Israel, there were no prime ministerial visits between the two countries.



- Narendra Modi was the first Indian Prime Minister to visit Israel. Notably, PM Narendra Modi also visited Palestine in 2018 to show India's solidarity with the Palestine cause as well. It was a case of dehyphenation policy in foreign relations with the West Asian region.

**Q2. Consider the following statements with regards to the National Emblem of India:****(Level – Easy)**

1. The words Satyameva Jayate (meaning 'truth alone triumphs') from Mundaka Upanishad are inscribed below the abacus in the Devanagari script.
2. The use of the state emblem of India, as the official seal of the Government of India, is regulated by the state of India (Prohibition of Improper Use) Act, 2005.
3. The emblem is an adaptation of the Lion Capital of Ashoka, an ancient sculpture dating back to 280 CE during the reign of the Maurya Empire.

**Choose the correct code:**

- a. 1 & 2 only
- b. 2 & 3 only
- c. 1 & 3 only
- d. All of the above

**Answer: a****Explanation:**

- The emblem is an adaptation of the Lion Capital of Ashoka, an ancient sculpture dating back to 280 BCE during the reign of the Maurya Empire.

**Q3. Consider the following statements with regards to the forests in India:****(Level – Medium)**

1. The Indian Forest Act of 1927 explains the procedure to be followed for declaring an area as Reserved Forest, Protected Forest or a Village Forest.
2. In reserved forests, local people are prohibited, unless specifically allowed by a Forest Officer in the course of the settlement.
3. The Forest Settlement Office is appointed, by the Central government, to inquire into and determine the existence, nature and extent of any rights alleged to exist in favour of any person in or over any land comprising a Reserved forest.

**Choose the correct code:**

- a. 1 & 2 only

- b. 2 & 3 only
- c. 1 & 3 only
- d. All of the above

**Answer: a**

**Explanation:**

- The Forest Settlement Office is appointed by the state government.

**Q4. The Nord Stream gas pipeline transmits gas from Russia to Germany through (Level – Easy)**

- a. North Sea
- b. Baltic Sea
- c. Sea of Azov
- d. Black Sea

**Answer: b**

**Explanation:**

- Nord Stream is a pair of offshore natural gas pipelines in Europe that run under the Baltic Sea from Russia to Germany.

**Q5. Consider the following statements: (Level – Medium)**

1. The Governor of the Reserve Bank of India (RBI) is appointed by the Central Government.
2. Certain provisions in the Constitution of India give the Central Government the right to issue directions to the RBI in public interest.
3. The Governor of the RBI draws his power from the RBI Act.

**Which of the above statements are correct?**

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

**Answer: c**

**Explanation:**

- The Governor of the Reserve Bank of India (RBI) is appointed by the Central government. Their names are cleared by Cabinet Committee on appointments. So, 1 is correct.
- Section 7 of the RBI Act, 1934 provides authority to the Central Government to give directions to the Central Bank in public interest from time to time with the consultation of the RBI governor. So, statement 2 is not correct.
- The Governor of the RBI draws his power from the RBI Act. So, statement 3 is correct. Therefore, the answer is (c).

### I. UPSC Mains Practice Questions

1. What do you understand by dark matter? What is the significance of the LUX-ZEPLIN (LZ) experiment? Examine in detail. (250 words; 15 marks) (GS Paper 3/Science and Technology)
2. Evaluate the role and functions of the Central Consumer Protection Authority. (250 words; 15 marks) (GS Paper 2/Governance)