

UPSC 2017: Comprehensive News Analysis – Oct 2

TABLE OF CONTENTS

A. [GS1 Related](#)

B. [GS2 Related](#)

Polity

1. [“Govt. to shame those defecating in the open”](#)
2. [Banks asked to enable core banking in Hindi](#)

C. [GS3 Related](#)

Economy

1. [The way forward for the electric vehicle push](#)
2. [A “Sudarshan Chakra” solution for PSU banks](#)

Science and Technology

1. [‘Unexpectedly’ strong solar storm sparks global aurora on Mars](#)

Miscellaneous news

1. [Centennial pride: Patna University turns 100](#)
1. [Blame it on the genes](#)

D. [GS4 Related](#)

E. [Prelims Fact](#)

F. [UPSC Prelims Practice Questions](#)

G. [UPSC Mains Practice Questions](#)

Nothing here for Today!!!

Category: POLITY

1. [“Govt. to shame those defecating in the open”](#)

Context:

- **Open Defecation free (ODF).**

In news:

- New novel approach to tackle open defecation.
- The Maharashtra government has put in place a mechanism called “ODF Watch”, where people will be “shamed” if they defecate in the open.
- If people defecate in the open, a whistle will be blown and people will be shamed for not using a toilet.
- **Three-tier validation process:** A three-tier validation process had been adopted where the cities, which became ODF were first inspected by the local administration, then by the State government and lastly a Central agency gave its nod.

2. [Banks asked to enable core banking in Hindi](#)

In News:

- The Home Ministry has asked all banks, private and public sector, to enable their core banking facility in Hindi.
- **Directives given:** banks have been asked to update databases in Hindi and customers should not be compelled to fill forms only in English.
- **Key fact:** As per **Official Languages Act, 1963** there was no provision of punitive action for not using Hindi in official communication but the language could only be promoted through “**persuasion and encouragement**.”
- States are free to choose their language; Hindi-speaking States should also learn other regional languages like Tamil.

Category: ECONOMY

1. [The way forward for the electric vehicle push](#)

Shift to electric vehicles:

- Global weather disasters and the pollution levels of major Indian cities are clear indications that the costs of pollution are beginning to spiral out of control for citizens and economies alike.
- The climate change disruption holds both-
- **Positive-**There is a need to drastically reduce CO2 footprint per capita and this calls for forward-thinking nations to develop new technologies in energy-efficient products and services.
- **Negative**– Those nations not able to develop new technologies will not only harm us all but be ultimately left behind from a technology and business perspective.

Indian Scenario

- India's announcement to move from fossil fuel-driven vehicles to electric vehicles is positive.
- Over the last 30-40 years, India has developed the capability to engineer and build globally competitive vehicles based on internal combustion engines (ICEs). Via joint ventures, technology licences and technology transfer, Indian manufacturers and suppliers have built full-fledged capabilities in ICEs.
- This ensured personal mobility for the Indian middle class at price points that are unmatched globally.
- Investment in ICEs has helped to increase exports, create highly skilled and well paid jobs.

Risks involved:

- Technology transfer and joint ventures have to be encouraged to ensure indigenization of technology. Industry must play as much a leading role in electric vehicles as it does today in ICEs to ensure employment, capability building and tax revenue.
- Localization is crucial to avoid replacement of an oil import bill with a battery import bill or rather dependency on Gulf states to China.
- The government needs to support relevant volumes in chosen segments, e.g., via public tenders, incentives or access restrictions. Without a reasonable visibility of volumes, businesses will not invest.
- Policy clarity -While a number of green technologies can be pursued, the practical reality of the Indian automotive industry is that resources for investment are limited
- Policy consistency – Long-term investments are required; sudden policy changes that alter business case assumptions can drive companies into ruin.
- Technology risks such as liability issues around battery swapping, unstable battery technology, recycling of batteries and infrastructure requirements need to be assessed in detail.
- Life-cycle greenhouse gas (GHG) emissions have to be considered when comparing battery electric vehicles with fossil fuel vehicles.
- GHG emissions during battery production and recycling must be
- The cases such as rural vs metro needs, 2-/3-wheeler vs 4-wheeler applications will have to be studied in detail.

Way Forward

- The case studies of the US, Germany, France, Japan, Korea and China show, a strong automotive industry creates disproportionate benefits in technology, capability, taxes and employment for the country of origin of manufacturers and suppliers.
- In an environment, where job creation is falling far short of population growth, active development of a high-paying sector is paramount.
- The need for a transition to electric vehicles in India is undeniable but it has to gradual rather than binary.
- The Indian industry need to rework their strategies and re-allocate investments.
- The full force of India's engineering and entrepreneurial talent will only be brought to bear with consistent cooperation between industry and government.

2. A ~Sudarshan Chakra™ solution for PSU banks

Context:

- The scale of the NPA problem at PSU banks is much larger than was thought, and the downturn in the Indian economy has also made the need for corrective measures more urgent
- Issues related to NPAs in Public Sector Banks

Hoe to solve the problems?

- **Four ~s which are said to be the key to solving the problems of the banks**

1. Recognition

- The RBI's asset quality review has revealed that the gross NPA ratio of both public and private sector banks is higher than was earlier thought
- But in the PSU banks, it is alarming at about 12%
- And this is an underestimate, because it does not include assets that are ~stressed~ but not yet NPAs

2. Resolution of problem loans

- The Insolvency and Bankruptcy Code (IBC) is a major reform
- Once an account is referred by a creditor under the IBC to the National Company Law Tribunal
- And is admitted, the powers of the management and the board are transferred to an independent insolvency professional (IP)
- The IP then looks for someone willing to take over the project on suitable terms
- If no one is willing to take over, or the banks don't accept the debt reduction implied by the package, the company is simply liquidated
- The process changes the incentive structure facing bank managements by giving them a legally sanctified method of determining what is a reasonable haircut(haircut means cut in actual price of the project)
- Since the alternative is liquidation, they(bank) should be willing to accept any haircut that gives them more than they would get from liquidation
- The process will certainly clean up the books of the banks over the next 12 months or so
- But it will also mean acceptance of large losses and a corresponding depletion of capital

3. Recapitalization

- In 2015, the finance ministry had estimated that the PSU banks needed Rs2.4 trillion of capital

- Of this capital Rs1.1 trillion was to come from the market, Rs60,000 crore from retained profits, and the remaining Rs 70,000 crore from the budget
- But this is clearly insufficient because the NPA situation has turned out to be much worse than expected
- Fitch Ratings has estimated that Indian PSU banks will need as much as Rs4 trillion of capital by end of March 2019 to meet the capital requirements under Basel III
- The scope for using public funds to recapitalize the PSU banks can only be judged on the basis of a holistic view of the many other demands for government expenditure
- We cannot keep stimulate the economy through increased government expenditure
- And without without a clear view of how much of the capital requirement of the PSU banks has to be met from the budget

4. Reforms

- Reforms in PSU banks are expected to make the banks more efficient
- The idea of merging PSBs, is not reform at all
- Merging strong banks with other banks will do nothing to improve the average balance sheet
- The most important reform will be to reduce the government's equity to 33% in selected PSU banks
- This would allow the stronger PSU banks to raise additional capital from the market, including from possible strategic investors(who could be offered seats on the board)
- The inclusion of strategic investors, with representation on the board, may make it easier to raise capital without burdening the budget

Way forward:

- If the budget is under stress, all PSBs need not be recapitalized to ensure targeted growth in lending
- Weak banks that have eroded their capital very substantially should be subjected to the RBI's prompt corrective action discipline
- This will allow healthier banks to expand and occupy the lending space created

Category: SCIENCE AND TECHNOLOGY

1. [Unexpectedly strong solar storm sparks global aurora on Mars](#)

In news:

- An unexpectedly strong solar storm hit Mars this month, sparking a global aurora and doubling radiation levels on the red planet.
- The solar event on September 11 sparked an aurora more than 25 times brighter than any previously seen by the MAVEN orbiter, which has been studying the Martian atmosphere's interaction with the solar wind since 2014.
- It produced radiation levels on the surface more than double any previously measured by the Curiosity rover's Radiation Assessment Detector (RAD) since that mission's landing in 2012. The high readings lasted more than two days.

Category: MISCELLANEOUS NEWS

1. [Centennial pride: Patna University turns 100](#)

In news:

- Patna University completed 100 glorious years.
- It was established at a time when not a single girl student was studying in any college of the newly created province of Bihar.
- **Long-cherished dream:** It was on October 1, 1917, that the Patna University Act passed by the then Imperial Legislative Council, came into effect, turning the long-cherished dream of the province into a reality.

Nothing here for Today!!!

Nothing here for Today!!!

F. Practice Questions for UPSC Prelims Exam

G. UPSC Mains Practice Questions

GS Paper I

1. With suitable examples, discuss how droughts impact socio-economic life of people in India's hinterlands.

GS Paper II

1. Discuss the functions and importance of departmentally related parliamentary standing committees to India's parliamentary democracy.