

EVA STALIN IAS ACADEMY – BEST IAS COACHING IN CHENNAI

12/24, Muthurangan Muthali St, West Tambaram, Chennai - 600045

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DAILY CURRENT AFFAIRS ANALYSIS

12 MAY 2022

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1.	Types of Inflation	Prelims & Mains
2.	Police Reforms	Prelims & Mains
3.	West Bank	Prelims & Mains
4.	Securities Exchange Board of India (SEBI)	Prelims Specific Topic
5.	UPI Interface	Prelims Specific Topic

1 - Types of Inflation:

GS III

Indian Economy

- **Context:**
- With inflation considered as the "greatest threat" to the economy, the Reserve Bank of India (RBI) is considering undoing all actions implemented during the pandemic, including liquidity injections and policy rate reduction, over the next 1-2 years, according to a source familiar with the situation. Inflation based on the Consumer Price Index (CPI) has been above 6% for three months in a row, from January to March 2022, and is predicted to exceed 7% in April.
- Inflation is primarily generated by demand pull causes or cost push factors. Inflation is sometimes driven by structural impediments and policies of the government and central banks, in addition to demand and supply considerations. As a result, the primary causes of inflation are:
- **Factors that Influence Demand (when Aggregate Demand exceeds Aggregate Supply at Full employment level):**
- Cost Constraints (when Aggregate supply increases due to increase in the cost of production while Aggregate demand remains the same).
- Bottlenecks in Structure (Agriculture Prices fluctuations, Weak Infrastructure etc.)
- Central Bank Intervention in Monetary Policy
- The government's fiscal policy is expansionary.
- **Demand and supply factors are classified into the following categories:**
- **Inflationary Demand Pull:**

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- The major cause of demand pull inflation is a rise in aggregate demand. The increase in aggregate demand is mostly due to an increase in government spending (Expansionary Fiscal Policy) or an increase in household and business spending.
- Aggregate demand > aggregate supply is the primary source of demand pull inflations. This simply means that the economy's enterprises are unable to produce the goods and services that households require at the present time. Inflation is fueled by shortages of goods and services owing to increased demand.
- **Inflationary Gap:**
 - When aggregate demand in an economy exceeds aggregate supply at full employment, an inflationary gap occurs.
- **Demand Pull Inflation:**
 - In a Demand-Pull scenario, inflation is triggered when the economy's aggregate demand for products and services rises and exceeds the available supply of those goods and services. In such a situation, the economy's inflation will be fueled by excessive demand.
 - A deflationary gap occurs when aggregate demand in the economy falls short of aggregate supply at full employment.
- **Cost Push Push:**
 - There is a condition in an economy where inflation is fueled by increases in the cost of producing goods and services, rather than by increases in aggregate demand.
- **Stagflation:**
 - The most significant distinction between Demand Pull and Cost Push Inflation is that with Demand Pull Inflation, the economy's overall production does not fall. In Cost Push Inflation, however, along with an increase in prices, the economy's output level falls.
 - With a drop in output, the economy's employment will drop, as will its growth. Cost-push inflation is more hazardous than demand-pull inflation because of diminishing growth and rising prices. Stagflation is defined as a condition in which prices rise but growth and employment decline.
- **Hyperflation:**
 - Hyperinflation is a condition in which inflation grows at an exceedingly rapid rate. The pace of inflation might vary between 50 and 300 times.

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- Hyperinflation can have disastrous consequences for the economy. The situation could result in the ultimate collapse of the economy's currency, as well as an economic crisis, mounting external debt, and a decrease in the purchasing power of money.
- The government creating too much currency to pay its deficits; wars and political instabilities; and an unforeseen increase in people's anticipation of future inflation are the main causes of hyperinflation.
- People begin to consume more goods and services when they think future inflation will rise at a rapid rate, fearing that higher inflation will undermine the purchasing power of money. As a result, demand for goods and services soars, fueling even more inflation. The cycle continues, eventually leading to hyperinflation.
- *Source → The Hindu*

2 - Police Reforms:

GS III

Internal Security

- **Context:**
- Based on an editorial that appeared in The Indian Express on May 12, 2022.
- **Police Reforms (Meaning):**
- Police reforms strive to change police organisations' principles, culture, policies, and procedures.
- It envisions police officers acting in accordance with democratic values, human rights, and the rule of law.
- It also attempts to improve how the police engage with other security sectors, such as courts and correctional departments, as well as executive, parliamentary, and independent authorities with management or supervision responsibilities.
- The state list of Schedule 7 of the Indian constitution includes the police.
- **Concerns about Police Forces:**
- **Colonial Legacy:** Following the insurrection of 1857, the British passed the Police Act of 1861 to ensure competent police administration in the country and to avoid future revolts.

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- This meant that the police had to always obey those in authority.
- Operational Freedom vs. Political Executive Accountability: Political control has been employed in the past by the political administration to unfairly influence police officers and have them serve personal or political goals, according to the Second Administrative Reforms Commission (ARC-2007).
- Psychological Pressure: While salary raises and promotions are vital parts of police reform, little has been spoken about the psychological reforms that are required.
- The lowest ranks of the Indian police force are frequently verbally mistreated by their superiors or work in inhumane conditions.
- This unfriendly working atmosphere has a negative impact on their public image.
- Public Perception: According to the Second ARC, police-public relations is in a poor state because the public perceives cops to be corrupt, inefficient, politically partisan, and unresponsive.
- Furthermore, civilians generally fear going to a police station or dealing with the police's lowest ranks.
- In 2016, the sanctioned police strength was 181 officers per lakh people, whereas the actual strength was 137 officers.
- When compared to the UN's suggested standard of 222 police per lakh people, this is far too low.
- Furthermore, a large rate of vacancies in police departments exacerbates an already existing problem of overworked officers.
- **Infrastructure Issues:** Modern policing necessitates robust communication support, state-of-the-art or modern weapons, and a high degree of mobility. Constabulary Related Issues: The constabulary makes up 86 percent of the State police forces and has a wide range of responsibilities.
- However, CAG audit findings from 2015-16 show that state police units have weapon shortages.
- The state police in Rajasthan and West Bengal, for example, reported 75 percent and 71 percent shortages of needed weaponry, respectively.
- The Bureau of Police Research and Development has also discovered a 30.5 percent shortage of essential vehicles among state police units.
- **Suggestions:**
- Modernization of Police Forces: The Modernisation of Police Forces (MPF) programme began in 1969-70 and has been revised multiple times since then.
- However, the funds appropriated by the government must be completely utilised.
- **The MPF plan entails:**
- Acquisition of modern weapons
- Police forces are mobile.
- Supporting logistics, upgrading police wireless, and so on

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- A nationwide satellite system
- **Political Will is Required:** The Supreme Court issued seven instructions in the landmark Prakash Singh case (2006), indicating that significant effort in police reform is still needed.
- However, several states did not follow these guidelines in their entirety due to a lack of political will.
- **Reforming the Criminal Justice System:** Along with police changes, the criminal justice system must be overhauled as well. The Menon and Malimath Committees' proposals can be adopted in this context. The following are some of the important recommendations:
- Establishment of a fund to recompense victims who become hostile as a result of the perpetrators' pressure.
- Creating a distinct national authority to deal with offences that endanger the country's security.
- A thorough overhaul of the criminal justice system.
- *Source → The Indian Express*

3 - West Bank:

GS II

International Relations

- **Context:**
- According to Al Jazeera, an Al Jazeera reporter was murdered by Israeli army shooting in the occupied West Bank on Wednesday, but the military claims she was shot by Palestinians during a struggle with Israeli troops.
- **What exactly is the West Bank?**
- In West Asia, the West Bank is a landlocked region. It also includes a large portion of the western Dead Sea.

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- Jordan conquered it after the 1948 Arab-Israeli War, but Israel reclaimed it during the 1967 Six-Day War and has occupied it ever since.
- Between Israel and Jordan, the West Bank lies.
- Ramallah, the de facto administrative capital of Palestine, is one of its major cities.
- In the West Bank, there are around 130 formal Israeli settlements and 26 lakh Palestinians.
- Masafer Yatta is located in the 60% of Palestinian land where the Palestinian Authority is not allowed to operate.
- Palestinians want the West Bank to be the centrepiece of their future state.
- **What was the 1967 Six-Day War?**
- The Six-Day War was a short but violent confrontation between Israel and the Arab governments of Egypt, Syria, and Jordan in June 1967.
- Egypt lost the Sinai Peninsula and Gaza Strip, Jordan lost the West Bank and East Jerusalem, and Syria lost the Golan Heights.
- The regions acquired by Israel in the 1967 Six-Day War have been at the centre of efforts to end the Arab-Israeli conflict since 1967.
- Despite the fact that Israel returned the Sinai Peninsula to Egypt in 1982 and withdrew from Gaza in 2005, the Golan Heights and West Bank remain a sticking point in Arab-Israeli peace talks.
- *Source → The Hindu*



4 - Securities Exchange Board of India (SEBI):

Prelims Specific Topic

- **Context:**
- During a recent interaction with the Parliament Standing Committee on Finance, the Securities and Exchange Board of India (SEBI) raised the contentious issue of being granted the power to

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tap telephones as one of the key measures "to improve investigating mechanisms" in a "fast-evolving, complex world."

• **About SEBI:**

- SEBI was founded on April 12, 1992, in compliance with the requirements of the Securities and Exchange Board of India Act, 1992, as a Statutory Organization (a non-constitutional body established by Parliament).
- SEBI's primary responsibilities include safeguarding the interests of securities investors as well as promoting and regulating the securities industry.
- The SEBI has its headquarters in Mumbai. The SEBI has regional offices in Ahmedabad, Kolkata, Chennai, and Delhi.

• **Background:**

- Before SEBI, the regulating authority was the Controller of Capital Issues, which had authority under the Capital Issues (Control) Act, 1947.
- A resolution of the Government of India established the SEBI as the regulator of capital markets in India in April 1988.
- SEBI began as a non-statutory organisation with no statutory authority.
- The SEBI Act of 1992 gave it autonomy and statutory powers.
- What is the structure of SEBI?
- A Chairman and many other full-time and part-time members make up the SEBI Board.
- SEBI also appoints numerous committees as needed to investigate the most important issues at the time.
- A Securities Appellate Tribunal (SAT) has also been established to protect the interests of entities who believe they have been wronged by SEBI's decision.
- A Presiding Officer and two additional members make up the SAT.
- It has the same authority as a civil court. Furthermore, anyone who is dissatisfied with the SAT's decision or order can file an appeal with the Supreme Court.

• **What are the powers and functions of SEBI?**

- SEBI is a quasi-legislative and quasi-judicial agency with the authority to make regulations, conduct investigations, issue judgements, and levy penalties.

• **Its purpose is to meet the needs of three distinct groups:**

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- **Issuers:** By creating a marketplace for issuers to expand their funding.
- **Investors:** By assuring the security and availability of precise and accurate data.
- By allowing for a competitive professional market for intermediaries.
- SEBI can now regulate any money pooling arrangement of Rs. 100 crore or more and attach assets in cases of non-compliance under the Securities Laws (Amendment) Act, 2014.
- "Search and seizure activities" can be ordered by the SEBI Chairman. Any person or entity can be asked for information, such as telephone call data records, in relation to any securities transaction under investigation by the SEBI board.
- SEBI is in charge of registering and regulating venture capital funds and other collective investment plans, such as mutual funds.
- It also promotes and regulates self-regulatory groups, as well as preventing fraudulent and unfair securities market operations.

- **What are the Problems and Concerns?**

- SEBI's mandate has become more difficult in recent years, and the capital markets regulator is at a fork in the road.
- There is an overabundance of emphasis on market behaviour regulation and less on prudential regulation.
- SEBI's statutory enforcement powers are significantly higher than those of its equivalents in the United States and the United Kingdom, as it has far more power to do serious economic harm.
- It has the power to impose severe restrictions on economic activity based on suspicion, with those impacted bearing the burden of proving the suspicion, similar to preventative detention.
- Because the SEBI Act gives it broad latitude to establish subordinate legislation, its legislative powers are nearly total.
- The component of prior market consultation and a method of reviewing rules to evaluate if they have attained their stated goals is notably absent. As a result, many people are afraid of the regulator.
- Insider trading regulation, whether in the form of rules or enforcement, is far from flawless.
- The Securities offering paperwork are quite large and have been reduced to formal compliance rather than resulting in high-quality substantive disclosures.

- **Next Steps:**

- Hundreds of inputs about the market being full with criminals needing a crackdown and serious intervention would be received if an attitude adjustment were required.
- The most important goal of SEBI should be to clean up the policy space in this market.
- Human resources and internal issues must be given special attention by SEBI. To attract the top personnel, SEBI must facilitate lateral entrance.

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- The alignment and fitting of senior workers following the merging of the Forward Markets Commission and Sebi is still being worked on.
- Continuous monitoring and improved market intelligence can help to boost enforcement.
- The financial markets in India are still divided. When the responsibilities for a financial product overlap, one regulator cannot be held responsible for the failure of another.
- In this framework, an unitary financial regulator makes perfect sense, as it eliminates both overlap and prohibited areas.

• *Source → The Hindu*

5 - UPI Interface:

Prelims Specific Topic

• Context:

- In transaction values for FY22, the Unified Payment Interface recently surpassed \$1 trillion.
- The Unified Payments Interface (UPI) payment system has surprisingly quickly bridged India's socioeconomic digital gap.
- Even though UPI is a game-changing innovation in the digital payments sector, many consumers and businesses remain sceptical of the payment system due to concerns about its reliability and security.

• UPI stands for Unified Payments Interface:

- It's a more advanced version of the Immediate Payment Service (IMPS), a 24-hour funds transfer service that makes cashless payments faster, easier, and more seamless.
- UPI is a system that combines many banking services, smooth fund routing, and merchant payments into a single mobile application (of any participating bank).
- The National Payments Corporation of India (NPCI) operates a number of systems, including the National Automated Clearing House (NACH), Immediate Payment Service (IMPS), Aadhaar enabled Payment System (AePS), Bharat Bill Payment System (BBPS), RuPay, and others.
- PhonePe, Paytm, Google Pay, Amazon Pay, and BHIM, the government's UPI app, are the most popular today.
- India's UPI will be linked to Singapore's PayNow as part of a deal.
- In 2016, NPCI launched UPI with 21 member banks.

• Achievements:

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- During the epidemic year 2020-21, digital transactions via UPI had amazing development, and numerous nations have expressed interest in learning from India's experience in order to duplicate the concept.
- According to NPCI data, the value of UPI transactions topped USD100 billion in a month for the first time in October 2021, solidifying its status as India's most popular digital payment system.
- By 2025, India's digital payments sector is expected to rise from Rs. 2,153 trillion to Rs. 7,092 trillion, with a CAGR of 27 percent.
- Strong merchant payment use cases, government regulations such as the Jan Dhan Yojana and the Personal Data Protection Bill, as well as the rise of MSMEs, millennials, and high smartphone penetration, are expected to drive growth.
- **Challenges:**
 - During the coronavirus epidemic, the threat of cybercrime in the worldwide banking and financial services business has escalated.
 - Fraudulent claims, chargebacks, false buyer accounts, promotion/coupon abuse, account takeover, identity theft, card detail theft, and triangulation frauds, for example, are all becoming more common.
- **India's National Payments Corporation:**
 - The Reserve Bank of India (RBI) and the Indian Banks' Association (IBA) established NPCI, an umbrella organisation for operating retail payments and settlement systems in India, following the provisions of the Payment and Settlement Systems Act, 2007.
 - It is a "Not for Profit" company operating under Section 25 of the Companies Act 1956 (currently Section 8 of the Companies Act 2013), with the goal of providing infrastructure to India's complete banking system for both physical and electronic payment and settlement systems.
- **Next Steps:**
 - A well-designed Public-Private Partnership (PPP) legislation could create a 21st-century engine for harnessing the power of market participants to improve India's digital infrastructure, access, and literacy.
 - A public policy-driven digital empowerment of the Indian electorate can assist ensure responsible digital conduct in the interest of consumers and the greater public interest in a flourishing Indian democracy.
- **Source → The Hindu**