The Hindu

Front Page

Govt. keeps small savings interest rates unchanged (Page no. 1)
(GS Paper 3, Economy)
The government has left the interest rates on small savings schemes such as the Public Provident Fund (PPF) and the National Savings Certificate (NSC) unchanged for the July-September quarter.
A hike in small savings rate was expected in view of a surge in yields on government bonds, to which their returns are linked as per a formula, amid a surge in inflation and increases in key interest rates by the Reserve Bank.
The status quo on small savings rates for the next quarter is contrary to our expectations of a hike in rates, given the sharp increases seen in the yields on government securities of various maturities.
This is the ninth quarter in a row that small savings rates have been held at the same level after rates were reduced in the range of 0.5% to 1.1% on different instruments for the April to June 2020 quarter.
Further cuts, ranging from 0.4% to 1.1%, were announced for the April to June 2021 quarter but revoked overnight, citing an 'oversight'.
For July to September, the Sukanya Samriddhi scheme will continue to earn 7.6%, the Senior Citizens Saving Scheme will earn 7.4%, PPF 7.1%, Kisan Vikas Patra 6.9%, and NSC 6.8%. Five-year term deposits will fetch 6.7% interest.
In April, the Reserve Bank of India had said the rise in government bond yields had led to a reduction in the gap between the announced interest rates on small savings over the formula based rates to a range of 9 to 118 basis points for the April to June quarter, from a range of 42-168 basis points in the previous quarter. One basis point equals 0.01%.

Editorial

Home and abroad (Page no. 8)
(GS Paper 2, International Organisation)
Geopolitics trumped economics at the annual summit of the world's "most industrialised" countries, as the G-7 is known, at the German resort of Schloss Elmau, a summit Prime Minister Narendra Modi attended, along with other special invitees from Argentina, Indonesia, Senegal, and South Africa.
While the G-7 countries did have some economic initiatives on their agenda, including the launch of a $600 billion U.S.-led Partnership for Global Infrastructure and Investment (PGII), commitments on fighting climate change, funding renewable energy changes, mitigating inflation and managing the continued global crisis over the COVID-19 pandemic, it was clear that most of the deliberations took aim at the twin challenges seen from Russia and China.
The 28-page communiqué alternated between outlining the challenges to the international order that emanate from Moscow's war in Ukraine (including tightening sanctions, the impact on energy markets, and cybersecurity threats), and Beijing's "expansive maritime claims", rights violations, and unsustainable debt creation in lower income countries.
The G-7 countries issued separate statements on support for Ukraine, food security and a 'Climate Club'.
In addition, the G-7 and special invitee "partner countries" issued a statement on "Resilient Democracies", committing to free and fair elections, protecting freedom of expression, and gender empowerment.
The message for Russia and China was made even more pointed at the subsequent NATO Summit in Madrid, where the U.S.'s Transatlantic allies invited the U.S.'s Trans-Pacific allies to discuss security challenges.

Do not weaken the anti-defection law (Page no. 8)
(GS Paper 2, Polity and Governance)
The political developments in Maharashtra throw up troubling questions about how the political class is emasculating the anti-defection law which was described by the Supreme Court of India as "constitutional correctives against a legislatively perceived political evil of unprincipled defections induced by the lure of office and monitory inducements".

Almost with the farsight of a clairvoyant, the Supreme Court drew the attention of citizens to the very danger of subversion of democracy by unprincipled defection.
The ongoing developments in Maharashtra have once again brought before the country the reality of what the Supreme Court also described as the political evil of unprincipled defection.
But the greatest irony is that the order of the Supreme Court, on June 27, on petitions from the dissidents in the Shiv Sena, gives undue advantage to the dissident legislators. The Court has granted them a longer time to submit replies than the rules mandate.

This order is going to set in motion certain political developments which will resurrect in a big way what the Supreme Court characterised as political evil; it was to prevent this that the anti-defection law was enacted in 1985.
To put the issue in perspective, let us quickly run through the thrust areas of this law. It was enacted as the Tenth Schedule of the Constitution of India, in 1985, under Rajiv Gandhi's premiership.
It was actually the culmination of long years of debate, deliberations, disagreements, formulations and reformulations, with finally a consensus.
The law as it was enacted provided for the disqualification of a legislator belonging to a political party if he voluntarily gave up his membership of his party or if he defied the whip of his party by voting contrary to its directions in the legislative house.
Initially, there were two exceptions provided in the schedule which would exempt a legislator from disqualification. The first exception was a split in their original political party resulting in the formation of a group of legislators.
If the group consisted of one third of such legislators of that party, they were exempted from disqualification.
This exception was deleted from the schedule through a Constitution Amendment Act of 2003 because of frequent misuse of this provision.

OPED

Should endorsers be held responsible for claims in advertising? (Page no. 9)
(GS Paper 2, Polity and Governance)
On June 9, 2022, the Central Consumer Protection Authority (CCPA) notified guidelines for 'Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022'.
The guidelines, brought in with immediate effect, are applicable to all forms of advertisements.
While the Consumer Protection Act of 2019 does have a provision on misleading advertisements, the CCPA can impose a penalty of up to ₹10 lakh on manufacturers, advertisers and endorsers for misleading advertisements and a penalty of up to ₹50 lakh for subsequent contraventions.
It can also prohibit the endorser of a misleading advertisement from making any endorsement for up to one year; for subsequent contravention, prohibition can extend up to three years.
In a conversation moderated by Sonam Saigal,Anushree Rauta and Akashneel Dasgupta discuss the need for the new guidelines and how they overlap with the 'Code for Self-Regulation in Advertising', which was adopted by the Advertising Standards Council of India (ASCI).
There are all kinds of reasons for hiring a celebrity. Certain brand endorsements happen because of the right reasons, where there is a fit with the brand, a communication objective or even a business objective to solve.
When a celebrity comes in, he/she brings in the trust or credibility that is needed. But often the endorsement is also for the wrong reasons, as there is nothing new to say. In mature categories, which have high penetration, established brands that have little to differentiate [among them] and have almost reached a parity stage, celebrities are used as identifiers.
Sometimes it's lazy marketing. When you don't have an idea, you just take a face, sit back and believe that this is going to do the job.

Explainer

The free fall of the rupee (Page no. 10)
(GS Paper 3, Indian Economy)
The Indian rupee hit an all-time low against the U.S. dollar this week weakening past the 79 rupees to a dollar mark and selling as low as 79.05 against the dollar on Wednesday.
Many analysts expect the rupee to weaken further in the coming months and move past the 80 rupees to a dollar mark.
In fact, the International Monetary Fund (IMF) expects the rupee to weaken past the 94 rupees to a dollar mark by FY29.
The Indian rupee has been witnessing a steady decline this year, losing more than 6% against the U.S. dollar since the beginning of 2022.
India's forex reserves have also dropped below $600 billion, plunging by more than $50 billion since September 3, 2021, when forex reserves stood at an all-time high of $642 billion.
The drop in India's forex reserves is believed to be largely due to steps taken by the Reserve Bank of India to support the rupee.
RBI officials, however, have noted that the drop in forex reserves is due to a fall in the dollar value of assets held as reserves by the RBI.

For instance, if a portion of the reserves are in euros and the euro depreciates against the dollar, this would cause a drop in the value of forex reserves.
It should be noted that, as a matter of policy, the Indian central bank has usually tried to slow down or smoothen, rather than reverse or prevent, the fall in exchange value of the rupee against the U.S. dollar.
The aim of the RBI's policy is to allow the rupee to find its natural value in the market but without undue volatility or causing unnecessary panic among investors.
State-run banks are usually instructed by the RBI to sell dollars in order to offer some support to the rupee.
By thus selling dollars in the open market in exchange for rupees, the RBI can improve demand for the rupee and cushion its fall.

News

Modified PSLV places three foreign satellites into orbit (Page no. 12)
(GS Paper 3, Science and Tech)
The modified PSLV-C53 took off from the second launchpad at the Satish Dhawan Space Centre, Sriharikota Range (SHAR), at 6.02 p.m.
It placed the three satellites — a 365 kg Singaporean Earth Observation Satellite, DS-EO, a 155 kg small commercial satellite with a Synthetic Aperture Radar (SAR) payload, the NeuSAR; and a 2.8 kg satellite from Nanyang Technological University (NTU) and SCOOB-1 — into orbit 19 minutes after lift-off.
This was also the first time since December 2019 that a launch was allowed to be witnessed by the media and the general public allowed to the Visitors Gallery, marking a sense of normalcy at the space port since the COVID-19 pandemic struck the world and lockdown restrictions were placed.
After the primary mission, the PSLV-4th stage is going to write some poems in orbit. The PSLV Orbital Experimental Module (POEM) is going to be functional after this [placing of satellites into orbit] taking over the control of the primary mission computer to another computer.
The fourth stage will be powered, generating power on board and will be stabilised with altitude control and host some experiments by some of young startups enabled by InSpace," Mr. Somanath said from Mission Control.

'It is vital to protect Indian Ocean Region' (Page no. 12)
(GS Paper 3, Internal Security)
The changing geopolitical scenario in the Indian Ocean Region (IOR) had led to "international rivalries, competition and clash of interests" and it was important for India to protect its interests in this area, said National Security Adviser (NSA) Ajit Doval on Wednesday, while calling for seamless coordination among all stakeholders involved in the maritime domain.
He stated that the maritime domain was a multilateral construct and a nation "cannot unilaterally decide" in the maritime domain.
He was addressing the first meeting of the Multi-Agency Maritime Security Group (MAMSG) chaired by by the country's first National Maritime Security Coordinator (NMSC) Vice-Admiral Ashok Kumar (Retd.) who took charge on February 16 and for the first time also brought together maritime security coordinators from all 13 coastal States and Union Territories (UTs) as well as other stakeholders.
In the national security discourse, maritime security has its own specific emphasis," Mr. Doval said. "We are destined for greater things. India's time will come. We, as a nation have to be strong. Coastal and maritime security will play an important role in this," he said.

World

Russia withdraws from Snake Island (Page no. 15)
(GS Paper 2, International Relation)
Russian troops have abandoned their positions on a captured Ukrainian island, a major setback to their invasion effort that weakens their blockade of Ukraine's ports.
The news from the Black Sea came as NATO leaders wrapped up their summit in Madrid, intent on demonstrating their unity and determination to back up Kyiv with advanced weapons in the face of Moscow's assault.
Snake Island became a symbol of Ukrainian resistance in the first days of the war, when the rocky outcrop's defenders told a Russian warship that called on them to surrender to an incident that spurred a defiant meme.

It was also a strategic target, sitting aside shipping lanes near Ukraine's port of Odessa. Russia had attempted to install missile and air defence batteries while under fire from drones.
Now, however, Ukraine has begun to receive longer range missiles and military gear from its Western backers, and the Russian position on Snake Island seems to have become untenable.
In the end, it will prove impossible for (President Vladimir) Putin to hold down a country that will not accept his rule.

Good progress in talks with Sri Lanka: IMF (Page no. 15)
(GS Paper 2, International Relation)
The International Monetary Fund (IMF) on Thursday said it has made "significant progress" in talks with Sri Lanka, which has sought the global financial institution's help to cope with its unprecedented economic crisis.
Concluding a ten-day visit to the island nation, an IMF team said: "Significant progress was made, and discussions will continue virtually towards reaching a staff-level agreement on the EFF arrangement in the near term."
Outlining its proposal for Sri Lanka's recovery, the Fund said in a statement: "The objectives of the new IMF-supported program would be to restore macroeconomic stability and debt sustainability, while protecting the poor and vulnerable, safeguarding financial stability, and stepping up structural reforms to address corruption vulnerabilities and unlock Sri Lanka's growth potential."
Sri Lanka is counting on the IMF to bail its economy out of crisis, with an Extended Fund Facility. The government is also looking to restructure its piling external debt with the IMF-backed programme.
In April 2022, Sri Lanka announced a pre-emptive default on its nearly $50 billion foreign loans, amid a severe dollar crunch stemming from a balance of payments crisis.

Business

Banks have capital to buffer any shock (Page no. 16)
(GS Paper 3, Indian Economy)
India's scheduled commercial banks (SCBs) as well as non-banking financial companies (NBFCs) have sufficient capital buffers to withstand any shock that may emanate from the pandemic or the ongoing geopolitical tensions in Europe.
Banks have "bolstered capital and liquidity positions while asset quality has improved. NBFCs remain well capitalised. Market risks are rising as spells of volatility are unleashed by foreign portfolio investment outflows and the sharp appreciation of the U.S. dollar," the RBI noted.
Observing that the outlook for the global economy was shrouded by considerable uncertainty on account of the war in Ukraine, elevated commodity prices, supply chain disruptions and darkening growth prospects, the RBI said: "Stagflation risks are mounting for EMEs and advanced economies alike as tightening financial conditions threaten to restrain the pace of growth with inflationary pressures".
Given the global uncertainty and spillover risks to the Indian economy, India's financial system was well capitalised and returning to profitability.
SCBs maintained robust capital positions, with the capital to risk weighted assets ratio (CRAR) rising to a new high of 16.7%, while their gross non-performing assets (GNPA) ratio slipped to a six-year low of 5.9% and net non-performing assets (NNPA) ratio fell to 1.7% in March 2022.

External debt rose $47.1 bn to $620.7 bn in FY22: RBI data (Page no. 16)
(GS Paper 3, Indian Economy)
India's external debt rose to $620.7 billion at end-March 2022, recording an increase of $47.1 billion over the year earlier period, as per Reserve Bank of India (RBI) data.
The external debt to GDP ratio declined to 19.9% at end-March 2022 from 21.2% a year earlier.
Valuation gains on account of the appreciation of the U.S. dollar vis-à-vis Indian rupee and major currencies such as Yen, SDR2, and Euro was estimated at $11.7 billion. Excluding the valuation effect, external debt would have increased by $58.8 billion.
India's long-term debt (with original maturity of above one year) rose to $499.1 billion, recording an increase of $26.5 billion over its level at end-March 2021, RBI data showed.
U.S. dollar-denominated debt remained the largest component of India's external debt, with a share of 53.2%.