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Insights into Editorial- From Plate to Plough: How to expand inclusion

01 February 2016

Article Link

Summary:
Financial inclusion and financial literacy have been important policy goals for quite some time. Inclusion has been emphasized by various governments since independence. There is a
long history of financial inclusion in India. For the present government, financial inclusion is an important policy pillar to ensure inclusive development.

**What is ‘Financial Inclusion’?**

It has traditionally been understood to mean opening new bank branches in rural and unbanked areas. Nowadays, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country.

- Simply put, financial inclusion aims to mainstream financial services for the masses, especially credit at affordable costs from institutional sources.

**Brief Background:**

Various governments have tried to promote financial inclusion in the country through various policy measures. It is in this regard that the bank nationalisation took place.

- There have been some successes during 1951 to 1991, when the share of outstanding debt of rural households to institutional sources increased from 7.2% in 1951 to 64% by 1991.
- But thereafter, the period of economic reforms showed a dismal performance, with the share of institutional sources declining from 64 to 56% during 1991-2013. This is one of the biggest lapses of the economic reforms.

**Jan Dhan Yojana (JDY):**

Realising the importance of financial inclusion, the incumbent government took a bold step by introducing the Jan Dhan Yojana (JDY).

- Looking at the speed at which the bank accounts have been opened, one can easily say that the scheme has been a massive success. It has already found its place in the Guinness Book.
- So far, around 20 crore bank accounts have been opened, and more than Rs30,000 crore deposits received under JDY.

**For the Jan-Dhan Yojana to succeed the following steps should be considered:**

- The business correspondent model should be extended to include entities such as kirana shops, corporates and others. It is obvious that BCs need to be properly remunerated and have the full support of banks. Banks have tied up with common service centres (CSCs) as BCs.
Insistence on KYC (know your customer) norms has hindered the opening of new accounts even in urban areas. Great significance is, therefore, attached to e-KYCs. The Aadhaar can play an extremely useful role.

Since mobile banking through phones is to play an increasingly important role in a scenario where physical bank branches will be few, greater co-ordination between mobile telephone companies and banks will be necessary.

It goes without saying that State governments’ support will be crucial.

Commercial viability will be the key to the programme’s success. Past experience suggests that without proper incentives, the facilities on offer will not be used by the really needy. Banks will be saddled with a large number of dormant accounts.

Challenges before the government:
Now, the real challenge before the government is to prevent these accounts from remaining dormant. Hence, to ensure that JDY remains active and relevant in fulfilling its objective, the PM had asked the RBI to prepare a roadmap for financial inclusion and to fulfill this objective a committee was formed.

- The RBI Committee on Medium-Term Path on Financial Inclusion submitted its report to the government in December 2015.
- The committee emphasised the role of a holistic strategy involving players like telecom operators, biometric systems, payment banks and land registrars for “last mile” service delivery.

Key recommendations made by the committee:

- Phase out of interest subvention scheme.
- Open more accounts for females.
- Implement a new welfare scheme for girl child — Sukanya Shiksha.
- Step up financial inclusion in north-eastern, eastern and central states.
- Link Aadhaar to each individual credit account.
- Use low-cost solution based on mobile technology for ‘last mile’ delivery.
- Recommends commercial banks to open specialised interest-free windows with simple products.
- Recommends RBI to take lead in creating a geographical information system to map banking access points.
- Suggests more ATMs in rural centres.
Analysis of key recommendations:

**Phasing out of Interest subvention scheme:**

The interest subvention scheme was introduced in 2006-07, with the objective of providing substantial and cheap loans — at 7% interest (upper limit of Rs 3 lakh), and if payment is regular, gradually lowered to 4%. Some states have extended loans even at zero interest rate to farmers.

- This has resulted in a significant increase in short-term agricultural credit, with actual disbursements consistently surpassing targets. This is hailed as a grand success and the subsidy on account of it has increased from Rs 3,283 crore in FY12 to Rs 13,000 crore in FY16.

But this could be deceptive and a potential agri-credit scam. Why?

There’s reasonable evidence that a significant proportion of crop loans granted at subvented interest rates isn’t reaching target beneficiaries.

- A farmer who receives loans at a concessional rate of 4% can easily deposit at least a part of it in fixed deposits in the bank, earning about 8% interest, or even becoming a moneylender to offer loans at 15-20% interest to those who don’t have access to institutional sources of finance.

- A bigger proof is the fact that short-term credit from institutional sources reached 110% of the total value of agricultural inputs in 2014 (NAS 2015), and at the same time, the data also showed that 44% loans were from non-institutional sources in 2013.

- This suspicion is reaffirmed when one looks at the month-wise disbursement of agricultural credit, which spiked to 62% cent of annual disbursement in the last quarter of 2014, with no corresponding spike in agri-production activities.

- Also, there is no evidence to show that the Centre’s interest subvention scheme has reduced farmer indebtedness.

Hence, the RBI committee recommended phasing out the interest subvention scheme, and has asked the government to move towards universal crop insurance. The latest crop insurance scheme is expected to cost the Centre around Rs 9,000 crore. This could easily be financed by releasing funds allocated to interest subvention.

**Income support:**
The report also states that meaningful financial inclusion will be elusive without social cash transfers from government-to-person (G2P). Recognising large leakages in welfare and anti-poverty schemes, many countries have moved from price support to income support.

- However, India uses price policy (subsidised inputs) to support farmers and PDS grains for consumers. Such policies are inefficient and at times regressive, as they promote leakages and sub-optimal use of scarce resources.
- Recent policy interventions utilising DBT in LPG subsidy have seen good success. Similar efforts are needed for food and input subsidies.

**Conclusion:**
If implemented properly, Jan Dhan Yojana can be a gamechanger in alleviating poverty at a much faster pace than has been the case under economic reforms. Challenges of implementation will remain unless the government displays the same vigour and perseverance as it did in opening accounts under this scheme.

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**Insights into Editorial: Towards a Law on Euthanasia**

*02 February 2016*

**Article Link**

**Summary:**
A year-and-a-half after strongly objecting to the Supreme Court’s decision to adjudicate a plea for making passive euthanasia legal, the NDA government has now made a U-turn, saying that it was on the verge of framing a legislation permitting the process but would await the court’s verdict on it.

- Based on the recommendations of the expert committee, the Directorate General of Health Services (DGHS) has proposed formulation of legislation on passive euthanasia.

**What has the committee suggested?**

- The expert committee has suggested certain changes in the draft bill on euthanasia.
- The committee has not agreed to active euthanasia since it has more potential for misuse and as on date it is prevalent in very few countries worldwide.

**What is euthanasia?**
Euthanasia is a medical term meaning ‘easy death’. It is the act of deliberate or voluntary end of someone’s life to prevent any further suffering or pain to the person.

**Active and Passive euthanasia:**
Active euthanasia involves a doctor injecting a lethal medicine to trigger a patient’s cardiac arrest.

In passive euthanasia, doctors, with the consent of relatives, withdraw the life support system of a person being kept alive with the help of machines.

What’s the issue now?
The issue surrounding the debate is about the rights of a terminally-ill person once doctors unanimously rule out chances of his or her survival.

Background:
In July 2014, a five-judge supreme court bench had decided to adjudicate the legality of active and passive euthanasia and the emerging concept of ‘living will’ after shying away for decades from examining this highly emotive and legally complicated issue.

The Centre had then stoutly objected to the exercise. The government then did not accept euthanasia as a principle. It had categorically said, “In whichever form, the court has no jurisdiction to decide this. It’s for Parliament and the legislature to take a call after a thorough debate and taking into account multifarious views.”

The court had agreed it was a matter of public policy and that Parliament and the legislature were competent to decide it. But it wanted a countrywide debate and had sought views of states and Union territories.

Supreme Court’s views on this matter:
Previously in 2011, in Aruna Shanbaug case the Court had ruled in favour of passive euthanasia and the law ministry had opined that the SC’s “directions should be followed”.

In its landmark 2011 verdict that was notable for its progressive, humane and sensitive treatment of the complex interplay of individual dignity and social ethics, the Supreme Court laid down a broad legal framework.

It ruled out any backing for active euthanasia, or the taking of a specific step such as injecting the patient with a lethal substance, to put an end to a patient’s suffering, as that would be clearly illegal.

It allowed ‘passive euthanasia’, or the withdrawal of life support, subject to safeguards and fair procedure.

It made it mandatory that every instance should get the approval of a High Court Bench, based on consultation with a panel of medical experts.

Questions now before the Court:
The question now before a Constitution Bench of the Supreme Court is based on a petition by the NGO Common Cause. It asks whether the right to live with dignity under Article 21 includes the right to die with dignity, and whether it is time to allow ‘living wills’, or written authorisations containing instructions given by persons in a healthy state of mind to doctors that they need not be put on life-support systems or ventilators in the event of their going into a persistent vegetative state or state of terminal illness.

**Worldwide practice:**

The perception of ethicality of euthanasia varies in different countries and cultures. Laws and religious sentiments of people often play a major role in the way it is perceived.

- The deliberate act of taking away a person’s life is classified as a murder and thus a crime. Aiding and abetting someone in suicide too falls under crime. Owing to this, various countries have greatly varying legal stance towards euthanasia.
- Euthanasia has been criminalized by the likes of Philippines, Australia, New Zealand and the United Kingdom. These nations saw several failed attempts to legalize euthanasia.
- There are some nations which allow ending a terminally ill person’s life if the person or next of kin consents. However, several conditions govern the definition of the term ‘terminally ill’. Legalizing euthanasia in these nations aims at preventing any further distress and suffering to the person.
- Euthanasia is legal in Colombia, Luxembourg, Canada and Belgium.

**Should Euthanasia be legal?**

**Arguments For Euthanasia:**

- It provides a way to relieve extreme pain.
- It provides a way of relief when a person’s quality of life is low.
- Frees up medical funds to help other people.
- It is another case of freedom of choice.

**Arguments Against Euthanasia:**

- Euthanasia devalues human life.
- Euthanasia can become a means of health care cost containment.
- Physicians and other medical care people should not be involved in directly causing death.
There is a “slippery slope” effect that has occurred where euthanasia has been first been legalized for only the terminally ill and later laws are changed to allow it for other people or to be done non-voluntarily.

Way ahead:
The Centre has told the Supreme Court that it was creating a legislation permitting passive euthanasia but would wait for the SC’s decision on the matter.

Conclusion:
Euthanasia is a topic which touches various aspects of our society. It requires a focussed perspective considering all the pros and cons. The dilemmas regarding the legal issues surrounding euthanasia are often due to the ethical aspects which raises question about the rights of a person to take someone else’s life. The debate over the ethicality of euthanasia is a never-ending one. Hence, to resolve this conflict between pain and death, the sooner that a comprehensive law on the subject is enacted, the better it will be for society. Even if permitted, euthanasia should be used in deserving cases only, that too sincerely, honestly and consciously under strict control and supervision of a statutory body.

**Insights into Editorial: Seizing the ‘One Belt, One Road’ opportunity**

03 February 2016

Article Link

China’s ‘One Belt, One Road’ project can help offset the global trade challenges and provide better connectivity and greater economic opportunities. China’s fast economic growth in the past 30 years has dramatically transformed the global landscape. This transformation is expected to continue under the “One Belt, One Road” initiative set out by President Xi Jinping.

What is One Belt, One Road initiative?
The One Belt One Road initiative is the centrepiece of China’s foreign policy and domestic economic strategy. It aims to rejuvenate ancient trade routes–Silk Routes–which will open up markets within and beyond the region.
Through this initiative, China’s plan is to construct roads, railways, ports, and other infrastructure across Asia and beyond to bind its economy more tightly to the rest of the world.

Challenges before this initiative:
There are several structural challenges that confront the Chinese OBOR proposal—

- First, the perception, process and implementation to date do not inspire trust in OBOR as a participatory and collaborative venture. The unilateral ideation and declaration — and the simultaneous lack of transparency — further weaken any sincerity towards an Asian entity and economic unity. However, China says that it is committed to pursue wide-ranging consultations with the 60-plus nations on this issue. An ‘OBOR Think Tank’ is also being established to engage scholars from these countries.
- It is widely accepted that through this initiative China is projecting its military and political presence along OBOR. China is also willing to underwrite security through a collaborative framework. Hence, few countries including India have wholeheartedly not welcomed this initiative.
- Another challenge deals with the success of the ‘whole’ scheme, given that the Chinese vision document lays out five layers of connectivity: policy, physical, economic, financial and human. While no developing country will turn away infrastructure development opportunities financed by the Chinese, they may not necessarily welcome a rules regime built on a Chinese ethos.
- This belt runs through Pakistan-occupied Kashmir. Hence, a formal nod to the project will serve as a de-facto legitimisation to Pakistan’s rights on Pakistan-occupied Kashmir and Gilgit-Baltistan under the China-Pakistan Economic Corridor (CPEC) that is closely related to OBOR.

Is OBOR a threat or an opportunity for India?
The answer undoubtedly ticks both boxes. Chinese political expansion and economic ambitions, packaged as OBOR, are two sides of the same coin. To be firm while responding to one facet, while making use of the opportunities that become available from the other, will largely depend on the institutional agency and strategic imagination India is able to bring to the table.

Way ahead for India:
India now needs to match ambition with commensurate augmentation of its capacities that allows it to be a net security provider in the Indian Ocean region. This will require the government to not only overcome its chronic inability to take speedy decisions with respect to defence partnerships and procurement, but will also necessitate a sustained period of predictable economic growth; OBOR can assist in the latter.

- Chinese railways, highways, ports and other capacities can serve as catalysts and platforms for sustained Indian double-digit growth. Simultaneously, India can focus on developing last-mile connectivity in its own backyard linking to the OBOR — the slip roads to the highways, the sidetracks to the Iron Silk Roads.

- Currently, India has neither the resources nor the political and economic weight to put in place competitive and alternative connectivity networks on a global scale. Therefore, for the time being, it may be worthwhile to carefully evaluate those components of the OBOR which may, in fact, improve India’s own connectivity to major markets and resource supplies and become participants in them just as we have chosen to do with the AIIB and the NDB.

**Conclusion:**

It is fair to say that China, in deploying the OBOR initiative, has demonstrated a level of ambition and imagination which is mostly absent in India’s national discourse. India has so far been suspicious of the strategic implications of this initiative. If India sheds its inhibitions and participates actively in its implementation, it stands to gain substantially in terms of trade. Arguably, OBOR offers India another political opportunity. There seems to be a degree of Chinese eagerness to solicit Indian partnership. OBOR could potentially allow India a new track to its own attempt to integrate South Asia. However, India should act strategically on issues such as OBOR which will have a significant impact on India’s vital interests.

**Insights into Editorial: The illusion of equity in the classroom**

**04 February 2016**

[Article Link](#)

**Summary:**
India is home to 19% of the world’s children. What this means is that India has the world’s largest number of youngsters, which is largely beneficial, especially as compared to countries like China, which has an ageing population.

- The not-so-good news is that India also has one-third of the world’s illiterate population. It’s not as though literacy levels have not increased, but rather that the rate of the increase is rapidly slowing.
- To combat this worrisome trend, the Indian government proposed the Right to Free and Compulsory Education (RTE) Act, making education a fundamental right of every child in the age group of 6 to 14. This act recently completed five years of operation.

Concerns:

- The Act mandates that schools reserve 25% seats for students from the disadvantaged groups. However, in many states this is not followed strictly. For example, in Uttar Pradesh, only 12 out of 75 districts have admitted students from disadvantaged groups to private schools.
- There are rumours that due to the pressure exerted by the private schools’ lobby, even Karnataka may dilute the Act.
- A large number of Dalits, Adivasis and girls discontinue education because of discrimination in schools.
- And more than 60% of urban primary schools are overcrowded, and about 50% of Indian students cannot do basic mathematics or read a short story when they complete elementary education.

Census data:

According to the 2011 Census, the average literacy rates of people aged above 15 among Scheduled Castes (SCs) and Scheduled Tribes (STs) are about 9% and 17.4% less than the national average, respectively.

- The female literacy rate is 19.5% less than that of males. This difference increases to 23% and 23.5% among the SCs and STs, respectively, indicating the double discrimination faced by Dalit and Adivasi women.
- The dropout rates among SCs and STs are significantly higher than the national average and more girls discontinue schooling than boys.
There is also a wide variation across States and the gap is wider in rural areas as compared to urban, but these statistics suggest significant inequalities in the distribution of educational opportunities.

**Equity and quality parameters:**

- The Annual Status of Education Report (ASER) 2014 reveals that enrolment in private schools has increased from 18.7% in 2006 to 30.8% in 2014. But, this increase has not been accompanied by a proportionate inclusion of disadvantaged groups. The report also suggests that private schools fare only marginally better in terms of imparting quality education compared to government schools.
- The National University of Educational Planning and Administration’s 2011-12 report shows that only about 16% of students from SCs and STs attend private schools and the average Indian household spends five times more money on each child annually if s/he is enrolled in a private school compared to a government school. It is reasonable to say that private schools are ordinarily more accessible to higher income groups.

These statistics suggest that our education system has fared poorly on both equity and quality parameters.

**Common school system (CSS):**

To address the above mentioned issues and to bring the different social classes and groups together and thus promote the emergence of an egalitarian and integrated society, the Kothari Commission recommended a common school system (CSS).

- The CSS was adopted by both the 1968 and 1986 national policies on education.
- While the interventions from ‘Operation Blackboard’ to Sarva Shiksha Abhiyan brought universalisation and quality to the forefront, the CSS was somehow relegated to the background.

**Road ahead:**

The RTE Act provides for minimum quality standards and mandates 25% reservation for children belonging to weaker sections. This provision has caused much debate. The Ministry of Human Resource Development has clarified that “the larger objective of this provision is to provide a common place where children sit, eat and live together for at least eight years of their lives across caste, class and gender divides in order that it narrows down such divisions in our society”.

Four caveats could be issued here—
One, in conceiving ‘disadvantaged groups’, we must also include children of sex workers, transgendered groups, disabled persons and minorities.

Two, equality also means the right to be treated with dignity and respect.

Three, the government must not abdicate its responsibility to make its schools inclusive. If Dalit children sit separately and clean toilets and girls perform stereotypical gender roles, then we have only engrafted inequality and entrenched hierarchies.

Four, education itself needs to celebrate the diverse ways in which knowledge is transferred and acquired.

Responsibility of the state:

- **Article 39** directs the state to frame policies that distribute the “ownership and control of the material resources of the community” such that it serves the “common good”, and “provide opportunities and facilities that enable children to develop in a healthy manner in conditions of freedom and dignity”.

- **Article 37** commands that they shall be “fundamental in the governance of the country and it shall be the duty of the State to apply these principles in making laws”.

Initially, universal elementary education was a Directive Principle under **Article 45**. But, it was made a fundamental right vide the 86th Constitutional Amendment.

**Conclusion:**

It is time that the central and state governments carry out a thorough review of the RTE and take remedial action. There is diffused responsibility and lack of accountability in states towards goals set by the Centre. Co-ordinated action is indeed lacking and implementation tends to fall between two stools. A greater level of seriousness on all sides is the need of the hour. Like many attempted social changes in India, this too has to start at the community level, requires a widespread change of an age-old mindset and must make people at the helm of affairs accountable.

**Insights into Editorial: Protecting India’s trade Interests**

05 February 2016

Article Link

**Summary:**
Twelve Pacific rim countries, in October 2015, agreed on the Trans-Pacific Partnership (TPP), the largest regional trade agreement ever, which covers countries that account for 40% of the global economy.

- The aim of TPP is to ease the flow of goods, services and investments among them, and to strengthen the rules on labour standards, environmental issues, origin criteria and intellectual property.
- It is touted as the most ambitious of trade deals between these countries that have about 800 million people and account for 40% of the global trade.
- Though not part of it, TPP still holds significant lessons and warnings for India.

How will it affect India?

The TPP will likely affect India’s exports to the 12 Pacific countries. According to one estimate, trade worth $2.7 billion will be diverted away from India. This number could increase to $3.8 billion if South Korea joins the club. The costs could be even higher if India is unable to participate in global supply chains due to the TPP’s rules on standards, labour and environment policies.

- Further, standardisation of intellectual property regimes across the TPP countries and rules on expropriation may make it more difficult for India to attract foreign investment over, say, a Vietnam.
- The TPP has even altered India’s bargaining power and negotiating positions.

What should India do now?

1. **Conclude other free trade negotiations:**
   Impelled by the looming onset of the TPP, India should conclude, on a priority basis, its ongoing free trade negotiations. These include the India-EU Bilateral Trade and Investment Agreement and the mega Regional Comprehensive Economic Partnership with the Association of Southeast Asian Nations, China and others. Benefits from these agreements will help mitigate some of the export losses that India may face in leather goods, textile, and plastics on account of trade diversion due to TPP. Aiming to diversify export destinations to hitherto untapped markets like Latin America and Africa would also help.

2. **Protect traditional knowledge:**
   India also needs to identify its trade interest areas and propose alternative negotiating templates. One such area is biopiracy, protection of traditional knowledge, and the link between the WTO’s Trade-Related Aspects of Intellectual Property Rights agreement and the
Convention on Biological Diversity. There have been several instances of biopiracy in the past, of Indian traditional knowledge, such as the patenting of the wound-healing properties of haldi (turmeric). Being among the 12 mega biodiversity-rich countries, India needs to bring this issue to the negotiating table in its own free trade agreements.

3. **Make products more cost-competitive:**
On the domestic front, India should accelerate the process of making its products more cost-competitive. There is no denying that India’s infrastructural deficiency, including port congestion and poor road connectivity, is one of the main hurdles in attaining this cost competitiveness. Addressing these will have the dual effect of not only making India’s exports cost-competitive, but will also make them more attractive for international lead firms to integrate India in global value chains.

4. **Have appropriate conformity-assessment procedures:**
The government should launch a comprehensive initiative to enable Indian exporters to not only comply with standards prevalent in the importing market, but also demonstrate the compliance through appropriate conformity-assessment procedures. India should resist any attempt to converge its domestic public standards with the dominant private standards in TPP countries. If India’s public standards are harmonised with foreign standards, they will be equally applicable to domestic and export sales on account of the ‘national treatment’ principle of the WTO which prohibits less favourable treatment to imported products. The harmonised standards may result in most producers not only being excluded from export markets, but also being edged out of the domestic market, undermining the Make in India initiative in the process.

5. **Ensure WTO commitments are not violated:**
India also needs to closely watch the regulatory regimes in TPP countries, ensuring that these countries do not violate their WTO commitments in the process of implementing the TPP. The WTO does allow a member to deviate from its obligations with respect to a free trade area; however, such a deviation is not unqualified. If a TPP country restricts the market access for non-TPP members such as India on account of higher labour standards, a potential violation of WTO provisions may arise, which India should not shy away from pursuing using the WTO’s dispute settlement mechanism.

**Conclusion:**
By not being part of the TPP, India will certainly incur losses on account of trade diversion. Yet, joining the TPP is not an option for the country. This would entail very heavy costs. Hence, the government should draw a cohesive trade policy approach on the international as well as domestic front, aimed at protecting and promoting India’s trade interests. Further, it needs to urgently strengthen its negotiating teams and re-establish its credibility to conclude big-ticket agreements.

**Insights into Editorial: Why humour in public discourse is necessary for social wellbeing**

06 February 2016

[Article Link](#)

The Supreme Court recently agreed to examine a PIL which seeks a ban on jokes on Sikhs and Sardars.

**Why such jokes should be banned?**

According to the PIL, such jokes are a violation of their right to equality with fellow citizens and an attack on the dignity of the community. These jokes, according to them, portray the Sardar community as the people of low intellect.

- The petitioner argues that cracking jokes on a particular community amounts to racial abuse and hurting religious sentiments and also alleged that Sikhs faced ridicule in foreign countries as well because of these jokes.

**Other grounds:**

Most Sardar jokes smear the community with negative qualities (like the oversexed Sardar, scatological Sardar, foolish Sardar and so on). By branding Sardars as ‘irregular’, these jokes make an ‘other’ out of a community that is not afraid to mingle with different communities.

**What has the Court observed?**

The Supreme Court, in its initial hearing, has told the petitioner that there are many Sikhs who do not mind such jokes. Many people take these jokes sportingly.

- Hence, it may not be an insult but only some casual comic statements for amusement.

**Arguments against this petition:**

If the strength of our country lies in its diversity, we must be able to revel in our differences and laugh at the idiosyncrasies — real, exaggerated or even imagined — of every community.
Sikhs are not the only ones here. In Mumbai, jokes abound about “mad bawas”, in
Kolkata about “kanjoos Maadoos”, about “maka paos” from Goa and “wily Malayalis”
from the south. The list is much longer.

There are many more stereotypes — Gujjus who carry theplas all the way to Antarctica,
Bongs who pronounce everything like a rosogulla, and Sindhi businessmen who strut
about in blingy suits.

Jains and Muslims haven’t been spared either. Bollywood films like Two States and
Vicky Donor capture intercommunity prejudices, both artfully and humorously, but end
up celebrating the spirit of happy accommodation in intercommunity marriages.

What if the petitioner wins?
If the petition were to succeed, many more peeved and easily offended persons will join the
bandwagon and seek bans on perceived insults.

In that case, according to some, the society would turn into a boring and colourless and
it would be difficult to celebrate our quirks and poke a little innocent fun at one another.

What the law says?
Humour, parody and satire are integral to the freedom of speech, a fundamental right
guaranteed under Article 19(1)(a) of our Constitution.

The grounds on which the freedom of speech can be restricted are limited and quite
exhaustively set out under Article 19(2).

These restrictions are sovereignty and integrity of the country, security of the state,
friendly relations with foreign states, public order, decency and morality. Restrictions
can also be imposed on grounds of contempt of court, defamation or incitement to an
offence.

The threshold for hate speech, punishable under provisions of the Indian Penal Code, is
much higher. To constitute an offence under Section 153A, one must show that the
language of the writing or the utterance is of a nature calculated to promote feelings of
enmity or hatred between communities.

Likewise, the offence under Section 295A, which punishes acts intended to outrage
religious feelings, must be deliberate and malicious.

Legal aspect of this debate:
Given the pride of place accorded to the freedom of speech under our Constitution, restrictions must further qualify as being reasonable, as minimally invasive of the fundamental right as possible.

- Unless jokes about communities get nasty enough to threaten public order, or the integrity of the country, which they most certainly do not, there can be no case for interfering with free speech. Nor can such generic jokes amount to defamation for they are directed not at identifiable individuals but a whole community.
- Unless humour and parody cross the boundaries of free speech and enter the realm of what is described as hate speech, there can be no case for proscribing them.

**Way ahead:**
When the petitioner said the issue involved sensitivity of a particular community, the Court gave her the option of placing her petition before a Sikh judge (Justice J S Khehar) of the Supreme Court.

- The petitioner has however said that she would argue before the current bench and asked for some time to come back with more case laws and other material to support her plea.

**Conclusion:**
Humour in public discourse is necessary for social wellbeing. As Justice Sachs said in the Laugh It Off case: “A society that takes itself too seriously risks bottling up its tensions and treating every example of irreverence as a threat to its existence. Humour is one of the great solvents of democracy. It permits the ambiguities and contradictions of public life to be articulated in non-violent forms. It promotes diversity. It enables a multitude of discontents to be expressed in a myriad of spontaneous ways. It is an elixir of constitutional health.” In times when the world is grappling with the challenges thrown up by multiculturalism and the complex problems of assimilation and accommodation among disparate cultures, India stands as a shining example. And being able to make fun of one another may have something to do with it. A little jest can do no harm. It can only do a world of good. Eliminate humour from political discourse and the freedom of speech is rendered a limp and lustreless right.

**Insights into Editorial: Genetically modified crops: the way forward**

08 February 2016
Article Link

The promise and performance of genetically modified crops in agriculture is once again under the spotlight, with the Genetic Engineering Approval Committee recently putting on hold the discussion on commercial use of genetically modified mustard.

- GM mustard is the first food crop to have applied for commercialisation after the indefinite ban on the GM brinjal by the Jairam Ramesh-led environment ministry in 2010.

Implications of this decision:

This move might discourage R&D in Agriculture. India, given its large population, cannot afford to shut out technological innovations in agriculture. Indian agricultural technology will remain in a rut unless it gets high level political backing.

India’s experiences so far:

Currently, India has the world’s fourth largest GM crop acreage on the strength of Bt cotton, the only genetically modified crop allowed in the country.

- The introduction of Bt cotton has been both highly successful and controversial. Cotton yield more than doubled in the first decade since its introduction in 2002. At the same time it was also shadowed by controversy, with a tangle of pricing and intellectual property rights (IPR) issues followed by government price interventions and litigation.

- An agreement to develop Bt brinjal was signed in 2005 between Mahyco—American agricultural biotech giant Monsanto’s Indian Bt cotton partner—and two Indian agricultural universities. Following the study of biosafety data and field trials by two expert committees, Bt brinjal was cleared for commercialization by India’s top biotech regulator, the Genetic Engineering Appraisal Committee, in 2009. But nothing came of it, with moratoriums imposed by then government following opposition from civil society groups and brinjal-growing states.

What is a GM crop?

A GM or transgenic crop is a plant that has a novel combination of genetic material obtained through the use of modern biotechnology.

- For example, a GM crop can contain a gene(s) that has been artificially inserted instead of the plant acquiring it through pollination.
The resulting plant is said to be “genetically modified” although in reality all crops have been “genetically modified” from their original wild state by domestication, selection, and controlled breeding over long periods of time.

Do we need GM crops?

Yes and why?
- Higher crop yields.
- Reduced farm costs.
- Increased farm profit.
- Improvement in health and the environment.

No and why?
- It is clear that the technology of genetic engineering is an evolving one and there is much, especially on its impact on human health and environment, that is yet to be understood properly. The scientific community itself seems uncertain about this. While there are many in this community who feel that the benefits outweigh the risks, others point to the irreversibility of this technology and uncontrollability of the Genetically Modified Organisms (GMO) once introduced in the ecosystem. Hence, they advocate a precautionary approach towards any open release of GMOs.
- One of the concerns raised strongly by those opposing GM crops in India is that many important crops like rice, brinjal, and mustard, among others, originated here, and introducing genetically modified versions of these crops could be a major threat to the vast number of domestic and wild varieties of these crops. In fact, globally, there is a clear view that GM crops must not be introduced in centres of origin and diversity. India also has mega biodiversity hotspots like the Eastern Himalayas and the Western Ghats which are rich in biodiversity yet ecologically very sensitive. Hence it will only be prudent for us to be careful before we jump on to the bandwagon of any technology.
- There is also a potential for pests to evolve resistance to the toxins produced by GM crops and the risk of these toxins affecting nontarget organisms.
- There is also the danger of unintentionally introducing allergens and other anti-nutrition factors in foods.

Worldwide practice:
Few evidences show that though GM crops have been gaining acceptance their use still remains highly skewed. Only 29 countries allow commercial cultivation of GM crops while a
similar number also allow their import. And most of the 170 million hectares under GM crops are in the USA, Brazil, Argentina, India and China. Moreover 98% of GM cultivation falls under four main crops: soyabean, maize, cotton and canola. Experts also say that GM technologies will continue to focus on these crops for some time.

**Things to be considered:**

- Field trials in India, in which the State governments have a say, must ensure that there are sufficient safeguards against such violations.
- If GM food is allowed to be sold to consumers, they must have the right to know what they are buying, and labelling should be made mandatory.
- India has taken only halting steps towards establishing a strong regulatory system; the Biotechnology Regulatory Authority of India Bill, 2013, which provided for multi-level scientific assessments and an appellate tribunal, has lapsed. Hence, a strong regulatory authority should be established.

**Way ahead:**

Introduction of genetically modified cotton in India enhanced both output and yield. But this initial experience has not been followed by the introduction of GM food crops on account of alarmist protests.

- GM crops are subject to intense regulatory scrutiny and are not introduced unless they pass through multiple filters.
- With over two decades of experience across the world, fears have proven unfounded. Unless India is open to the introduction of cutting edge agricultural technology, inadequate farm yields will be hard to improve.
- It is also true that dependence on GM crops is a risky proposition. Hence, India needs to tap the potential of other technologies. As pointed out by a parliamentary committee India has better options for increasing productivity, like molecular breeding and integrated pest management, that can serve it in good stead for the time being.

**Conclusion:**

Clearly, there can be no credible argument against scientific experiments in agriculture that advance the goal of developing plant varieties that can withstand drought, resist pests and raise yields to feed the growing world population. But this should be done through a transparent regulatory process that is free of ethical conflicts. All this underscores the need for a cautious approach — one that fosters scientific inquiry, allows for scrutiny and is
underpinned by regulation. Enacting a comprehensive law that covers all aspects of GM crops should be a priority.

**Insights into Editorial: An order against the anti-graft fight**

09 February 2016

The Tamil Nadu government recently came out with an order which mandated prior permission of the government for an inquiry into corruption charges against any State official. However, many political parties and anti-corruption crusaders have criticized this decision.

**What the order says?**

It says in case of any complaint against government servants “irrespective of the rank or group of the public servants complained against,” the Directorate of Vigilance and Anti-Corruption shall forward the complaints to the Vigilance Commission, and the commission in turn shall seek and consider the remarks of the Government before ordering appropriate enquiry” by the DVAC.

**Practice so far:**

Until this order, government approval for a preliminary enquiry (PE) or registration of a regular case was required only in respect of All India Services officers (Indian Administrative Service, Indian Police Service and Indian Forest Service).

**Implications of this order:**

The implication of the order is that any inquiry on complaints against even clerks or subordinate staff will have to be first cleared by the department.

**How TN government defends this order?**

The government says this order is aimed at bringing about uniformity in treatment of complaints against government servants of all ranks.

- The State government order cites a Supreme Court ruling in a public interest litigation of 1997, which struck down the Single Directive of the Government of India that drew a distinction between officers of and above the rank of Joint Secretary and the rest of the bureaucracy.
The 1997 ruling interpreted the Single Directive as discriminatory and violative of Article 14 of the Constitution that grants the right to equality before the law and equal protection of the laws to every citizen.

The Madras High Court too had asked the State government to evolve a “non-discriminatory policy” towards all public servants.

**Intention behind the Supreme Court’s order:**
The annulling of the Single Directive, first in 1997 (the Vineet Narain judgment) and again in 2014 (following the incorporation of the directive into the Central Vigilance Commission Act, 2003) by the Supreme Court was mainly aimed at strengthening the hands of the Central Bureau of Investigation (CBI) and other vigilance agencies and gave them absolute freedom in proceeding with complaints of corruption without reference to the Central government.

**Problems with TN’s order:**
The Tamil Nadu government order does exactly the opposite. It further weakens an already weak Vigilance Directorate. The Vigilance Directorate in the state does not enjoy even the limited autonomy that the CBI enjoys.

- Also, apart from diminishing vigilance drives, the new order brims with practical difficulties. There are more than 2,00,000 lack officials in the state. If the complaint against even someone in the lowest rung in each department — a police constable or a Grade IV employee in the Secretariat or Revenue Department, for instance — has to be vetted at three levels, viz. the Vigilance Directorate, Vigilance Commission and the department concerned. This, obviously, takes too much time.

- This delay might lead to loss of confidentiality of the contents of a complaint and there is also the danger of destruction of evidence to prove misconduct. Such delays might also pose various threats to whistleblowers.

- The government order does not also make it clear as to what happens when there is disagreement on the course of action in respect of a complaint between the three principal players involved.

**What needs to be done now?**
Anti-corruption agencies should be given some free space when dealing with corruption cases. Autonomy to these agencies in initiating a preliminary enquiry or regular case will not result in miscarriage of justice because the ultimate power of sanction to prosecute a government official in a court of law rests with the government.
Conclusion:
The new order is further expected to encourage the corrupt elements in government. Hence, the State government should revisit the order. Such a course of action would considerably enhance its credibility.

Insights into Editorial: Internet Power to the People
10 February 2016
Article Link

By explicitly barring differential pricing or “zero rating” of data services on the basis of content, route or application, the Telecom Regulatory Authority of India (Trai) has settled the net neutrality debate in favour of the principle of equality, spurning the blandishments of expediency.

- Globally, this is being seen as the most important victory for the people in the tech space in the last 20 years.
- With this, India has joined a select few countries that have protected net neutrality and barred zero-rating services.

Significance of this decision:
This decision has no doubt set the tone for regulators across the globe, especially those of countries that have socio-economic features akin to India’s. More important, it would ensure that generations of Indians are not forced to be satisfied with services that pretend to be the Internet itself, robbing them of the real benefits of the medium.

Background:
In the last year or so, there have been more than a few attempts by the big players to offer Internet services that intrinsically seemed to violate the net neutrality principle.

- The public debate on net neutrality began in 2014 when India’s top telecom carrier Bharti Airtel decided to charge users extra for the use of applications with which they can make free calls over the Internet.
- But the most prominent and persistent among the companies has to be Facebook, which spent a lot of time in pitching its Free Basics initiative as an altruistic effort that would help millions of India’s Internet have-nots.
Facebook’s global rebranding of its internet.org initiative as a platform open for all but adhering to Facebook's standards, which offered “free and basic services”, was arguably the consequence of the debate over net neutrality in the country.

What was the issue now? What the TRAI ruled?

Facebook, through its initiative, had argued that it would be providing at least some access to millions of new users for free, who otherwise cannot afford it.

- TRAI did not accept this principle. It noted that it is not against the provision of limited free data that allows a user to explore the Internet. But, it finds this route palatable because the choice is with the user.

- The regulator’s problem with a price-based differentiation has more to do with the fact that in a market such as India it would distort consumer choice and have consequences that wouldn’t be understood easily.

- The ruling also suggests that while TRAI recognises the need for India to bridge the digital divide, it realises that compromising the basic ideals of the Internet is not the way to do it.

How price-based differentiation would have affected?

The most important characteristic of the Internet is whether it is the richest corporation in the world or an individual writing a blog, both are treated identically on the Internet.

- But, initiatives like free basics violate this principle. Such initiatives keep very few websites open for their customers.

- Then, an individual blogger or small start-ups had to negotiate with the Internet service providers (ISPs) to reach the telco subscribers.

- Telcos would then be the gatekeepers of the Internet. Only the biggest corporations could then survive on the Net.

- If we accept that telcos can act as gatekeepers, we would then lose what has given the Internet its unique power, the ability for us not only to be consumers but also creators of content.

- Hence, such differential treatment would have favoured big business with deep pockets, at the expense of small players and start-ups, a segment whose promotion the government has prioritised.

Why it is necessary to protect the internet?
Today, we have nearly a billion websites on the Internet and 3.5 billion users. This means that nearly one out of three users is both a content provider as well as content consumer. What the Internet monopolies want is that we should be passive consumers of their content, or at best generate captive content only for their platforms. This is why they have joined hands with telcos to offer various forms of zero-rating services. If this principle was accepted, then consumers would have had very limited space in the world of internet. The internet would have been one sided with consumers at the receiving end.

**Conclusion:**
While posing as a policy that would narrow the digital divide by offering pared-down internet services to those who can afford none, zero-rated products are actually a form of predatory pricing, and India’s regulator has followed its dharma by banning them from Indian cyberspace. It has rightly valued public opinion over the pet projects of government and big business. While Digital India would certainly empower people over the long term, support for start-ups in a broader landscape of technological creativity would create jobs and capabilities immediately. Government should now support this sunrise sector not with the taxpayer’s money, which it has rashly ventured, but by creating an environment for incubating start-ups.

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**Insights into Editorial: Reclaiming The PIL**

11 February 2016

**Article Link**

Few recent incidents have indicated that the PIL (public interest litigation), which was envisaged as a means of providing access to justice to the disadvantaged is being misused in the recent times.

**What is PIL?**

‘Public Interest Litigation’ denotes a legal action initiated in a court of law for the enforcement of public interest where the rights of an individual or a group have been affected.

**Evolution of PIL in India:**

In India, the first PIL, Hussainara Khatoon vs State of Bihar, was filed in 1979. It was filed on the basis of reports highlighting the pitiable conditions of prisoners awaiting trial for long periods.
• This case led to the immediate release of about 40,000 prisoners and was the first action by public-spirited individuals entertained by the SC to protect the fundamental rights of unrelated disadvantaged and vulnerable sections.
• Since then, the jurisprudence of the PIL has been developed through the collective efforts of concerned citizens and a responsive judiciary. Today, it constitutes a formidable tool to protect the rights of those lacking access to justice.
• Over the years, the scope of the PIL has been expanded to include matters that might well affect the public at large but don’t necessarily relate to the realisation of human rights of the poor, disabled and marginalised.

Constitutional backing:
According to the jurisprudence of Article 32 of the Constitution of India, “The right to move the Supreme Court by appropriate proceedings for the enforcement of the rights conferred by this part is guaranteed.” Ordinarily, only the aggrieved party has the right to seek redress under Article 32.
• However, in 1981, Justice P. N. Bhagwati in his order allowed any member of public to approach court for an appropriate direction, order or writ.

PIL Vs Class Action:
PIL is often confused with class action, where a lawsuit is filed or defended by an individual acting on behalf of a group. Such attempts overlook the fact that the PIL is founded on constitutional provisions enabling the judiciary to depart from its traditional role of adjudication, along with the concomitant checks and balances.
• In a PIL, in contrast to a class-action suit, the court may be flexible in its application of procedural law and go beyond the legal issues raised to assume new roles such as that of an ombudsman, a legislator and a monitor.
• This is because PIL is essentially meant as a remedial jurisprudence for those who can’t approach the court on account of poverty or some other disability.

Criticisms of PIL:
The debates over the limits of Judicial Activism in the area of PIL, have been vigorous. A private members bill entitled “Public Interest Litigation (Regulation) Bill, 1996” was tabled in the Rajya Sabha.
• The statement of objectives and reasons stated that PIL was misused in the name of providing justice to the poor sections of the society and also that PIL cases were given
more priority over other cases which led to pending of several general section cases in the court for years. However the bill was not passed.

- The ever expanding scope of PIL has also posed many challenges to the apex court.

**Why we need PIL?**

- In Public Interest Litigation (PIL) vigilant citizens of the country can find an inexpensive legal remedy because there is only a nominal fixed court fee involved in this.
- Further, through the so-called PIL, the litigants can focus attention on and achieve results pertaining to larger public issues, especially in the fields of human rights, consumer welfare and environment.

**Demerits of PIL:**

- The genuine causes and cases of public interest have in fact receded to the background and irresponsible PIL activists all over the country have started to play a major but not a constructive role in the arena of litigation. Of late, many of the PIL activists in the country have found the PIL as a handy tool of harassment since frivolous cases could be filed without investment of heavy court fees as required in private civil litigation and deals could then be negotiated with the victims of stay orders obtained in the so-called PILs.
- The flexibility of procedure that is a character of PIL has given rise to another set of problems. It gives an opportunity to opposite parties to ascertain the precise allegation and respond specific issues.
- The credibility of PIL process is now adversely affected by the criticism that the judiciary is overstepping the boundaries of its jurisdiction and that it is unable to supervise the effective implementation of its orders.
- It has also been increasingly felt that PIL is being misused by the people agitating for private grievance in the grab of public interest and seeking publicity rather than espousing public cause.

**Way ahead:**

Of late, the SC and high courts appear to be mindful of the distinction between PIL for the poor and disabled and PIL relating to diffuse or collective rights, and are more cautious when entertaining the latter.

- This is certainly a positive trend that will promote judicial restraint, particularly given that, in PIL cases, the court is not subject to the traditional safeguards on judicial role.
Their regulation:
With the view to regulate the abuse of PIL the apex court itself has framed certain guidelines (to govern the management and disposal of PILs.) The court must be careful to see that the petitioner who approaches it is acting bona fide and not for personal gain, private profit or political or other oblique considerations.

- The court should not allow its process to be abused by politicians and others to delay legitimate administrative action or to gain political objectives.
- There may be cases where the PIL may affect the right of persons not before the court, and therefore in shaping the relief the court must invariably take into account its impact on those interests and the court must exercise greatest caution and adopt procedure ensuring sufficient notice to all interests likely to be affected.

Conclusion:
PIL now does require a complete rethink and restructuring. Anyway, overuse and abuse of PIL can only make it stale and ineffective. Since it is an extraordinary remedy available at a cheaper cost to all citizens of the country, it ought not to be used by all litigants as a substitute for ordinary ones or as a means to file frivolous complaints. It is, indeed, time that the PIL was reclaimed for its original constituents by limiting it to matters concerning the protection of fundamental rights of the disadvantaged and underprivileged. This would help restore the legitimacy and efficacy not only of the PIL as a means of providing access to justice to the poorest of the poor, but also of the judiciary as an institution.

**Insights into Editorial: India should prepare its cadre for the blue economy**

12 February 2016

Article Link

Blue economy has been a buzzword for few years now. It was introduced by Gunter Pauli in his 2010 book, *The Blue Economy: 10 Years — 10 Innovations —100 Million Jobs*. It has opened new avenues for bilateral and multilateral work, involving the environment, energy, defence and food production.

- The oceans, which have always been a source of livelihood, trade, colonialism, storms and piracy, present opportunities and challenges.
Professionals connected with the oceans, including the negotiators of the UN Convention on the Law of the Sea (UNCLOS), have been prominent since the 1980s.

What is Blue Economy?
The newly set up Blue Economy Strategic Thought Forum India defines the Blue Economy as “marine-based economic development that leads to improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities”.

- It refers to a healthy ocean, supporting higher productivity. The current focus is confined to marine products, including minerals, as if this is all it concerns. The concept of blue economy is much broader and encompasses even maritime activities, such as shipping services.
- Blue economy infrastructure is environment-friendly because larger cargo consignments can move directly from the mothership to the hinterland through inland waterways, obviating the need for trucks or railways.

Difference between Blue Economy and Blue-Water Economy:
The blue economy, as distinct from the blue-water economy, encompasses in it the “green economy”, with focus on the environment, and the “ocean economy” or “coastal economy”, with its emphasis on complementarities among coastal and island states for sustenance and sustainable development.

Significance of the Blue Economy:
The central principle of the blue economy is the idea of cascading nutrients and energy the way ecosystems do. Cascading energy and nutrients leads to sustainability by reducing or eliminating inputs, such as energy, and eliminating waste and its cost, not just as pollution, but also as an efficient use of materials.

- The Blue Economy will promote innovations and open a new world of production and lifestyle. These changes will in turn entice entrepreneurs. They also have the potential to increase rather than shed jobs, as emulating natural systems will mean the deployment of humans rather than machines.
- Ideas like eliminating air in freezing water, use of food-grade ingredients as fire retardants, growing mushrooms with coffeeshop waste, silk as a replacement of titanium, electricity generated by walking and talking, etc, are mind-boggling.
Goal 14 of the UN’s Sustainable Development Goals (SDGs) — “Conserve and sustainably use the oceans, seas and marine resources for sustainable development” — too makes detailed references to the reduction of marine pollution, conservation of coastal and marine areas and regulated fish harvest.

**Maritime diplomacy:**
Maritime diplomacy had its heyday back in the 1980s, with the sensational discovery of manganese nodules and cobalt crusts on the ocean floor. The euphoria over marine mining led to the establishment of the *International Seabed Authority*.

- The UNCLOS, the “constitution of the seas”, which came into force in 1994, became the basis for the legal rights for mining in the open sea.
- The interest in seabed mining flagged because of escalating costs, but it’s being revived on account of the demand for minerals and metals in industrial development, particularly in China, Japan and India.

**India and the Maritime Diplomacy:**
The Indian Ocean has been a fulcrum of Indian diplomacy since Independence. During the Cold War, India was extremely active in the UN Adhoc Committee on the Indian Ocean in its bid to keep the Indian Ocean a Zone of Peace, which, in essence, meant keeping the Indian Ocean free of great-power rivalry.

- But the littoral and hinterland states differed on the meaning of the zone. Many sought the presence of external powers to counter India’s growing strength. But even at that time, cooperation for ocean resources was a priority.
- Today, India is working with the states in the Indian Ocean region and others to strengthen security and economic cooperation. However, the re-emergence of piracy has added a new dimension.
- The new focus on the Asia-Pacific highlights the security and economic dimensions. The US rebalancing of forces and counter-measures by China have created a new cold war. New partnerships are in the making in the Asia-Pacific, seeking Indian participation by competing powers. The blue waters of the Indian Ocean have become a new theatre of tension.

**OBOR and India:**
The Chinese initiative — one belt, one road (Obor) — is a $150 billion grandiose development strategy and framework for China to push for a bigger role in global affairs and to increase its exports.

- Some see it as an opportunity for India, others as a challenge. Hence, the choice has to be made cautiously, balancing our security concerns about an expanding China with economic engagement.
- Given the history of Sino-Indian relations, it’s difficult to look at Obor as a benign initiative. But it will be difficult to stay out of a new global highway linking Asia with Europe.

Important of Regional Organizations:
The importance of regional organizations has increased in the context of the blue economy. PM Modi recently spoke of the blue economy to Saarc leaders.

- In September 2015, the Indian Ocean Rim Association (IORA) hosted the first Ministerial Blue Economy Conference and identified priorities.

Way ahead:
In the coming years, the blue-water economy will become central to the development of the entire Asia-Pacific region. Also, India’s competition with China is likely to be exacerbated by the competition for a piece of the blue economy, as evidenced in Bangladesh.

- India’s neighbourhood policy too assumes primary importance in light of the blue economy. India can profitably integrate its ongoing programmes like Make in India, smart cities, skill development and self-reliance in defence.
- Delhi’s forthcoming chairmanship of the BRICS will offer a splendid opportunity to highlight the cooperation needed for the blue economy.

Conclusion:
India is no longer hesitant about taking a larger responsibility for securing the Indian Ocean, promoting regional mechanisms and working with great powers like the United States and France with which India now shares many interests. India has also initiated a new process of multilateralism in ocean politics by gluing together security and the blue economy. However, the action on the ground remains to be seen.

**Insights into Editorial: A peaceful way out on Siachen**

13 February 2016
Article Link

Why doesn’t India vacate Siachen? This question has been raised after every human tragedy on the glacier, and now it is being asked again when 10 soldiers lost their lives in an ice avalanche at the Sonam post.

- It is not just avalanches; the challenging terrain of the glacier and its surroundings as a whole have been regularly claiming lives.
- According to reliable estimates, over 2,000 soldiers from both sides have died on the Siachen glacier since 1984, when India beat Pakistan by a few days to occupy many of the strategic locations on the glacier.

Where is it located?
The Siachen Glacier is located in the eastern Karakoram range in the Himalaya Mountains, just northeast of the point NJ9842 where the Line of Control between India and Pakistan ends.

- At 76 km long, it is the longest glacier in the Karakoram and second-longest in the world’s non-polar areas.
- It is situated at an average altitude of 5,400 meters above sea level.
- It lies South of the great watershed that separates Central Asia from the Indian subcontinent, and Pakistan from China in this region. It lies between the Saltoro ridge line to the west and the main Karakoram range to the east.
- The entire Siachen Glacier, with all major passes, is currently under the administration of India since 1984, while Pakistan controls the region west of Saltoro Ridge.

Background:
Ever since the two militaries began a costly engagement on the glacier, there have been numerous efforts by both countries to find a way to demilitarise the glacier. In June 1989, they came very close to clinching a final deal.

- The two sides had agreed to “work towards a comprehensive settlement, based on redeployment of forces to reduce the chance of conflict, avoidance of the use of force and the determination of future positions on the ground so as to conform with the Shimla Agreement and to ensure durable peace in the Siachen area”.
- Ever since then, India and Pakistan have tried diplomatically to find a way to demilitarise the region. However, a lack of political will on both sides has meant that the
status quo holds, and soldiers continue to pay a very high price in that remote snowy outpost.

- India has in the past suggested delineation of the Line of Control north of NJ 9842, redeployment of troops on both sides to agreed positions after demarcating their existing positions, a zone of disengagement, and a monitoring mechanism to maintain the peace.
- Deeply divergent positions held by New Delhi and Islamabad on the dispute is one of the primary reasons why the negotiations on demilitarising the Siachen glacier and the adjoining areas have not progressed much.

About the conflict:
The conflict in Siachen stems from the incompletely demarcated territory on the map beyond the map coordinate known as NJ9842. The 1949 Karachi Agreement and 1972 Simla Agreement did not clearly mention who controlled the glacier, merely stating that the Cease Fire Line (CFL) terminated at NJ9842. UN officials presumed there would be no dispute between India and Pakistan over such a cold and barren region.

- The conflict began in 1984 with India’s successful Operation Meghdoot during which it gained control of the Siachen Glacier.

Why India doesn’t want to leave this place?
The most obvious reason for India’s continuing presence at Siachen is its strategic importance. Military experts also believe that it drives a wedge between Pakistan-occupied Kashmir and China, and is the only tenuous link India has with Central Asia.

- Other fears include the Chinese presence in the vicinity, concerns about a Pakistani incursion and the difficulty in retaking the glacier once gone.
- India also insists that the present ground positions on the Saltoro ridge should be demarcated and authenticated on a map before any demilitarisation could be conducted, fearing that once India withdraws from the region, the Pakistan Army could occupy the high ground.
- Moreover, India does not want a disagreement on the posts and locations to be vacated by the Indian side. This feeling has further strengthened after the Kargil intrusion by Pakistan.
India has therefore insisted that joint demarcation of the Actual Ground Position Line (AGPL) on the ground as well as the map should be the first step to be followed by a joint verification agreement and redeployment of forces to mutually agreed positions.

**Pakistan’s arguments:**
- Presently, India is the occupying party in Siachen and hence, it should unconditionally withdraw and the pre-1984 status quo should be maintained.
- By agreeing to a joint demarcation, Pakistan would be accepting the Indian claims in Siachen, at least theoretically.
- Pakistan also feels that if it accepts such demarcation, it would amount to endorsing the Indian occupation of 1984.
- Pakistan has therefore proposed that demilitarisation of the region, withdrawal of forces and authentication proceed simultaneously.

**What can be done?**
- One, both countries can agree to a glacier of peace with neither side occupying it. Then there would be no strategic reason for soldiers to serve in such inhospitable terrain.
- The second option is mutual withdrawal of forces without delineation and authentication. This is both undesirable and unlikely.
- The third option is mutual withdrawal after jointly recording current military positions and exchanging them as part of an annexure without prejudice to each other’s stated positions, pending the final settlement of the Line of Control (LoC) and AGPL. This is perhaps the best option and takes on board India’s demand, and may not meet too much resistance from the Pakistani side given that they had agreed to it in 1992.
- It can also be converted into an international destination for glacial research and other scientific experiments. International scientific presence would act as a deterrent against any potential Pakistani attempts at occupying the territory and it could also check the Chinese activities in the greater Karakoram region. This perhaps is the best option under the circumstances.

**Way ahead:**
Given Prime Minister Narendra Modi’s personal initiative to visit Lahore in December 2015 and to push forward peace with Pakistan, it would only be the next logical step to look at the low-hanging fruits in bilateral issues to build trust.
The demilitarisation of Siachen is definitely doable. This is not only because it is diplomatically possible, but also because there is a critical mass of opinion in both India and Pakistan that neither can sacrifice, or put in harm’s way, so many lives on the inhospitable glacier.

If the initiative is not seized by both sides now, the vagaries of nature will continue to exact a toll on forces deployed in Siachen, even if peace holds.

**Conclusion:**
It is important to recognise that just because we have militarily and materially invested in the Siachen region over the years or incur lower casualties than Pakistan, it does not provide us with a strategically sound rationale to continue stationing troops there, only to keep losing them year after year. The February 3 avalanche on the Siachen glacier that buried 10 Indian Army soldiers is a stark reminder to both India and Pakistan about the cost of military deployment in such inhospitable territory. While we as a nation remain indebted to our brave soldiers who laid down their precious lives on the glacier, there is neither valour nor glory in death due to cerebral edema or hypothermia, guarding a few kilometres of ice whose strategic value is ambiguous at best.

**Insights into Editorial: Sex determination – Answer this**

15 February 2016

Article Link

Union Woman and Child Development Minister Maneka Gandhi recently suggested that child sex determination during pregnancy be made compulsory, the gender of the child registered right from that moment, and the birth be tracked. Doing so, according to her, would check female foeticide.

- Maneka Gandhi’s idea to legalise pre-natal sex determination has predictably attracted controversy and flak because of her failure to provide a cogent framework under which this proposed 180-degree turn in established law can succeed. It is a well-known fact that prenatal sex determination has often resulted in female foeticide.

**But, why she said so?**
- Since it is really not feasible to go around trying to catch every ultrasound technician for revealing the foetal gender to parents in violation of the PCPNDT Act, she said, reversing this strategy could help prevent female foeticide.
According to this strategy, the moment a woman gets pregnant, the gender of the child should be found out and the mother should be informed about it. And immediately this should be registered in public records and then the government can track which pregnancies are carried to full term.

Further, since the gender is already known, and given the law, families would be compelled to go through with the pregnancy especially when the foetus is female.

Some stats:
India is among the countries with the worst child sex ratios in the world. The 2011 Census showed that the child sex ratio has dipped from 927 girls in 2001 to 919 girls in 2011. Child sex ratio shows the number of girls per 1,000 boys between the ages 0-6.

The data proves that India has an abysmal record when it comes to reining in the cases of female foeticide.

Latest Census numbers also cast a shadow on the adequacy of measures which are helping in educating people to not prefer sons over daughters.

What does the law say about sex determination?
The Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 2003, commonly called PC-PNDT Act, makes it illegal to determine the sex of the unborn child or even use sex-selection technologies.

The law first came into force in 1996 as the Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994, in response to the falling sex ratio and fears that ultrasound technologies were being used to determine the sex of the foetus.

The law was amended in 2003 to bring the technique of preconception sex selection within the ambit of the Act – essentially, banning practices where medical practitioners try to influence the sex of the child before conception by using techniques such as sperm sorting (where a sperm cell is specifically chosen because of its sex chromosome).

The law as it stands not only prohibits determination and disclosure of the sex of the foetus but also bans advertisements related to preconception and prenatal determination of sex.

What are the provisions of the Act?
According to the Act, ultrasound clinics, genetic counselling centres and genetic laboratories cannot be used for conducting pre-natal diagnostic techniques except for detecting
abnormalities such as chromosomal abnormalities, genetic metabolic diseases, sex-linked genetic diseases and congenital anomalies.

- The Act makes it mandatory for all ultrasound facilities to be registered and for medical practitioners to maintain records of every scan done on pregnant women.

Performance of this Act:
Since 2000, both high courts and the Supreme Court have delivered a series of judgments, taking a serious view of sex-selective practices by the medical fraternity and the connection it may have with skewed sex ratios.

- In September 2001, following a public interest litigation the Supreme Court passed an order for strict implementation of the Act and reiterated it again in September 2003.
- However, the rate of conviction has been poor. From 2003 to December 2014, only 206 doctors had been convicted by courts, of which Maharashtra had the highest number at 96, followed by Rajasthan, Punjab and Haryana.
- At least 15 states and four union territories had zero convictions all these years.

What’s the problem then?
According to experts, the problem isn’t with the Act but with its implementation. State advisory committees that help in implementing the Act do not meet regularly. Besides, there is poor monitoring of ultrasound clinics. Such clinics are required to maintain records of the scans they conduct but the violators are often let off with a fine.

Arguments against the suggestion made by Maneka Gandhi:
Activists and experts have roundly opposed the idea, saying it will only make female foeticide more rampant. In a country as vast and as corrupt as ours, the suggestion, if practiced, will be counter-productive and riddled with holes.

- It would not be feasible to monitor 29 million pregnancies annually.
- Experts say that the idea of compulsory sex determination will only push women to unsafe abortions. There will be greater pressure on the pregnant woman from her family if they find out early on that her second or third child is a girl.
- Experts also say that no test can be made mandatory in a democracy such as India. Besides, they say, the proposal is an encroachment on a woman’s reproductive rights and shifts the burden on the woman by criminalising her.
And also, by making sex-determination compulsory, ‘diagnostic centres’ which perform these services will mushroom out of control. They will be legal and hence thrive better. And how will tracking the mother help at all?

Way ahead:
- Even though Maneka’s suggestion on paper sounds ingenious at the first instance, the government needs to improve the existing system which is falling apart.
- The only immediate deterrence against continuous promotion of sex selection by unethical medical professionals and agents is the stricter implementation of the law.

Conclusion:
With such laws, the government should not over-legislate and medicalise the womb but empower women, raise awareness in society and incentivise the girl child – make schemes like Beti Bachao Beti Padhao, Ladli, and Sukanya Samriddhi Account work better. The country will welcome incentives for girls.

Insights into Editorial: Plan B for free speech
16 February 2016
Article Link

Over the decades, the Indian Supreme Court has developed a rich and robust jurisprudence of free speech and, with a few exceptions, has generally ruled in favour of free speech against repressive measures. This was most recently evidenced in the famous Shreya Singhal judgment that held Section 66A of the Information Technology Act to be in violation of Article 19(1)(a).
- And yet we persistently hear of cases, including the ongoing sedition case against students of JNU, where the law is used to harass or silence any form of critique or dissent.

What is sedition?
‘Sedition’ is an offence incorporated into the Indian Penal Code (IPC) in 1870. Section 124A of the IPC defines sedition and says:
1. Whoever by words either spoken or written or by signs or by visible representation or otherwise brings or attempts to bring into hatred or contempt, the government established by law; or
2. Whoever by the above means excites or attempts to excite disaffection towards the government established by law, has committed the offence of sedition.

What has Supreme Court ruled?
The Supreme Court has persistently held that for the offence of sedition to be satisfied, there has to be a causal relationship between speech and acts of violence, and mere speech, regardless of how subversive it is, does not amount to sedition.

Concerns:
In the recent years the ease with which complaints of sedition or speech that allegedly hurts the sentiments of a community are brought before the police and criminal action initiated against the speakers is a cause of worry.

Is it time to scrap these laws?
People concerned with the misuse of these laws often ask for them to be repealed or struck down on the grounds that they violate Article 19(1)(a).

- But herein lies the problem. Most of these laws have, in fact, been challenged and their constitutional validity has already been upheld.

- Section 295A (“deliberate and malicious acts, intended to outrage religious feelings of any class by insulting its religion or religious beliefs”) was found to be constitutional in the Ramjilal Modi case (1957) and Section 124A (sedition) was held to be constitutional in the Kedarnath case (1962).

- Both these were Constitution benches and even though the effect of these judgments has been subsequently watered down through more liberal judgments, these cases remain the law of the land.

Is the government willing to scrap such laws?
While one wishes that these laws would be trashed in the future, it is unlikely that Parliament will repeal them in a hurry.

- In the case of sedition, the provision is beneficial to every government regardless of its ideology, and in the case of hate speech, the colonial self-fulfilling prophesy that Indians are “emotionally excitable” subjects sadly remains the persistent myth.

The, how can we tackle this problem?

- In case of free speech, focus on procedural reforms and safeguards that at least render the malicious use of these laws more difficult.
All speech-related offences should be made **bailable offences**; this would lessen the harmful impact of using arrest and custody as a way of harassing anyone exercising their rights under Article 19(1)(a).

The offences should be made **non-cognisable** so that there is at least a judicial check on the police acting on the basis of politically motivated complaints.

In the case of offences under Sections 153A (“promoting enmity between different groups on grounds of religion, race, place of birth, residence, language, etc, and doing acts prejudicial to maintenance of harmony”) and 295A of the Indian Penal Code, it is **mandatory under Section 196(1) of the Code of Criminal Procedure to obtain prior sanction of the government** before taking cognisance of the offences. This needs to be extended to the offence of sedition under Section 124A.

In the case of hate speech, it is important to **raise the burden of proof** on those who claim that their sentiments are hurt rather than accept them at face value.

And finally, it is crucial that courts begin to take action against those who bring malicious complaints against speech acts.

**Conclusion:**
Free speech, even though imperfect in some aspects, at least provides us with a platform to challenge unreasonable acts of the state. The real challenge is how we tackle lumpen threats that also expertly use the law in strategic ways. The true test of a democracy lies in how much it can tolerate disagreement and even speech that we strongly disagree with. But despite the Supreme Court affirming our right to disagree and dissent in substantive law, the ease of filing complaints and the ever-loomining threat of police action undoes procedurally what we have substantively. If we are to regain our fundamental rights, then it might well begin with procedural reforms that support rather than negate free speech.

**Insights into Editorial: Can India beat this slowdown?**

17 February 2016

[Article Link](#)

World oil prices are not likely to recover anytime soon, going by market conditions. A further increase in supply, compounding the current glut, and a parallel contraction in demand in the major consuming nations, are likely to keep prices low. The ongoing fall in prices stems largely from simple demand-supply mechanics.
Concerns:

- The price of crude oil remained mostly above $100 per barrel for almost three years from 2011 onwards, but declined sharply during the second half of 2014, settling at around $50 per barrel for a good part of 2015.
- Stock market prices collapsed in many parts of the world in January this year when oil prices fell to even greater depths, touching below $30.
- This has affected China’s growth too. China’s economy is projected to grow at 6.3% in 2016, its slowest growth in 25 years. A slowing China has far less appetite for oil and other commodities. This, in turn, has adversely affected a number of emerging economies, which are suppliers of commodities or are closely linked to the Chinese production networks.
- Due to this, Russia and Brazil, both major commodity-exporters, registered negative rates of growth of gross domestic product (GDP) in 2015.

Reasons for declining oil prices:

- The advance made over the last few years with respect to oil production, especially in the U.S.
- United States domestic production has nearly doubled over the last several years, pushing out oil imports that need to find another home.
- The recent lifting of sanctions against Iran has eased the supply situation even further.
- The falling oil prices are also a reflection of the stagnation in worldwide demand.
- In addition, Saudi Arabia is moving strongly to increase refinery capacity, which will further add to global supplies. This comes on top of OPEC output in July 2015 hitting its highest levels in recent history.
- On the demand side, the increased supply has been met by recessionary or slow-growth conditions in most industrialised countries, which have greatly moderated their consumption since the economic crisis. Vehicles in these countries are also becoming more energy efficient.

What’s good news?

What is surprising is, amid such global crisis, India’s economy appears to stand tall. Its projected growth for 2015-16, at 7.3%, makes it the fastest-growing large economy in the world, according to the International Monetary Fund (IMF).
India is a large importer of oil, and therefore falling oil prices have been beneficial to its economic growth.

India’s oil imports as a proportion of its GDP have come down from around 9% during 2011-14 to less than 5% now.

With the fall in oil prices, inflation based on the wholesale price index (WPI) has been in the negative territory in the country since November 2014.

**What’s bad news?**

Few experts argue that the picture of growth and stability presented by the above-quoted figures is misleading. Why?

- To begin with, it is important to note that few scholars have already raised questions on the recent GDP growth figures, which are based on a new methodology employed by the country’s statistical agencies in estimating national income.
- Also growth across various sectors in the country is not uniform. Monsoons have been deficient in the country for the second consecutive year, with a disastrous impact on agricultural production and rural demand.
- The performance of the manufacturing sector has been unimpressive. Micro- and small-industrial units in particular have been facing a crisis over the last several years.
- Year-on-year growth of India’s exports has been negative for 12 consecutive months in a row. There has been a surge in manufactured imports into India in recent years. Imports from China have increased markedly following the slowdown in that country’s economy.
- It is only due to the high rates of growth in the services sector that India’s overall economic growth appears robust.
- Given its nature as described above, it is not surprising that India’s economic growth has had a poor record with respect to employment generation.

**India’s concerns:**

The boom years of the Indian economy were between 2003-04 and 2010-11, when its GDP grew at an average annual rate of over 8%. Private investment and exports were important drivers of growth during the first part of this high-growth phase, which lasted until 2007-08.

- But export growth nosedived in 2008, and has never really gained momentum ever since, with the global economy moving from one crisis to another.
Despite this, India’s fast growth continued, thanks to the stimulus measures launched by the authorities, which led to an impressive pickup in consumer demand, especially for automobiles and housing.

However, India’s domestic private investors have got cold feet since 2011-12. The reasons for this include the sagging demand conditions at home and abroad, and the unutilised capacities they had built during the previous years. Many of them are also heavily indebted.

Private consumption expenditure accounts for the largest share of aggregate demand in India. But it cannot be an independent driver of growth for the economy.

Further, consumer demand in India is not mass-based — with bulk of the expenditures coming from a small category of the rich — and therefore not beneficial for industries that want to gain from economies of scale.

**What can be done?**

In the current circumstances, it seems that the only engine of demand that can pull the Indian economy forward is government expenditure.

- No one disputes that India has huge investment needs in irrigation, electricity, rural and urban infrastructure, as well as in many areas of basic research. But these are all long-gestation projects, offering little immediate gains to any investor.

- Naturally, private investors have been wary about putting their money in them. These are precisely the areas where the government should step in, raising public investments to remove some of the long-standing constraints to growth and development.

- The advantages offered by low oil prices by reducing inflation and external payments create an opportune environment for India to increase public investment in the country.

- The Finance Ministry’s Mid-Year Review released in December 2015 too stresses on the need to raise public expenditures in India in the current context.

**Conclusion:**

The world economy is likely to see more turbulent days ahead. If foreign investors and foreign markets are going to be staggered in these uncertain times, India will have little to gain by going after them. Instead, the country’s policymakers should turn their attention inward, devising strategies to unleash domestic markets and entrepreneurship in this large and diverse nation.
**Insights into Editorial: Education key to quality public representation**

**18 February 2016**

[Article Link](#)

Many believe that while acceptability of democracy continues to be unquestionable, there is enough empirical evidence suggesting that **efficacy of democratic governance has always remained doubtful. Poor functional ability** of the elected representatives is the main reason behind this.

- The question of palpable tensions between electability and functional ability of an elected representative has always figured as a prominent theme in contemporary discourse about democracy the world over.

**Concerns:**

It is now generally agreed that the **quality of elected representatives** has been the main factor responsible for this abysmally low result orientation of democratic governance.

- In India, even today, **electability, or ability to get elected**, remains the single-most decisive factor in awarding a party ticket. Those who get party nomination are more often than not unable to boast of any high personal qualifications.
- This is certainly bound to affect quality of representation, impacting deliberations, decision-making and delivery in a democratic setup.
- And being a part of competitive democratic polity, there is an **obvious limitation** for any single party taking a **meritocratic view** (A political philosophy holding that power should be vested in individuals almost exclusively based on ability and talent).

Obviously then, electability becomes the common single denominator, leading to a situation where people get a representative that they in fact do not deserve.

**How to tackle this problem?**

Driven by the need to overcome this quality crunch, different democracies have evolved some screening mechanisms. Measures such as a term limit to facilitate entry of fresh blood, qualifying thresholds for parties and candidates, age limit and similar such regulatory provisions were introduced by different countries at different levels.

**Efforts in India:**

In a bid to improve the quality of elected representatives, in 2015, Haryana amended the existing law.
The new law mandated that matriculation is required for a general male candidate, middle pass for a general woman candidate and for Scheduled Caste (SC) male candidate and only Class V pass for an SC woman candidate, as the minimum educational qualifications to be eligible for contesting the elections to the Gram Panchayats, or village bodies, and other Panchayati Raj institutions.

- Having a functional toilet at home was also made a mandatory eligibility criterion for candidates.

**Opposition:**

Many people, including few experts, opposed the amendment, and few even contested in the apex court.

- It was argued that whether a man or woman, SC or general, the functions of a panchayat member is the same and hence if a Class 5 pass is enough to discharge a member’s function, why has a higher qualification of middle pass and matriculation pass been imposed?
- It was also argued that the amendment goes against the spirit behind the principle of adult franchise.
- However, much to the dismay of the critics, the apex court upheld the amendment, which is now in force. In fact, the state went ahead with elections to village bodies under this amended act and its impact is highly remarkable and hence noteworthy.

**Impacts of this law:**

This law has brought many changes in the state. For the first time, Haryana, a state that had acquired a bad name for female foeticide, saw several young women making it to the positions of sarpanch. Also, most elections were held without any violence, the reason being that many hooligans were automatically driven out of the fray.

- It has also helped achieve greater gender justice as the number of women making it to rural local self-government institutions has gone beyond the quota limit of 33%. The state has as many as 43% women members across its Zila Parishads while in Taluka Panchayats, the proportion of women is 42%. More importantly, a total of 41% villages are now headed by a woman as its chief, or Sarpanch.
- A by-product of this new measure, making minimum education mandatory, is that the fierceness of the contests disappeared hugely. Of the total 70,071 seats for which elections were held, in as many as 39,249 seats the elections were unanimous. This
takes the number of consensus candidates to a whopping 56%! Again, of the total 6,187 Sarpanchs elected, 274 got the mandate unanimously.

- Much to the surprise of many, this amendment, being assailed as “meritocracy”-promotion has also led to social democracy with greater representation to the marginal sections of society.
- Because of this law, many more backward class candidates have made it to the elected bodies, leaving the statutory quota figures far behind.

Way ahead:
Now, the real test of the impact of these amendments will be in the way these representatives conduct themselves. This will largely depend on the quality of deliberations, decision-making and delivery. Also under watch will be their public conduct. Now, it is up to the state government to work on a massive capacity building campaign for these newly elected representatives.

Conclusion:
When popular confidence in democracy is under severe strain, mainly due to the quality of public representation, although debatable, reforms-oriented experiments are always very important. In this regard, Haryana has taken a bold step. The apex court has already validated these reforms. Now, it is for the new entrants in Haryana’s Panchayati Raj institutions to establish that quality representation also leads to good governance, helping achieve egalitarian goals of a society where justice, harmony and avenues for aspirations are accessible to all.

**Insights into Editorial - India’s nudge unit: An idea whose time has come**

19 February 2016

[Article Link](#)

With the recent executive order, issued by the US president Obama, asking US agencies to integrate ‘nudges’ in their daily operations, the US has joined a group of countries including the UK, Australia, Singapore, and institutions like the World Bank who have been using and advocating behavioural research to dramatically improve public policy design, and deliver better outcomes for taxpayer money. This move is the clearest sign that behavioural public policy is here to stay.

But what are nudges?
If **policy design** is thought as the map and development outcomes as the **destination**, then nudges can be **the road signs that gently guide you towards the best route**.

Formulating these road signs requires expertise at two levels:

1. Understanding why consumers pick less optimum routes (cognitive biases)
2. Designing signs that guide users to better routes (nudges/interventions).

**Background:**


**Nudge theory is a flexible and modern concept for:**

1. Understanding of how people think, make decisions, and behave.
2. Helping people improve their thinking and decisions.
   - Managing change of all sorts.
1. Identifying and modifying existing unhelpful influences on people.

**Basis for such interventions:**

Behavioural economists have found that all sorts of psychological or neurological biases cause people to make choices that seem contrary to their best interests. The idea of nudging is based on research that shows it is possible to steer people towards better decisions by presenting choices in different ways.

- Nudges and other behavioural change interventions primarily rely on design and messaging that address the effect of behavioural biases on human behaviour.
- These biases are no unique phenomenon in government and public policy, neither do they affect only a small percentage of the population—cognitive biases are everywhere.
- Take for example the IKEA effect (named after the do-it-yourself Swedish furniture retailer). This bias leads to us placing a disproportionately high value on ideas or products that we had a hand in creating. The bias can prevent us from recognising early on that our much-valued product isn’t working well, or make us closed to ideas from elsewhere since we’re attached to the home-grown idea.
Another common bias that we face on a daily basis comes from the psychological theory of framing—where the construction of a sentence or situation changes your perception or reaction of it (reactions in newspapers to the latest census results on religious groups are an excellent example of framing).

**Do such interventions work?**

Previous experiences suggest that, if planned carefully, and backed by accurate bias-targeting, then, such interventions do work.

**Success stories:**

- In Israel, the issuing or renewal of an ID, passport or driving license, became conditional upon answering the question of becoming a registered donor. The default option was an ‘opt-in’ provision, which greatly increased the list of registered donors by targeting the status quo bias.
- Similarly, in Singapore—known for a number of innovations in governance—providing the average electricity usage of the locality on the back of bills has nudged households to think about their own energy consumption, driving them towards reducing it to the average levels, an example of the groupthink effect.
- Copenhagen’s experiment of using green footsteps to lead to trash bins helped reduce littering by 46%.
- In the field of tax collection, nudge has helped boost revenues for cash-strapped governments. For instance, in Singapore, printing tax bills on the pink paper typically used for debt collection led to an improvement in the prompt payment rate of between three to five percentage points.

**Does it hold any relevance for the Indian Polity?**

It might be argued that such interventions are rather narrow and first-world interventions that hold no relevance for the Indian polity. But even at a first glance, there is much that policy in India can adapt and use from these research findings.

- Research by Final Mile, a Mumbai-based firm, suggests that using fictionalized photographs of a person getting run over by a train reduced incidences of railway-related deaths significantly at unmanned crossings—something that the railway ministry might consider implementing as a pilot.
- Such interventions may also encourage large-scale signing up for organ donation, and rework the ‘give it up’ policy for cooking gas subsidy on that basis.
Way ahead:
Ultimately, the progress of our country depends on government policies adapting and addressing the developmental challenges facing millions of our fellow citizens.

- The government already uses choice interventions like subsidies and taxes to shape citizen behaviour.
- Understanding cognitive biases correctly, and formulating interventions that take into account such biases can have a huge impact on making public-spending more effective.
- As an added bonus, India can make use of this opportunity to lead the way in pioneering behavioural research in South Asia, focusing on the policy challenges unique to this region.

Conclusion:
Put simply, if behavioural interventions have the potential to increase the efficacy of our social spending, what are we waiting for? We need action on this front from a government elected on the platform of agility and progress. However, it remains to be seen how the most promising trials of nudge theory can be scaled up. But the initial signs are promising. If nothing else, the nudge revolution encourages the use by government of plain language; favours the design of policies that actually take account of real-world behaviour; and allows the testing of ideas on a small scale before wider implementation. It deserves to be pushed.

**Insights into Editorial: Make in India and renewable energy**

20 February 2016

[Article Link](#)

Among all the discussions held during the recently concluded Make in India Week, the renewable energy seminar occupied the centre stage.

- Make in India debates served as a platform to discuss and reiterate several initiatives, both domestic and international, that the government is spearheading. These range from the flagship Make in India programme to the establishment of the International Solar Alliance (ISA).
- However, experts argue that, not a single programme, but the synergies between these programmes offer the greatest opportunity for the country.

India's target:
• India’s has planned a renewable energy target of installing 175 gigawatts (GW) capacity by 2022. It was officially announced in the 2015 budget speech.
• As we approach the next budget announcement, India’s total installed renewable energy capacity stands at close to 28GW, nearly 22% of the colossal target.

Solar power potential in India:
• India has vast solar power potential, where sunshine is available for long hours per day and in great intensity.
• As per the study conducted by ministry of new and renewable energy (MNRE), India’s solar power potential is as high as 748 GW, against our country’s cumulative installed capacity from all sources at around 275 GW.

Benefits associated with the renewable Energy sector:
Given the population growth rate, India needs to create 10 million new jobs every year. On the other hand, various analyses have showed that more than 1 million full-time equivalent jobs would be created by the solar deployment industry alone, between now and 2022.
• These would include over 210,000 skilled plant design and site engineering jobs, 18,000 highly skilled jobs in business development and over 80,000 annual jobs for performance data monitoring.
• Similarly, the wind sector would create 183,500 jobs by 2022, as wind capacity increases to 60GW.

Need of the hour:
As the country prepares to scale up its renewable energy capacity, it is important to recognize the need for a skilled workforce.

Concerns:
While the job creation potential of the renewable energy sector is significant, it also brings with it the urgent and currently unmet need for skilling.
• Analysis based on survey responses from 40 solar companies in India highlights the current unavailability of appropriately skilled manpower for construction and commissioning of solar units as a significant challenge to the solar industry.
• Similarly, wind sector respondents suggested that the current skilling programmes needed to be made more relevant and accessible, such that companies are assured of the high quality of training.
Skill India:
To address these issues, the government, in July 2015, launched **Skill India Campaign**. It aims to skill 400 million people by 2022.

- To address the skill gap in the renewable energy sector, the ambitious renewable energy target of the country can be interlinked with the Skill India initiative.
- Under this, it will be crucial to develop standardized training programmes that can be implemented through institutes around the country, with training institutes being set up in areas with the most renewable energy potential and upcoming capacity.

Way ahead:
- It is time for India to focus on **increasing domestic manufacturing** in India and have **end-to-end solar manufacturing** in the country.
- Experts predict that solar manufacturing in India is likely to get significantly cheaper in the next 18 months. Strengthening domestic manufacturing of solar panels and wind turbines, at competitive prices, would further the objectives of the Make in India initiative, while also providing an impetus to the solar and wind industry.
- Skilling for research and product development would also be essential to achieve the renewable goals.
- Also, as several new entrepreneurs enter the market, both to manufacture and deploy renewable energy capacity, it will become interesting to view the synergies between the Start-up India initiative and the country’s renewable energy targets.
- To achieve the targeted capacity, it is also imperative that an environment is cultivated which induces confidence in investors to invest in this sunrise sector. This necessitates development of a prudent policy framework, which is ably supported by regulatory commitments with respect to honouring all the contractual agreements.

International Solar Alliance (ISA):
India’s recent pioneering effort to initiate the formation of ISA brings together 121 solar-rich countries on a common platform for cooperation to significantly augment the development, deployment and generation of solar technologies and power.
While ISA will be an international organization, it has several shared focus areas with current domestic initiatives. One of the key pillars of the ISA work-plan is to facilitate capacity building for promotion and absorption of solar technologies and R&D among member countries.

This resonates with the objectives of the Skill India initiative, as well as India’s domestic solar target.

While the focus of ISA is going to be global, India’s domestic solar sector could benefit significantly from its recommendations and capacity building initiatives.

Conclusion:
The time for transitioning to an energy future that has a significant component of renewable energy has come. The political support being extended to this sector is unprecedented. It is now that synergies that have been identified between the various ongoing initiatives offer the opportunity to support the scaling up of renewable energy, with access to high-quality and relevant training programmes, as well as support to the domestic solar and wind manufacturing market, both of which will play an important role in determining the pace of the renewable energy scale-up in India.

Insights into Editorial: Pros of a spot gold exchange in India

22 February 2016

Article Link

India is the world’s second largest gold consumer with an annual demand of nearly 1,000 tonnes. In spite of this, the country lacks many key elements of an efficient gold ecosystem.

Problems with the Indian gold market:

- The gold market here is plagued by fragmentation.
- Prices vary significantly across channels and locations.
- The quality of gold also varies widely.
- Jewellery rather than gold bars, gold coins, or gold-linked financial products, still dominates retail demand.
- Large jewellers and traders mostly import refined gold from international markets, such as Dubai, causing loss of economic value and jobs in India.

What can we learn from other countries?

With the global gold market shifting from the West to the East, many Asian countries, such as Turkey, China, Singapore, and the UAE, have set up global-scale physical infrastructure for refining, storage, transport, trading and financing of gold to cater to the spurt in demand in the region.

Gold exchanges and related infrastructure set up by these countries have greatly enhanced the efficiency of their gold markets by way of:

1. Efficient price discovery.
2. Quality assurance.
3. Active retail participation.
4. Use of gold bars and gold coins.
5. Use of gold-linked financial products instead of jewellery for investment purposes.
6. Greater integration with financial markets through gold leasing and lending.

Key facts on Indian gold market:

- Large players in the country procure gold directly from miners and traders in overseas gold hubs, often at a discount to the benchmark London Bullion Market prices.
- Medium and small jewellers mostly depend on large players for supply of gold and face significant cost disadvantage.
- Resellers are a significant source of gold for jewellers and refiners. However, there is no transparency in the activities associated with reselling of gold into the market.

How can we improve India’s situation?

According to a survey conducted by the India Gold Policy Center at IIM Ahmedabad, a national-level spot exchange would address the above mentioned problems and benefit stakeholders through transparency in pricing and standardization.

- The survey also found that most of the small jewellers are keen to source gold through a gold exchange and, surprisingly, some large players too.

How can we improve the situation?

- Establish a domestic and an international exchange which would allow two-way trading in physical gold and also provide derivative products for hedging.
- The Exchange could also include **gold vaulting facilities** set up by experienced promoters, **logistic arrangements** to achieve next day delivery across the 21 major locations in India, and mechanisms for **quality assurance and standardization** of gold.

- The Exchange should also offer **domestic spot gold contracts** and **global spot gold contracts** denominated in US dollars based on delivery outside the domestic tariff area.

- Within the constraints of capital control regulations, both the domestic and global contracts on the Exchange must be open to the widest range of participants.

- All domestic entities and foreign portfolio investors should be allowed to trade in domestic contracts.

- Gold lending and borrowing mechanism (GLBM) should also be put in place.

**What should the government do?**

As in other Asian nations such as China, investment grade gold traded on the exchange should be exempt from indirect taxes such as VAT and GST, but should be subject to a Commodity Transaction Tax (CTT).

High standard of governance is the key if the Exchange is to aspire for leadership in Asian gold markets. These governance measures would include:

- An India-responsible gold policy.
- World class gold quality assurance.
- Risk management.
- High quality clearing and settlement.
- Regulation and supervision by a credible regulator such as Securities and Exchange Board of India.

**Things to be considered while setting up these exchanges:**

- Ideally, the Exchange must be promoted by **neutral players** (e.g. existing commodity, stock and derivative exchanges; banks; and other financial entities) instead of participants in the gold industry (e.g. jewellers, refiners and traders) because of conflict of interest.

- **Partnership with gold markets in Singapore, London and Shanghai** can also be considered.

- **Minority equity participation by multilateral financial institutions** such as the Asian Development Bank and the BRICS bank, and technical collaboration with
professional bodies such as the London Bullion Market Association would be also valuable.

Way ahead:
The Exchange would be economically feasible if it drew a minimum trade quantity of about 100 tonnes a year, which appears quite feasible, given the annual demand of about 1,000 tonnes in India and that there are many segments of the gold market that are underserved by the existing market structure. Once the Exchange is set up, the participation balloons and vibrant contracts in the Exchange become the dominant forum for price discovery and investment in physical gold.

Conclusion:
An Exchange in India would help much to create a vibrant gold ecosystem matching India’s large share of global gold consumption, leading to efficient price discovery, assurance in the quality of gold, active retail participation, greater integration with financial markets, and greater gold recycling. It would also boost the gold monetization efforts of the centre through transparency and standardization of the gold market.

**Insights into Editorial: Tax agri income for the benefit of small farmers**

23 February 2016

[Article Link](#)

Taxing agricultural income has been an emotive subject in the Indian context. However, taxing agricultural income at minimal rates of about 5% can help rather than hurt our poor farmers.

**Background:**
Given the importance of access to finance, the policy in India has been to compel banks to lend to the underserved.

- However, access to formal finance remains a challenge even after decades of implementation of such policies. This demonstrates that such coercive policies have borne little fruit.
- Also, the burgeoning problem of farmer distress in India despite the existence of the priority sector lending programme for more than three decades is a case in point.

**Why tax agriculture income?**
A large portion of Indian farmers are illiterate or semi-literate and they do not maintain systematic books of accounts regarding their production and income. Hence, assessing their true income or income-earning potential becomes an onerous task for the bank loan officers.

- So, often bank loan officers in India rely on informal networks created by social affiliations in order to elicit information about the borrowers.
- This provides opportunity to only those borrowers who are connected to the loan officers. Only these people obtain optimal credit.
- Besides, loan officers are rotated every three years. This makes matters worse from a borrower’s point of view. Various studies have shown that a new loan officer entering a branch after job rotation restricts credit to borrowers who borrowed from the previous loan officer.

**How tax on agriculture helps?**

- Taxing agricultural income can improve access to finance to a large section of farmers because verified income tax returns can provide a credible signal of the earnings potential of a farmer.
- Such verifiable information can help to separate conscientious and productive farmers from the unscrupulous or unproductive farmers. Such separation can be very useful in not only enabling access to finance but also entered using the cost of credit borne by farmers.
- Taxing also helps banks to carefully eliminate strategic defaulter intending to exploit the lax enforcement standards prevalent in the country.
- Well-directed agricultural loans would not only enhance agricultural productivity, but also hasten the movement of unproductive agricultural workers to the manufacturing sector.

**How taxing helps both small and big farmers?**

Suppose both farmers file income tax returns every year. In this case, the big farmer can present his income tax return to the loan officer in order to demonstrate his earning potential. In the case of small farmers, income tax returns can provide a reasonably credible measure of earnings potential because they would neither have the high income nor the incentives to hide such high levels of income.
With this, now the loan officer too has a credible basis to distinguish between the borrowers. More importantly, the borrower need not depend on a particular loan officer or a particular bank.

This also improves the bargaining power of the borrowers by enabling them to tap multiple sources for financing.

**Concerns:**
There could be a concern that the imposition of tax could lead to credit flowing only to big farmers as they have higher income to show. However, researchers have shown that loan officers can easily infer the true income of large borrowers even when tax records do not present a true picture. Hence, large farmers are less credit constrained.

But, in case of small farmers, the loan officer cannot assess true income without carefully analysing credible evidence. Income tax return can be one such evidence.

**Conclusion:**
Thus, rather than listening to the powerful lobby of rich farmers, the government should seize the opportunity to benefit the small farmers by taxing agricultural income at minimal rates of about 5%. If this issue is not taken care of immediately, it would lead to low agricultural productivity and high default rates on agricultural loans leading to farmer distress.

**Insights into Editorial: What Apple versus FBI means for India**

*24 February 2016*

[Article Link](#)

The ongoing tussle between FBI and Apple in the US has generated mixed reactions among experts across the world.

**What happened?**
It all started when the FBI sought access via a court warrant to the locked iPhone of Syed Rizwan Farook — a U.S. citizen who in December 2015 killed 14 people and injured scores in a mass shooting in San Bernardino, California. But, Apple has challenged the court’s order and has refused to provide the information.

**What has the court ordered?**
The US court has asked Apple to provide “reasonable technical assistance” to investigators — which means help bypass an auto-erase function that gets activated when the wrong pin or password is entered for a fixed number of times.

- The court has also asked Apple to allow FBI to submit unlimited passcodes via a computer, a programme or whatever protocol they determine and ensure that the Apple software doesn’t purposely add any additional delay between password attempts to unlock the device.
- Apple is also required to load a specific iOS recovery file on to the device so that FBI can recover the passcode. This version of iOS will ensure that the auto-erase function doesn’t get enabled. FBI basically wants to ensure that it doesn’t spend an indefinite length of time trying to unlock this iPhone.

But, why Apple is refusing?

Apple argues that technologies that allow the FBI to force its way into the shooter’s iPhone will compromise the operating systems of all iPhones.

- It also argues that such action will set a dangerous precedent, and put consumer data at risk from hackers and cyber criminals.
- The company also believes that breaking encryption means breaking consumer trust, and putting their devices at risk from hackers and criminals. Breaking encryption once opens a Pandora’s box. Tomorrow, other governments could ask for access too, and it might not just be in cases of terrorism.
- Since smartphones contain enormous amounts of personal data, giving governments access means Apple would be giving up control over how this data is secured, something that no tech company wants.

Concerns:

This order has raised concerns among tech companies. The order challenges the heart of their business: How they keep their data safe and secure, from governments and rivals.

- Indeed, Apple’s biggest worry is about setting a precedent for similar requests in the future, from the US and other countries.

Suppose, consider if this case was between Apple and the Indian investigating agencies. Then, it would have been really difficult for India to obtain the information. Why?

- Apple is not an Indian company and can refuse to comply with Section 69 of the IT Act, claiming the provision violates California law (where it is based).
Apple India Private Ltd, its Indian subsidiary, is registered under the Companies Act but mostly performs administrative and financial functions.

Apple does not provide Internet services, and has no software licensing agreement with Indian telecom operators.

Besides, Indian developers whose content is featured in the App Store sign agreements directly with the parent company.

What lessons does the San Bernardino case hold for India, where Apple’s market share is less than 1%?

1. **The first lesson is for Indian regulators:**
   Find the right mix between protecting user data, while allowing law enforcement agencies to retrieve it for investigation. The U.S. does not have high data protection standards but law enforcement agencies have met with increasingly steep judicial barriers to extract electronic data. As a result, companies like Apple have been encouraged to invest in strong encryption, as the evolution of its operating system iOS shows.
   - India, on the other hand, has low data protection standards as well as low legal thresholds for intercepting information.
   - For instance, the Department of Telecommunications continues to prescribe low encryption standards for Internet Service Providers (ISPs), while subjecting them to liability for attacks on the network.
   - Such dangerous mix of low data protection standards and legal barriers against monitoring puts India alongside China.

2. **The second lesson is for Internet companies based abroad:**
   Cooperate with law enforcement agencies on legitimate requests for user data. Popular Internet applications and social media platforms in India today are all based in the U.S. or Europe, and host data in servers abroad.
   - To retrieve any information, companies like Apple would need to create a sophisticated backdoor to break encryption protocols. This is an extraordinary instance, involving a drastic solution.
   - But even in the majority of cases where law enforcement agencies can solve crimes based on information available with data giants, their compliance with government requests has been abysmal.
For instance, the Indian government in 2013 placed 3,598 requests for user data from Facebook with a 53 per cent compliance rate, while the U.S. government made nearly 12,600 requests with a compliance rate of 81 per cent.

There is simply no basis or justification for the differential treatment of compliance requests but for the fact that Facebook is a U.S.-based company.

How different is India’s position from the US?

For the reasons mentioned above and various other reasons, the Indian debate over encryption is very different from the discussion that Apple’s ongoing tussle with the U.S. Federal Bureau of Investigation (FBI) has generated.

- The ‘Apple v. FBI’ debate in the U.S. has generated much controversy because nearly half of America’s mobile users today own an iPhone.
- The Indian context is far from comparable. Most Indians, especially first-generation Internet users, own unencrypted devices.
- The competing pressures of the market have only contributed to the overall insecurity of India’s Internet infrastructure. The rush towards cheap smartphones like Freedom 251 — whose vendors could not even offer a secure website to process phone bookings — has seriously compromised the integrity of user data.
- Added to this, to secure their data and to retrieve it for investigation, Indian authorities need the assistance of foreign Internet companies, who appear more interested in bottom lines than law enforcement.

Conclusion:

There is no side to choose in this fight, since India needs its own variants of Apple and the FBI: high-security devices that protect data, and a law enforcement agency that can effectively retrieve electronic information.

Insights into Editorial: A carrot for the honest

25 February 2016

Article Link

A lot has been discussed about pros and cons of a cashless economy. However, with government’s recent plan to allow more free ATM transactions, this topic has once again come to the fore.
Few experts argue that instead of encouraging more free ATM transactions, the government should rather bring in policies that encourage cashless transactions.

ATM transaction does have merit, since withdrawing money from ATMs costs banks less than encashment at bank branches. But it is about time a real comparison was made of debit card usage at ATMs and in electronic transactions and direct policy moves suitably.

What exactly is a cashless economy?

It can be defined as a situation in which the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer and Real Time Gross Settlement in India.

Benefits of cashless economy:

- Increased efficiency in welfare programmes as money is wired directly into the accounts of recipients.
- Efficiency gains as transaction costs across the economy should also come down.
- Reducing use of cash would also strangulate the grey economy, prevent money laundering and even increase tax compliance, which will ultimately benefit the customers at large.
- Usage of cashless mechanisms would also ensure that loopholes in public systems get plugged, and the intended beneficiaries are able to avail the benefits due to them.

How does a cashless economy affect the stakeholders involved in it? Take for example, the trader who sells grocery and other products:

Under the current scheme of things, the seller of goods obviously has a lot to lose by accepting the debit card (going cashless).

- For one, he stands to pay a merchant discount rate (varying from 0.75% to 1%), and this eats directly into his margin.
- More importantly, he also knows every such transaction is accounted for and, therefore, liable to be taxed.
- Suppose a sales tax concession is offered for such point-of-sale payments to go electronic as has been suggested in some quarters. Even then the shopkeeper would not be motivated — he’d much rather save the entire tax than claim a small indirect tax rebate for supporting the cashless drive.
Then, how to tackle this problem?
The immediate solution lies in giving a small incentive to the taxpayer to use his card or mobile. Nothing but “a carrot to the honest”.

- For example, the government could grant a 5% income tax rebate for taxpayers who make more than 85% of their payments in cashless mode. The required percentage of cashless transactions for rebate eligibility could be even higher for very high income groups.

Then, will it not be a complex task for a taxpayer to claim a rebate?
No. A routine bank statement/certificate stating percentage of cash debits separately should suffice to claim the rebate.

- Besides, personal banking statements are already being used to show interest income accrued and tax payable/deducted.
- So administering such incentive would involve no extra burden either on the banks or the taxpayer.

Will it cause any loss to the exchequer?
As per the data on Department of Revenue’s website, Rs. 1.71 lakh crore was collected as personal income tax in 2011-12, registering an average compound annual growth rate of 14.81% for the period between 2006-07 and 2011-12.

- Applying the same growth rate, the estimated collection in 2015-16 would be Rs. 2.96 lakh crore. Assuming that the government chooses to pay 5% rebate and 25% of taxpayers qualify, the payout is still only Rs. 3,700 crore.
- Various studies have shown that the total cost for ATM operations is roughly around Rs. 18,000 crore. Even if this shift to cashless transactions were to reduce ATM transactions by just 25%, it would still save the banking sector around Rs. 4,500 crore in ATM costs alone.
- And if we were to top up these savings with a hugely conservative estimate of 1% resultant increase in sales tax/value-added tax revenues across States, that would be another Rs. 4,400-plus crore.
- Revenue-wary policymakers can even fine-tune eligibility percentages and the percentage of rebates to play it really safe.

Implications:
Since the rebate has to be earned over a year, the human tendency would be for taxpayers to switch to cashless transactions as a matter of habit.

And merchants who hesitate to honour a card will find themselves being pushed to do so.

Way ahead:
Savings in ATM subsidies could get suitably channelled to give adequate incentives for establishing an operating infrastructure in rural areas for accepting electronic payments and providing cash-out facilities.

Conclusion:
Income tax rebate for cashless transactions could well trigger a series of coordinated policy tweaks that could help boost revenues for the government, productivity for the economy and an effective infrastructure for direct benefit transfers and financial inclusion. The time is ripe for a transition to a cashless economy. But, yet a lot needs to be done before cash is eased out of the Indian economy.

**Insights into Editorial: Quantifying the caste quotas**

*26 February 2016*

[Article Link](#)

We have, in the past, observed that our political system wakes up only when the demand for reservation by a particular community turns into a violent protest. Even then, the government just confines itself to ascertaining demands of only that particular group.

- The government has never tried to re-examine the whole conundrum of reservation holistically.
- Added to this is the non availability of any data to tell who deserves preferential policies and why.

**Concerns:**
The proportion of individuals identifying themselves as Other Backward Classes (OBCs) has steadily grown over the years. The National Sample Survey Office data show that in 1999-2000, about 36% of the population fell in the self-identified OBC category. By 2011-12, this proportion had grown to 44%.
If combined with about 9% of the Scheduled Tribe (ST) and 20% of the Scheduled Caste (SC) population, the total proportion eligible for reservation comprises 73% of the Indian population.

- If new claimants to the OBC category are added to this group, easily 80% of Indians would be eligible for reservation of some kind.
- This would make it impossible for the government to provide effective benefits to this large a group. Thus, some choices within these categories will inevitably need to be made.

Why there is a need to reexamine our reservation policy?

1. **Changed external conditions:**
   Since independence, the external conditions which initially led to reservations have changed tremendously. Economic growth has resulted in a decline in poverty numbers from 37% of the population to 22%. Such development should have brought down the number of people seeking reservations, in contrast, rewards to government jobs have grown sharply.

2. **Increased popularity:**
   Wage increases associated with the Sixth Pay Commission and the expected implementation of the Seventh Pay Commission have made government jobs highly attractive. Hence, many groups historically tied to the land are now seeking favourable treatment while seeking entry into non-farm work.

3. **Increased competition:**
   In the last decade, access to government jobs has been declining for all groups. The India Human Development Survey (IHDS) by University of Maryland and National Council of Applied Economic Research shows that although in 2004-05 15.3% of men aged 22-39 with education level of class 12 or more had a regular salaried job in the government or public sector, this proportion fell to 11.7% by 2011-12.
   - This is because government jobs have stagnated while educational attainment has increased rapidly. Thus, it is not surprising that more claimants for these scarce jobs are aggressively staking their claims.

4. **Ambiguity in the reservation process:**
   Since the First Backward Classes Commission headed by Kaka Kalelkar submitted its report in 1955, several attempts have been made to identify backward castes, resulting in frequent discordance between these lists. Lack of consistency and clarity has lead to ambiguity in the
entire process of reservation, leaving communities like Jats, Marathas and Patels dissatisfied.

5. **Lack of Data:**
The problem is exacerbated by the lack of credible recent data. Since the 1931 Census, the only effort at collecting data on different castes and their socio-economic circumstances was undertaken by the Socio-Economic Caste Census (SECC), 2011. The National Commission for Backward Classes claimed, in a report dated February 2015, that these data are neither available nor usable for the purpose of establishing the economic condition of various castes.

**How can we address these problems?**

1. **Regular Surveys:**
Conduct regular surveys to identify the beneficiaries who can claim the benefits under the reservation policy. This can be achieved by including data on caste in census surveys. The present phase in the planning cycle of the 2021 Census is the ideal time for ensuring that comprehensive data about caste and religion for all the groups, including forward castes, backward castes, and SCs and STs, are included in this Census.

2. **Reevaluation:**
These data should also be used to re-evaluate the eligibility of groups for inclusion in reserved categories every 10 or at least every 20 years. Much of the social stratification in India is linked to the occupational status of the various castes.

   - With the changes in the economy, we can expect both the link between caste and occupation to weaken and the economic fortunes of various occupations to change considerably.
   - The opportunity for re-examination of the caste-wise economic status would facilitate the setting up of a structure for the redressal of grievances.

3. **Ensure wider reach:**
We must also find a way of ensuring a churn in the number of individuals eligible for benefits to ensure that these benefits reach the widest segment of society. Though the creamy layer criteria exist, it has not been very effective.

   - With the advent of the Aadhar card, one way of ensuring that the same families do not capture all the benefits is to ensure that each time someone uses their reserved category certificate, their Aadhar number is noted down and linked with the certificate.
Further, it may be stipulated that the reserved category certificate can be used only once in 20 years, thus allowing for the benefits to reach even the sections that have hitherto been excluded from their ambit.

This would ensure that the same individual is not permitted to obtain both college education as well as a government job by using the same eligibility criterion, nor can one obtain an initial posting as well as promotion using the same criterion.

Conclusion:
The key to dealing with the quota quagmire lies in shuffling people in and out of the eligibility criteria and ensuring that the benefits are not concentrated among certain groups and/or individuals. All these principles are consistent with the democratic ideals and vision of social justice envisaged in India’s Constitution. It may be possible to achieve a consensus across the political spectrum for adopting a non-political and pragmatic approach to reservations. If we expect to phase out the reservation policy 100 years after Independence, the time for finding a long-term solution is clearly upon us, and we need to act now.

**Insights into Editorial: Drug pricing: a bitter pill to swallow**

27 February 2016

**Article Link**
The government, in November 2015, formed an inter-ministerial committee to review the Drug Price Control Order (DPCO) 2013, following the Supreme Court verdict that termed the drug pricing policy as irrational and unreasonable.

**Why government’s intervention in health sector is necessary?**
With a minimum wage of Rs.250/day for a government worker in India, it is difficult for him to undergo treatment for a chronic disease like multi-drug-resistant tuberculosis with drug combinations, which works out to roughly Rs.1.2-Rs.1.5 lakh. Such expenditure amounts to nearly 4-6 years of his savings. Even managing a disease like diabetes can erode much of his monthly income.

- Health care in India remains heavily skewed against the poor. Out-of-pocket expenses can comprise up to 80% of all health financing, with 70% of health spending on outpatient treatment devoted primarily to purchasing medicines.
• Access to affordable medicines remains a significant concern; Delhi, at best, offers just 48.8% availability.
• A survey conducted by all India Drug Action Network or AIDAN, found that unskilled workers in the country need to work an hour (it’s 10 minutes in the United Kingdom) to afford basic paracetamol.

Concerns:
• While overall health care spending has held relatively steady in recent years in India, the cost of drugs has outstripped inflation — sometimes by a long shot.
• Skyrocketing costs for cancer drugs have also triggered a backlash.
• With Voluntary Licence agreements being signed between Gilead Science and 11 Indian generic drug makers, pricing concerns about critical drugs have arisen.
• The recent decision to remove customs duty exemption on the imports of nearly 70 drugs could also have a significant economic impact. With such drug treatments lasting for at least a year, critical illness is now a gold mine.

Drug pricing regime in India:
India’s drug pricing regime has evolved over the years. While the Drugs Order (Display of Prices) 1962 froze medicine pricing, the landmark Hathi Committee Report (1975) led to the Drug Policy (1978) which set up a National Drug Authority and selective price control on medicines.
• The Drug Price Control Order (DPCO), 2013, brought 348 drugs into India’s National List of Essential Medicines (NLEM) 2011, with significant exclusions made for formulation and presentation.

Loopholes in India’s drug pricing regime:
• While 358 formulations of paracetamol are under price control, over 2,714 combinations (80% of market share) are not.
• Despite price controls, the Drug (Prices Control) Order, 2013 covers only 18% of the domestic market (55% is excluded combinations of National List of Essential Medicines (NLEM) drugs, with little impact.
• Besides, as highlighted by the Supreme Court, India’s current drug pricing policies have tended to fix the maximum price of a medicine above the retail price of the market volume leader.
Also, India’s pharmaceutical industry suffers from a significant lack of competition. Given significant information asymmetry, customers often buy the priciest product to alleviate an immediate need.

What needs to be done?

- Ensure affordability. This can be achieved by effective price controls.
- Encourage a centralised procurement system, as utilised by Tamil Nadu, for purchasing drugs.
- Unethical and unfair drug selling practices, such as holiday trip offers and fancy gifts, used to influence doctors and key bureaucrats, need to be curbed.
- The NLEM should be revised every 2-3 years, with price regulation based on the therapy considered, instead of a focus on formulation.
- VAT abolishment on essential medicines can also be considered.

What can the government do?

- Create an accessible and affordable health-care system that offers scale, multi-generational permanence. This should be supported by sustainable financing mechanisms to ensure affordability.
- Along with debt financing, policy interventions like cheaper loans and tax breaks on interest payments could be tried to generate fund flow.
- Easing the Reserve Bank of India’s rules on external commercial borrowings by health-care projects can help access cheaper funds from a larger credit source.
- Insurance also can help as well. The government’s push for low cost in-patient insurance, while encouraging, should also incorporate out-patient expenses.
- Low-cost diagnostic capabilities, generic drug stores and low-frills hospitals that provide affordable care can be considered.

Conclusion:
Medicines remain overpriced and unaffordable in India. While the National Pharmaceutical Pricing Authority struck down its notification on ceiling prices for 50 non-scheduled medicines in 108 formulation/dosages, the public interest in ensuring affordable access remains. In a country mired in poverty, medical debt remains the second biggest factor for keeping millions back into poverty. With little to no availability of basic health insurance, and a preference for private practitioners, drugs engender poverty. With innovative policymaking, the troika of quality,
affordability and access can be achieved. Thus, India’s drug pricing regime remains ripe for change.

Insights into Editorial: Get down to business
29 February 2016
Article Link

Today, India has a more market-centric economy; there is a high degree of openness to foreign investment; business decisions are taken mainly on commercial considerations and the ability to compete in the marketplace; capital and technology move globally in search of friendly and salubrious environments. This has all been possible only because of timely interventions by successive government at the centre since 1991.

- Coupled with this growth, the ease of doing business becomes an important consideration for those looking for investment opportunities in the country.

Ease of Doing Business:
Given the global interest, the World Bank group took up the task of mapping “ease of doing business” across the world 13 years ago.

- “Doing Business: Measuring Regulatory Quality and Efficiency”, the annual report of the Bank, evaluates regulations that enhance business activity and those that constrain it.
- It studies 11 areas of the life of a business. These cover the spectrum from starting a business, obtaining necessary permissions, getting credit, protecting minority investors and taxes to enforcing contracts and resolving insolvency.
- Presenting these indicators in quantitative terms, it compares and ranks 189 economies from one to 189.
- A high ease-of-doing-business ranking (say, one) implies that the regulatory environment, relative to other countries, is conducive to the starting and operation of a local firm.

How has India been performing?
The Union government has, over the years, done a fair amount of regulatory easing to encourage those who are planning to invest in the country. However, India has not been able to make it to the top.
India is one of the fastest growing economies in the world. The high potential driven by a robust middle class, cost competitiveness and a large talent pool makes it one of the most attractive destinations.

Yet, according to the World Bank’s report for 2015, it was ranked 142 out of 189 countries in the overall ease of doing business index. This put India lower than the other BRICS and substantially lower than China.

However, the new government at the centre has been aggressively focusing on this aspect, with a view to re-energising the economic engine. As a result, the index ranked India 130 — up 12 places — in the 2016 annual report.

This is by no means a small achievement for a large economy and was made possible by electricity reforms, making starting a business easier, etc.

Way ahead:
Buoyed by the improvement, the government is now aspiring to be in the first 50 countries over the next few years.

However, before assessing whether India can achieve this goal or not, it would be necessary to look at the components of the index.

As can be expected, little less than half of the parameters such as construction permits, electricity connection, registration of property, etc, fall within the domain of state governments.

The others — starting a business, paying taxes, enforcing contracts, insolvency, protection of investors, etc — fall directly or indirectly within the purview of the Union government.

So, what can be done to improve the situation?

It is now widely understood that the Union government alone cannot achieve the desired target. It has to be a collaborative partnership between the states and the Centre. The government needs to genuinely partner with the states — or, at least, some of the key ones — to deliver last-mile connectivity to facilitate operations on the ground. The hackneyed idea of a single window may still be worth re-visiting.

The country’s performance is not good in areas such as contract enforcement, payment of taxes and handling insolvency. The government should pursue legislative changes in all these areas to improve the playing field.
The unusually high ranking that India gets for investor protection is evidence of the robust regulatory architecture and maturity of the Securities and Exchange Board of India. What this also shows is that getting to the upper end of the league tables is not very difficult if the institutional machinery is empowered and effective.

There are also some binding constraints including land, taxation, contract enforcement and resolving insolvency. The Union government is already focusing on policy and legislative changes in each of these areas. However, what remains to be seen is the implementation of the good intentions of the government. The best policies very often get reduced to nought if the implementation is not in harmony with the broad objectives of the stated policy.

The interface with government needs to be reduced or minimised. More importantly, it should be through an electronic format, which would make it more transparent and less burdensome in terms of time and money.

Lastly, the staff and officers who handle these initiatives need to be chosen with care and given the right orientation. Needless to say, the front office of any organisation forms the first and most lasting impression on the minds of those at the window.

Conclusion:
A favourable business environment is a sine qua non for a healthy economic landscape. The ease of doing business index is only a measuring tool; genuine improvements are critical which, in any case, will be rewarded by stakeholders. It is immaterial if the efforts receive a renewed thrust in the budget or outside of it.