Warm Greetings.

➢ DnD aims to provide every day news analysis in sync with the UPSC pattern.
➢ It is targeted at UPSC – Prelims & Mains.
➢ Daily articles are provided in the form of Question and Answers
   • To have a bank of mains questions.
   • And interesting to read.
   • Providing precise information that can be carried straight to the exam, rather than over dumping.

Enjoy reading.

THE HINDU - TH
INDIAN EXPRESS - IE
BUSINESS LINE - BL
ECONOMIC TIMES - ET
TIMES OF INDIA - TOI
INDEX

Essay Paper

1. Small savings interest rates cushion against financial instability..................................................04

GS 2

1. “Sons of Soil” debate..........................................................................................................................05
2. implications of Abu Dhabi allowing Non-Muslim Civil Marriages.................................................06

GS 3

1. AY 4.2 Variant and is it of concern.....................................................................................................07
Q- Sticky small savings interest rates cushion against financial instability. Elaborate?

INTRODUCTION = Inflation is creeping back into conversations about Indian politics. In this context, two recent observations in RBI’s publications are pertinent –

1. The central bank pointed out that growth in small saving deposits has been consistently above bank deposits since 2018.
2. Also, GoI has left interest rates on small saving instruments (SSIs) unchanged for six straight quarters, or 18 months.

How are Small Savings Interest rates determined?

- Interest rate changes on SSIs are carried out by GoI.
- The extent of change however is determined by a formula that is based on a relevant government security’s yield.

Gol’s inertia has not really made a difference. Since February 2019, RBI has used all its instruments to push down interest rates as it prioritised reviving economic growth.

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Old Rate (%)</th>
<th>New Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Deposit</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>1-year time deposit</td>
<td>5.5</td>
<td>4.4</td>
</tr>
<tr>
<td>2-year time deposit</td>
<td>5.5</td>
<td>5.0</td>
</tr>
<tr>
<td>5-year time deposit</td>
<td>6.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Senior Citizen Savings Scheme</td>
<td>7.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Public Provident Fund Scheme</td>
<td>7.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Kisan Vikas Patra</td>
<td>6.9</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Finance Ministry

Factors affecting the determination of Interest rate -

- Between February 2019 and September 2021, RBI’s policy rate, or repo, declined by 2.5 percentage points.
- Median term deposit rates of banks for fresh collections dropped by 2.13 percentage points during the same period. In fact, deposit rates fell more than lending rates.
- This period also coincided with a rise in retail inflation, which has been higher than RBI’s repo rate for a long time. There’s a simple explanation for this anomaly.
- Interest rates, especially for short-duration loans and deposits, are more influenced by RBI’s actions than by market forces. RBI has a variety of tools to influence yield on government securities, which serve as a benchmark for others.
- Monetary policy since February 2019 has pushed down all rates. Except the ones set by GoI. GoI’s actions are influenced by electoral dynamics, among other things.

This dimension cushions small savers during phases when deposit rates are out of sync for long periods from the level of inflation. It’s a system of checks and balances and not a fault line in the financial system. It likely prevents financial instability arising out of a mismatch between deposit rates and inflation.

GS 2

❖ Governance

Q- Why is the “Sons of Soil” debate application harmful in a glocal world. Explain with a recent incident?

BACKGROUND = The Haryana Government’s law to reserve 75% jobs for locals, could trigger an exodus of large domestic and multinational investors across sectors such as auto and information technology that rely on highly skilled manpower, Indian industry has warned.

The law that kicks in from January 15, 2022 –
1. Requires firms with 10 or more employees to reserve 75% of all jobs offering a salary of less than ₹30,000 a month for eligible candidates of State domicile.
2. The salary ceiling was earlier proposed to be ₹50,000 for the law that stems from an electoral promise.

Challenges -
1. The move to regulate hiring of those earning less than ₹30,000 a month, is aimed at disallowing the influx of talent from other parts of the country even in sectors such as IT and IT-enabled services (ITeS), which the State does not have enough captive supply of. Indian industry needs the most efficient work force to stay competitive in a globalised world.
2. The belief that any Indian should be allowed to work in any State of India without any restrictions. We have already lost out to Sri Lanka and Bangladesh in textiles and MNCs moving out of China have not come to India but shifted to Vietnam, Indonesia, Thailand, Sri Lanka and Bangladesh.
3. The 75% reservation will result in moving out of tech and automotive companies, especially MNCs as these are highly skilled manpower-based companies.
Suggesting that instead of compelling firms to hire locals, the State can consider giving a 25% subsidy to firms as an incentive for hiring locals.

“Raising the son of the soil issue and preventing free movement of manpower resources in the State from other regions is sure to have a tremendously adverse effect on the existing industries in the State. This may force those tech giants and other industries to shift their base from Haryana to other States and drain out the State’s monetary resources to that extent.”

“If other States take Haryana’s cue and follow suit, there would surely be an extreme level of talent crunch across industries and across the country,” stressing that such electoral promises for job reservations will affect the economy at this critical juncture.

**Way Forward**

- In April, the PHD Chamber had urged the Haryana government to consider lowering the original salary ceiling of ₹50,000 a month to ₹15,000 a month on a ’cost to company’ basis and raise it in tandem with efforts to improve skill sets in the State.
- It had also suggested that the reservation, if any, should begin from 20%-25% as technical and specialised skill sets will take time to inculcate among the State’s youth.

**Snippets**

❖ **International Relations**

Q- What are the implications of Abu Dhabi allowing Non-Muslim Civil Marriages?

- Non-Muslims will be allowed to marry, divorce and get joint child custody under civil law in Abu Dhabi according to a new decree issued by its ruler.
- It is the latest step in the United Arab Emirates — where personal status laws on marriage and divorce had been based on Islamic sharia principles, as in other Gulf states — to maintain its competitive edge as a regional commercial hub.
- The law covers civil marriage, divorce, alimony, joint child custody and proof of paternity, and inheritance.
- It aims to “enhance the position and global competitiveness of the emirate as one of the most attractive destinations for talent and skills”.
- The report described the civil law regulating non-Muslim family matters as being the first of its kind in the world “in line with international best practices”. A new court to handle non-Muslim family matters will be setup in Abu Dhabi and will operate in both English and Arabic.
- The UAE last year introduced a number of legal changes at the federal level, including –
  1. Decriminalising premarital sexual relations and alcohol consumption,
  2. And cancelling provisions for leniency when dealing with so-called “honour killings”.

- These reforms have been seen as a way for the Gulf state to make itself more attractive for foreign investment, tourism and long-term residency.
Q- What is the AY 4.2 Variant and is it of concern?

- The frequency of the new AY.4.2 variant of COVID-19 is less than 0.1% of all Variants of Interest (VOI)/ Variants of Concern (VOC), and is too low to be of concern at this time.

  Early data indicate the new AY.4.2 variant is growing as a share of cases in the UK, but is unlikely to be the game-changer that Alpha and Delta were

  Each variant's share of all sequenced UK cases of Covid-19 (logit scale), by number of days since it reached 0.1%

- The INSACOG’s weekly bulletin said that vaccine effectiveness does not seem to be different for AY.4.2 when compared with other Delta variants.
- “There is currently no biological basis for increased transmissibility of AY.4.2, as judged epidemiologically, and assays are in progress”.
- Delta (B.1.617.2 and AY.x) continues to be the main VOC in India and no new variant VOI or VOC have been noted in India.
- The Delta variant, which was first found in India in October 2020, led to the devastating second wave of the coronavirus pandemic in the country, which peaked in April and May 2021.
- INSACOG, a consortium of 28 national laboratories, was set up in December 2020 to monitor the genomic variations of SARS-CoV-2, the virus that causes COVID-19.
Q - "Neptune Declaration’, which was seen in the news recently, is associated with which sector?
   a) Aviation
   b) Migrant Labourers
   c) Maritime
   d) Space

Q - The SPICe+ Portal sometimes seen in news is related to which of the following Ministry?
   a) Ministry of Environment, Forest and Climate Change.
   b) Ministry of Commerce and Industry.
   c) Ministry of Corporate Affairs.
   d) Ministry of Agriculture & Farmers’ Welfare

   Ans – The SPICe+ portal offers 10 services by three Central Government Ministries and Departments (Ministry of Corporate Affairs, Ministry of Labour & Department of Revenue in the Ministry of Finance), one State Government (Maharashtra) and various Banks, thereby saving procedures, time and cost for Starting a Business in India.

   These 10 services are:

   1) Name reservation
   2) Incorporation
   3) DIN allotment
   4) Mandatory issue of PAN
   5) Mandatory issue of TAN
   6) Mandatory issue of EPFO registration
   7) Mandatory issue of ESIC registration
   8) Mandatory issue of Profession Tax registration (Maharashtra)
   9) Mandatory Opening of Bank Account for the Company and
   10) Allotment of GSTIN (if so applied for).
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