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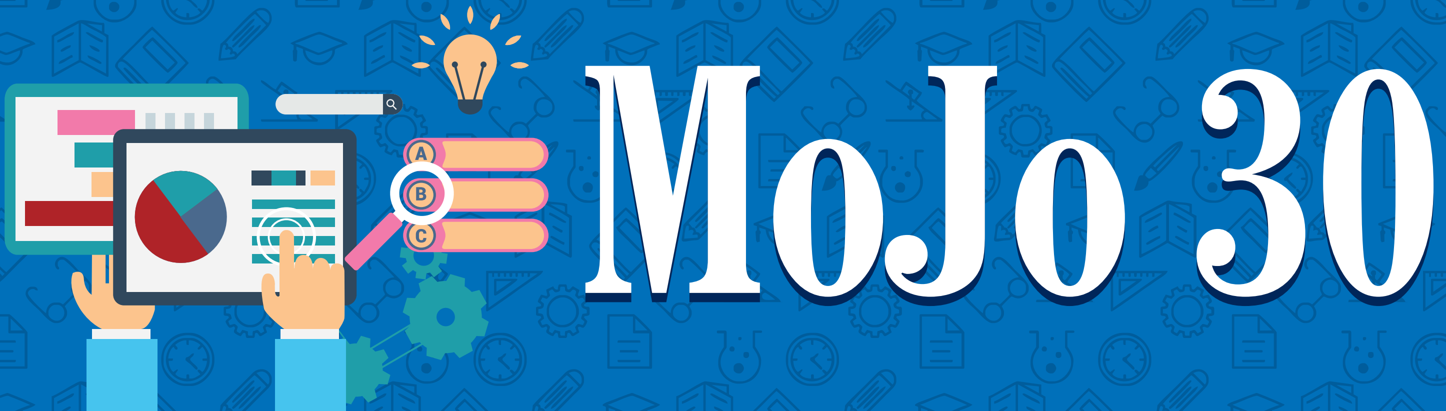


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Source : www.thehindu.com Date : 2023-06-01

# IS INDIA MISSING THE GRAPHENE BUS?

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

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June 01, 2023 12:15 am | Updated 01:49 am IST

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A sample of graphene-infused rubber. | Photo Credit: AP

What Artificial Intelligence (AI) is to software and quantum computing is to computers, graphene is to materials. These three emerging technologies will disrupt the existing human-machine interface in the next couple of decades. While India is among the leaders in AI and a potential challenger in quantum computing, it needs to catch up in the area of graphene.

Graphene is the world's thinnest, strongest, and most conductive material of both electricity and heat. It conducts electricity better than copper. It is 200 times stronger than steel but six times lighter. It is almost perfectly transparent as it absorbs only 2% of light. It is impermeable to gases, even those as light as hydrogen and helium. It has the potential to revolutionise electricity, conductivity, energy generation, batteries, sensors and more. Also, when added to other materials, graphene even in small quantities produces composite materials with dramatically transformed qualities. Graphene composites are used in aerospace, automotive, sports equipment and construction. It is used for high-performance batteries and super-capacitors, touchscreens, and conductive inks. Graphene-based sensors are used for environmental monitoring, healthcare and wearable devices. Graphene oxide membranes are used for water purification and desalination. Graphene-based masks were made during COVID.

Graphene is important for defence and aerospace as well. Its exceptional strength makes it promising material for armour and ballistic protection. Graphene has the potential to absorb and dissipate electromagnetic waves, making it valuable for developing stealth coatings and materials that reduce radar signatures and electromagnetic interference. Graphene is highly sensitive to environmental changes, which makes it an excellent candidate for sensing chemical and biological agents, explosives, radiation, and other hazardous substances. Besides, graphene-based materials can also protect us against chemical and biological attacks. Better energy storage and electronics properties make graphene attractive in defence and aerospace as well as in civil and commercial applications.

Never has one material had such an impact on so many sectors. Materials define an age — the stone age, iron age, plastic age and silicon age. There are reasons to believe that we are entering the graphene age. According to the Grand View Research, the global graphene market size was valued at $175.9 million in 2022 and is expected to grow at a CAGR of 46.6% between 2023 and 2030.

Although graphene was discovered in 2004, it was difficult to produce high-grade large-scale

graphene. However, things are changing fast. As per a report, at least one graphene-enhanced product was launched every week in 2022. Over 300 companies are now producing graphene or its derivatives.

Among the leading countries in graphene research are China, the U.S., the U.K., Japan, South Korea, Russia, and Singapore. Till 2012, graphene-related patent filing was dominated by the U.S. From 2013 to 2016, South Korea and China matched the U.S. After 2017, China surged ahead. In 2018, China filed 218 patents while the other leading countries together filed 79. India had eight filings.

China and Brazil are global leaders in the commercial production of graphene. At the Beijing Graphene Institute, set up in 2018, several companies produce industry-grade graphene products. India produces about one-twentieth compared to China and one-third compared to Brazil.

But India's progress has been better than many nations. The Centre for Nano Science and Engineering at IISc Bangalore along with KAS Tech produced a graphene-based system several years ago. Some start-ups and foreign subsidiaries have started graphene or graphene derivatives in India. Notably, Tata Steel has succeeded in growing graphene (about 50 micrometers large domains) using annealing and extracting atomic carbon from steel surface. It has also mixed graphene with used plastic products to recycle them as new. India's niche is going to be innovation using graphene. It figured out how graphene oxide-based wrappers loaded with preservatives can increase the shelf life of fruits and vegetables. The IIT Roorkee-incubated Log 9 has patented a technology for graphene-based ultracapacitors, and the IIT Kanpur-incubated RF Nanocomposites has developed EMI shielding and stealth technology using graphene-based nanotubes. But this trickle needs to be converted into a torrent. A laudable step in this direction was the setting up of the India Innovation Centre for Graphene in Kerala. It is being implemented by the Digital University Kerala in partnership with Tata Steel and C-MET, Thrissur. The Centre needs to become the nodal point to spur large-scale innovation activity around graphene.

Governments have a crucial role to play. China declared graphene a priority in its 13th Plan. Europe set up the Graphene Flagship, with a budget of €1 billion in 2013. Can India not have a national graphene mission? A nodal Ministry needs to be entrusted with this responsibility; else the subject will fall through the cracks. India needs to be among the leaders in graphene because we may experience the 'winner takes the most' situation here. Given the high cost-to-volume ratio for high-grade graphene, its production may get concentrated in a few locations in the world, as in the case of semiconductors. India missed the semiconductor bus in the mid-1990s. The time to step on the graphene pedal is now.

***Ajay Kumar is former Defence Secretary, and Distinguished Visiting Professor, IIT Kanpur***

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Source : www.thehindu.com Date : 2023-06-02

# RIDING THE MOMENTUM: THE HINDU EDITORIAL ON NATIONAL STATISTICAL OFFICE'S ECONOMIC DATA AND THE ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

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June 02, 2023 12:10 am | Updated 01:27 am IST

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The National Statistical Office's provisional estimates of national income for the 12 months ended March and quarterly GDP estimates for the fourth quarter posit a picture of an economy that sustained momentum last year despite headwinds. Gross domestic product is estimated to have expanded by 6.1% in the January-March quarter, helping lift full-year growth to a marginally higher-than-projected 7.2% pace. Gross value added numbers for the fourth quarter point to a broad-based uptick in growth from the preceding three months, with the umbrella utility services sector (including electricity, gas and water supply) and the omnibus services category of trade, hotels, transport, communication and broadcasting being the only two of the eight GVA sectors posting decelerations in expansion. While construction led the cross-sectoral growth, expanding 10.4%, collectively the services sectors buoyed GVA, with trade, hotels and transport still posting 9.1% growth, notwithstanding the slowdown from the third quarter's 9.6% pace. The sector, which has the largest share in GVA, expanded by a healthy 13.1% sequentially as travel demand rebounded in the wake of COVID-19 fears receding. Manufacturing was also a silver lining, rebounding from the December quarter's contraction to log a 4.5% expansion. And sequentially, manufacturing GVA surged 20.4% from the third quarter reflecting the sustained expansions reported in recent months by S&P Global's survey-based purchasing managers' index.

In fact, the latest PMI reading, showing factory orders having risen in May at the fastest pace since January 2021, is a welcome augury and a buffer for an economy facing stronger headwinds this year from a global economic slowdown and increased uncertainty, including heightened financial sector risks. The NSO data also point to gross fixed capital formation, a proxy for investment activity, having regained vigour in the fourth quarter. GFCF expanded by a healthy 8.9% year-on-year, and an even more robust 20.8% sequentially, aided in large measure by the government's increased capital spending on infrastructure and other big-ticket public works. Given its overall multiplier effect and job creation potential, the improvement in investment spending bodes well for this year's outlook. To be sure, the same GDP data also underscores the fact that private consumption spending — a key bulwark of demand — is yet to regain a firm footing. Private consumption expenditure is estimated to have actually contracted 3.2% from the preceding period in the March quarter, with its share of GDP shrinking to at least an eight-quarter low of 55%. With the chance of a potentially rainfall deficit-inducing El Niño almost a certainty, the outlook for farm output and related rural spending is also now under a cloud. Policymakers must therefore ensure that fiscal and monetary measures remain growth

supportive in the coming quarters.

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# AT THE ROOT OF INDIA’S MANUFACTURING CHALLENGE

Relevant for: Indian Economy | Topic: Infrastructure: Economic Corridors

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‘it is with respect to education that India has fallen most behind the countries that are the manufacturing successes of the world’ | Photo Credit: Getty Images/iStockphoto

The issue of manufacturing or services as the desirable path for India’s economy makes the rounds in public fora periodically. In the early part of this century, when India’s software exports were booming, it had been asked why India’s services sector should not leapfrog over manufacturing to propel the economy forward. This proposal challenged the standard model of economic development, for, in most successful economies, industrial expansion had come first. The frustration of the Indian economic policy maker can be well understood.

The economic reforms of 1991 had almost exclusively focused on manufacturing, but the significant scaling down of tariffs and the dismantling of the ‘licence-permit Raj’ did not lead to an increase in the share of manufacturing in the economy. Of course, India’s manufacturing sector ought not to be seen only in terms of its size. There has been a qualitative change after 1991. The range and quality of products manufactured in India have undergone an impressive increase. The rising quality and variety of the goods produced, without the expansion of manufacturing in relation to the economy, suggests a rising inequality of income.

After the economic reforms of 1991, the next time manufacturing came into the government’s view was after 2014, when ‘Make in India’, with its emphasis on foreign direct investment, was launched. More recently, there has been the Production-Linked Incentive scheme, which essentially subsidises production of certain products. Though announced with fanfare, the first within months of the Narendra Modi government assuming office, the record of these schemes has not been impressive.

The first advance estimates of the national income for 2022-23 show manufacturing growth to be 1.3% for the year, less than that for agriculture and all main segments of services. While the data unambiguously point to the role of the demonetisation of 2016 in the slowing of the manufacturing sector, the persistence of low rates of growth in the presence of policy initiatives that were focused on manufacturing point to something ‘structural’ holding back the sector in India.

This issue reportedly came up for discussion at a private event, where it was agreed that the economy needs a manufacturing push for the creation of jobs and to raise the growth rate. We

are told that during the ceremony, the Finance Minister addressed the corporate leaders gathered with the remark, “I am sure the Indian private sector is ready. Are you?” Even on earlier occasions, the Minister has publicly referred to the many policy initiatives favouring the corporate sector. Among them, the tax rate had been lowered substantially in 2019 and the government also claims to have improved the ease of doing business. There is also another factor, namely, public investment. In the last Union Budget, capital expenditure was raised by 18.5%. This unusually high increase should come to the aid of the private sector by raising aggregate demand.

Despite the favourable measures undertaken by the government, it would be simplistic to expect industry leaders to achieve a manufacturing push on their own. There is demand to be reckoned with, and this is largely independent of the supply side, which the government has acted upon. Household demand for manufactures inevitably follows the satisfaction of its demand for the necessities of life — food, housing, health and education, none of which can be postponed. For a substantial section of India’s households, food occupies a large share. This constricts the growth of demand for manufactures.

The relationship between per capita income and the share of food in household expenditure is strongly negative globally, with the richest countries, such as the United States and Singapore, having low such shares. Of the large economies of the world, the share of food is the largest in India, and its GDP per capita the lowest. Industry leaders have no control over the demand side of the equation. However, the possibility of exporting means that the manufacturing sector of an economy can sidestep a narrow domestic market. After all, the smaller countries of East Asia would never have been able to grow their manufacturing base to such an impressive level had they relied on their domestic markets alone. Taking this route, however, does require that an economy’s manufactures are globally competitive.

In a comparison with the economies of East Asia, we can see what is necessary for an economy to be a successful exporter. One is infrastructure and the other is the skill level of the workforce. These determine the cost of production and the type of products that a country can produce, respectively. The export of manufactures is largely by sea. The challenge of reaching the seaports faced by companies located in north India can be imagined. Goods have to first reach the coast by road, and then exporters must deal with the relatively poor infrastructure and practices in India’s ports. The competitive disadvantage faced by India’s exporters can be seen in the much higher turnaround time for ships in India’s ports with that in Singapore. The importance of ports for exports may be seen in a public statement recently issued by a section of Kerala’s traders: that they are forced to use ports outside the State as they cost much less to use. While transportation is a big factor, it is not everything yet. Inexpensive power, space and industrial waste disposal services all matter.

But it is with respect to education that India has fallen most behind the countries that are the manufacturing successes of the world. The ranking of countries by the Programme for International Student Assessment reveals this directly. In a group of about 75 countries, the countries of East Asia are at the very top while India barely manages not to be the last. Now, if we do not wish to rely on tests administered by international bodies, we may turn to our very own non-governmental organisation Pratham, which assesses learning outcomes in India’s schools. Its widely publicised findings point to the very low reading ability and numeracy of Indian children in their early years. These tests are for schoolchildren.

While there is no standardised test for university graduates, we have leading Indian employers issue statements on the lack of employability of these graduates. This dismal assessment has extended even to an Indian Institute of Technology. India’s universities expanded to serve the aspiration of its middle class who wish to avoid manual work. However, for those headed for a

life as a skilled worker, ranging from carpenters to plumbers and mechanics, university is not an aspiration at all. This cohort has been neglected in economic policy-making in India. There is no formal assessment available of the state of the vocational training institutes in India, but we certainly know that they are few and far between. When it existed, the Planning Commission had released data showing that only about 5% of Indian youth have had any kind of technical training. The figure for South Korea was over 85%. It would be naïve to expect India to make a mark on the global stage for manufacturing with such a labour force.

The economic reforms of 1991 were undertaken with a view to raising the presence of manufacturing. To this effect, the trade and industrial policy regime had been overhauled. However, it overlooked the need for an entire ecosystem, including schooling, training and infrastructure for manufacturing to flourish. This has to be built. It cannot be achieved merely through legislation. Liberalising reforms have run their course in India.

***Pulapre Balakrishnan is an economist***

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# RESET TIME: THE HINDU EDITORIAL ON GST REVENUE GROWTH

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 03, 2023 12:15 am | Updated 12:18 am IST

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Gross Goods and Services Tax (GST) revenues grew 11.5% to cross 1.57 lakh crore in May. While this marks the slowest growth in six months, with collections 16% lower than April's inflows, a nuanced reading is warranted. April's revenues, which crossed a record 1.87 lakh crore, were bumped up by financial year-end compliances. Although May's collections, for transactions during April, the first month of this financial year, were the lowest in three months, they signal a broader positive trend. While GST revenues have been over the 1.4 lakh mark for 15 successive months, May's revenues mark only the sixth time that GST revenues have crossed the 1.5 lakh crore mark. Four of those occasions have been in 2023. More significantly, even after discounting the April spurt, the average monthly revenues between October 2022 and May 2023 are over 1.53 lakh crore (and 1.57 lakh crore-plus if April's record kitty is included). Revenues have held up despite retail inflation cooling to 4.7% in April and wholesale prices slipping into deflation. Given this backdrop, if price rise continues to ease, 10%-12% growth rates in the GST kitty should be fine even if they seem more solemn than last year.

Initial data on May's economic activity indicate some acceleration. As per the S&P Global Purchasing Managers' Index (PMI), manufacturers had their best month since October 2020, fuel sales rebounded after two patchy months, and wholesale auto sales appear to be speeding, albeit on a low base for some segments. Besides, other compliance- and consumption-led tailwinds could lift revenues in the coming months. Till July, when the GST regime completes six years, the Revenue Department is undertaking a special two-month drive to tackle evasion and fake registrations. A new return scrutiny system has kicked in to prioritise cases with higher revenue implications. From August, e-invoicing will be mandatory for firms with an annual turnover over 5 crore, snipping possible loose ends in the tax trail. That some holders of the withdrawn 2,000 currency notes are looking to spend part of their stash by September 30 may provide some fillip too. If around 1.55 lakh crore is likely to be the new normal for monthly GST revenues, the government must seize this window to expedite the resolution of policy-level anomalies that still haunt the tax. Even if political bandwidth is constricted ahead of the Lok Sabha polls, the GST Council must not dither on what is doable in the short run, such as setting up tribunals, clarifying gaming and casino levies, and drawing up the blueprint for fixing an unwieldy rate structure.

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taxes and duties

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# EYE ON OIL: ON OIL PRICES AND INDIA

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 06, 2023 12:10 am | Updated 12:38 am IST

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The world’s largest grouping of crude oil producers, commonly known as OPEC+, agreed on Sunday to extend ongoing production cuts into 2024 as it seeks to keep oil prices from falling amid concerns about a global economic slowdown. OPEC major and leading producer Saudi Arabia also voluntarily vowed to reduce output by an extra 1 million barrels per day (bpd) in July, sending international oil future contracts higher on Monday. The more than 20-nation OPEC+ bloc, which has been striving to curtail supply in order to support prices in the face of flagging demand, had in a surprise move in April announced additional output cuts amounting to 1.66 million bpd. That move’s impact on prices was, however, shortlived and benchmark Brent crude futures have largely remained below $80 a barrel, after briefly rising above $87 in the wake of the surprise output cut in April. For India, which imports more than 80% of its crude oil requirements, the combined Saudi-cum-OPEC+ announcements of supply curtailment are a cause for some concern given the potential they have to push up global oil prices. Still, with India having sharply increased its purchase of crude from Russia since Moscow’s invasion of Ukraine and the consequent western sanctions against Russian energy exports, the price India pays for an imported barrel of oil has been steadily declining.

As of last week’s close, the average monthly price of India’s crude oil basket had declined by as much as 38% from its June 2022 peak of $116.01 a barrel to $72.39. While there is a good likelihood for some near-term uptrend in global oil prices as a result of the latest OPEC+ move, India has through its stepped-up imports of Russian crude — it bought a third of its oil from the sanctions-hit country in March — substantially buffered itself from any appreciable adverse impact. Still, the softening in crude purchase prices has not percolated to the Indian consumer. Pump prices of petrol and diesel have remained unchanged since May 22, 2022, with the governments at the Centre and the States, and the oil marketing companies unwilling to forego any revenue, possibly as a way of insulating themselves from any rise in costs in the future. With retail inflation showing signs of easing in recent months and private consumption spending data showing a distinct lack of vigour as a result of the inflationary erosion in consumptive capacity, policymakers must reassess their stand on fuel prices. While the demand for bringing oil products under the ambit of GST so as to help rationalise fuel prices is unlikely to be met any time soon, especially given the revenue implications for States, the Centre can take the lead and provide a fiscal fillip to the economy by cutting its levies on the key transport fuels.

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oil and gas - upstream activities / Saudi Arabia / India / taxes and duties

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# SEEING INDIA'S ENERGY TRANSITION THROUGH ITS STATES

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

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June 07, 2023 12:15 am | Updated 12:15 am IST

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Workers install solar panels on the roof of a residential apartment in Kochi. | Photo Credit: AP

In the upcoming G20 forum, India is planning to propose a multiple energy pathways approach to accommodate the diverse contexts and development trajectories of countries. The diversity of India's States, which necessitates multiple pathways, will determine its own domestic energy transition. India's global climate pledges — 50% non-fossil electricity generation capacity by 2030 and net-zero emissions by 2070 — are backed by domestic energy targets at the national level. Can these targets drive actions at the State level? How do we engage with State-level conditions and priorities?

States are critical actors in India's energy transition as there is a multi-tier governance of energy production and usage. An effective transition will require bridging the ambitions and implementation gaps between the Centre and the States. Simultaneously, national ambitions need to factor the varying incentive structures, processes, and institutional capacities at the State level.

India's achievements on its 2022 target for 175 GW renewable energy offer some insights into the complexities. While it achieved a significant portion of the target, only Gujarat, Karnataka, and Rajasthan met their individual targets. Moreover, about 80% of the current renewable energy capacity is confined to Six states in the west and south of India.

In a federal setting, States matter for four functions critical to energy transition. First, States as spheres of implementation are critical to the realisation of national targets. While the Centre may set goals, and use carrots and sticks to help achieve them, the realisation of these goals often depends on how they are aligned with State priorities and capabilities. Second, the legacy issues in the electricity sector, such as high losses, unreliable supply and service quality, if left addressed, could be exacerbated by the transition. These are embedded in the State political economy and must be addressed at the State level. Third, States as laboratories of policy innovations have been instrumental to India's energy transition. For example, early initiatives by Gujarat and Rajasthan on solar, and Maharashtra and Tamil Nadu on wind energy technologies, have contributed significantly to renewable energy uptake at the national level. Similarly, PM KUSUM is an adoption of successful State experiments on the solarisation of agriculture at a national scale. Fourth, States could also be roadblocks to national goals, particularly when the goals are perceived to be misaligned with State priorities.

While India has set laudable goals for its energy transition and has been working towards creating incentives and enforcement mechanisms, a critical next step is to engage with diverse State contexts, capabilities, and priorities. These are shaped by the interplay between multiple drivers, barriers, and enablers, including available techno-economic options, fiscal space, and social and political imperatives. In the context of energy transition, one such factor is cross-sectoral inter-linkages, constraints, and opportunities for transition. These inter-linkages are being recognised in the policy discourse. For example, there are analyses on how electric vehicle penetration and urbanisation will affect energy demand patterns or how promotion of transport modal shifts and green buildings can enable the energy transition.

These are steps in the right direction. However, an effective transition requires multi-scalar planning and execution strategy, consideration of inter-linkages and implications, and cross learning. Examples of such considerations include whether State targets add up to meet national goals, managing renewable energy-enabled load migration, the changing role of institutions, how these will affect legacy issues, and the resources required to deal with these implications.

States are important entry points to engage with policy visions, plans and actions. Central mandates to update the State Action Plans on Climate Change, recommendations to set up State-level steering committees for energy transitions, and regular meetings of the Central and state energy ministers reinforce the importance of States. Central agencies have also developed multiple indexes that rank States on different aspects of energy transition. While important, these efforts primarily focus on outcomes. We need to complement this with analysis of State-level preparedness for energy transition.

As a complement to the techno-economic discourse, there is a need for a State-level framework to understand plans, actions, and governance processes towards an energy transition. Applying such a framework will enable an expedited transition in multiple ways. First, it helps to broaden the transition discourse from a narrow set of outcomes and to include the processes that shape the outcomes. Understanding the effects of transitions on transparency and accountability in processes, and affordability and reliability of services, particularly what works under what conditions, is crucial. Second, it leads to greater transparency which could enable participation of stakeholders in the processes and ensure public legitimacy and buy-in to complex decisions. Finally, seeing the energy transition through State preparedness would create a greater sensitivity to State-level diversities on priorities, capacities, and opportunities in the national policy discourse, and thus enable more evidence-based policy choices towards a pragmatic, yet accelerated, scale and pace of energy transition.

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# DEADLY BILLBOARDS: THE HINDU EDITORIAL ON BILLBOARDS AND THEIR REGULATION

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 08, 2023 12:10 am | Updated 12:10 am IST

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Incidents of giant outdoor billboards crashing and becoming death traps are no longer an exception in urban environments. Tragedies such as the deaths of three workers, in Coimbatore last week, after they were crushed by the falling steel frames of a hoarding under replacement, are no rarity. Authorities lost no time in declaring that the billboard was illegal, offering no explanation on how it stood there. Ironically, it was in April that the Tamil Nadu Urban Local Bodies Rules 2023 were notified, with terms for the licensing of hoardings, banners and placards. Amid concerns that billboards would mushroom in cities, the Minister for Municipal Administration had explicitly said the rules were notified to ensure that unauthorised billboards are not allowed. Reports from at least two decades show the failure of many municipal corporations in curbing unlicensed hoardings. Occasional corrective actions have most often been the result of the intervention of the judiciary or triggered by fatal accidents. A case in point is that of Tamil Nadu and its capital Chennai, where thousands of unauthorised hoardings were removed on the directions of the Supreme Court in 2008, revealing hidden green landscapes and urban skylines.

Unfortunately, this action was not sustained. Among the first violators were political parties, with many leaders encouraging their larger-than-life projections on flex banners and illuminated cut-outs. Considerable outrage was triggered in Chennai in 2019, when a young woman scooterist lost her life in a road accident after she was hit by a banner put up by a political party. With lucrative outdoor advertising rights being cornered by politically influential individuals and cartels, there is little administrative will to enforce legal and all-weather structural stability requirements. A lack of manpower in municipalities to enumerate unlicensed hoardings, periodically inspect authorised billboards, and act against unstable or illegal ones, also contributes to accidents. It is of concern that the judiciary, which calls for a regulation of billboards, often passes orders restraining authorities from removing unauthorised ones. Violators deserve stringent punishment; in the case of deaths, it would be appropriate to slap graver charges, blacklist and recover compensation from them, and also prosecute complicit officials. International studies have pointed to billboards being dangerous distractions on roads as they affect a driver’s response time, vehicle lateral control and situational awareness. Accidents caused by such distractions must be documented in the annual Road Accidents in India report. This could help devise better policies on billboards and the outdoor advertising market, globally poised to grow to $67.8 billion in 2023.

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Source : www.thehindu.com Date : 2023-06-09

# DO PRODUCTION-LINKED INCENTIVES FOR MANUFACTURING WORK?

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 09, 2023 12:15 am | Updated 01:43 am IST

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Electric vehicles in Hyderabad. | Photo Credit: RAMAKRISHNA G.

In a recent note, former Reserve Bank of India (RBI) Governor Raghuram Rajan questioned the success of the production-linked incentive (PLI) scheme in boosting India's domestic manufacturing and exports. The PLI scheme was introduced by the Centre in 2020. Lakhs of crores of rupees have been allocated towards subsidising companies that manufacture in India. The Centre believes that the PLI scheme has boosted the domestic manufacturing sector, but critics have questioned its success. Do PLI schemes for manufacturing work? **Arun Kumar** and **Nagesh Kumar** discuss the question in a conversation moderated by **Prashanth Perumal J**. Edited excerpts:

What do you think of the policy of subsidising certain domestic sectors and, on the other hand, imposing tariffs on imports to favour domestic manufacturers?

**Arun Kumar:** Globally, nations are trying to capture the markets of others by exporting more than what they import. So, that is what brings us to the question of defending national markets for protecting employment and incomes in the domestic market, and there can be different strategies for doing that. Rather than protect large-scale industries, we need to boost the micro sector, which is where the bulk of the employment is, so that we can generate enough demand in the economy. But unfortunately, what is happening in India is the demand is shifting from the unorganised to the organised sector, because of the various steps that the government has taken. That has led to the further marginalisation and decline of sectors where employment generation is high. So, in a sense, what we face today is shortage of demand and economic slowdown. And that should be the number one priority to be dealt with.

**Nagesh Kumar:** There are core sectors — sectors that have high externalities or multipliers for other economic activity. If you begin by investing in or developing certain core sectors, it will help in propelling development at large. In the past, we had the policy of promoting such industries, like machine tools, which was considered as a core sector. In the current context, one could think about the semiconductor industry or the electric vehicles industry as a core sector which will help in fostering industrialiasation. These are the kinds of policies which are found in different countries.

How exactly do you go about subsidising certain sectors given that the process of doling out subsidies involves discretion and is prone to cronyism?

**Nagesh Kumar:** Targeting is very important when you decide to incentivise certain industries. Governments typically target certain strategic sectors which have huge potential. These days, looking at the future of sustainability considerations, there's a huge emphasis on green industries. And so, this is one set of industries which will have booming demand because every country is committed to net-zero goals. The U.S. government has put on the table $720 billion to be distributed either as subsidies or incentives to companies, which will manufacture high-tech equipment such as semiconductors, green hydrogen and electric vehicles. So, there is intense competition between countries. Industrialisation and manufacturing don't happen in a vacuum in this globally integrated world. So, we need to be watchful of what other governments are doing and develop our own strategies accordingly.

Why exactly do you need a scheme that spends lakhs of crores of rupees of taxpayer money to subsidise businesses? Why can't businesses simply be left to cater to market demand without the help of subsidies?

**Arun Kumar:** At the macro level, PLI is a freebie to the corporate sector. And it is based on the idea of supply side economics, which means that we give incentives to the private sector to produce, but this will not work when demand is short. And if demand is a problem, these policies will not deliver. As we are seeing currently, our rate of growth is tending to stagnate. As a result, even before the pandemic, our rate of growth declined quarter on quarter for eight quarters from 8% to 3.1% quarterly rate of growth. Now, to boost demand, what you need to do is reduce inequalities, so that demand for mass consumption items will give a boost to the economy as a whole. So, demand is a structural problem. And the bulk of the PLI is focused on the organised sector in which employment generation is very little because of automation. So what we need to do is create good employment data. While there are 320 million Indians who have proper employment, 270 million Indians don't. And that's why there is low demand in the economy. The other structural problem that needs to be highlighted is the inadequacy of research and development (R&D) by businesses. Imports deter local R&D. We have been facing this problem for the last 50-60 years. India invests much less than most dynamic economies spend on R&D. Indian businesses spend less than others because investment in R&D is very risky. So the conditions that need to be created are to lower the risk of investment in R&D. But what's happening is that we repeatedly import technology rather than build internal strength. And that is what has characterised the various sectors in the economy even after 1991. These problems need to be tackled before the PLI scheme can really deliver.

Don't you think the basic problem with the manufacturing sector is bureaucratic control? If so, don't we need to address that problem rather than subsidising companies?

**Nagesh Kumar:** It is very clear that we need to address the structural issues. Infrastructure has to be fixed, the quality of education has to be improved at all levels, R&D investments have to be enhanced. I think one issue which Professor Arun Kumar raised is that there is a problem of demand. I think there are demand problems, but for the strategic industries that are being targeted under PLI, demand is not an issue. I want to emphasise this because we are meeting our demand, whatever it is, through imports. So, there is an existing demand which is not being catered to by local production. There are projections that by 2025 also we might be importing $400 billion of electronics every year. Why are we importing this when we can manufacture it in India? There is a ready demand waiting to be exploited for some of these industries in the country. For the rest of the industries, we need to provide a demand stimulus.

The other thing is regarding PLI being a freebie offered to companies. We need to keep in mind

that the context of industrialisation has changed since 1991. Today we are talking of a globally open and integrated economy. Every investor, whether domestic or foreign, looks at whether other governments are giving bigger subsidies, and if so, investments will simply flow there. So, if we don't put in some effort towards promotion, facilitation and incentivisation of investment, we might as well forget about those investments. PLI is not a handout. It is a post-facto incentive given when you have delivered the incremental output. So, once you have delivered the incremental output, only these incentives come to you.

**Arun Kumar:** PLI basically is a subsidy. And given the lack of political accountability in our system, what we find is that there's a large amount of cronyism, and the bureaucratic approach that you were referring to needs to be relaxed. Which companies and which sectors get the subsidy and which get the priority then is influenced by cronyism to a large extent in the Indian context. Further, subsidies need to be distinguished. A general subsidy is one that is necessitated by the macro situation of the economy, whereas a specific subsidy is given to sectors or to companies and are based on micro-level decisions that are taken by the government. In the case of the latter, cronyism can play an important role there, which is not necessarily an efficient thing to happen. In the case of the former, the bigger issues become employment, living conditions, etc. Subsidies often necessitate high indirect taxes. And because of high indirect taxes, costs, and prices rise; when this happens, subsidies become necessary for exports and for the poor. Therefore, these are the issues that need to be looked at before we think about what we do for industries that have the technology and the capability to supply goods in the market on their own. Now, indirect taxes tend to be regressive, so those at the bottom need to be supported by subsidies. So, what we need to do is have living wages.

***Arun Kumar is a retired professor of economics at Jawaharlal Nehru University; Nagesh Kumar is Director of the Institute for Studies in Industrial Development***

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# GETTING RAILWAY SAFETY BACK ON TRACK AFTER ODISHA

Relevant for: Indian Economy | Topic: Infrastructure: Railways

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June 09, 2023 12:16 am | Updated 03:15 am IST

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Restoration work underway at the accident site | Photo Credit: PTI

There have been innumerable television debates following the train accident involving the 12841 Shalimar-Chennai Coromandel Express, the 12864 Sir M. Visvesvaraya Terminal Bengaluru-Howrah Superfast Express and a goods train at Bahanaga Bazar station in Balasore district, Odisha, on the evening of June 2. But the key question that many panellists have failed to address convincingly, barring the familiar platitudes, is about how the Indian Railways can work to ensure that such catastrophes are never repeated.

First, a recap of what happened. Broadly, the interlocking of signals and routes through a series of relays and logic gates, ensures that a train is guided by signals to a route amid a maze of railway tracks in a manner that would never cause it to encounter another train, ahead or in the rear. In this case, this interlocking was overridden by manual intervention. We also have two causes: in the first, it was most likely done by a signal maintainer who has access to the equipment hut or relay room, who may have been cutting corners to expedite his maintenance work so that the running train is not affected. Or, in the second instance, as the Indian Railways seems to believe, it is the handiwork of 'a saboteur' with criminal intention to cause an accident. The Odisha train accident is now a subject of double investigation; the first, the statutory probe by the Commissioner of Rail Safety, and the second by the Central Bureau of Investigation, which is an unprecedented move by the government. Whatever be the findings, it is not premature to examine the question that has been raised above.

In this specific case, the general public finds it quite bewildering that a callous and cavalier signal maintainer, or for that matter 'a criminal', can meddle with the system and cause havoc of this magnitude. The heart of the interlocking equipment is housed in a central relay room in the main station building and access to this room is similar to opening a bank locker; the station master and the maintainer have keys to a double lock. While tampering with equipment in this room is possible by the maintainer, in connivance or otherwise with the station master, the chances of a criminal acting this way are inconceivable. On the other hand, there are some pieces of remote equipment spread all over a railway station yard which are installed in huts and location boxes, access to which is possible only by the authorised maintainer. The possibilities of tampering are greater in such locations. Reportedly, in this case, it was the equipment in one such hut which was alleged to have been accessed and meddled with in this case. It is not out of place to mention that this system of protecting sensitive signalling equipment is not unique to

India; something similar, if not less stringent, is prevalent even in advanced rail systems abroad.

How do you deal with a scenario in which the authorised maintainer himself (under pressure to clear a fault expeditiously or to execute in a quick manner regular maintenance so that the running of trains does not suffer) adopts shortcuts, thereby endangering the lives of thousands of passengers? Or, that there is a criminal out to cause mayhem? This is akin to a clever hacker accessing a computerised road traffic signalling system in a busy crossing and fiddling with the conflict resolution module, turning on all the lights in both directions to green and causing a massive crash of vehicles.

Stronger safeguards against such misadventures, whether by the custodian himself or otherwise, may be difficult to build but it is something that must be pursued with great resolve. The provision of a double lock system even for remote huts in railway stations will certainly cause great inconvenience to implement, increasing the chances of train delays but is it a great price to pay given the Odisha train accident? This is an age of mobile phones and IT applications and it should be possible to think of a system of multiple digital authorisations to access such equipment without the physical movement of staff other than the maintainers. These are the things the inquiry should look into, going beyond merely identifying the culprits. Work towards devising a safer system should actually begin in earnest without waiting for any inquiry reports.

I have come across some cases of the maintainer resorting to shortcuts, which came very close to creating an accident-like situation. If the inquiry into the Odisha train accident confirms that this was indeed a case of unsafe intrusion by a maintainer, it would be even more important to determine whether this was a one-off case in the zone or whether it was something detected in the normal course but not dealt with sternly. Even if this was done occasionally, the buck has to stop with the top management of the zone.

There is another issue — the larger question of the Indian Railways' safety record and the way forward. Let us look at accident data. Till a decade ago, fatalities caused by railway accidents used to be in the range of 500-plus people every year; but in the last four years or so, the number is now less than 50. Although the Odisha accident has left its imprint on safety statistics, it is important to accept that the general reduction in the accident rate is a result of some positive actions such as the elimination of unmanned level crossings as well as improved track renewal and maintenance.

Therein lies a lesson. It was William Shakespeare who said, “Strong reasons make strong actions.” Yes, the rail network in India is largely saturated, the number of train services has gone up exponentially, and there is a need to fill all vacancies in the safety categories. All this makes it even more imperative to focus more on upgradation of track and signalling.

Also read | **Loco pilots of Coromandel Express battle pain and false narratives**

The provision of Kavach, the indigenous comprehensive signalling system, could not have prevented this accident. But other aspects of safety do demand faster implementation of Kavach; this would not only enhance rail safety but also improve the sectional capacity to run more trains. While the government having its share of the limelight following the introduction of more Vande Bharat trains and creating a hype around railway station modernisation cannot be grudged, faster execution of track and signalling work is exclusive to this. There is no dearth of funds as the capex investment by the central government in the Indian Railways is at an extraordinary high. Therefore, the least one can ask for is to make the Indian Railways much safer than it is today.

***Sudhanshu Mani is a retired General Manager, Indian Railways, creator of Train 18/Vande Bharat, and an independent rail consultant***

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Source : www.thehindu.com Date : 2023-06-10

# UNWAVERING FOCUS: THE HINDU EDITORIAL ON THE MONETARY POLICY COMMITTEE’S APPROACH TO POLICY

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

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June 10, 2023 12:20 am | Updated 12:20 am IST

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The Monetary Policy Committee (MPC)’s latest decision, [to extend the pause in the Reserve Bank of India (RBI)’s monetary tightening]() while staying focused on the withdrawal of accommodation, reflects the rate setting panel’s reassuring resolve to keep inflation front and centre of its approach to policy. RBI Governor Shaktikanta Das was unequivocal in asserting that “the best contribution of monetary policy to the economy’s ability to realise its potential is by ensuring price stability”. The MPC’s recent unwavering focus on price stability is informed largely by its mandate to achieve the Consumer Price Index (CPI) inflation target of 4%, a goal that it has struggled to actualise right since January 2021 — a period during which inflation remained stuck above or close to the upper tolerance band of 6% in 20 of the 27 months. Mr. Das acknowledged that even as headline inflation had eased appreciably in March and April, slowing to 4.7% in the first month of the current fiscal year from the bruising 6.7% average pace in 2022-23, retail price gains were ‘still above the target and expected to remain so according to the RBI’s projections for 2023-24’. The MPC, which has forecast CPI inflation to average 5.1% over the 12 months ending in March 2024, is cognisant of the continuing challenges in aligning inflation with the target, given the global uncertainties.

Specifically, Mr. Das flagged the spatial and temporal distribution of rainfall during this monsoon in the wake of El Niño conditions, unabated geopolitical tensions, uncertainty over international commodity prices including those of sugar, rice and crude oil, and the volatility in global financial markets as upside risks to the MPC’s inflation projections. Another key factor feeding into the RBI’s policy approach is its conviction that macroeconomic fundamentals have strengthened after the unrelenting focus on preserving price and financial stability. To be sure, the increase in credit costs since the RBI started raising its benchmark interest rates in May 2022 appears to have retarded investment and consumption activity last year. Bank credit data show the pace of growth in loans to industry, particularly the MSME and medium sectors, slowed appreciably last year. The sequential contraction in estimated private consumption spending in the fourth quarter of the last fiscal year is also likely to have been, to some degree, a fallout of the higher borrowing costs. Still, as Mr. Das emphasised, policymakers can ill afford to take their eyes off inflation. Price stability is after all a public good and achieving durable disinflation must remain a non-negotiable goal, especially amid widening income inequality and high levels of joblessness.

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# THE NECESSITY OF ELECTRICITY DISTRIBUTION COMPANIES

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

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June 10, 2023 12:16 am | Updated 12:16 am IST

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‘The problems with Discoms, however, lie in the domain of political economy’ | Photo Credit: G. KRISHNASWAMY

The Electricity Act 2003 provided the framework for the dismantling of the State Electricity Boards and the separation of generation, transmission and distribution into separate companies. Electricity generation was delicensed, while transmission and distribution remained licenced and regulated activities. Promoting competition, protecting consumer interests, and the supply of electricity to all were key objectives of the legislation.

Under the new regime, a competitive industry structure in generation has evolved. The share of private investment in the creation of new generating capacity has increased rapidly. Competitive procurement through long-term power purchase agreements (PPAs) grew and prices discovered through the market turned out to be lower than anticipated under the earlier cost-plus dispensation for determining tariffs. The impressive growth in renewable power is entirely the result of private investment. Tariff-based bids for the supply of electricity to distribution companies (Discoms) has been the key to the extraordinary success of the National Solar Mission. Further, India now has one of the cheapest rates for solar power supply in the world.

When the contours of the new law were being discussed, the introduction of full deregulation and competition (like in the United Kingdom in the early 1990s) was advocated by those who believed that we should adopt the latest ‘reforms’ from the West. In the U.K., a mandatory power pool had been created where all generators submitted bids for the next day, indicating the quantity they could supply along with the price. These bids were stacked in ascending order of price. The price with the quantity at which the total demand indicated by the suppliers would be met became the pool price for electricity. This mimicked the intersection of the supply and demand curves to get the market price. Full retail competition had also been introduced and consumers could choose from among several suppliers who had emerged to serve the market. Though these reform ideas had a strong constituency (including Enron), these were found to be unsuitable for India.

Power was and is being supplied from individual power plants through long-term contracts at prices determined for each. As the plant depreciates, the fixed (capital) cost component in the tariff declines; the older the plant, the cheaper its electricity. Adopting the free market (power pool) model would have meant that all electricity would be sold at the price of the electricity from

the most expensive plant at which demand would be fully met. The resultant steep price shock could just not be absorbed. For example, electricity from Bhakra Nangal which was being supplied at a few paise per unit would have had to be sold at over 4 a unit then. For decision-makers, such deregulation became a non-starter once the full implications were understood.

The Distribution Licensee (Discom) has the universal service obligation of supplying electricity to meet the full demand of every consumer (existing and new), in its licence area. Therefore, the Discom has the responsibility of projecting demand growth and making arrangements for reliable electricity supply. It does this by entering long-term power purchase contracts. Power-generating capacities have risen rapidly and the power supply position has become comfortable. There has also been the milestone of the completion of rural and household electrification, where discoms have been pivotal.

The Electricity Act gives consumers with a load of 1 MW and above the right to open access, enabling them to buy electricity from whomever they choose to and pay the Discom only for the use of their distribution network and a cross-subsidy surcharge. This cross-subsidy surcharge became necessary as higher-end industrial and commercial consumers pay more and cross-subsidise the lower-end households whose tariffs are less. However, the explicit mandate in the Electricity Act to the State Electricity Regulatory Commissions, to progressively reduce cross-subsidies remains unimplemented. This has resulted in the cross-subsidy surcharge continuing and acting as a barrier. Not many large consumers are meeting their electricity needs even now using open access. At the margins, generating plants may be able to generate electricity over and above what they are required to supply through their existing contracts; Discoms may have surpluses as well as shortages at different points of time. These can be sold. Power exchanges have come up to enable trading and optimal utilisation of the total generating capacity in the country. The exchange prices are volatile — either a little above marginal cost when demand is modest and shooting up when demand surges, necessitating the imposition of price caps. This is not an unexpected phenomenon as demand for electricity is inelastic.

‘Reforms’, ‘markets’, ‘competition’ and ‘consumer choice’ have positive connotations. Discoms are seen as the weak link in the supply chain of electricity, with rising cumulative losses and an inability to pay generators on time. The idea of somehow dispensing with the Discoms and letting the free market solve the problems of the power sector appears deceptively simple and attractive.

The problems with Discoms, however, lie in the domain of political economy. Foremost here is the inability of regulators in the States to determine cost reflective tariffs. State governments find it difficult to give timely subsidies as required by law. This underlying problem cannot be solved by implementing some imported reform idea(s). There is the political economy issue of misgovernance and rent seeking in some States where privatisation, as in Delhi, may perhaps be the only solution.

Investment in generating capacity has been taking place primarily on the strength of long-term PPAs with Discoms. Financing, equity as well as debt are de-risked by these PPAs which have the implicit guarantee of the state. The energy transition to renewables is accelerating and the reliability of power supply is increasing. This is based on Discoms projecting demand and entering long-term contracts for meeting increasing demand. Without Discoms this edifice would collapse; and without new investment, we may face power shortages again. It needs to be noted that the exemplar for reformers, the U.K., did not see significant demand growth, and the consequent need for new generating capacity after the new dispensation came into place. However, to drive their energy transition, the state had to invite bids for renewable energy through “contract for differences” which assured successful bidders’ payment of the difference between the market price and their bid price whenever the market price fell below their bid price.

The war in Ukraine has led to ironical consequences, emanating from a dogmatic faith in the deregulated market. Electricity prices went up many times due to the inelasticity of electricity demand, government was compelled to give cash support for lifeline consumption, profits of energy companies reached record highs, and government had to impose taxes on their windfall profits. In an earlier era, governments would have considered imposing price controls. Gordon Brown, the former Prime Minister, went so far as to call for temporary nationalisation.

The consequences of implementing the reform idea of doing away with the centrality of the Discom must be thought through. Lessons from the experience of the last year in the U.K. should be analysed. There are no quick-fix easy solutions.

Ajay Shankar is Distinguished Fellow, the Energy and Resources Institute (TERI) and a former Secretary, Department of Industrial Policy and Promotion (DIPP), Government of India

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electricity production and distribution / power (infrastructure) / United Kingdom / laws / New Delhi / Russia-Ukraine Crisis / renewable energy

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# THE UKRAINE CRISIS AND INDIA'S FERTILISER SECURITY

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

More from the author

The abrupt withdrawal of Russia and Ukraine from food markets, coupled with the blockade in the Black Sea region, has significantly impacted global food security. These disruptions, combined with market disturbances, escalating energy and input costs, supply shortages, the effects of climate change, and the persistent high demand for food, have resulted in a notable surge in global food prices.

Within this complex scenario, a stable supply of fertilisers becomes a critical factor in upholding food security worldwide. It is noteworthy that Russia holds a major stake in the global fertiliser market. In 2021, Russia was the top exporter of nitrogen fertilisers, the second-largest exporter of potassic fertilisers, and the third-leading exporter of phosphorus fertilisers.1  As a result of the Russia-Ukraine conflict, fertiliser prices escalated in the initial months and several countries continue to grapple with shortages.2 The challenges of high procurement costs and supply chain disruptions have further exacerbated the issue, creating an urgent need for strategies to address fertiliser insecurity.

India is the world's second-largest consumer of fertilisers. India has taken policy initiatives to ensure fertiliser security and mitigate challenges arising out of the Russia-Ukraine war. These initiatives have included implementation of the One Nation One Fertiliser policy, subsidy mechanisms as well as increased imports of Russian fertilisers.

The recent introduction of the One Nation One Fertiliser scheme, also known as the *Pradhanmantri Bhartiya Janurvarak Pariyojna* (PMBJP), is a significant step towards fertiliser security.  Under this scheme, fertiliser companies can display their name, brand, logo, and other product details on only one-third of the fertiliser bags. The remaining two-thirds of the space will display the "Bharat" brand name and the logo of the PMBJP.3 This implies that the single brand name for fertilisers like Urea and DAP will become Bharat Urea and Bharat DAP, respectively.

In addition to highlighting the subsidy provisions of the government, the scheme will standardise use, reduce company competition and movement of fertiliser goods. The need for inter-state fertiliser transportation will diminish as the demand for specific fertiliser brands in different areas will reduce.4 This will result in savings on fertiliser and transport subsidies, further reducing prices and the attached costs.

During the launch of the PMBJP scheme, more than 600 *PM-Kisan Samruddhi Kendras* (PM-KSK) were also inaugurated.5 PM-KSKs aim to bolster fertiliser security by serving as comprehensive centres that provide a range of agricultural inputs including seeds, fertilisers, and farming tools, alongside soil, seed, and fertiliser testing. It aims to transform approximately 3.25 lakh fertiliser retail stores into PM-KSKs nationwide.

Both schemes significantly enhance the availability, affordability, and accessibility of fertilisers for farmers while also improving quality control measures in the distribution process. In order to curb black marketing of fertilisers in the country, the Ministry of Chemicals and Fertilisers also introduced the Fertiliser Flying Squad (FFS). The FFS has carried out 370 surprise inspections in multiple states and seized more than 70,000 bags of counterfeit Urea. The Squad can counter

diversion, illegal trade, stockpiling, and distribution of low-quality fertilisers.6

The substantial allocation of subsidies towards fertilisers has also facilitated the mitigation of external shocks and maintained domestic price stability. These subsidies are disbursed through the urea subsidy programme, as well as the Nutrient Based Subsidy (NBS) scheme, targeting essential nutrients such as Nitrogen (N), Phosphorus (P), Potash (K), and Sulphur (S) for Phosphatic and Potassic (P&K) fertilisers. The current approved budget for fertiliser subsidies during the Kharif season of 2023 amounts to Rs 1.08 lakh crore, with the total subsidy expected to exceed Rs 2.25 lakh crore.7 It is noteworthy that fertiliser subsidies were doubled to Rs 2.56 lakh crore last year, effectively managing domestic prices in comparison to the skyrocketing international prices due to the conflict in Ukraine.8

Urea imports have always been a major concern for India's agriculture sector. India is the top importer of urea, importing 30 per cent of the average 35 million-tonne annual requirement.9 As part of the fertiliser security initiatives, the government aims to end Urea imports by 2025 by reviving and commissioning Urea production plants in Gorakhpur, Talcher, Barauni, Ramagundam and Sindri.10 The plants are expected to produce 6.5 million tonnes of urea annually.

In addition, the production of domestically manufactured low-cost nano urea, which includes nanoparticles of the crop nutrient, is expected to increase to 5 million tonnes by 2025.11 The introduction of nano-urea will also reduce the country's heavy dependence on urea imports from Oman, Qatar, Saudi Arabia and the UAE. The forthcoming PM Promotion of Alternative Nutrients for Agriculture Management (PM PRANAM) Scheme also seeks to provide incentives to states for promoting the adoption of organic manure, organic and bio-fertilisers, nano-urea and di-ammonium phosphate (DAP).12 While these measures aim to bolster domestic production, there have been several international efforts to stabilise supply and security.

In 2022-23, India implemented various strategies to ensure a secure supply of essential resources and hedge against international price fluctuations. India's growing crude oil imports from Russia have garnered international attention. However, it is noteworthy that India has also experienced a significant surge in its imports of fertilisers from Russia. Table 1 illustrates the notable increase in imports of different categories and sub-categories of minerals and fertilisers. The overall value of fertiliser imports has risen from Rs. 578,504.44 lakhs in 2021-22 to Rs. 2,451,726.89 lakhs in 2022-23, representing a growth of 323.80 per cent. To further facilitate trade with India, Russia increased its export quota of fertilisers in early 2022.13 Additionally, India sealed a three-year agreement with Russia's Phosagro last year, ensuring the supply of 500,000 tonnes of DAP.14

Consequently, the heightened imports have led to a reduction in India's reliance on Chinese fertilisers. The overall value of Chinese fertiliser imports diminished by 13.83 per cent between 2021-22 and 2022-23.15 As a result of favourable pricing and discounts, Russia surpassed China to become the foremost supplier of fertilisers to India in the first half of the 2022-23 fiscal year.16 The significant growth in fertiliser imports from Russia also indicates a strengthening of the trade relationship between the two countries. This can lead to more collaborations, joint ventures, and investments in the fertiliser industry, which can further enhance fertiliser security for India.

**Category**

**2021-2022**

**2022-2023**

**% Growth**

Fertilisers Overall (310)

578,504.44

2,451,726.89

323.80

Mineral or Chemical Fertilisers, Nitrogenous (3102)

210,557.09

436,167.82

107.15

Mineral or Chemical Fertilisers, Potassic (3104)

9,760.74

15,809.67

61.97

Mineral/Chemical Fertilisers with Two or Three of the Fertilising Elements N, P, and K; Other Fertilisers, Similar Goods in Tablets/Like Form in Packets (3105)

358,186.60

1,999,749.40

458.30

Mineral/Chemical Fertilisers Containing the Three Fertilising Elements Nitrogen, Phosphorus, and Potassium (310520)

222,798.98

850,935.83

281.93

Other Mineral/Chemical Fertilisers Containing Two Fertilising Elements Nitrogen and Phosphorus (310559)

13,704.84

338,537.71

2,370.21

Urea whether or not in aqueous solution (31021000)

195,666.13

386,211.88

97.38

Diammonium Hydrogen orthophosphate (Diammonium Phosphate) (31053000)

119,897.97

634,538.25

429.23

Ammonium Dihydrogen orthophosphate (Monoammonium Phosphate)/ Mixtures with Diammonium Hydrogen orthophosphate (Diammonium Phosphate) (31054000)

1,700.34

175,737.62

10,235.46

**Source**: Ministry of Commerce and Industry Trade Statistics

Another key approach has been the expansion of the supplier base through investments in mineral-rich countries and the establishment of multi-year import deals. Indian companies have undertaken investments in countries abundant in mineral resources. For example, they have acquired ownership stakes in Senegal-based companies, which possess significant reserves of rock phosphate.[17] By establishing a direct presence in these countries, Indian companies gain more control over the production and supply chain of essential minerals, secure a consistent supply of resources and mitigate the risk of market disruptions.

Indian companies have signed MoUs with Canadian companies for supply of Muriate of Potash (MOP), the demands for which are only met through imports.[18] Indian cooperative Krishak Bharati Cooperative (KRIBHCO) has entered into a long-term deal with Saudi Arabia to import one million tonnes of phosphatic fertilisers.[19] India has also signed significant long-term agreements with countries like Jordan and Israel. These agreements encompass the supply of various fertilisers such as MOP, rock phosphate, and phosphoric acid.[20] Furthermore, in January 2023, India finalised a deal with Morocco for the supply of triple super phosphate (TSP) and DAP.[21]

Through these measures, India can secure its fertiliser supplies, minimise dependency on a limited number of suppliers and reduce exposure to international price volatility. These developments also indicate a strategic shift in India's approach to fertiliser security. The country is actively diversifying its fertiliser sources and reducing dependence on a single supplier, thereby mitigating risks and strengthening its position in the global fertiliser market.

India’s multipronged approach has effectively navigated the non-traditional security challenges posed by the Russia-Ukraine conflict and facilitated a stable supply of fertilisers. While some measures provide immediate respite, efforts should continue to focus on implementing long-term

structural solutions to reduce dependence on fertiliser imports, curb over-utilisation and address the high fiscal burden. A futuristic approach involves self-sufficiency through domestic production, balanced nutrient management, and efficient distribution networks. The climate crisis and its potential impact on agricultural production may also disrupt the estimated fertiliser demand in the future. Promoting sustainable agricultural practices to ensure long-term fertiliser security and agricultural sustainability is key. India's recent advances in the fertiliser sector have significantly contributed to this approach and facilitated a more resilient and secure supply chain structure.

*Views expressed are of the author and do not necessarily reflect the views of the Manohar Parrikar IDSA or of the Government of India.*

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Source : www.thehindu.com Date : 2023-06-12

# MILES TO GO: THE HINDU EDITORIAL ON THE STATE OF THE INDIAN ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 12, 2023 12:10 am | Updated 12:52 am IST

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India's economy is firmly out of the throes of the pandemic blues, the higher-than-expected 7.2% GDP growth last year could actually be an 'underestimate', and the country is now poised for a decade, if not more, of uninterrupted 6.5%-7% growth, even if no further reforms are undertaken. This was the key message from Chief Economic Adviser (CEA) V. Anantha Nageswaran's prognosis of the state of the economy, conveyed to industry leaders last week. India, he asserted, could now grow for a longer period of seven to 15 years as China did between 1979 and 2008 without "running into overheating problems" as it did after three-four years of strong growth in recent decades. Among the reasons for his optimism — strong momentum, better macro fundamentals with inflation and trade deficits easing in recent months, and cleaner bank and corporate balance sheets, bolstered by reforms such as Goods and Services Tax (GST) and digitisation that are spurring formalisation. The CEA's elaborate elucidation on the economy's bright prospects can well be seen as a fresh official nudge to the private sector to stop worrying and restart investing. At the same time, his comment that the economy could be on 'auto-pilot' mode, may be a hint that the appetite for important pending reforms such as rationalising the GST structure or fixing archaic factor market laws is low, at least till the 2024 Lok Sabha election.

With sectors such as steel and cement seeing higher capacities in action, sections of industry may well start loosening the purse strings soon but a broad-based revival may take longer and needs more actions to buttress the confidence-building. That India has now recovered from the COVID-19 hit on the economy, marked by a 5.8% GDP contraction in 2020-21, is good. But returning to the pre-pandemic trajectory is not enough — remember that growth had slid for seven successive quarters even before the pandemic lockdowns. The economy grew just 3.9% in 2019-20 from 6.5% in the year before, and the quality of the recovery thus far remains uneven. Unless private investment recovers firmly and revs up job creation for millions of youth, demand growth shall not sustain enough to create the virtuous cycle the government is betting on. If India wants to encash the world's China-plus-one supply chain quest, that intent is not often matched by actions. Misadventures such as high import tariffs and the complex 'angel tax' on inbound investments apart, even failing to fix an online service to register a new company does not engender investor confidence. Before the economic engine can be truly on 'auto pilot' mode, the government must desist from unnecessary tinkering with its calibrations and create conducive conditions for a smooth and swift, hurdle-free passage for value and job creators.

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June 12, 2023 10:47 pm | Updated 10:48 pm IST

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Paddy bags stacked in an open paddy warehouse at Walajabad in Kanchipuram district on June 8. | Photo Credit: VELANKANNI RAJ B

**The story so far:** Last week, the Centre announced the Minimum Support Price (MSP) for this year's summer (kharif) season crops, hiking prices between 5-10% from last season, "to ensure remunerative prices to growers for their produce and to encourage crop diversification." A section of farmer representatives have expressed unhappiness over what they term as a 'meagre' hike in the MSP, defeating the government's intent of securing a "remunerative price". On the other hand, agriculture domain experts believe that an increase in the MSP may give a slight respite to growers, but argue that in the absence of any dependable or assured market mechanism of procurement-purchase for crops on the MSP in most parts of the country, the purpose of encouraging "crop diversification" gets defeated.

The MSP, which is a part of the government's agricultural price policy, is the price at which the government offers to procure farmers' produce during the season. It works as a tool to stabilise production and to control consumer prices, yet farmers across the country have been facing problems of selling their produce at the MSP. Delays in establishing procurement centres, exploitation at the hands of commission agents, who most of the time buy the produce from farmers below the MSP, and a lack of awareness about the MSP among a large section of farmers, are some of the challenges growers have been facing for years now. Against this background, farmers have been demanding a 'legal status' to the MSP. The government, including the Centre and States, ought to come up with a system to set up an 'assured market mechanism,' point out farmers. The MSP has little meaning unless farmers' produce is procured/purchased at the assured price.

On June 7, the government announced the MSP for 17 'kharif' crops, like paddy, pulses (moong, arhar, urad), oilseeds like groundnut and soyabean and cotton, for the marketing season of 2023-24. These were approved at a meeting of the Cabinet Committee on Economic Affairs (CCEA). According to the government statement, the increase in MSP is in line with the Union Budget 2018-19 announcement of fixing the MSP at a level of at least 1.5 times the all-India weighted average cost of production, which aims at a reasonably fair remuneration for the farmers. Food Minister Piyush Goyal said the increase in MSP of kharif crops for this year is the highest compared to previous years.

*The below charts show the MSP for select kharif crops for the marketing season 2023-24 and their difference from the last season.*

Several farmers' outfits have expressed their discontentment over the latest MSP for the summer crops, terming it as insufficient. According to the All India Kisan Sabha, the declared MSP is "unfair, belies the hopes of the farmers and inflicts huge losses in their incomes." Rising input costs coupled with unfair MSP will push large sections of farmers, especially the small, marginal, and middle-level farmers, as well as tenants into indebtedness, says Ashok Dhawale, president of AIKS. The longstanding promise made by the Bharatiya Janata Party in 2014 that the MSP will be given according to the Swaminathan Commission recommendation of C2+50% (C2 or comprehensive cost of production) remains an unfulfilled election promise, he adds.

The Bharatiya Kisan Union (Ekta-Ugrahan), one of the largest farmer unions in Punjab and a member of the Samyukta Kisan Morcha (SKM), the umbrella body of around 500 farmer outfits, has dismissed the MSP hike, saying that the government's notion of ensuring 1.5 times the cost of production on crops does not help in addressing the farmers' plight as it does not provide remunerative price. "It's merely an eyewash," says the outfit leader Sukhdev Singh Korikalan, as he adds that MSP should be based on the Swaminathan Commission's formula of C2+50%. "Also, the government needs to make MSP a statutory right of the farmers. Farmers need to have an assurance that their crops will be purchased at the MSP to survive in the otherwise economically-unsustainable agricultural sector," he points out.

Noted economist Dr. Ranjit Singh Ghuman, currently a professor of eminence (Economics) at Guru Nanak Dev University in Amritsar, points out that the past track record shows that only three to four crops (mainly wheat, paddy and cotton and at times some pulses), were being procured at MSP while the remaining crops were being procured at much below the MSP.

"This is mainly because the farmers are left at the mercy of market forces and the private players. Non-implementation of MSP and below-MSP-procurement of a large number of crops, inter alia, has been one of the major hurdles in 'crop diversification' which is so vital for Indian agriculture and in saving the environment. Ineffective implementation of MSP and 'non-procurement' of all the crops at the MSP is also one of the main concerns of farmers. Such a scenario builds a strong rationale for giving 'legal status' to MSP as it is the floor or reference price. This does not imply that the government should procure all those crops but would certainly bind the private players to procure those crops at least at the MSP. While facilitating crop-diversification it would raise farmers' income which is being propagated by the government," he says.

As per third advance estimates for 2022-23, total foodgrain production in the country is estimated at a record 330.5 million tonnes which is higher by 14.9 million tonnes compared to 2021-22. This is the highest increase in the last five years, according to government data. The total stocks of rice and wheat held by Food Corporation of India (FCI) and State agencies as on May 1, 2023, was 555.34 lakh tonnes comprising 265.06 lakh tonnes of rice and 290.28 lakh tonnes of wheat.

Former professor at the Ludhiana-based Punjab Agricultural University, M.S. Sidhu, asserts that the delay in monsoon would impact cropping in non-irrigated regions of the country. "Around 51% area in the country is rain-fed, so if rains are delayed some impact is bound to be seen. But the country's foodgrains stocks are at a comfortable level, there's nothing to worry as of now," he adds.

The MSP attempts to strike a balance between the interest of growers and consumers. The government's price support policy attempts to provide a fair return to farmers while keeping in view the interest of consumers in a way that prices of food and other agricultural commodities are kept at a reasonable level. Farming over the years, for the majority, especially small and marginal farmers, has not turned out to be remunerative. A rise in their income could be the

long-term answer to farmers' financial distress. To ensure this rise in income, the government should focus on setting up an effective system to provide assured purchase and returns to farmers for all major crops at the MSP, as is done in the case of wheat and rice or extend subsidies on input costs.

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Source : www.thehindu.com Date : 2023-06-15

# BASE BOOST: THE HINDU EDITORIAL ON INFLATION AND THE CONSUMER

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

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June 15, 2023 12:20 am | Updated 01:49 am IST

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The pace of retail inflation slowed to a 25-month low of 4.25% in May, propelled largely by the elevated level of year-on-year price gains in May 2022, when the month's print had exceeded 7%. Headline inflation extended its decelerating trend for a fourth month, in some measure validating the Reserve Bank of India (RBI)'s decision to pause monetary tightening till it could assess the impact of past interest rate increases. Still, month-on-month, the provisional Consumer Price Index (CPI) showed price gains at 0.51% in May, unchanged in pace from April's six-month high sequential inflation reading. A key contributor to the deceleration in year-on-year price gains in May was the inflation in food items, which slowed by 93 basis points to 2.91%. Oils and fats contributed to the easing in food item prices, posting a 16% deflation. A continuing deflation in the cereals and products category, which has an almost 10% weight in the CPI, also helped. Cereals inflation eased by more than 100 basis points from April's print to 12.7%. The risk of reading too much into the year-on-year moderation in inflation was, however, most evident in the food and beverages group that accounts for 46% of the CPI, with nine of its 12 sub-groups witnessing sequential increases in price levels.

Crucial food items including vegetables and the key protein sources of milk, meat and pulses all posted appreciable quickening in prices from a month earlier. Vegetable prices, which deflated 8.2% from the year-earlier levels, logged 3.35% sequential inflation, a pace that was almost twice April's 1.7% month-on-month gains. Milk and dairy, and pulses are the other food categories of concern. While year-on-year inflation in milk hovered close to the 9% level in May, sequentially too the reading was at a three-month high at 0.67%. Prices of pulses, the primary protein source in vegetarian consumers' diets, have also been rising at a disconcerting clip, with the year-on-year rate quickening by 128 basis points to a 31-month high of 6.56%. Sequentially, the category that includes lentils such as tur and urad dal, posted 1.21% inflation. Acknowledging the sensitivity of dal prices, especially when key State elections are due, the Centre, on June 2, imposed limits on the holding of stocks of urad and tur till October 31. With households' perception of current inflation found to be running at 8.8%, and three-month and year-ahead forecasts pegging price gains at more than 10% in the May round of the RBI's inflation expectations survey, policymakers have their task cut out to convince consumers that inflation will be tamed so as to not erode their purchasing power and savings.

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# THE NEXT FINANCE COMMISSION WILL HAVE A TOUGH TASK

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

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June 15, 2023 12:16 am | Updated 01:51 am IST

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‘Faultlines across States have in fact deepened in recent years along political, economic and fiscal dimensions’ | Photo Credit: Getty Images/iStockphoto

The government will appoint a Finance Commission in the next few months to determine how much of the Centre’s tax revenue should be given away to States (the vertical share) and how to distribute that among States (the horizontal sharing formula).

In the pre-reform period, the Finance Commission recommendations were not that critical because the Centre had other ways to compensate States, or indeed to play favourites, through plan financing and public sector undertaking (PSU) investments. Post-reforms, fresh PSU investments have thinned out and the Planning Commission was abolished in 2014 with the result that the Finance Commission remains virtually the sole architect of India’s fiscal federalism. Its responsibility and influence are, therefore, much larger.

Currently, the Centre gives away 41% of its tax pool to the States. For sure, States will demand that this proportion be raised, but I do not see much room for stretching this further given the Centre’s expenditure needs and the constraints on its borrowing limit. Therefore, much of the debate will centre on the horizontal distribution formula.

When the previous Finance Commission was appointed in 2017, its terms of reference became quite contentious because it was asked to take into account the 2011 population figures in determining the expenditure needs of a State. This was a departure from the standard practice until then of mandating Finance Commissions to use the 1971 population numbers so as not to give a perverse incentive to States to neglect family planning with an eye on a higher share of devolution. States which had done well in stabilising population growth rates, typically the southern States, protested against this change in the base year, calling it a ‘penalty for good performance’.

A similar conflict arises with regard to revenue deficit grants that the Finance Commission awards to States which remain in deficit on the current account even after tax devolution. In theory, revenue deficit grants have a neat rationale — that every State in a country should be able to provide a minimum level of service to its residents even if it involves an element of cross-subsidisation. The worry is that this too has become a perverse incentive. Why bother raising

revenues on your own when the Finance Commission will compensate you?

Historically, Finance Commissions have struggled to determine how much a State's deficit is due to its fiscal incapacity and how much is due to fiscal irresponsibility. They have tried to tweak the distribution formula to support deficit States without penalising responsible States, a mathematically impossible task since you cannot give more to a State without giving less to another. The net result is that every horizontal distribution formula has been criticised as being inefficient or unfair or both.

These faultlines across States have in fact deepened in recent years along political, economic and fiscal dimensions. When the Bharatiya Janata Party (BJP) lost the Karnataka election last month, many political commentators read that as a north-south divide, with the BJP being confined to the northern States while the Opposition parties rule the southern States. Similarly, many headline numbers suggest that the southern States of the country are doing better in terms of infrastructure, private investment, social indicators and the rule of law, which has put them on a virtuous cycle of growth and prosperity and widened the north-south gap.

The bottom-line though is that it is in the very nature of horizontal distribution that richer States compensate poorer States. How to ensure that this happens without deepening the divide will challenge the government in defining the terms of reference of the Finance Commission, and of the Finance Commission itself in delivering on those terms of reference.

The terms of reference of the Finance Commission enjoin it to take into account the expenditure needs and revenue earning capacity of the Centre and States. I believe the forthcoming Finance Commission should use this leverage to focus on two issues in particular.

The first is the egregious practice by the Centre of increasingly resorting to a levy of cesses and surcharges rather than raising taxes. A white paper released by the Tamil Nadu government a couple of years ago pointed out that the proportion of cesses and surcharges in the Centre's total tax revenue had nearly doubled from 10.4% in 2011-12 to 20.2% in 2019-20.

There is a perverse incentive in operation here. The straightforward option for raising revenues is to raise taxes, but if the Centre does that, it has to part with 41 paise to States. On the other hand, if it raises the additional rupee by way of a surcharge, it gets to keep all of it. When the Constitution was amended in the year 2000 giving States a share in the Centre's total tax pool, the implicit understanding was that the Centre will resort only sparingly to cesses and surcharges, and not as a matter of routine as has become the practice. As a result of this breach of understanding, States have felt cheated out of their legitimate share of national tax revenue. The next Finance Commission should lay down guidelines for when cesses and surcharges might be levied, and also suggest a formula to cap the amount that can be raised.

The second issue of focus for the Finance Commission should be government spending on what has come to be called freebies. All political parties are guilty on this count, some more than others, but trying to apportion blame will be a wrong start.

In a poor country, where millions of households struggle for basic human needs, it sounds cruel to argue against safety-nets for the poor. But it is precisely because India is a poor country, that we need to be more circumspect about freebies.

In theory, the restraints imposed by the Fiscal Responsibility and Budget Management (FRBM) Act should have acted as a check on such populist spending, but governments have found ingenious ways of raising debt without it appearing in the budget books. It is not easy to unambiguously define a freebie, and any check on this will be contested as infringing on the

sovereignty of elected governments. Nevertheless, the next Finance Commission should bite the bullet in the interest of long-term fiscal sustainability and lay down guidelines on the spending on freebies.

After the BJP lost the Karnataka election, the Prime Minister said that the guarantees offered by the Congress in Karnataka were impossible to implement, and if taken forward, 'the country and the State concerned will become bankrupt.' Strong words indeed. In the State Assembly elections to be held later this year, the Prime Minister should walk the talk and invest his political capital to show that the promise of good governance can trump the lure of freebies.

That will embolden the Finance Commission to formalise a mechanism for a restraint on freebies.

***Duvvuri Subbarao is a former Governor of the Reserve Bank of India***

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June 14, 2023 11:32 pm | Updated June 15, 2023 01:36 am IST

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Pink bollworm attack on BT cotton fields in Anantapur district in Andhra Pradesh. | Photo Credit: MURALI KUMAR K

**The story so far:** Three States, Gujarat, Maharashtra and Telangana, have deferred a proposal, approved by the Centre's Genetic Engineering Appraisal Committee (GEAC), to test a new kind of transgenic cotton seed that contains a gene, Cry2Ai, that purportedly makes cotton resistant to pink bollworm, a major pest. The conflict shows that a broad acceptance of genetically modified crops continues to be elusive.

There is an array of crops — brinjal, tomato, maize, chickpea — in various stages of trials that employ transgenic technology. However, cotton remains the only transgenic crop that is being commercially cultivated in India. After a long hiatus, the GEAC, the apex technical body charged with evaluating proposals for testing genetically modified (GM) seeds, approved the environmental release of Mustard hybrid DMH-11 and its parental lines, during its 147th meeting on 18 October, 2022 for seed production and testing. This is one step away from full commercial cultivation.

However, the GEAC, which is under the Union Environment Ministry, isn't the final arbiter in the case of GM crops. There is a long-standing litigation in the Supreme Court on the permissibility of allowing transgenic food crops in farmer fields based on petitions filed by activist Aruna Rodrigues and Gene Campaign, an NGO. Following the GEAC approval for DMH-11, the petitioners approached the apex court asking for a stay on the release of the crop because it would encourage farmers to spray herbicides, which are banned in India. Hearings on this case are still ongoing. In 2017, the GEAC had accorded a clearance for GM mustard, but went back on its decision and imposed additional tests. In 2010, the GEAC had approved GM brinjal, but this was put on an "indefinite moratorium" by the United Progressive Alliance government.

The process of developing transgenic crops is an elaborate one as inserting transgenic genes into plants to elicit a sustained, protective response is a mix of both science and chance. There are multiple safety assessments done by committees before they are cleared for further tests in open plots of lands which are located at either agricultural universities or plots controlled by the Indian Council for Agricultural Research (ICAR). A transgenic plant can apply for commercial clearance, only after it has proven to be demonstrably better than comparable non-GM variants on claimed parameters (for instance, drought tolerance or insect resistance) without posing ecological harm to other species that may be being cultivated in the vicinity. Open field trials often take place over multiple crop seasons and types of geographical conditions, to assess its

suitability across different States.

The cotton seed has been developed by the Hyderabad-based Bioseed Research India with Cry2Ai which makes it resistant to pink bollworm. The first generations of transgenic cotton had been developed to inure cotton against a more widespread pest called American bollworm. The Cry2Ai seed has passed preliminary, confined trials and was recommended by the GEAC to be tested in farmer's fields at Telangana, Maharashtra, Gujarat and Haryana. Agriculture being a State subject means that, in most cases, companies interested in testing their seeds need approvals from the States for conducting such tests. Only Haryana gave permission for such tests.

This was after the GEAC in October 2022 sent letters to all States to "communicate their views/comments" within two months on the proposal. Telangana requested GEAC for a 45-day extension to consider the proposal. On May 16, Telangana responded that it would not allow trials to be conducted in the current cropping season. Gujarat later responded that the proposal was "unacceptable" to them, but did not furnish reasons.

Following these responses, the GEAC has asked the Department of Biotechnology (DBT) and the ICAR to "jointly organise capacity-building activities with regard to GM crops for apprising the State/UT Government(s) about the technology involved and the regulatory framework in place for evaluation of these GM crops." Activist groups objected to the GEAC asking States to furnish reasons for disapproval and said that it was tantamount to a "biased lobbying approach" according to Kavitha Kuruganti, a member of the Coalition for a GM-free India.

The GEAC consists of a panel of plant biotechnologists and is headed by a senior official of the Environment Ministry and co-chaired by the scientist of the DBT. To resolve the issue of States not according approvals on testing, because of differing attitudes to GM crops, the GEAC is considering a proposal by the DBT to declare some regions across India as 'notified testing sites. There are 42 such proposed sites and, if it goes through, companies and institutions wanting to conduct trials of GM crops at these locations won't need the permission of States for trials.

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