

TOPIC 1

Issue of Credit policy, Loan waivers and Farmer's Welfare

Relevancy

- GS Prelims, GS Mains paper II
- Loan waiver, Subsidised loans
- Farmer welfare
- Formal agricultural credit

Steps taken by the Government for farmer's welfare

- India's agricultural policy has improved farmers' access to institutional credit and reduce their dependence on informal credit since Independence.
- **Improved credit through banks:**
 - The government has improved the flow of adequate credit through the nationalisation of commercial banks.
 - It has also established Regional Rural Banks and the National Bank for Agriculture and Rural Development.
- **Credit programmes:**
 - It has also launched various farm credit programmes over the years such as the Kisan Credit Card scheme in 1998, the Agricultural Debt Waiver and Debt Relief Scheme in 2008, the Interest Subvention Scheme in 2010-11, and the Pradhan Mantri Jan-Dhan Yojana in 2014.
 - Increase in institutional credit:
 - There has been an increase in institutional credit from ₹8 lakh crore in 2014-15 to ₹10 lakh crore in 2017-18.
 - Of this ₹3.15 lakh crore is meant for capital investment, while the remaining is for crop loans.
 - The share of institutional credit to agricultural gross domestic product has also increased from 10% in 1999-2000 to nearly 41% in 2015-16.

Recent demands for loan waiver

- The flow of institutional farm credit has gone up.
- But the rolling out of the farm waiver scheme in recent months have gone down.
- This poses a challenge to increasing agricultural growth.
- Plus farmers residing in the less developed States are more vulnerable and hence remain debt ridden.
- The demand for a loan waiver is increasing in Punjab, Karnataka, and other States.
- This will increase as the 2019 general election comes closer.
- But writing off loans would put pressure on already constrained fiscal resources of the Government.
- It also brings in the challenge of identifying eligible beneficiaries and distributing the amount.

Not helping farmers' welfare

- A major proportion of farmers remain outside the ambit of a policy of a subsidised rate of interest.
- They also are unable to get benefits of loan waiver schemes announced by respective State governments.
- Practically, current provisions help in relief to the relatively better off and lesser-in-number medium and large farmers.
- Therefore the needy are still without having much impact on their income and consumption

Need of formal credit in India

- Studies indicate that access to formal credit contributes to an increase in agricultural productivity and household income globally.
- But in India emotional perceptions dominate the political decision quite often.
- **For example:**
 - In India 48% of agricultural households do not avail a loan from any source.

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- Among the borrowing households, 36% take credit from informal sources, especially from moneylenders who charge exorbitant rates of interest in the 25%-70% range per annum.
- **Need for formal credit:**
 - As compared to non-institutional borrowers, institutional borrowers earn a much higher return from farming (17%).
 - The net return from farming of formal borrowers is significantly greater than that of informal sector borrowers.
 - Also, access to institutional credit is associated with higher per capita monthly consumption expenditures.
 - There exists a negative relationship between the size of farm and per capita consumption expenditure.
 - Therefore formal credit helps in assisting marginal and poor farm households in reducing poverty.
 - Access to formal institutional credit also tends to enhance farmers' risk-bearing ability.
 - It may induce them to take up risky ventures and investments that could yield higher incomes.

Way forward

- **Credit policy changes:**
 - This problem can be solved if the credit market is expanded to include agricultural labourers, marginal and small land holders.
 - It is important to remake the credit policy with a focus on the outreach of banks and financial inclusion.
- **Resist loan waivers:**
 - The government and farmers should not go for loan waivers as it provides instant temporary relief from debt but largely fails to contribute to farmers' welfare in the long run.
 - This is because farmers' loan requirement is for non-agricultural purposes as well.
- **Crop protection:**
 - Governments should compensate farmers and direct efforts to protect them from natural disasters and price volatility through crop insurance and better marketing systems.
- **R&D:**

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- Government should accelerate investments in agriculture research and technology, irrigation and rural energy.
- There should be focus on the less developed eastern and rain-fed States for faster increase in crop productivity and rural poverty reduction.
- **Private investment:**
 - Public and private investments are required to grow at an annual rate of 14.8% and 10.9% in the next seven years.

Conclusion

- A diversion of money towards debt relief is in fact unproductive.
- It will adversely impinge on state finances and may dissuade lending by the banks.
- It will hence prove counterproductive to the government's broader mandate of doubling farmers' income by 2022-23.

TOPIC 2

Amendments to “Maternity Benefit Act”

Relevancy

- GS Prelims, GS Mains paper II, III
- Maternity Benefit Act
- Amendments, drawbacks

Recently

- The amendments to the Maternity Benefit Act were introduced recently.

What are the latest amendments to “Maternity Benefit Act”?

- The amendments seek to improve infant mortality rate (34 per 1,000 live births) and maternal mortality rate (167 per 100,000 live births) in Indian mothers and children.
- It has a provision of 26 weeks of paid maternity leave in lieu of 12 weeks by earlier act.
- It has provided for mandatory crèche facility for establishments with 50 or more employees.
- Amendments have provided for leave up to 12 weeks for a woman who adopts a child below the age of three months, and for commissioning mothers.
- They also facilitate 'work from home' for nursing mothers once the leave period ends.
- The latest directives will apply to all establishments employing 10 or more persons.

Drawbacks of amendments

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- The Government has placed the financial burden of implementing these measures wholly on the employers.
- The measures introduced like the crèche facility are cost-intensive.
- This increased cost burden may deter employers from hiring or retaining pregnant women.

Way forward

- **Creation of funds:**
 - Maternity benefits should be provided either through compulsory social insurance or public funds.
 - The government should create a corpus fund to partially sponsor the costs to be incurred by the employer to provide maternity benefits.
- **Reimbursement of expenses:**
 - Government should shoulder the financial responsibility of providing maternity benefits by enabling employers to seek reimbursement of the expenses incurred by them.
- **Provisions for breastfeeding:**
 - The government must find ways to ensure that working women are not forced to discontinue breastfeeding.
 - As an alternative, breast milk can be made to store it to be given to their children while they are away.
 - The only provision that needs to be provided by employers to facilitate this would be a clean and private pumping room.
- **Paternity leave:**
 - Paternity leave provision would avoid the discrimination by the private sector in employing women.
 - Fathers would be able to shoulder equal responsibility of the child care along with the mother.

TOPIC 3

What are ETFs and their benefits?

Relevancy

- GS Prelims, GS Mains paper III
- Economy, Exchange Traded Funds
- PSU disinvestment
- Types, Significance, Merits

Recently

- The Government has latched upon the ETFs route to disinvest its holdings in public sector companies.

Introduction

- The government of India has opted for Exchange Traded Funds (ETF) route to disinvest its holdings in public sector companies.
- It was earlier done via selling them off on a piecemeal basis in the market.
- The latest vehicle is the Bharat 22 ETF which houses 22 public sector companies.

What are ETFs and their working?

- Exchange Traded Funds (ETFs) are mutual funds listed and traded on stock exchanges like shares.
- Index ETFs are created by institutional investors swapping shares in an index basket for units in the fund.
- Generally the ETFs are passive funds where the fund manager doesn't select stocks on customer's behalf.
- The ETF simply copies an index and attempts to accurately reflect its performance.
- In an ETF a person can buy and sell units at prevailing market price on a real time basis during market hours.

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- Originally the ETFs tracked only the market influencers.
- But these days they have started to track different asset classes and custom-made indices as well.
- The efficacy of ETFs is measured through:
 - their returns
 - Tracking Error: It measures how closely an ETF tracks its chosen index

Types of ETFs available:

- The Indian ETF ecosystem is constantly expanding.
- There are four types of ETFs already available
 - Equity ETFs
 - Debt ETFs
 - Commodity ETFs
 - Overseas Equity ETFs

Indian ETF market

- Indian equity ETFs track the Nifty50, Nifty Next 50, Sensex 30, Nifty 100 and BSE 100, with select ETFs tracking mid-sized companies.
- Thematic ETFs are indices that reflect a particular theme or sector.
- For example, the Reliance ETF Shariah BeES tracks the Nifty 50 Shariah index are an index of companies compliant with the Islamic law.
- Debt ETFs track liquid fund returns and returns on the 10-year government security.
- Gold ETFs are an example of commodity ETFs.

Latest Bharat 22 ETF

- The Bharat 22 ETF allows the Government to park its holdings in selected PSUs in an ETF and raise disinvestment money from investors at one go.
- It tracks the specially made S&P BSE Bharat 22 Index which is managed by Asia Index Private Limited.
- This index is made up of 22 PSU stocks and a few private companies.

Significance of ETFs

- **Cost efficiency:**
 - Since they don't make any stock or security choices therefore they don't use services of star fund managers.
 - For example, Nifty 50 and Sensex 30 ETFs charge annual expenses of 0.05 to 1 per cent of their Net Asset Value (NAV).
 - This is quite low compared to the actively managed funds which charge 2.5-3.25 per cent a year.
 - Also, Open-end index funds levy 0.20-2 per cent a year.
 - The Bharat 22 ETF is exceptional as it has an expense ratio of 0.0095 per cent, for three years from listing.
- **Low Risk:**
 - ETFs allow investors to avoid the risk of poor security selection by the fund manager, while offering a diversified investment portfolio.
- **Carefully crafted:**
 - The stocks in the indices are carefully selected by index providers and are rebalanced periodically.
- **High liquidity:**
 - Lastly, the ETFs offer anytime liquidity through the exchanges.

Merits of ETFs

- Globally the ETFs have raced ahead of active funds in popularity.
- This is due to the fact that they have low fees and simple structure.
- New investors can test the waters using ETFs tracking indices such as Nifty 50 index or Sensex index.
- This is why the EPFO has chosen to route its maiden equity foray through a Sensex and Nifty ETF.

Conclusion

- ETF's are beneficial if an investor doesn't want to put all risk in one PSU.
- He can now buy a basket of them through an ETF.

TOPIC 4

Who are the Rohingyas and what is the Rohingya crisis?

Relevancy

- GS Prelims, GS Mains paper I, II
- International issues, Rohingya issue
- Aung San Suu Kyi, Muslims of Rakhine

What is the issue?

- There has been an issue of the displacement and persecution of a poor ethnic minority: the Rohingyas from the Rakhine State in western Myanmar.
- There has been a global demand for Aung San Suu Kyi to be shorn of all honours.

Who are the Rohingyas?

- The United Nations describes Rohingya as a religious and linguistic minority from western Myanmar.
- The Burmese government says they are relatively recent migrants from the Indian sub-continent.
- As a result, the country's constitution does not include them among indigenous groups qualifying for citizenship.
- Historically, the Rakhine majority has hated the presence of Rohingyas who they view as Muslims from outside.
- There is widespread public hostility towards the Rohingyas in Myanmar.
- The Rohingya feel they are part of Myanmar.
- Neighbouring Bangladesh already hosts thousands of refugees from Myanmar and says it cannot take any more.

History behind the issue

- The Rohingya issue is not just a racial or religious one.
- It has deep roots which go back to 1948 or even beyond.

- It has a geographical spread that covers the entire world.
- The causes of conflict are as social and economic as much as they are natural or religious.
- The issue's main centre point is Myanmar's Constitution of 2008.
- This constitution is a document that the Tatmadaw pledges to protect with its life and the amendment of which is one of the main objectives of the Suu Kyi-led civilian government.

Reasons for persecution of Rohingyas

- **Communal mistrust:**
 - The earliest Muslim migrants to Burma came from Persia, Arabia or India as traders adjusted well to Burma.
 - But the Rohingya Muslims of Rakhine never really well-assimilated in Burmese life.
 - The community grew mainly through immigration and exogamy due to being near to the Muslim Bengal.
 - This made the community a fragile and made them repeatedly reach out for external assistance.
 - This deepened the communal divide.
- **Religious issues:**
 - In Rakhine state, there are tensions between the Rakhine Buddhists who are the majority of the state's population, and the Rohingya Muslims.
 - In the towns bordering Bangladesh where several clashes have taken place the majority of the population is Muslim.
 - Overseas-based Rohingya rights groups have said that Rohingyas bore the brunt of the violence.
 - Rakhine Buddhists said Rohingyas were mainly to blame.
- **Terrorist groups in Burma**
 - A local terrorist outfit called the ARSA (Arakan Rohingya Salvation Army) is said to have connections with even the Pakistan-based Lashkar-e-Taiba.
 - The entire security operation by the Burmese Army this year that sparked off the mass exodus of half a million Rohingya to Bangladesh was actually triggered by the ARSA.

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- This has been called a textbook case of ethnic cleansing where 30 police outposts and one Army regiment's headquarters in Rakhine were attacked simultaneously.
- **Role of the Burmese Army and constitution:**
 - The Burmese Army or the Tatmadaw functions as a parallel establishment, with unquestioned control over the departments of defence, internal affairs and border security.
 - The 2008 Constitution guarantees it a guardianship role and places it outside civilian control.
 - No debates on defence or strategic matters and annual defence budget are ever held in plenary sessions of the Burmese Parliament.

Way forward

- It is only after its amendment of the constitution that Myanmar can look forward to emerging as a true democracy.
- Till that happens Ms. Suu Kyi has to be careful with the military as well as the Buddhist ultranationalists with whom the Tatmadaw are in alliance.
- Otherwise the Rohingyas will be in danger and also the hopes of Myanmar's 53 million people.
- It will also have ramifications for the ASEAN region and the rest of the world.

