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DAILY NEWS ANALYSIS

07 - JULY - 2022

FOREWORD

We, at Team Vedhik is happy to introduce a new initiative - "Daily Current Affairs_The Hindu" compilations to help you with UPSC Civil Services Examination preparation. We believe this initiative - "Daily Current Affairs_The Hindu" would help students, especially beginners save time and streamline their preparations with regard to Current Affairs. A content page and an Appendix has been added segregating and mapping the content to the syllabus.

It is an appreciable efforts by Vedhik IAS Academy helping aspirants of UPSC Civil Services Examinations. I would like to express my sincere gratitude to Dr. Babu Sebastian, former VC - MG University in extending all support to this endeavour. Finally I also extend my thanks to thank Ms. Shilpa Sasidharan and Mr. Shahul Hameed for their assistance in the preparing the compilations.

We welcome your valuable comments so that further improvement may be made in the forthcoming material. We look forward to feedback, comments and suggestions on how to improve and add value for students. Every care has been taken to avoid typing errors and if any reader comes across any such error, the authors shall feel obliged if they are informed at their Email ID.

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India-EU: global dynamics

Recent progress in the alliance opens up prospects of a customised partnership and mutual growth



VATSALA SHARMA & KHUSHI GUPTA

With carbon neutrality being the byword to a sustainable world, a host of countries – Norway, Sweden, the United Kingdom, France, Spain, Japan, Germany, Canada, Costa Rica, the United States, Brazil, India, and China among others – have set for themselves net-zero targets for the middle and latter part of the century.

At the forefront of the commitment to net-zero is the European Union, which wants to be the first carbon-neutral region in the world by 2050. It brought out the 'European Union Green Deal' in July last year to focus on a new growth strategy that aims to transform the EU society into a fair and wealthy one with a modern, resource-efficient and competitive economy.

CBAM: carbon-pricing system

To attain carbon neutrality, the EU has set forth immediate targets and has brought out the 'Fit-for-55' package, a communication of its 2030 climate targets. A provision in the policy plan is the introduction of Carbon Border Adjustment Mechanism (CBAM), a carbon-pricing system proposed for imports into the EU. The CBAM suggests taxing the imported goods-based difference between carbon used in the production of domestic and imported goods.

Proposed to be complementary to the EU Emission Trading Scheme (EUETS), during the transition phase of CBAM – beginning January 1, 2023 – importers will only have to report emissions embedded in the production of goods and are not obliged to pay a financial penalty. The CBAM, however, will come completely into force from January 1, 2026 and the measure will see a gradual reduction of free EUETS allowance coverage of 10 percentage points per year and a complete phase-out by 2035. In the initial phase, five CITE (Carbon Intensive and Trade Exposed) sectors such as iron and steel, aluminium, cement, fertilizers and electricity will be taxed under CBAM.

The EU claims that CBAM is intended to reduce carbon leakage, create a level playfield for EU producers and encourage producers in other countries to adopt cleaner technologies. But several discussions have cropped up around CBAM. Developing countries have raised their concern on the legality of CBAM pointing out its conflict with World Trade Organization (WTO) and the

United Nations Framework Convention on Climate Change (UNFCCC) norms, and are afraid that it encourages protectionism.

History provides several instances of conflict between domestic restrictive policies stating environmental concern and trade openness such as the Shrimp-Turtle Case and *Air Transport Association of America vs Energy Secretary Case for Energy and Climate Change*. Rulings in these cases have been in favour of environmental laws, proving that the ongoing debate is a continuation of pre-existing issues and, in the past, environment concerns have outweighed those related to trade.

Developing countries also flag the use of revenue collected from CBAM. According to the EU, revenue collected from CBAM will be a part of the EU's budget, the NextGenerationEU, a recent initiative launched to provide economic support to EU member countries impacted by the COVID-19 pandemic. Countries opposing the proposed revenue utilisation mechanism suggest that if CBAM is to be implemented, revenue collected from it should be used for cleaner technology adoption in developing countries.

India and the EU share a healthy trade relationship. The EU is India's third largest trading partner, while India is EU's 11th largest trading partner. In 2019-20, India-EU trade accounted for ₹63.8 billion (11.1% of total Indian trade) in goods, while a total of 1.9% of EU's total trade in goods in 2020 came to India. India exports almost 14% of its global exports to the EU.

Progressive steps

Recently, there has been increasing initiative from both sides to deepen engagement with each other. Talks on India-EU Free Trade Agreement (FTA) that were stalled a while ago have picked up again and are scheduled to take place in June. The target to finalise the Free Trade Agreement has been set for 2023-24.

Both India and the EU are committed to climate change, and the recent progress in India-EU alliance opens prospects of a customised partnership and mutual growth. Rather than tax on exports to EU as proposed in CBAM, India and EU can cooperate better by investing in cleaner and greener technologies in India and helping in cleaning up production in India. Such a partnership will ensure that both India and the EU have their agendas of economic growth and sustainability fulfilled, a win-win situation for both entities.

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Words from Bandung to relive in Bali and Delhi

With the Ukraine war shaping the future world order, it is time India brings a balanced outlook to its strategic policy



SUHASINI HAIDAR

Three back-to-back summits in the past fortnight have helped settle the dust on who stands where on the Russian invasion of Ukraine: the BRICS (June 23-24), followed by the G-7 summit (June 26 and 27), and then the North Atlantic Treaty Organization (NATO) Summit in Madrid (June 29). Prime Minister Narendra Modi attended the BRICS summit virtually, and then travelled to Germany for the G-7 outreach between the seven “most industrialised nations” and the special invitees this year, namely, Argentina, Indonesia, India, Senegal and South Africa. India was not a part of the NATO summit, which included an outreach to the United States’s Indo-Pacific treaty allies, i.e., Japan, South Korea, Australia and New Zealand.

In order to understand what they portend for the future global world order, it is necessary to study the messages sent out by each of these groupings against the backdrop of the situation in Ukraine. Some of the impact will be made clearer this week as India’s External Affairs Minister S. Jaishankar attends a Foreign Ministers meeting of the G-20, “the world’s largest economies”, in Bali (July 7-8), and in the next few months, when Indonesia hosts the G-20 summit in November and India takes over the G-20 presidency in December. Most importantly, how can India, that has hitherto managed a careful balancing act between all the groupings, build a movement out of this moment of deep polarisation in the world?

BRICS-G7-NATO

The Brazil-Russia-India-China-South Africa Summit hosted by Chinese President Xi Jinping in virtual format was significant as it was the first such multilateral grouping Russian President Vladimir Putin attended since February 24, 2022 (the day Ukraine was invaded), and both Mr. Xi and Mr.

Putin took aim at the unilateral economic sanctions imposed by the United States and the European Union. The fact that Mr. Modi agreed to join the summit showed India’s commitment to BRICS as an alternate grouping of economies spotlighted India’s refusal to shun Russia, and agreement to set aside the two-year stand-off with China’s People’s Liberation Army at the Line of Actual Control (LAC) in favour of multilateral meetings such as BRICS and the Shanghai Cooperation Organisation (SCO). The BRICS Beijing Declaration was a consensus document, as each member cited differing “National Positions” on the Ukraine issue. However, the BRICS economic initiatives, that Mr. Modi lauded as “practical”, contain several challenges to the western-led sanctions regime against Russia. In addition to BRICS’s New Development Bank (NDB), that has approved about 17 loans totalling \$5 billion for Russian energy and infrastructure projects, the “Contingent Reserve Arrangement” (CRA), and a BRICS Payments Task Force (BPTF) for coordination between their central banks for an alternative to the SWIFT payments system, Mr. Putin also proposed building a global reserve currency based on a “basket of currencies” and trading in local currencies. Russia also committed to providing more oil and coal supplies to BRICS countries, which will no doubt raise red flags in the West, as will the possible admission of countries such as Argentina and Iran that have applied to the BRICS mechanism.

A day after BRICS, Mr. Modi left for the G-7 Summit at Germany’s Schloss Elmau, proof, if any was required, of India’s flexibility in dealing with both sides of the conflict. In a number of statements, the G-7 (the U.S., the United Kingdom, Canada, France, Germany, Italy, Japan and the European Union) targetted Russia’s war in Ukraine and China’s economic aggression. However its outreach documents – on “Resilient Democracies” and “Clean and Just Transitions towards Climate Neutrality” – the only ones that India and other invitees signed on to, were devoid of any mentions of either.



THE HINDU PHOTO ARCHIVES

At the NATO meeting, however, there was little sign of any restraint as the group comprising the U.S., Canada and European countries committed to more NATO actions against “Russian aggression”. These included, for the first time, a reference to “systemic competition” from China as a challenge to NATO “interests, security and values”. The presence of the U.S.’s trans-Atlantic and trans-Pacific military allies at one conference sent out a clear message against a perceived Russia-China alliance. The launch of another Indo-Pacific coalition – of “Partners in the Blue Pacific” (PBP), i.e., the U.S., the U.K., Australia, New Zealand and Japan, in addition to last year’s Australia-U.K.-U.S. (AUKUS), is another signal of the U.S.’s growing focus on countries that it has military alliances with, against its adversaries. Apart from the Indo-Pacific partners at the summit, there were leaders of the five countries that have applied to join NATO, i.e., Finland, Georgia, Sweden, Ukraine (President Zelensky gave a virtual address), and Bosnia Herzegovina (its Defence Minister attended). The direct message was that NATO would no longer consider Russian sensitivities on the subject of NATO expansion.

India must lead

The outcome of all three summits points to a growing polarisation, even battle lines being drawn, between the Western Atlantic-Pacific axis and the Russia-China combine. So where does this leave India? The Narendra Modi government has committed to a singular strategy, albeit a defensive one, that does not condone Russia for its attacks on Ukraine, but one that does not criticise it either. First, India has joined China as global economies that have most increased their intake of Russian oil, and

where India continues to source fertilizer, cement and other commodities from Russia using different means, including even paying in the Chinese Yuan to circumvent sanctions. Second, India is working to diversify its defence purchases from Russia, hostilities with China are high, and a strategic tilt towards the U.S. and Quad partners in the Indo-Pacific is growing. On the multilateral stage, too, India remains a balancing voice in the room: along with Brazil and South Africa, India ensured that the BRICS Beijing declaration did not carry the Russian position on the Ukraine war or any criticism of the West, while making certain with other partners of the global South that the G-7 outreach documents carried no criticism of Russia and China.

This perilous tightrope walk, however, is unlikely to suffice as a long-term strategy. It is time for New Delhi to seize the moment for leadership in a world that is becoming increasingly uncomfortable with the growing polarisation and the disruption due to the Ukraine war. India is not alone. In Germany, Mr. Modi found common cause on this with the Indonesian President, Joko Widodo, who is trying ensure that both sides of the world attend the G-20 summit he will host in Bali in November, amid growing worries that leaders of at least nine member countries (Australia, Canada, France, Germany, Italy, Japan, the Republic of Korea, the U.K., the U.S., as well as the European Union) could stay away from sessions where Mr. Putin speaks. As the next President of the G-20, Mr. Modi also must shoulder the burden of ensuring that the G-20 stays together, and reassuring those worried by the brinkmanship of the West on one side and Russia and China on the other.

Gather the like-minded

These countries are more numerous than one can imagine. At the United Nations General Assembly, for example, a majority of 141 countries voted to castigate Russia for its invasion of Ukraine, but much fewer, only 93, voted to oust Russia from the Human Rights Council. Even more significantly, only 40 countries joined the U.S.

and Europe-led sanctions regime against Russia. This represents a large pool of independently-minded countries that do not see it in their own national interest to blandly choose one side over another. Instead of abstaining on every vote or being defensive about sanctions, therefore, India’s national interests would be better served by building a community of those like-minded countries (from South America to Africa, the Gulf to South Asia and to the Association of Southeast Asian Nations), who cannot afford the hostilities, and want to avoid the possibility of a global war at all costs. Like Mr. Widodo, who flew from Germany to Kyiv and Moscow to talk to Mr. Zelensky and Mr. Putin, Mr. Modi is amongst the few leaders today still able to speak to both sides. The group of those who can urge for sanity to prevail must grow.

Words that matter

In 1955, it was in such a similar moment that India took leadership of (along with countries such as Indonesia and Egypt at the Asian-African Conference of 29 newly independent nations, at Bandung), a conference that eventually led to the Non-Aligned Movement (NAM). “If all the world were to be divided up between these two big blocs what would be the result?” asked Prime Minister Jawaharlal Nehru at Bandung. “The inevitable result would be war. Therefore, every step that takes place in reducing that area in the world which may be called the unaligned area is a dangerous step and leads to war. It reduces that objective, that balance, that outlook which other countries without military might can perhaps exercise.”

While the Narendra Modi government has shown little interest in NAM or even in Nehruvian thought, it may be necessary to reconsider Nehru’s words in a world fraught with danger nearly 70 years later. This is the time to rethink India’s role in “growing the unaligned area” and bringing the “objective and balanced” outlook Nehru spoke of, to the forefront of India’s strategic policy, by channeling that thought from Bandung, to Bali and Delhi this year.

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P.T. Usha, Ilaiyaraaja among four picked for Rajya Sabha

Veerendra Heggade, Vijayendra Prasad are the other choices

SPECIAL CORRESPONDENT
NEW DELHI

Olympic sprinter P.T. Usha, music composer Ilaiyaraaja, philanthropist Veerendra Heggade and screenwriter V. Vijayendra Prasad have been nominated to the Rajya Sabha in the category of eminent persons nominated by the President.

In total, the President nominates 12 persons as his nominees to the Rajya Sabha – persons known for their eminence in the fields of arts and letters and public service. Of the 12, seven seats were vacant, of which four have now been filled.

The nominees are from the States of Kerala, Tamil Nadu, Karnataka, and Andhra Pradesh.

The four nominees are achievers in their own right, but their selection also reflects a southern push by the Narendra Modi government.

Ms. Usha, born in Kozhikode in Kerala, is one of India's best known track-and-field stars. She also runs the Usha School of Athletics, training young athletes. She has been given the Arjuna Award and the Padma Shri in the past.

Mr. Ilaiyaraaja from Tamil Nadu, a recipient of the Padma Vibhushan and Padma Bhushan and many awards for his music, has composed more than 7,000 songs for over 1,000 films (mainly in southern India), and has



P.T. Usha and Ilaiyaraaja

more than 20,000 concert performances to his credit.

Sivaji Ganesan (1982-86), Vyjayantimala Bali (1993-99) and “Cho” S. Ramaswamy (1999-2005) are the other Tamil film personalities who had served as nominated members of the Rajya Sabha.

Mr. Heggade has been the *Dharmadhikari* (custodian) of the Dharmasthala temple in Karnataka from the age of 20.

A philanthropist, he runs the Shri Dharmasthala Manjunatheswara Educational Trust, which provides education through more than 25 institutions. He was awarded the Padma Vibhushan in 2015.

K.V. Vijayendra Prasad, who is from Andhra Pradesh, is the noted screenwriter behind the blockbuster movies *Baahubali* and *RRR* that have made waves in India and abroad.

Prime Minister Modi congratulated all four and cited

their contributions in their respective fields.

“The remarkable P.T. Usha Ji is an inspiration for every Indian. Her accomplishments in sports are widely known but equally commendable is her work to mentor budding athletes over the last several years.”

“The creative genius of Ilaiyaraaja Ji has enthralled people across generations. His works beautifully reflect many emotions. What is equally inspiring is his life journey – he rose from a humble background and achieved so much,” Mr. Modi tweeted.

For Mr. Heggade, the Prime Minister said he was at the forefront of outstanding community service.

Praising Mr. Prasad, Mr. Modi noted that he had been associated with the creative world for decades and his work showcases India's glorious culture and has made a mark globally.

(With PTI inputs)

A 'no' to pharma freebies, a 'yes' for public good

The recent Supreme Court judgment should be applied to other unethical practices and expenditure out of public funds



VINEET KOTHARI

The judgment by a two-judge Bench of the Supreme Court of India in *M/s Apex Laboratories Pvt. Ltd. vs Deputy Commissioner of Income Tax, Large Tax Payer Unit-II*, on February 22, 2022 has struck a blow for public good.

Justice Uday Umesh Lalit and Justice S. Ravindra Bhat dismissed the Special Leave Petition by Apex Laboratories to claim deduction on freebies given to doctors. Upholding a decision by the Madras High Court, the Bench said that the act of pharmaceutical companies giving freebies to doctors is clearly 'prohibited by the law'. Further, it cannot be claimed as a deduction under Section 37(1) of the Income Tax Act, 1961.

The judgment will go a long way in checking unethical and illegal practices in the pharma sector which has become so out of reach for the common man.

A case of misuse

Repelling the contention of the company by S. Ganesh, Senior Counsel, Justice Ravindra Bhat said that pharmaceutical companies have misused a legislative gap to actively perpetuate the commission of an offence of giving freebies to doctors to promote their brands, even though this was prohibited in the law framed by the Medical Council of India (MCI). In the said case, the company was giving out freebies to doctors in or-

der for them to create awareness about a health supplement it was manufacturing called Zincovit.

The judge said that in the process of interpretation of the law, it is the responsibility of the court to discern the social purpose which the specific provision subserves. The judgment said: "Thus, pharmaceutical companies' gifting freebies to doctors, etc. is clearly 'prohibited by law' and not allowed to be claimed as a deduction under Section 37(1). Doing so would wholly undermine public policy. The well-established principle of interpretation of taxing statutes – that they need to be interpreted strictly – cannot sustain when it results in an absurdity contrary to the intentions of the Parliament."

Upholding the Central Board of Direct Taxes (CBDT) circular dated August 1, 2012, and applying it to the case, the Court also cited and relied upon Regulation 6.8 of the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 framed under the Medical Council Act, 1956, now repealed and substituted by the National Medical Commission Act, 2019. The Court also highlighted *Quereshi* (2007) 2 SCC 759 and *Commissioner Of Income Tax vs Khemchand Motilal Jain* to show that the assessee was not a wilful participant in any offence or illegal activity prohibited by law.

While overruling the Income Tax Tribunal's view in the case of *PHL Pharma* (2017) and *Max Hospital* (2014) ILR 1 P. 620, the Court held that Regulations 2002 did apply to pharma companies also. Further, they could not be allowed to perpetuate the illegality of violations of norms by doctors. Invok-



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ing the principle of implied condition, the Court relied on the precedents in the case of *P.V. Narasimha Rao* (1998) 4 SCC 626 under the Prevention of Corruption Act, and *Jamal Uddin Ahmad* (2003) 4 SCC 257 under the Representation of the People Act.

Laying emphasis on the fiduciary relationship between doctor and patient, the Court noted that a doctor's prescription is considered as the final word on medication by the patient even if the cost of such medication is unaffordable. In a situation where such trust is reposed in doctors, having prescriptions manipulated by the lure of freebies is immoral. The Court was conscious that the cost of such freebies is factored in the cost of medicines sold, in turn driving up their prices and perpetuating a publicly injurious cycle. This fact was taken note of by the Parliamentary Standing Committee on Health and Family Welfare in its 45th report, dated August 4, 2010.

In the U.S.

In its elaborate judgment, the Court also took note of a report issued by the United States Department of Health and Human Services Office called "Savings Available Under Full Generic Substitution of Multiple Source Brand Drugs in Medicare Part D" dated July 23, 2018. Here, it was stated that the

beneficiaries could have saved over \$600 million in out-of-pocket payments had they been dispensed generic equivalent drugs. There is Proof: Docs who get Company Cash Tend to Prescribe Brand Name Meds" dated March 17, 2016 also, similar feelings were echoed. In the U.S., by the reason of the Physician Payments Sunshine Act 2010 also known as Section 6002 of the Affordable Care Act (ACA) of 2010, the law compels the manufacturers of drugs, devices, biologic and medical supplies to report to the Centers for Medicare and Medicaid Services, on three broad categories of payments or transfers of value such as meals, travel reimbursements and consulting fees. These include expenses borne by manufacturers such as speaker fees, travel, gifts, honoraria, entertainment, charitable contribution, education, grants and research grants, etc.

The issue of retail price

Obviously, the uncovered field in this judgment – and it was not the controversy in hand before the Court – is the sale of medicines at Maximum Retail Price, or MRP. This is a scam and a case of underhand dealing that happens in the pharma world (the giving away of freebies is a smaller part of it) because drugs are invariably sold in pharmacist shops at MRP only. This is what affects medical treatment. Even though the Drug Price Control Order and Drugs and Cosmetics Act are there on the statute book, there is hardly any action to keep the sale price of medicines under control with due and proper investigation into their so-called

research and development costs and keeping their profit margins within a prescribed limit.

One fails to understand why the law cannot be amended to compel the manufacturer of drugs to sell at the verified genuine cost, that also factors in a reasonable profit margin for each product by bringing manufacturers, both foreign or domestic, under the control of the MCI or any other equivalent body such as the Institute of Chartered Accountants of India. This must be at a uniform rate throughout the country; further, classified life saving drugs should be sold at cost only or even at subsidised rates.

Nobody is against the pharma industry earning a reasonable profit. But there is an urgent need to check looting that is driven by drug manufacturers to distribute their products using freebies or 'bribes'.

Further application

This judgment can also go far. It should be debated and applied to other unethical practices and expenditure out of public funds. The strategy here should be to use financial tools such as income-tax provisions for disallowing such expenditure and taxing the same as perquisites or taxable income in the hands of recipients *viz.* assurances and declarations in election campaigns by political parties by giving away free laptops, waived electricity charges, food grains, loan waivers, etc. It is taxpayers money that is being used to garner votes.

Justice Vineet Kothari is a former Acting Chief Justice of the Gujarat and Madras High Courts and Judge of the Rajasthan and Karnataka High Courts

Taking stock of five years of GST

Findings show that it has lowered inflation of food items and raised inflation of non-food items



SANTOSH KUMAR DASH & ANOOP S. KUMAR

The monumental indirect tax reform, the Goods and Services Tax (GST), has completed five years in existence. Before the implementation, it was said that it would be a boon to the economy in terms of higher revenue buoyancy, lower inflation, higher revenue, higher growth, and so on. On the completion of GST's five years, it makes sense to ask what happened to inflation.

During the 12 months preceding GST implementation, the Consumer Price Index (CPI) inflation was 3.66%, while it increased to 4.24% post-GST in the next 12 months. However, India is not alone in witnessing higher inflation. A similar pattern was observed in Australia, New Zealand, and Canada. An Australian Competition and Consumer Commission study showed that GST initially increases inflation.

Based on the actual inflation numbers, one can conclude that GST had an inflationary impact on India. But this is not the correct approach to understand whether GST raised inflation in India. Before we systematically examine this issue, let us understand how GST can affect prices.

Understanding the mechanism

In theory, implementing GST should not lead to a change in overall inflation. The revenue-neutral rate (RNR) is calculated so that it would not cause higher inflation. But revenue neutrality does not mean that prices would not go up or down in the economy. This is because the weight of goods in the consumption basket and their contributions to indirect tax collections are not the same. For example, food and drinks (which comprise 46% of the CPI index), rent, and clothing are all significant parts of the CPI basket that are either not taxed or taxed at low rates.

Importantly, the effect of GST on the prices of certain goods and services depends on the structure and design of taxation, such as the level of exemptions, the rate structure of GST, the weight of goods and services



For non-exempted food and beverages, implementation of GST is found to have a negative impact of 4.42% on price levels. ■ GETTY IMAGES

in the CPI basket, the tax base, the efficiency of the administrative machinery, and so on.

The RBI, in a 2017 report, showed that about half of the groups of items that GST covers are not in the CPI basket. This study found headline inflation might rise by ten basis points only. So, the effect of GST on prices was expected to be small. Finally, prior to the GST implementation, it was expected that prices would go down because GST harmonises indirect tax rates and eliminates the cascading effect. Thus, whether GST has any effect depends on how different factors affect each other.

So, how can we ascertain whether GST has had an inflationary impact in India? To answer this, we turn to statistical modelling, which will give us a precise and neat estimate of the causal impact of an intervention. In a nutshell, this model uses pre-intervention data (before July 2017) to train the data to estimate the counterfactual estimates of inflation. A counterfactual estimate is nothing but an estimate of inflation if the intervention (in this case, GST) had not occurred. Then the causal estimate would be the difference between the actual and the counterfactual trends. The outcome variable chosen is retail inflation (CPI).

Our statistical results provide us with an interesting picture of the impact of GST on price levels. First, we look into the overall price index (CPI). Here, the actual CPI growth in the study period is 4.61%, whereas the counterfactual estimate of inflation is 3.24%. This implies that without the GST implementation, the CPI inflation would have been 3.24%. This indicates that with the imple-

mentation of GST, CPI increased by 1.37 percentage points (pp). Second, we also find that CPI core inflation (which strips off volatile components such as food and fuel from the headline inflation) increased by 1.04pp in the post-GST period (actual inflation was 4.57%, counterfactual inflation was 3.53%).

Third, GST is found to have a significant positive impact on inflation of commodity groups such as paan, tobacco and intoxicants, clothing and footwear, housing, and miscellaneous sectors (mainly consisting of services).

In the case of non-exempted food and beverages, implementation of GST is found to have a negative impact of 4.42% on price levels.

Rise in inflation post GST

The rise in inflation post-GST implementation could be due to the rise in the tax rate of some goods and services, the inclusion of business activities that were not taxed earlier, or the market structure. The average weighted GST rate was designed to be neutral, so it might not have contributed much to the observed higher inflation. Coverage of business activities under GST not taxed earlier would result in higher prices since the firms would pass on the cost to the consumers. Although the informal sector suffered following GST implementation, many firms have jumped to the tax net to take advantage of input tax credit and escape from the punishing reverse charge mechanism.

There is another possibility which would cause higher inflation after the GST implementation. Textbook microeconomics teaches us that

market competition leads to lower prices. And when market power increases, prices increase, and profit follows. As Nobel Prize-winning economist Joseph Stiglitz opined, rising market power is bad for the economy as it raises economic inefficiency and lowers the economy's resiliency. Further, taking advantage of market power, it is possible that most firms would have passed the taxes to end consumers, resulting in a cost-push inflationary impact of the GST.

Our statistical exercises provide conclusive proof that GST implementation has had an inflationary impact on the Indian economy. Let us recall that prices of petroleum products increased significantly, which might have contributed to the rise in CPI after the GST implementation.

To summarise, our statistical results suggest that GST implementation has resulted in a decrease in inflation of food items and raised inflation of non-food items such as CPI, paan, tobacco and intoxicants, clothing and footwear, housing, miscellaneous, and non-exempted food and beverages.

Our analysis suggests that prior to GST implementation, market concentration measured by various indicators was rising, suggesting an oligopolistic market structure. This determines whether the benefits of GST are passed down to the consumers or not. However, with the existence of market power, firms' price includes a significant mark-up over marginal costs. Our results point out the possibility of profiteering in select segments after GST. To pre-empt this possibility, the government set up National Anti-profiteering Authority (NAA) to ensure companies did not use GST as an excuse to raise prices.

Our findings suggest that NAA should monitor the prices of critical or essential goods and services to see the price impact of GST. Similarly, the Competition Commission of India should observe anti-competitive producer behaviour that hurts consumers via excessive price increases. These measures may ensure that producers do not take advantage of the GST.

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Inflation hits FMCG sector 'hard', says Godrej

Rural growth slower than urban: GCPL

PRESS TRUST OF INDIA

NEW DELHI

The country's FMCG industry continued to be 'hit hard by inflation levels' leading to successive price increases as well as to an impact on volumes during the three months ended June, according to Godrej Consumer Products Ltd (GCPL).

In its update for the first quarter of the current fiscal, the FMCG player also said rural markets witnessed slower growth compared with the urban segment.

The company would have 'mid-single-digit volumes drop on a high base, with a 3-year volume CAGR close to mid-single digits,' in the domestic market, as per the update.



“The Indian FMCG industry continued to remain soft during the quarter. It continued to be hit hard by inflation levels aggravating due to geopolitical tensions, leading to successive price increases and impacting volumes,” GCPL said.

In recent months, inflation has been on the rise in most markets worldwide.

RBI eases rules to boost forex inflows

It relaxes interest rates on NRIs' foreign currency deposits, doubles overseas borrowing limit for firms

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) on Wednesday announced a slew of temporary measures aimed at boosting foreign exchange inflows, including a doubling in the overseas borrowing limit for corporates and removal of interest rate ceilings for NRIs' foreign currency deposits. The move comes as persistent capital outflows and a widening trade deficit have led to a sharp depreciation in the Indian rupee to new lows against the dollar.

Observing that the rupee had depreciated by 4.1% against the dollar (upto July 5) so far this financial year, the RBI asserted that, barring portfolio investments, capital flows remained stable with an adequate level of re-



Joining battle: The RBI says move is aimed at helping mitigate volatility and dampening global spillovers. ■ AFP

serves providing a buffer against external shocks. India's foreign exchange reserves stood at \$593.3 billion as on June 24, supplemented by a substantial stock of net forward assets, it said.

"The Reserve Bank has been closely and continuous-

ly monitoring the liquidity conditions in the forex market and has stepped in as needed in all its segments to alleviate dollar tightness with the objective of ensuring orderly market functioning. In order to further diversify and expand the sources

of forex funding so as to mitigate volatility and dampen global spillovers, it has been decided to undertake measures... to enhance forex inflows while ensuring overall macroeconomic and financial stability," the RBI added.

As part of the measures, banks have been exempted from maintaining the stipulated Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on incremental FCNR(B) and NRE term deposits mobilised up to November 4. "It has been decided that with effect from the reporting fortnight beginning July 30, incremental FCNR(B) and NRE deposits with reference base date of July 1, 2022, will be exempt from the maintenance of CRR and SLR," the RBI said.

It also freed banks to tem-

porarily raise fresh FCNR(B) and NRE deposits without reference to extant regulations on interest rates, with effect from July 7 and up to October 31, 2022.

FPI debt norms loosened

To encourage foreign portfolio investment into debt, the RBI said the choice of government bonds available for investment under the fully accessible route (FAR) would be widened, with all new issuances of G-Secs of 7-year and 14-year tenors, including the current issuances of 7.10% GS 2029 and 7.54% GS 2036, designated as specified securities.

The RBI also temporarily doubled the annual limit for External Commercial Borrowings (ECB) to \$1.5 billion or its equivalent.

‘MSP should continue till markets become efficient’

NITI Aayog members’ comment on procurement irks SKM

SPECIAL CORRESPONDENT
NEW DELHI

Ahead of the nationwide protests by the Samyukt Kisan Morcha (SKM) demanding a law to ensure minimum support price, NITI Aayog member Ramesh Chand said here on Wednesday that the MSP should continue till markets become competitive and efficient.

The MSP can be given through means other than procurement, he said at a conference on “Getting agriculture markets right,” triggering reactions from leaders of the SKM.

Hannan Mollah, senior SKM leader and general secretary of the All-India Kisan Sabha, said farmers were demanding a law to ensure MSP. “Only two items are procured of the 23 crops that have an MSP. MSP without a legal guarantee will not be effective as the input cost has increased,” he said.

Direct relation

Pavel Kussa, coordinator of Bharatiya Kisan Union (Ekta-Ugrahan), said the MSP was directly linked to the food security of the country. “MSP is linked to procurement, storage and distribution of foodgrains through public distribution system. The NITI Aayog member seems to have forgotten the statement of Food Minister Piyush Goyal asking States to encourage paddy sowing. Farmers cultivate paddy as there is MSP and procurement of the crop. MSP with-



Far-reaching effects: The farmers' body said that MSP without a legal guarantee will not be effective. ■ FILE PHOTO

out procurement has no meaning,” he said.

DPP method

Addressing the conference, Mr. Chand had also said that “deficiency pricing payment (DPP)” was one such means of giving MSP to farmers, but added that the DPP could not be stopped once implemented. “Under DPP, the difference between the open market price and MSP is given to farmers. It has been implemented in some States like Madhya Pradesh,” he said. “In some cases, MSP is justified in times of volatility in prices and glut. I feel what matters is how we give MSP to farmers. MSP has to be there as long as markets are not competitive and efficient. But MSP can be given through means other than procurement,” he said.

Mr. Chand added that he

had given a detailed presentation on the issue to Prime Minister Narendra Modi. He said the difference between open market price and MSP was about 12-15% and MSP-fixed 23 crops would require ₹80,000 crore based on 1920 price. He said in the future, there could be differences in *sarkari* crops (MSP-fixed crops) and *bajajari* (commercial) crops and added that corporates were showing interest in innovation in *bajajari* crops.

Revamped protests

The SKM is relaunching its protests demanding legalised MSP from July 18, when the monsoon session of Parliament begins. The SKM will hold nationwide rallies asking the Centre to implement the promises it had made while repealing the three farm laws.

Hate crime, punishment

There needs to be zero tolerance for violence over 'hurt sentiments' because of hate speech

India's laws on freedom of expression are clear about the reasonableness of the right to exercise it. But hate speech, directed at communities and intended to fan communal hatred, is not clearly defined in the law. However, there are provisions in the law that can be interpreted as allowing for criminalising offences that are related to hate speech, in particular those that are likely to incite violence. There have been rightful demands, including from the Law Commission of India, to add specific provisions in the Indian Penal Code to tackle hate speech. It is imperative that lawmakers work on doing so, especially in the age of online media and messaging, where hate speech incidents have burgeoned into an even more significant problem. That said, there is no justification for any form of hate speech to be countered with violence. As the adage goes, sticks and stones may break bones, but words will not. There must be zero tolerance for violence. The incident in Amravati, Maharashtra, where a chemist, Umesh Kolhe, was knifed to death allegedly by three men in retaliation for his sharing a post in support of former Bharatiya Janata Party (BJP) spokesperson Nupur Sharma's comments on the Prophet was on the same lines as the dastardly murder of a tailor, Kanhaiya Lal, in Udaipur a week ago. In both cases, suspects who were incensed by the remarks took to violence as a counter to what they perceived as an insult to their religion. The two cases are being probed by the National Investigation Agency. The culprits, those involved in the planning and execution of these murders, must be brought to book and accorded strict punishment for their crimes.

Even as these hate crimes are investigated, it is imperative on the part of the Union and the State governments to quickly reassure citizens on the need for communal amity and that the purveyors of hate speech and those indulging in violence in retaliation will be prosecuted. Justice and the application of the rule of law should not only be seen to be done, but needs to be applied in a fair manner without prejudice for or against specific communities. The Union and State governments should not adopt repressive measures by using enforcement authorities to inflict collective punishment on communities for individual acts of transgression. Political parties of all hues, but especially those in power, must refrain from fanning communal hatred. The unevenness of government actions has resulted in disenchantment among Muslims; the actions of a few criminals among the community have endangered others. It is unmistakable that the developing quagmire is related to the casual bigotry and the callousness of those who were in responsible positions in the BJP. Governments must reorient themselves to the rule of law and to strict adherence to constitutional values as the secular fabric of the country must be preserved at all costs.

General Studies Paper I

A	History of Indian culture will cover the salient aspects of art forms, literature and architecture from ancient to modern times;
B	Modern Indian history from about the middle of the eighteenth century until the present-significant events, personalities, issues;
C	Freedom struggle-its various stages and important contributors / contributions from different parts of the country;
D	Post-independence consolidation and reorganization within the country;
E	History of the world will include events from 18 th century such as industrial revolution, world wars, re-drawing of national boundaries, colonization, decolonization,
F	Political philosophies like communism, capitalism, socialism etc.-their forms and effect on the society
G	Salient features of Indian Society, Diversity of India;
H	Effects of globalization on Indian society;
I	Role of women and women's organization;
J	Social empowerment, communalism, regionalism & secularism
K	Salient features of world's physical geography;
L	Geographical features and their location- changes in critical geographical features (including water bodies and ice-caps) and in flora and fauna and the effects of such changes;
M	Important Geophysical phenomena such as earthquakes, Tsunami, Volcanic activity, cyclone etc.
N	Distribution of key natural resources across the world (including South Asia and the Indian subcontinent);
O	Factors responsible for the location of primary, secondary, and tertiary sector industries in various parts of the world (including India);
P	Population and associated issues;
Q	Urbanization, their problems and their remedies

General Studies Paper II

A	India and its neighbourhood- relations;
B	Important International institutions, agencies and fora- their structure, mandate;
C	Effect of policies and politics of developed and developing countries on India's interests;
D	Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.
E	Indian Constitution, historical underpinnings, evolution, features, amendments, significant provisions and basic structure;
F	Comparison of the Indian Constitutional scheme with other countries;
G	Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein; Inclusive growth and issues arising from it;
H	Parliament and State Legislatures - structure, functioning, conduct of business, powers & privileges and issues arising out of these;
I	Structure, organization and functioning of the executive and the judiciary, Ministries and Departments;

J	Separation of powers between various organs dispute redressal mechanisms and institutions;
K	Appointment to various Constitutional posts, powers, functions and responsibilities of various Constitutional bodies;
L	Statutory, regulatory and various quasi-judicial bodies;
M	Mechanisms, laws, institutions and bodies constituted for the protection and betterment of these vulnerable sections;
N	Salient features of the Representation of People's Act;
O	Important aspects of governance, transparency and accountability, e-governance- applications, models, successes, limitations, and potential;
P	Citizens charters, transparency & accountability and institutional and other measures;
Q	Issues relating to poverty and hunger,
R	Welfare schemes for vulnerable sections of the population by the Centre and States, Performance of these schemes;
S	Issues relating to development and management of social sector / services relating to education and human resources;
T	Issues relating to development and management of social sector / services relating to health
General Studies Paper III	
A	Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment;
B	Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth;
C	Inclusive growth and issues arising from it;
D	Infrastructure Energy, Ports, Roads, Airports, Railways etc. Government budgeting;
E	Land reforms in India
F	Major crops, cropping patterns in various parts of the country, different types of irrigation and irrigation systems;
G	Storage, transport and marketing of agricultural produce and issues and related constraints;
H	e-technology in the aid of farmers; Technology Missions; Economics of Animal-Rearing.
I	Issues of buffer stocks and food security, Public Distribution System- objectives, functioning, limitations, revamping;
J	Food processing and related industries in India – scope and significance, location, upstream and downstream requirements, supply chain management;
K	Issues related to direct and indirect farm subsidies and minimum support prices
L	Awareness in the fields of IT, Space, Computers, robotics, nano-technology, bio-technology;
M	Indigenization of technology and developing new technology;
N	Developments and their applications and effects in everyday life;
O	Issues relating to intellectual property rights
P	Conservation, environmental pollution and degradation, environmental impact assessment
Q	Disaster and disaster management
R	Challenges to internal security through communication networks, role of media and social networking sites in internal security challenges, basics of cyber security;
S	Money-laundering and its prevention;

T	Various forces and their mandate;
U	Security challenges and their management in border areas;
V	Linkages of organized crime with terrorism;
W	Role of external state and non-state actors in creating challenges to internal security;
X	Linkages between development and spread of extremism.
General Studies Paper IV	
A	Ethics and Human Interface: Essence, determinants and consequences of Ethics in human actions;
B	Dimensions of ethics;
C	Ethics in private and public relationships. Human Values - lessons from the lives and teachings of great leaders, reformers and administrators;
D	Role of family, society and educational institutions in inculcating values.
E	Attitude: Content, structure, function; its influence and relation with thought and behaviour;
F	Moral and political attitudes;
G	Social influence and persuasion.
H	Aptitude and foundational values for Civil Service , integrity, impartiality and non-partisanship, objectivity, dedication to public service, empathy, tolerance and compassion towards the weaker sections.
I	Emotional intelligence-concepts, and their utilities and application in administration and governance.
J	Contributions of moral thinkers and philosophers from India and world.
K	Public/Civil service values and Ethics in Public administration: Status and problems;
L	Ethical concerns and dilemmas in government and private institutions;
M	Laws, rules, regulations and conscience as
N	sources of ethical guidance;
O	Accountability and ethical governance; strengthening of ethical and moral values in governance; ethical issues in international relations and funding;
P	Corporate governance.
Q	Probity in Governance: Concept of public service;
R	Philosophical basis of governance and probity;
S	Information sharing and transparency in government, Right to Information, Codes of Ethics, Codes of Conduct, Citizen's Charters, Work culture, Quality of service delivery, Utilization of public funds, challenges of corruption.
T	Case Studies on above issues.