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# PRE-Cure

*(Relevant Current Affairs for UPSC Civil Services Examination)*

Weekly Compilation

*for*

**3rd Week of**

**August 2020**

*(17th August - 22nd August)*

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# 1. Economy

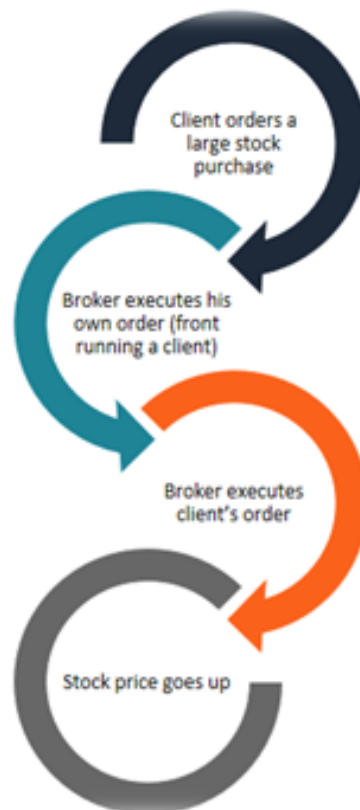
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## 1.1. "Front Running"

**What's the news?**

- Securities and Exchange Board of India (SEBI) has asked for barring of 27 entities from the capital market for being connected to a case of front running.

**What is Front Running?**



- It is the practice by market-makers of dealing on advance information provided by their brokers and investment analysts, before their clients have been given the information.
- It is a prohibited practice.
- It involves entering into an equity trade, option, futures contract, derivative, or security-based swap to capitalize on advance, nonpublic knowledge of a large pending transaction that will influence the price of the underlying security.
- It is also known as tailgating.

**Connection with Insider Trading**

- Front-running is also used in the context of insider trading, as when those close to the CEO of a firm act through short sales ahead of the announcement of a sale of stock by the CEO, which will in turn trigger a drop in the stock's price.

## Concerns

- It increases the cost of acquisition of shares or reduces the sale price for the concerned fund house or institution.
- It impacts the interests of common investors invested in the institution as it jacks up their buy price or reduces the sell price for a security in the fund's portfolio.
- It disturbs market equilibrium and normal price discovery.
- Erodes the trust of retail investors in the market forces and regulators.

## 1.2.NIPL (NPCI International Payments Limited)

### What's the news?

- The National Payments Corporation of India (NPCI) has announced the launch of its wholly-owned subsidiary, NPCI International Payments Limited (NIPL), to popularise domestic payments technologies such as UPI and RuPay abroad and co-create payment technologies with other countries.

### What is the purpose of NIPL?

- It is tasked with the responsibility of exporting NPCI's indigenously developed offerings and technological acumen to foreign markets.
- The primary focus of NIPL would be internationalisation of RuPay and UPI, along with a few more offerings of NPCI.

### Competition for NPCI

- Reserve Bank of India has asked that any new umbrella organization for retail payments on the lines of the National Payments Corp. of India (NPCI) must have a minimum paid-up capital of ₹500 crore and strive for inter-operability with NPCI systems.
- Such organizations are expected to challenge the monopoly of NPCI, which was floated by the RBI and the Indian Banks' Association (IBA) in 2008.
- In February, the RBI had released draft guidelines for such organizations, looking to reduce concentration risks in the space dominated by NPCI.

### Scope of activities for the New Umbrella Entities

- Under the terms set out by the central bank, the scope of activities of this umbrella entity will be to:
  - ✓ Set up, manage and operate new payment systems in the retail space.
  - ✓ Operate clearing and settlement systems for participating banks and non-banks
  - ✓ Interact and be interoperable, to the extent possible, with the systems operated by NPCI.

### NPCI

- NPCI was incorporated as a not-for-profit company under the provisions of the Companies Act to provide infrastructure to the entire banking system in India. The 10 core promoter banks are SBI, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC.

## 1.3. India and its Economy

ANNAPURANI. V

STATISTALK

### The journey since independence

In the 73 years since independence, India has become the fifth-largest economy in nominal GDP and the third-largest in purchasing power parity. Here's a comparison of some important economic indicators to understand the progress

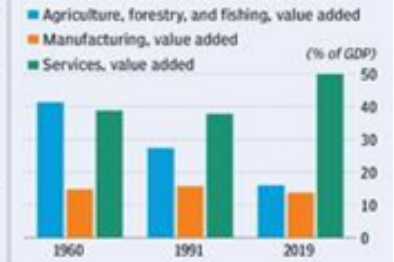
Population, literacy rate and life expectancy have grown manifold



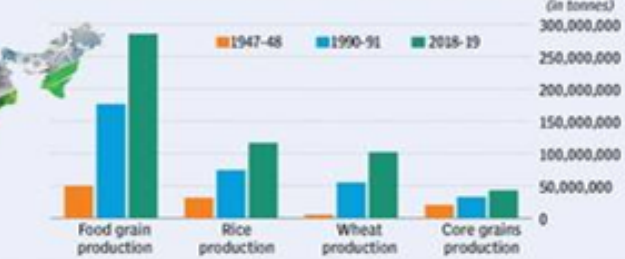
GDP surges, but growth moderates



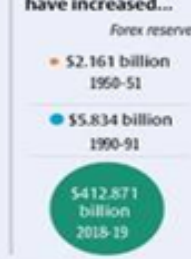
While agriculture's share in GDP declined, the share of services soared



Food grain output improves, leading us towards self-sufficiency



Forex reserves have increased...



...despite sustained trade deficit



Sources: The World Bank, Census Hand Book, RBI, news reports, Planning Commission, Shodhganga, Statistics Times, The Global Economy, United Nations

Graphic: Visveswaran V

## 1.4. IEX

### What's the news?

- IEX, the country's leading power exchange, has received approval of the Central Electricity Regulatory Commission (CERC) to launch a 'green term-ahead' market.

### What is IEX

- INDIAN ENERGY EXCHANGE LIMITED (IEX) is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates and Energy Saving Certificates.
- The Exchange is a publicly listed company with NSE and BSE.
- IEX is approved and regulated by Central Electricity Regulatory Commission (CERC) and has been operating since 27 June 2008.

### Impact of this approval

- Various state and private sector owned electricity distribution companies (discoms) and large consumers, such as cement or steel plants – which are 'obligated entities' mandated by law to buy a portion of their electricity demand from renewable sources—will now be able to discharge their 'renewable purchase obligations' (RPO) by buying power from renewable energy companies in the

exchange.

- Wind and solar companies, if they have any surplus, can offer their power in the market.
- Give recognition on a trade as 'green' power. Earlier, a wind or a solar company, if it had any surplus power could offer it in the market and claim tradeable 'renewable energy certificates' (RECs).
- But the buyer of the power, if he were an 'obligated entity', could not claim that he had met his 'renewable purchase obligation' (RPO).
- Now, if a wind, solar, small hydro or biomass energy company sells its power on the green market, it could presumably get a higher price because the buyers would be mostly the obligate entities.
- IEX would get more commission income if renewable energy companies and obligated entities flock to the exchange.

### Concerns

- A question that if there would be much energy to sell, because wind and solar companies put up their projects only after signing long term power purchase agreements.
- Power generators (renewable or otherwise) are allowed to sell for delivery within 11 days. But forward contracts are soon to be allowed, because the question whether power regulator CERC or the market regulator, SEBI would have jurisdiction over such contracts, is nearing resolution. In the latter case, it will require coordination with the SEBI.

### Types of Contracts

- Green Intra-day contracts
- Day-ahead Contingency contracts
- Daily Contracts
- Weekly contracts.
- There will be separate contracts for Solar and Non-Solar energy to facilitate Solar and Non-Solar Renewable Purchase Obligations fulfilment.

## 1.5. Gold Monetisation Scheme

### What is it

- Intended to mobilise gold held by households and institutions in the country, to facilitate its use for productive purposes, and to reduce the country's reliance on gold imports.
- It was started by the government in 2015.

### Details

- One can deposit the gold available with a person with the bank and earn interest on it.
- Gold is accepted in the form of raw gold.
- All deposits shall be made at the authorised collection and purity testing centres (CPTCs).
- CPTC will issue the depositor a receipt showing the standard gold of 995 fineness on behalf of the bank.

- Interest will start accruing on the monetary value of the gold deposited.
- The rate of interest depends on the tenure opted for by the depositor.
- The banks are free to fix the interest rates on these deposits. The interest on these deposits will be either paid in cash or in the form of gold.
- The rate of interest on such deposit will be decided by the Central Government and notified by the Reserve Bank of India from time to time.
- Where the redemption of the deposit is in gold, an administrative charge of 0.2 per cent of the value of gold on the redemption date will be collected from the depositor.
- For pre-mature withdrawals, there is a minimum lock-in period of three years for medium-term deposits, and five years for long-term deposits.
- Note that not all banks offer the GMS scheme. RBI has allowed scheduled commercial banks to offer the scheme and it is not mandatory.

### Options

- There are three options.
- One, a short-term deposit with tenure of one to three years (with a facility of rollover).
- Two, a medium-term government deposit (MTGD) can be made for five to seven years.
- Three, long-term government deposit (LTGD) for 12-15 years.
- Unlike the short-term deposits, these deposits will not be accounted for under the bank's liabilities in its books. The deposit under this category will be accepted by the banks on behalf of the Central Government.

### Benefits

- Depositing the gold now when the yellow metal is trading at elevated levels would earn you higher income as interest is calculated on the value of gold on the date of deposit.
- Sovereign Gold Bond Scheme (SGB) has a tenure of eight years whereas there are various tenures for the Gold Deposit under the GMS scheme.
- While the current interest rate on SGB is 2.5 per cent, banks offer 2.25 per cent on MTGD of GMS with seven years.
- Interest earned on SGBs is taxable under the Income Tax Act but the interest earned on GMS is not.
- One can sell the SGBs anytime in the secondary market even before the fifth year, but liquidity could be an issue.
- Under SGBs, one can invest up to a maximum of four kg gold (minimum is one gram) in a financial year. Under GMS, the minimum deposit at a time shall be 30 grams of gold, and there is no maximum limit.
- Under both the schemes is that the redemption value of the investment is linked to the market value of the gold on the date of withdrawal

### Drawbacks

- The gold deposited will not be returned in the same form you deposited.



- SGBs provide an exit option from the fifth year, MTGD deposits under GMS is locked-in for 3 years but withdrawal before maturity comes with a penalty.
- In GMS the gold to be returned will not be in the same form you deposited (especially, in case of ornaments).
- Non-availability of the scheme in banks.
- Issue of loss of weight of ornaments because of dirt, studs, etc. in there.

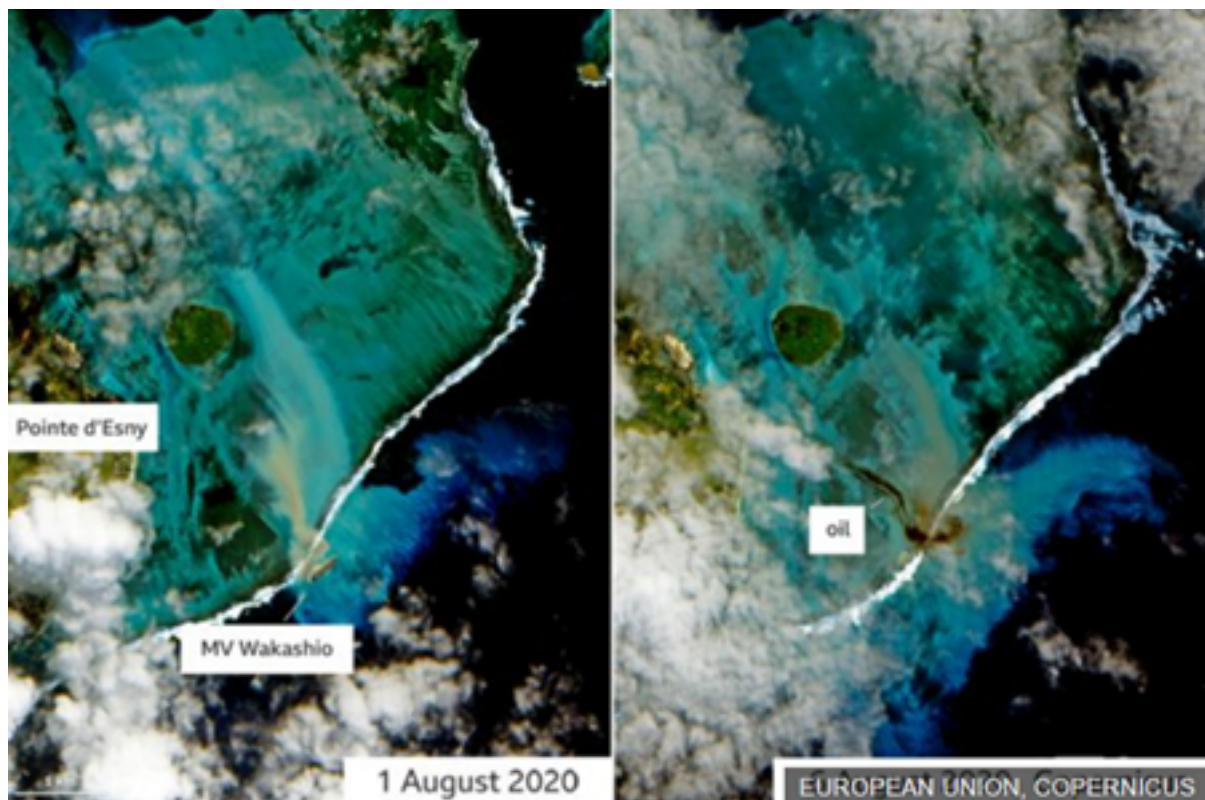


## 2. Environment

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### 2.1. Mauritius Oil Spill

- The island of Mauritius is facing an environmental emergency as a wrecked ship is leaking tons of diesel and oil into the Indian Ocean.
- The vessel ran aground in late July at Pointe d'Esny, on the eastern shores of the island nation.
- The amount of oil spilled from the Japanese-owned ship nearby the lagoons and coastal areas of south-east Mauritius is relatively low compared to the big oil spills the world has seen in the past, but the damage it will do is going to be huge and long-lasting, experts say.
- Unlike most previous offshore spills, this has taken place near two environmentally protected marine ecosystems and the Blue Bay Marine Park reserve, which is a wetland of international importance.
- So, it's the location rather than the size of the spill which is causing greatest concern about its potentially serious environmental impact.



- Mauritius is a biodiversity hotspot with a high concentration of plants and animals unique to the region.
- The wind and the water currents are not helping, they are taking the oil towards the areas that have vital marine ecosystems.

## Coral-bleaching

- One of the major concerns has been for coral reefs in the lagoon - which are sometimes called the rainforests of the sea - because of the diversity of life found in them.
- Around 25% of fish in the ocean depend on healthy coral reefs, according to the National Oceanic and Atmospheric Administration of the US.
- They protect coastlines from storms and erosion.
- Coral reefs and the marine ecosystems are the major pillars of Mauritian tourism which is a big part of the country's economy.
- The toxic hydrocarbons released from spilled oil will bleach the coral reefs and they will eventually die.

## 2.2. 'NO-GO' Forests Cleared for Coal Mining

- Since 2015, of the 49 blocks cleared for coal mining, nine were in 'No-Go' areas, or regions that were once classified by the Ministry of Environment and Forests and Climate Change as containing very dense forests and hence closed to coal mining.
- In 2020, of the 41 blocks put up for auction, 21 feature in the original No-Go list, according to the Centre for Science and Environment (CSE) study.
- A two stage e-auction is being adopted for the allocation of mines.
- The decision was part of the announcements made by the Centre under the Aatmanirbhar Bharat Abhiyan.
- Though new blocks were being auctioned, the CSE investigation, published in the organisation-owned magazine Down To Earth (DTE), pointed out that currently India was not utilising its existing capacity fully and that a Right To Information response by the Union Coal Ministry revealed that 67% of the mines auctioned since 2015 are were not operational yet.
- From 2015-2020, the government tried to auction 112 mines, but succeeded in only 42 cases.
- Several potential coal reserves are located in dense forests particularly in Chattisgarh and Madhya Pradesh.
- The government determined which of them were too ecologically important to leave untouched and which amenable to be opened up using a 'decision support system software' that rated forest lands on environmental parameters.
- In some cases, the CSE investigation found that results of the software evaluation were "tweaked" to make 'No-Go' land into 'Go-forests'.
- Forests and coal are intrinsically linked in India.
- Poorest people live in these areas, which also hold our most abundant watersheds.
- If at all we must mine coal, which itself has serious pollution implications, we need to do so after careful consideration that we have taken utmost care not to destroy forests needlessly and this means the need to optimise on current mines – not mine more.

## 2.3. Plastic Pollution in the Atlantic Ocean

- According to the International Union for Conservation of Nature (IUCN), at least 8 million tonnes of plastic end up in the oceans every year.
- It is well-known that pollution from plastic, especially smaller micro plastics, have reached the oceans and even some of the most remote corners of the Arctic.
- Even so, there is uncertainty about the magnitude of plastic pollution in marine environments and it cannot be exactly said how much pollution does plastic, especially micro plastics cause.
- A new study published in Nature Communications has estimated the amount of micro plastic pollution in the Atlantic Ocean and put it at 11.6-21.1 million tonnes, indicating that the inputs and stocks of ocean plastics are much higher than determined previously.
- In the study, scientists studied pollution of the Atlantic Ocean caused by three types of plastics: polyethylene, polypropylene, and polystyrene, which were suspended in the top 200 metres of the ocean.
- These three types of plastic are most commonly used for packaging.
- Smaller plastic particles are a hazard, the scientists note, as it is easier for them to sink to greater ocean depths and some marine species such as zooplanktons show preferential ingestion of smaller particles, making them easier to enter the food chain and their conversion to fast-sinking faecal pellets.

### Impact of Plastic Pollution

- The durability of plastic, which, on the one hand, makes the material suitable for widespread use from packaging to storing food is also a bane because it implies that plastic can take hundreds to thousands of years to decompose depending on the type of plastic and where it has been dumped.
- In the oceans, plastic pollution impacts marine life, ocean health, coastal tourism and even human health.
- Over the past few years, various news reports have shown that marine animals such as whales, seabirds and turtles unknowingly ingest plastic and often suffocate.
- One of the most popular images in the last few months was that of a dead sperm whale that washed up on a Scottish beach in December 2019 with an estimated 220 pounds of tangled debris, including netting, rope and plastic, inside it.
- While all sorts of marine species are prone to get impacted by plastic pollution, typically, bigger marine species tend to get more attention because of the amounts of debris they can hold up.
- For humans, too, marine plastic pollution is harmful if it reaches the food chain.
- For instance, micro plastics have been found in tap water, beer and even salt.
- One of the first studies to estimate plastic pollution in human ingestion that was published in June 2019 said that an average person eats at least 50,000 particles of micro plastic each year.
- Consumption of plastic by humans is harmful since several chemicals that are used to produce plastics can be carcinogenic.

- Even so, since micro plastics is an emerging field of study, its exact risks on the environment and human health are not clearly known.

## 2.4.Fly Ash Utilisation

- NTPC Ltd., a central PSU under Ministry of Power and country's largest power generation company, has developed an infrastructure at Rihand project in Uttar Pradesh to transport fly ash in bulk to cement plants, located at distance, at a cheaper cost.
- The development is in line with NTPC's commitment towards 100 percent utilization of fly ash from power plants.
- To transfer the first tranche, officials from NTPC Rihand approached East Central Railway along with leading cement producers to commence the supply of fly ash in BOXN wagons covered with tarpaulin.
- The innovation will pave the way for efficient and safer transportation of fly ash from the power plants to cement production units located at a distance in larger quantity.
- The effort marks the beginning of a new era for the transportation of fly ash from a remote location to a consumption Centre, enabling power plants for upgrading the utilization of fly ash with the availability of additional material loading avenues for Indian Railways and accessibility of fly ash to the cement plants in an environment-friendly manner at a competitive price.
- Moreover, company is looking at new avenues of fly ash management like fly ash based geo-polymer road, use of bottom ash as replacement of fine aggregate (sand) in cement concrete.
- Also, NTPC has plans to set up fly ash classifier unit for export purposes.

### Fly Ash

- Fly ash is ejected mostly by thermal power plants as byproducts of coal burning operations.
- Fly ash pollutes air and water and may cause heavy metal pollution in water bodies.
- Fly ash affects vegetation as a result of its direct deposition on leaf surfaces or indirectly through its deposition on soil.
- Fly ash in the air slowly settles on leaves and crops in fields in areas near to thermal power plants and lowers the plant yield.
- Fly ash is now being used for making bricks and as a land fill

### Composition

- Fly ash particles are oxide rich and consist of silica, alumina, oxides of iron, calcium, and magnesium and toxic heavy metals like lead, arsenic, cobalt, and copper.
- Major oxides are present are Aluminium silicate (in large amounts), silicon dioxide ( $\text{SiO}_2$ ) and calcium oxide ( $\text{CaO}$ ).

## 2.5.Ethanol Blending Programme

- The government has set targets of 10 per cent bioethanol blending of petrol by 2022 and to raise it to 20 per cent by 2030 under the ethanol blending Programme to curb carbon emissions and reduce India's dependence on imported crude oil.

- 1G and 2G bioethanol plants are set to play a key role in making bio-ethanol available for blending but face challenges in attracting investments from the private sector
- 1G bioethanol plants utilise sugarcane juice and molasses, byproducts in the production of sugar, as raw material, while 2G plants utilise surplus biomass and agricultural waste to produce bioethanol.
- Currently, domestic production of bioethanol is not sufficient to meet the demand for bio-ethanol for blending with petrol at Indian Oil Marketing Companies (OMCs).
- Sugar mills, which are the key domestic suppliers of bio-ethanol to OMCs, were only able to supply 1.9 billion litres of bio-ethanol to OMCs equating to 57.6 per cent of the total demand of 3.3 billion litres.
- Experts point out that many sugar mills which are best placed to produce bioethanol do not have the financial stability to invest in biofuel plants and there are also concerns among investors on the uncertainty to the price of bio-ethanol in the future.
- The prices of both sugarcane and bio-ethanol are set by the central government.
- An expert at a leading OMC, said the price of obtaining agricultural waste required for the production of bio-ethanol at 2G plants was currently too high for it to be viable for private investors in the country.
- The expert noted that state governments needed to set up depots where farmers could drop their agricultural waste and that the central government should fix a price for agricultural waste to make investments in 2G bioethanol production an attractive proposition.
- Experts say the government could provide greater visibility on the price of bioethanol that sugar mills can expect by announcing a mechanism by which the price of bio-ethanol would be decided.
- The impetus for bioethanol uptake was driven by government worldwide, and a target that a certain percentage of ethanol blending be done using ethanol generated from 2G plants would help boost investment in the area.