



## News Analysis (03 Oct, 2019)

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### RBI's Report on State Finances

The **Reserve Bank of India (RBI)** has released a report titled "**State Finances: A Study of Budgets of 2019-20**".

It is an **annual publication** that provides information, analysis and an **assessment of the finances of state governments**.

#### Key Findings

- **Fiscal Deficit:**
  - **States' Gross Fiscal Deficit (GFD) has remained within the Fiscal Responsibility and Budget Management Act (FRBM) threshold of 3% of Gross Domestic Product (GDP) during 2017-18 and 2018-19.**
  - For 2019-20, States have budgeted a consolidated GFD of 2.6% of GDP.
- **Concerns:**
  - **Outstanding debt** of States have risen over the last five years to **25% of GDP**, making sustainability of debt the main fiscal challenge.
  - States' GFD was within the threshold of FRBM Act due to **sharp reduction in capital expenditure** by states.
    - Sharp reduction in capital expenditure by states has potentially adverse **implications for the pace and quality of economic development**. This is because states employ about five times more people and spend around one and a half times more than the Centre.
    - Moreover, public expenditure by states **influences the quality of physical and social capital infrastructure** of the economy.

- **Challenges:**
  - States' revenue prospects are confronted with **low tax buoyancies, shrinking revenue autonomy under the Goods and Services Tax (GST) framework** and unpredictability associated with transfers of the Integrated GST (IGST) and grants.
    - **Unrealistic revenue forecasts** in budget estimates thereby leave no option for states than expenditure compression in even the most productive and employment-generating heads.
  - States may have to take over **higher losses of power distribution companies** if they do not show a turnaround in their performance.
- **Suggestions:**
  - States need to **gradually harness the GST database** to expand the tax base.
  - They also need to **review their tariff policies relating to power** and irrigation, keeping in mind the break-even user charges.
  - States need to combine efforts towards mobilising higher revenues with strategies to maximise efficiency gains rather than mere increase in tax rates.

### **The Fiscal Responsibility and Budget Management (FRBM) Act**

- The Act was enacted in **2003** which **set targets for the government to reduce fiscal deficits**. The targets were put off several times.
- Hence, in May 2016, the government set up a **committee under NK Singh** to review the FRBM Act.
  - The committee recommended that the government should **target a fiscal deficit of 3% of the GDP in the years up to March 31, 2020**, cut it to 2.8% in 2020-21 and to 2.5% by 2023.

### **Fiscal Deficit**

- Fiscal Deficit is the **difference between the total income of the government (total taxes and non-debt capital receipts) and its total expenditure**.
- It is an **indication of the total borrowings needed** by the government.
  - It is to be noted that while calculating the total revenue, borrowings are not included.
- **Gross Fiscal Deficit:** It is the excess of total expenditure over revenue receipts (including external grants) and non-debt capital receipts.
- **Net Fiscal Deficit:** It is the gross fiscal deficit less net lending of the Central government.

**Source: IE**

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Recently, the **High Court of England and Wales** ruled in favour of India and the last Nizam of Hyderabad-Osman Ali Khan's descendants granting them access to a £35 million fund.

The court rejected Pakistan's claim in the case (that dates back to **1948**), over funds belonging to the Nizam of Hyderabad deposited in a London bank account.

## Background

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- The case relates to the transfer of an amount that now worths around **£35 million** (approximately ₹306 crore) by the Nizam's envoy and foreign minister (in London) to the account of the High Commissioner of Pakistan on September 16, 1948, which the bank processed on September 20, 1948.
  - Hyderabad's armed forces had already surrendered to the Indian Army on September 17, 1948, after a military operation known as "**Operation Polo.**"
  - Within days of surrender, the last Nizam of the princely state of Hyderabad-Osman Ali Khan (who died in 1967), sent a message to the National Westminster Bank demanding that money back into his account. But, Pakistan also claimed the money.
- Hence, the present case was instituted by Pakistan in 2013 against the bank to transfer the money to Pakistan.

## Integration of Princely State of Hyderabad into India

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- Hyderabad was one of the largest native/princely states in India. It was ruled by the Nizams who accepted the paramountcy of the British sovereign.
- The Nizam of Hyderabad like the Nawab of **Junagadh** and the ruler of **Kashmir** did not accede to India before the date of independence, i.e, 15<sup>th</sup> August 1947.
- He was encouraged by Pakistan and Muslim natives peoples, to stay as an independent power and improve his armed forces to resist the integration.
- During this military improvisation, internal chaos emerged in the state of Hyderabad because of which, on 13<sup>th</sup> September 1948, the Indian Army was sent into Hyderabad under **Operation Polo (military operation to annex Hyderabad into the Union of India)**, on the grounds that the law and order situation in Hyderabad threatened the peace of South India.
  - The troops met little resistance by the Razakars (the private militia who were resisting the integration), and between the 13<sup>th</sup> and 18<sup>th</sup> September, the military took complete control of the state.
  - The operation led to massive communal violence with estimates of deaths ranging from the official one of 27,000 to 40,000 to scholarly ones of 200,000 or more.

- After the integration, the Nizam was retained as the **head of state** in the same manner as the other princes who acceded to India. He thereupon, disowned the complaints that had been made to the UN and, despite vehement protests from Pakistan and strong criticism from other countries, the **UN Security Council** did not deal further with the question, and Hyderabad was absorbed into India.

**Source: TH**

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## Current Account Deficit

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According to the data released by the **Reserve Bank of India (RBI)**, the **Current Account Deficit** (CAD) of the country came down to 2% of GDP in the first quarter of the current financial year (April 2019- June 2019) from 2.3% of GDP, reported during the same period in the previous year (2018).

According to the RBI, the CAD declined on a year-on-year basis, because of a number of factors such as:

- **Invisible Account: Higher invisible receipts** at \$31.9 billion as compared with \$29.9 billion a year ago. For e.g., rise in net earnings from travel, financial services, and telecommunications, computer and information services.
- **Trade Visible: Trade deficit** has been lower recently, due to **lower crude oil** prices and also due to the **declining demand**.
- Rising Private transfers (**Remittances**).

## Current Account Deficit

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- The current account measures the flow of **goods, services, and investments** into and out of the country. It represents a country's foreign transactions and, like the capital account, is a **component of a country's Balance of Payments (BOP)**.
- There is a deficit in Current Account if the value of the goods and services imported exceeds the value of those exported.
- A nation's current account maintains a record of the country's transactions with other nations, that includes net income, including interest and dividends, and transfers, like foreign aid. It comprises of following components:
  - Trade of goods,
  - Services, and
  - Net earnings on overseas investments and net transfer of payments over a period of time, such as **remittances**.
- It is measured as a percentage of GDP. The formulae for calculating CAD is:
 
$$\text{Current Account} = \text{Trade gap} + \text{Net current transfers} + \text{Net income abroad}$$

$$\text{Trade gap} = \text{Exports} - \text{Imports}$$

- A country with rising CAD shows that it has become uncompetitive, and investors may not be willing to invest there.
- In India, the Current Account Deficit could be reduced by **boosting exports** and **curbing non-essential imports** such as gold, mobiles, and electronics.
- **Current Account Deficit** and **Fiscal Deficit** (also known as "**budget deficit**" is a situation when a nation's expenditure exceeds its revenues) are together known as **twin deficits** and both often reinforce each other, i.e., a high fiscal deficit leads to higher CAD and vice versa.

Source: TH

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## The Gandhian Challenge

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On the 150<sup>th</sup> birth Anniversary of Mahatma Gandhi, the Atal Innovation Mission (AIM), NITI Aayog's Atal Tinkering Labs (ATL) and United Nations Children's Fund (UNICEF) India has launched '**the Gandhian Challenge**'.

- This innovation challenge provides a **platform for every child across India** to ideate **innovative solutions for a sustainable India** of their dreams, **using Gandhi's principles**.
- The contest – **open for every child** in India **from 2 October to 20 October** – also celebrates **70 years of partnership between the Government of India and UNICEF** India to enable Every Right for Every Child.
- The most innovative, sustainable solutions/ideas will be showcased as a **symbol of a larger movement by children** taking root in every district of India.
- Ideas and solutions to the Gandhian Challenge may be expressed through broad categories: Art & Innovation (Letters, poems, painting, videos, and photos, among others) and Science, Technology & Innovation (Robotics, IoT, sensors and 3D printers, among others).

### Atal Innovation Mission (AIM)

- AIM is the NITI Aayog's initiative to promote a culture of innovation and entrepreneurship in the country.
- **Six major initiatives** of AIM:
- **Atal Tinkering Labs (ATL)**- Creating a problem-solving mindset across schools in India.
- **Atal Incubation Centers**- Fostering world-class start-ups and adding a new dimension to the incubator model.
- **Atal New India Challenges**- Fostering product innovations and aligning them to the needs of various sectors/ministries.

- **Mentor India Campaign-** A national Mentor network in collaboration with the public sector, corporates, and institutions, to support all the initiatives of the mission.
- **Atal Community Innovation Center-** To stimulate community-centric innovation and ideas in the unserved /underserved regions of the country including Tier 2 and Tier 3 cities.
- **ARISE-** To stimulate innovation and research in the MSME industry.

### United Nations Children’s Fund (UNICEF)

- UNICEF, is an **integral part of the United Nations**, which works with governments, communities, civil society organizations, the private sector, and other partners worldwide to advance children’s rights, and is guided by the **Convention on the Rights of the Child**.
- **Generation Unlimited** is a new UNICEF-led global partnership that aims to ensure that every young person **age 10-24** is in **some form of school, learning, training, self-employment, or age-appropriate employment by 2030**.  
It aims to co-create and scale up proven solutions related to secondary age-education, skills for learning, employability and decent work, and empowerment, with a **focus on girls**.

**Source: PIB**

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### Swachh Bharat Diwas 2019

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- The Prime Minister inaugurated the Swachh Bharat Diwas 2019 on the occasion of the **Mahatma’s 150<sup>th</sup> birth anniversary** in Ahmedabad, Gujarat.
- Prime Minister also released a **postage stamp and silver coin** to commemorate the 150th birth anniversary of Mahatma Gandhi.
- The event has been made more memorable after the **UN released a postal stamp on Gandhiji** a few days back.
- On the same occasion, Prime Minister of India proposed the **“Einstein Challenge”** as a tribute to Mahatma Gandhi.
  - Albert Einstein’s famous words on Gandhi says that “Generations to come will scarce believe that such a one as this ever in flesh and blood walked upon this earth.”
  - Considering the above statement Einstein Challenge invites thinkers, entrepreneurs, and tech leaders to be at the forefront of spreading Gandhi’s ideas through innovation to make it reach future generations.

- On the occasion of Swachh Bharat Divas 2019, the **Ministry of Railways** also released **Station Cleanliness Survey 2019**.
  - **Rajasthan's Jaipur station topped the list of cleanest railway stations** in India, in the non-suburban group of stations.
  - In the **suburban group of stations**, Maharashtra's **Andheri station** has topped the list.
  - The **cleanest railway zone 2019** award has been given to the **North Western Railway Zone**.

**Source: PIB**

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## Paryatan Parv

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The **Ministry of Tourism** inaugurated the nationwide Paryatan Parv-2019 to mark the **150<sup>th</sup> birth anniversary of Mahatma Gandhi**. It will be held across the country from **2<sup>nd</sup> to 13<sup>th</sup> October 2019**.

- The underlying idea behind 'Paryatan Parv' is to propagate the message of '**Dekho Apna Desh**', with the objective to encourage Indians to visit various tourist destinations of the country focusing on the benefits of tourism, and showcasing the cultural diversity of the country. It also aims to spread the message of '**Tourism for All**'.
- The Tourism minister highlighted that sustained efforts to promote tourism has helped to improve our **world tourism ranking**, which has jumped from 65<sup>th</sup> in 2013 to 34<sup>th</sup> position in 2019.
  - The ranking was published in the **Travel & Tourism Competitiveness Report-2019** released by the **World Economic Forum**.
  - According to him, the aim to double the number of tourists will be achieved much before the set target of 2022.

## Three components of Paryatan Parv

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- **Dekho Apna Desh:** To encourage Indians to travel their own country. In the run-up to the Parv, several activities are organized across the country like photography contest, promotion on social media, tourism related quiz, Essay, etc. General public engagement for the event is promoted through the **MyGov platform**.
- **Tourism for All:** Tourism events at sites across all states in the country are being organized. The activities at these sites will include illumination in and around the sites, cultural programmes of dance, music, theatre etc.

- **Tourism & Governance:** Interactive sessions & workshops with the help of concerned stakeholders on varied themes have been organized across the country as a part of the Paryatan Parv activities.

**Source: PIB**

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## Enzyme Technology for Biofuels

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The scientists from India have received a patent from the US Patent and Trademark Office for the **enzymes that enhances the production of biofuels from agricultural waste.**

- The scientists are from the **International Centre for Genetic Engineering and Biotechnology (ICGEB)**, New Delhi.
- **Technology:**
  - Scientists **disrupted a control mechanism found in the fungus *Penicillium Funiculosum* (PF)** that regulates its metabolic activity.
  - Disrupting this mechanism helped the scientists to increase the production of enzymes that are involved in **converting cellulose into sugars and thus increased the production of biofuels.**
- **Benefits:**
  - It will address the **problem of very limited availability of commercial cellulase enzyme preparation in the market** for 2G ethanol and thus help in **reducing the prices.**
  - It can **produce higher quantities of the Second Generation (2G) ethanol from agricultural waste materials** including rice and wheat straws, whose burning deteriorates the air quality in the national capital and other parts of Northern India.
    - Estimates show that India produces around 500 million tonnes of agricultural waste annually.

### **International Centre for Genetic Engineering and Biotechnology**

- It is a unique **intergovernmental organisation** initially established as a special project of the United Nations Industrial Development Organization (UNIDO).
  - UNIDO is the **specialized agency of the United Nations** that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability.
- Fully autonomous since 1994, it runs 46 state-of-the-art laboratories, in **Trieste, Italy (also, New Delhi, India and Cape Town, South Africa)** and forms an interactive network with over 65 Member States.



- It plays a key role in Biotechnology worldwide for excellence in Research, Training and Technology Transfer to industry to contribute in concrete terms to the achievement of sustainable global development and **operates within the United Nations System.**

**Source: HBL**

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## Consumer App

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Recently, Union Minister of Consumer Affairs, Food and Public Distribution has launched the '**Consumer App**' to **fast-track consumer grievance redressal process.**

- It will provide an effective forum for consumers to give their valuable suggestions to the department on consumer-related issues.
- The app aims to provide a **one-stop solution** for **consumer grievance redressal.**
- The registered consumer will be informed about their complaint via SMS/email with a unique number which can be tracked by the consumer.
- There will be a **time-bound resolution** of all grievances.
  - Grievances **in simple nature** will be resolved **within 20 days**
  - Grievances **in Complex nature** will be solved **within 60 days.**
  - If **after 60 days the grievance is not resolved**, the consumer will be advised to proceed to consumer fora.
  - Also, now the consumer will be informed before the closure of a complaint and if the consumer is not satisfied then the complaint will be referred further to the concerned department.
- Consumers can use this app in both Hindi and English languages.

**Source: PIB**

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