

CURRENT AFFAIRS

19 August 2022



FISCAL POLICY

'Big-bang privatisation of banks can be harmful'

RBI officials flag PSB focus on inclusion

PRESS TRUST OF INDIA
MUMBAI

Big-bang privatisation of public sector banks (PSBs) can do more harm than good, authors of an article in the latest RBI bulletin have warned, asking the government to take a nuanced approach on the issue.

While private sector banks (PVBs) are more efficient in profit maximisation, PSBs have done better in promoting financial inclusion, they said in the article.

"Economic thinking has come a long way to acknowledge that a more nuanced approach is required while pursuing [privatisation]," they wrote. A gradual approach to privatisation could ensure that a void was not created in fulfilling the



social objective of financial inclusion and monetary transmission, they added.

Evidence suggested that PSBs were not guided by profit maximisation alone and had integrated the desirable financial inclusion goals in their function, they pointed out. The Reserve Bank said the views expressed in the article were of the authors and did not represent that of the central bank.

Types of Disinvestment

- ✓ A **minority disinvestment** is one such that, at the end of it, the government retains a majority stake in the company, typically greater than 51%, thus ensuring management control.
- ✓ A **majority disinvestment** is one in which the government, post disinvestment, retains a minority stake in the company i.e. it sells off a majority stake.
- ✓ **Privatisation** is a form of majority disinvestment wherein 100% control of the company is passed on to a buyer.

INFLATION

‘Elevated inflation needs apt policy reply’

Imported inflation, pending pass-through of input costs by producers remain risks, write RBI officials

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Monetary authorities will need to take necessary policy actions to tame inflation as it remains above the target range even though it has eased slightly, Reserve Bank of India (RBI) officials wrote in an article on the ‘State of the Economy’ in the August edition of the RBI Bulletin.

“Inflation has edged down, but its persistence at elevated levels warrants appropriate policy responses to anchor expectations going forward,” the officials wrote.

Observing that global growth prospects had turned gloomier over the month, they said the easing of supply chain pressures and the recent ebbing of commodity prices were providing some breather from



Fair wind: The festival season should boost consumer demand including rural as sowing picks up, say RBI officials. ■ REUTERS

record high inflation.

“In India, supply conditions are improving, with the recent monsoon pick-up, strong momentum in manufacturing and a rebound in services. The onset of festival season should boost consumer demand, including

rural, also as sowing activity picks up. Robust central government capital outlays are supporting investment activity,” they wrote.

“Amidst somewhat mixed signals being emitted by high frequency indicators, perhaps the best word to de-

scribe the state of domestic economic activity relative to the rest of the world is resilience,” the officials, including Deputy Governor Michael D. Patra added.

Emphasising that inflation had eased in July by 30 basis points from June and by 60 basis points from the average of 7.3% for Q1:2022-23, they said “this has validated our hypothesis that inflation peaked in April 2022”.

“For the rest of the year, the RBI’s projections scent a steady easing of the momentum of price changes.

Stating that this was a decisive point in the inflation trajectory, they stressed that “imported inflation pressure points remained the overarching risk, followed by pending pass-through of input costs if producers re-

gained pricing power”.

Noting that after Q1: 2023-24, the task before the MPC would be to guide inflation to its target of 4%, they said this would likely prove even more arduous than slowing inflation to a level below 6% and into the tolerance band (of 2-6%).

Capital flows return

On a positive note, the officials highlighted the return of capital flows after a hiatus, when the appetite of portfolio flows to emerging economies had deteriorated as the dollar appreciated in step with the U.S. Federal Reserve’s policy tightening.

“India is cautiously returning to be the flavour of this season’s portfolio flows, with inflows of \$5 billion up to August 12,” they wrote.

Monetary Policy Committee

- ✓ Section 45ZB of the amended (in 2016) RBI Act, 1934, the central government is empowered to constitute a six-member Monetary Policy Committee (MPC).
- ✓ Objective: Further, Section 45ZB lays down that “the Monetary Policy Committee shall determine the Policy Rate required to achieve the inflation target”.
- ✓ The decision of the Monetary Policy Committee shall be binding on the Bank.
- ✓ MPC shall consist of 6 members:
- ✓ RBI Governor as its ex officio chairperson,
- ✓ Deputy Governor in charge of monetary policy,
- ✓ An officer of the Bank to be nominated by the Central Board,

TOPIC: IR: NEIGHBOURING COUNTRIES

BRI projects are slow, but lending rises

In the first half of 2022, China's investments and contracts in 147 countries amounted to \$28.4 billion

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China's investments in infrastructure projects under its Belt and Road Initiative (BRI) have declined while Beijing's short and medium-term assistance to partner countries, some of which are dealing with rising debt levels, is increasing, according to recent research highlighting a shift in China's approach to overseas lending.

Belt and Road Initiative:

- ✓ More than 100 countries signed agreements with China to cooperate in BRI projects like railways, ports, highways and other infrastructure.
- ✓ It was announced by the Chinese President Xi Jinping-led regime in 2013.

It encompassed five kinds of activities:

1. Policy coordination
2. Trade promotion
3. Physical connectivity
4. Renminbi internationalization
5. People to people contacts.

Routes of BRI:

- ✓ New Silk Road Economic Belt: It encompasses trade and investment hubs to the north of China; by reaching out to Eurasia including a link via Myanmar to India.
- ✓ Maritime Silk Road (MSR): It begins via the South China Sea going towards Indo-China, South-East Asia and then around the Indian Ocean thus reaching Africa and Europe.

TOPIC: ENVIRONMENTAL POLLUTION

Inspect medical facilities given to Kerala endosulfan victims: SC

Court directs Kasargod District Legal Services Authority to file report in 6 weeks

What is Endosulfan?

✓ Endosulfan is an insecticide which was first introduced in the 1950s and is commonly known by its trade name Thiodan.

It is linked to a slew of grave medical conditions, such as neurotoxicity, physical deformities, poisoning and more.

✓ It is sprayed on crops like cotton, cashew, fruits, tea, paddy, tobacco etc. for control of pests such as whiteflies, aphids, beetles, worms etc.

✓ Endosulfan is listed under both the Rotterdam Convention on the Prior Informed Consent and the Stockholm Convention on Persistent Organic Pollutants.

TOPIC: WILDLIFE PROTECTION

RENEWED PUSH

Conserving elephants in the southern edge of Western Ghats

The government has notified 1,197 sq. km. in Agasthyamalai landscape in Tirunelveli and Kanniyakumari districts as the State's fifth elephant reserve

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As a child, Gopal saw a herd of 37 elephants – yes, he counted them one by one – on the southern edge of the Western Ghats. Around 40 years later, as an anti-poaching watcher now, he remembers how the herd spent almost a day along the dry deciduous forests on the eastern slopes of the landscape, which is crucial for the long-term elephant conservation.

In a renewed effort, the Tamil Nadu government, on World Elephant Day, notified 1,197 sq. km. in Agasthyamalai in Tirunelveli and Kanniyakumari districts (most of it protected area) as the State's fifth elephant reserve. According to the 2017 census, the new reserve has about 200 elephants.

"It is one of the most significant milestones in conservation efforts for elephants," said Supriya Sahu, Additional Chief Secretary, Environment, Climate Change and Forests. The notification comes 20 years after the formation of the previous elephant reserve. "Initially, we plan to set up a conservation centre there along with a state-of-the-art rescue and rehabilitation centre with focus on research," says Ms. Sahu. This could shape up as the ones in Top Slip and Mudumalai where 'kumki' elephants are housed to drive wild elephants away from human habitations back into the forests.



Smooth passage: The Kalakad Mundanthurai Tiger Reserve plans to revive the elephant migratory paths. *SPECIAL ARRANGEMENT

"The Kalakad Mundanthurai Tiger Reserve (KMTR) administration has drawn up plans for resurrecting the elephant migratory paths and removing encroachments along the corridors within the landscape," says KMTR Field Director N. Senthil Kumar.

The plan is also to increase the camps for anti-poaching watchers and forest personnel in the forward areas and high ridges, where they can stay for four to five days. On the cards are increasing the strength of anti-poaching watchers and intensifying patrolling, removal of weeds and creation of scientifically dug trenches to avoid crop raiding, he adds.

The creation of the new

Protecting jumbos

The four reserves, spread across Tamil Nadu, aid in the long-term conservation of elephants

Name	Districts	Area (In hectares)
Nilgiris-Eastern Ghats (Nilgiri Elephant Reserve)	The Nilgiris, Erode, Dharmapuri	4,66,245
Nilambur-Silent Valley-Coimbatore Elephant Reserve (Nilambur Elephant Reserve)	Coimbatore, The Nilgiris	56,557
Periyar Elephant Reserve (Srivilliputhur Elephant Reserve)	Theni, Virudhunagar, Tirunelveli	1,24,910
Anamalai-Parambikulam Elephant Reserve (Anamalai Elephant Reserve)	Coimbatore, Tiruppur, Dindigul	1,45,723

elephant reserve comes a decade after a task force submitted a report, 'Gajah-Securing the Future of Elephants in India'. The report lists the Periyar-Agasthyamalai landscape as the southernmost part of the elephant population.

Recognising it to be one of the compact elephant habitats in the south without many human habitats, the report emphasises that it is crucial to establish connectivity with the Periyar population along the suggested Kottavasal corridor.

The report also suggests the acquisition of defunct estates in the heart of the elephant habitat (as in Meghamalai) and underscores the need for strengthening protection. According to estimates, the Periyar-Agasthyamalai landscape has an

estimated 2,000 elephants (in 2010) distributed across 6,000 sq. km.

It comprises the southern part of the Periyar plateau, and its eastern spur, the Srivilliputhur-Meghamalai Tiger Reserve, the Achankovil Valley, Agasthyamalai and the Mahendragiri hill ranges on the southern side.

Connecting corridor

The landscape on the northern side is probably the most intact elephant range in southern India. But human settlements, cultivation and the movement of heavy vehicles along the Madurai-Kolam National Highway 208 have cut off the habitat's contiguity to a large extent between the Agasthyamalai landscape and the Periyar plateau, according to a study done by Asian Nature Conservation Foundation in 2011.

Therefore, about 250 elephants ranging in the southern part of the landscape are almost isolated from the larger landscape on the northern side, it says. Furthermore, at the Periyar Tiger Reserve which has a big population of elephants, the sex ratio at the adult stage was extremely skewed: 1:100. It changed marginally to 1:80 during 2005, the study reveals.

If the southern part of the landscape could maintain a normal sex ratio (1:2 or 1:3), re-establishing the habitat's contiguity between the northern and southern part would enhance the gene flow or reduce the consequences

of inbreeding, the study notes.

Besides, the landscape is the only source of water for the southern parts of Tamil Nadu and Kerala. Therefore, an integrated landscape approach and linking parts of the north and south of the landscape through wildlife corridors is essential for long-term conservation of elephants and biodiversity and to safeguard the economic growth of thousands living around the landscape.

Activists, meanwhile, point to the reduced funding for Tamil Nadu from Project Elephant in the past 10 years, compared with Kerala and Karnataka, and the need to vigorously pursue more funding to secure elephant corridors, at least in the high conflict zones.

Back in the pristine forests of Kalakad, Selvaraj, a forest guard, goes on his regular beat along the edges of the shola forests as it rains heavily through a day in the middle of August. He has been protecting the KMTR for over three decades. He knows most of the elephant herds, their terrains, migration patterns and identifies new herds from Kerala as well.

"The elephants usually live in the shola forests in the upper reaches. When it rains, they come down in herds to avoid insect bites and camp in the foothills for a few months. When the sun shines, they climb up the mountains again. It is such a delight to watch the elephants in the wild," he says.

Agasthiyamalai biosphere reserve.

- ✓ ABR is situated at the southern-most end of the Western Ghats and spread over two southern states Kerala and Tamil Nadu.
- ✓ It is named after the Agastya Mala peak that rises up to almost 1868 metres above sea level, in Thiruvananthapuram, Kerala.
- ✓ In March 2016, it was included in the World Network of Biosphere Reserves of UNESCO.
- ✓ It covers Peppara and Shendurney wildlife sanctuaries and parts of the Neyyar sanctuary in Kerala and the Kalakad Mundanthurai Tiger Reserve of Tamil Nadu.
- ✓ It is home to the Kanikaran tribe, one of the oldest surviving ancient tribes in the world.

A big lineup of events for Madras Day

There will be an interview with Chess legend Manuel Aaron, and a tribute to S.P. Balasubramanyam

- ✓ Madras Day is celebrated on August 22, 2022. Madras Day is a day of celebrations organised in the city of Madras, the capital city of the Indian state of Tamil Nadu.
- ✓ It commemorates the founding of the modern city by establishing Fort St George on a small piece of land acquired from the last King of Chandragiri in 1639 by the British East India Company.



THANK YOU

