### The Hindu News Analysis – 30th November 2019 – Shankar IAS Academy

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*C – Chennai; B – Bengaluru; T – Thiruvananthapuram; H - Hyderabad; D – Delhi*
Ex-RBI chief Rangarajan favours cash recap of banks

Cash will have more profound effect than issue of bonds, he says

SPECIAL CORRESPONDENT
Former Governor of Reserve Bank of India (RBI) C. Rangarajan on Friday said it was time to consider a switch over from bonds to cash for recapitalisation of banks. One of the answers to the problems faced by the banking system is to ensure recapitalisation is done properly. The mode of recapitalisation now is through issue of bonds. Infusion of capital into the banks will have a much more profound effect than issuing the bonds," he said at a seminar on NPAs and resolution organised by ICRIER Foundation for Higher Education here.

His suggestion comes in the backdrop of Rs 12 lakh crore worth of recapitalisation of banks over the past three years and the govern-

C. Rangarajan

ment announcing plans for Rs 17 lakh crore capital infusion for public sector banks in a few months ago. "What the banks really gain from bonds is the interest income. I plead guilty to the charge as we infused this in early 1990s," he said, adding that those were, however, different times. Besides the mode of recapitalisation, other measures Mr. Rangarajan suggested for addressing the NPA issue were adequate sanctions to be put in place to risk management, including strengthening of early warning systems.

If more years to $5 in

Keeping economic growth may pick up next year onwards, the former Chairman of the Prime Minister's Economic Advisory Council said it would take another eight years for India to become $5 trillion economy as opposed to Prime Minister Narendra Modi's target of 2050, due to the muted growth saw. "Growth rate of 7% may pick up again, but it may not be sustainable, but it takes 3 years to get back the growth of higher than 7%," he said.

(PWA PTI inputs)

⇒ Indian economy is facing the challenges of the Non-Performing Assets including the banking sector

⇒ As a corrective measure the GoI has initiated recapitalisation of the banks

Recapitalisation of the banks

* Providing the banks with additional capital
* To meet the regulatory norms as well as additional capital requirement for their growth

⇒ Already infused about ₹ 2 lakh crore worth of recapitalisation of banks over the past three years

⇒ About ₹ 70,000 crores capital infusion through the mode of issuing recapitalisation bonds by the GoI
How the Recapitalisation Bonds Work?

Recap Bonds will be issued by GoI

(at some interest rate)

Recap bonds are purchased or subscribed by the PSBs

PSBs issue new shares

GoI uses the money raised by issuing Recap bonds
to purchase the shares issued by the banks

Banks getting equity capital from Central government
DRDO defends Nag missiles

The state-of-the-art indigenous Anti-Tank Guided Missile (ATGM) Nag is in advanced stages of development, the Defence Research and Development Organisation (DRDO) has said in a sharp response to statements that raised questions on the programme. A new Man Portable ATGM (MPATGM) was also in advanced stages of trials, it noted.

Early this week, the Army fired two newly inducted Spike-LR (Long Range) ATGM at the Infantry School at Mhow in Madhya Pradesh.

A statement on the testing, issued by a public relations firm on behalf of Spike manufacturer Rafael Advanced Defense Systems, said that with the confidence in the missile established, the Indian Army may need to “revisit” their plans for third generation missiles.

“Both the DRDO ATGM programme, as well as the invitation to Indian industry to develop a 3rd Gen missile will need a rethink, as having a 4th Gen missile will put the plan for the development of a 3rd Gen missile questionable,” the statement said.

A DRDO statement on Twitter said the statement was circulating “incorrect facts.”

Best in its class
Nag, the 3rd gen ATGM, was in the process of being inducted after extensive tests. The MPATGM, in an advanced stage of development, defence sources said, was a fourth generation ATGM. Six tests have been conducted so far and all developmental trials were over, a defence source said. “In a year it will be ready for production.” The Nag missile, the best in its class, was built for Indian conditions, officials said.

Part A—Preliminary Examination

Paper I—(200 marks)
- Current events of national and international importance.

Part B—Main Examination

PAPER-III

General Studies- II: Governance, Constitution, Polity, Social Justice and International relations.
- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

PAPER-IV

- Science and Technology- developments and their applications and effects in everyday life.
- Achievements of Indians in science & technology; indigenization of technology and developing new technology.

- Indian Army test fired Spike LR Anti-Tank Guided Missile (ATGM)
  - Developed by Israeli firm
  - Statement: Need to reconsider Nag ATGM programme
- DRDO → Nag - 3rd gen ATGM
  - built for Indian conditions

Integrated Guided Missile Development Programme (IGMDP)

- Started in 1983 - APJ Abdul Kalam
- Objective: self sufficiency in missile technology

- Prithvi, Agni, Trishul, Akash and Nag missiles under IGMDP

- Nag → 3rd generation
  - fire and forget
  - Anti-tank guided missile
  - to destroy modern battle tanks and other heavily armoured targets
  - lock on before launch feature
  - Land based launcher: NAMICA
  - Helicopter launched: HELINA configuration

- Man Portable ATGM (MPATGM)
  - portable launch pad
Defence Research & Development Organization (DRDO)

- Premier defence R&D wing established in 1958 under Ministry of Defence
- Vision: Empower India with cutting edge defence technologies + self reliance
- Equips our armed forces with state-of-the-art weapon system
- A network of more than 50 laboratories
GDP growth plunges to 4.5%, lowest since 2012

Official says fundamentals are strong, numbers will pick up

Core sector contracts

Activity in the core sector of the economy contracted by 6.9% in the quarter ended June compared to a revised 0.5% in the previous year.

Part A—Preliminary Examination

Paper I - (200 marks)

• Current events of national and international importance.
• Economic and Social Development—Sustainable Development, Poverty, Inclusion, Demographics, Social Sector Initiatives, etc.

Part B—Main Examination

PAPER-IV

General Studies-III: Technology, Economic Development, Biodiversity, Environment, Security and Disaster Management

• Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

Gross Domestic Product (GDP)

Final value of goods and services produced within geographic boundaries of a country in a year

1. Output or Product method
   - Calculate value addition
   \[ V = P \times Q \]

2. Expenditure Method
   - Expenditure incurred by all entities
   \[ GDP = C + I + G + (X-M) \]

3. Income Method
   - Total income earned by factors of production
   \[ GDP = \text{Rent} + \text{Wages} + \text{Interest} + \text{Profit} + \text{Mixed Income} \]

\[ GDP \text{ in Q2 of 2019-2020} \rightarrow 4.5\% \text{ quarter low} \]

a) Manufacturing Sector: Contracted 1\% in Q2

\[ 6.9\% \text{ growth in Q2 of 2018-19} \]

b) Agriculture Sector

\[ 2.1\% \text{ growth in Q2 of 2019-20} \]
\[ 4.9\% \text{ growth in Q2 of 2018-19} \]

\[ 2.1\% \text{ growth in Q1+Q2 of 2019-20} \]
\[ 5\% \text{ growth in Q1+Q2 of 2018-19} \]
Service Sector

- 11.6% growth in Q2 of Public administration, defence and other services → 2019-20
- 5.8% growth in Q2 of Financial, Real Estate and professional services → 2019-20

Gross Value Added (GVA)

- Value of (Output - Intermediate Consumption)
- GDP = GVA + Indirect taxes - Subsidies
- GVA: Producer's side / Supply side
- GDP: Consumer's side / Demand side
- 4.3% in Q2 of 2019-20
- 6.9% in Q2 of 2018-19

Private Final Consumption Expenditure (PFCE)

- Growth of 5.06% in Q2 of 2019-20
- PFCE → Final Consumption expenditure of HH + NPISH like temples

Gross Fixed Capital Formation

- Gross net investments in fixed capitals like dwellings, other buildings, machinery and equipments — by govt and private sector
- Production of
- Acquisition of assets by the producers for their own use

Growth 1.02% in Q2 of 2019-20
11.8% in Q2 of 2018-19

Nominal GDP: GDP at current prices
Real GDP: GDP at constant prices
Getting organ donation to tick again

Addressing the trust gap and inequality that are impacting family consent for organ donation is crucial.

Organ Donation Day - 13th Aug (World level)
- Not recognised by UN

Indian Organ Donation Day - 30th November
- To promote Organ Donation and transplantation
- Negative perceptions of organ donation undermines the altruistic donation mindset of donor families (Ex: Kerala)

Reasons for negative perceptions
1. Trust Deficit
   - Belief that private hospitals are involved in a scandal → to make profit
   - Trust gap between the patients and doctors

2. Inequality
   - Organ donation free; Transplantation costs are very high
   - Suspicion of unethical practices among the people
   - Unaffordable for the middle class and poor people

Part A—Preliminary Examination

Paper I— (200 marks)
- Current events of national and international importance.
- Indian Polity and Governance-Constitution, Political System, Panchayati Raj, Public Policy, Rights Issues, etc.
- Economic and Social Development—Sustainable Development, Poverty, Inclusion, Demographics, Social Sector Initiatives, etc.

Part B—Main Examination

PAPER-III

General Studies- II: Governance, Constitution, Polity, Social Justice and International relations.
- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources.
<table>
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<tr>
<th>Solutions</th>
<th>Transparency in operations of State Organ distribution agencies</th>
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<tbody>
<tr>
<td>Hospital must be regulated through acts and rules</td>
<td>• Organ distribution norms</td>
</tr>
<tr>
<td>Revision of the existing laws to make them more effective</td>
<td>• Details of Organ donation</td>
</tr>
<tr>
<td>• Transplantation of Human Organs Act, 1994</td>
<td>[Online]</td>
</tr>
<tr>
<td>• Transplant approval with self-declaration</td>
<td></td>
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<tr>
<td>• Mandatory sample verification involving Civil Society, to improve compliance</td>
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<tr>
<td>• States should be given autonomy in the area of organ distribution</td>
<td>• Every third or fourth transplant done in a private hospital should be done free of cost to a public hospital patient</td>
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<tr>
<td>• Present • National Human Organ and Tissue Removal &amp; Storage Network, under National Organ and Tissue Transplant Organisation (NOTTO)</td>
<td>• Public hospitals should prioritise spending the limited money on areas that would benefit more persons</td>
</tr>
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<td>• On high priority services</td>
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**FASTag deadline extended to Dec. 15**

The government on Friday extended till December 15 the deadline for making FASTag mandatory for toll payments on National Highways.

Earlier, all lanes, except one on each side, at all NHAI toll plazas were to be declared as dedicated FASTag lanes from December 1.

The National Highways Authority of India (NHAI), in a statement, said many citizens had not enabled their vehicles with FASTag due to which the decision was deferred till December 15. It was earlier decided that any motorist entering the dedicated FASTag lane without the tag would be charged double the toll fee from December 1, but the NHAI made it clear that the “charging of double fee will start from December 15”.

However, once the lanes may be kept as a hybrid lane accepting FASTag and other modes of payment even after the December 15 deadline.

The lane would be converted into a dedicated FASTag lane in a time-bound manner, said a letter from the Ministry of Road Transport and Highways to the NHAI chairman.

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**FASTag**

* Device for making toll payments directly when the vehicle is in motion

* Works with RFID technology

**News**

* MoRTD ➔ All lanes, except one on each side, in all Toll Fee plazas on National Highways will be declared as ‘FASTag lanes’

  ➔ Earlier deadline — December 1

  ➔ Now extended till December 15

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<tr>
<th>Active RFID</th>
<th>Passive RFID</th>
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<tbody>
<tr>
<td>Works with internal power source</td>
<td>No internal power source</td>
</tr>
<tr>
<td>More Cost</td>
<td>Less Cost</td>
</tr>
<tr>
<td>Higher range of operation</td>
<td>Lower range of operation</td>
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**Part A—Preliminary Examination**

Paper I—(200 marks)

- Current events of national and international importance.
- Indian Polity and Governance—Constitution, Political System, Panchayati Raj, Public Policy, Rights Issues, etc.
- General Science.

**Part B—Main Examination**

**PAPER-IV**


- Infrastructure: Energy, Ports, Roads, Airports, Railways etc.
- Science and Technology: developments and their applications and effects in everyday life.
Practice Question – Prelims

Q1. Which of the following processes are involved in the ‘Recapitalization of Public Sector Banks’, often seen in the news?
   1. Issuing the bonds
   2. Infusion of cash
   3. Issuing the shares

Select the correct answer using the codes given below.
(a) 1 and 2
(b) 1 and 3
(c) 3 only
(d) 1, 2 and 3

Practice Question – Prelims

Q2. Consider the following statements.
   1. GDP is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year.
   2. GDP gives a picture of the state of economic activity from the producers’ or supply side point of view.

Select the correct statement(s) from the codes given below.
(a) 1 Only
(b) 2 Only
(c) Both 1 and 2
(d) Neither 1 nor 2

Practice Question – Prelims

Q3. Consider the following statements with reference to Nag missile.
   1. Nag is an indigenous anti-aircraft guided missile.
   2. Its operation is based on the ‘fire and forget’ principle.
   3. Nag is developed by DRDO under the Integrated Guided Missile Development Programme (IGMDP).

Which of the above statement(s) is/are correct?
(a) 1 and 2 Only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Practice Question – Prelims

Answers

30-11-2019

Q1. (d) 1, 2 and 3
Q2. a) 1 Only
Q3. b) 2 and 3 only