25th September, 2020

NEWS JUICE

Intelligent Compilation from The Hindu, Indian Express & others along with News Background

NEWS HEADLINES

1. How CSIR will try to find out if coronavirus can spread while airborne

2. What is the basis of MSP? How is it fixed, and how binding is it?

3. Should you invest in fixed deposits with banks?

4. Parliament passes labour Bills amid boycott

What is News Juice?

BY PREPMATE

1. How CSIR will try to find out if coronavirus can spread while airborne

Relevant for GS Prelims & Mains Paper III; Science & Technology

Amid continuing scientific debate worldwide over whether airborne transmission of Covid-19 is possible, the Council of Scientific and Industrial Research (CSIR) has started air sampling studies to draw its own conclusions. Director General Dr Shekhar Mande has stressed that this is a sensitive public health issue and the CSIR does not want to falsely alert the public.

What do we know about airborne transmission?
While the virus that causes Covid-19, SARS-CoV-2, does spread through respiratory droplets from one person to another, it has remained up for debate whether droplets, including tiny aerosols, containing the virus remain suspended in the air for a long enough period of time to enable the virus to infect a new person.

Amid the debate, the World Health Organization (WHO) has updated its guidelines. While WHO had already acknowledged that airborne transmission can occur during medical procedures that generate aerosols, the updated guidelines state that "WHO, together with the scientific community, has been actively discussing and evaluating whether SARS-CoV-2 may also spread through aerosols in the absence of aerosol generating procedures, particularly in indoor settings with poor ventilation".

The US Centers for Disease Control and Prevention (CDC), too, had issued a statement that the virus could spread through airborne particles that can remain suspended in the air and travel beyond 6 feet, but removed it recently saying it was updating the recommendations.
CSIR's Dr Mande told The Indian Express: "Neither CDC nor CSIR will go to the public announcing whether it can be airborne or not. See, this is a sensitive public health issue and we do not want to falsely alert the public or falsely make them secure, and hence we are very cautious in our approach. But our air sampling studies have taken off."

What will the CSIR study look at?
The aim is to collect air samples from intensive care units, hospital corridors, waiting rooms and places where healthcare workers are most at risk and then investigate and understand whether airborne transmission is a possible route contributing to the pandemic.

"We cannot say confirmatively but we do see a situation where the virus is likely to be detected from the air. Now we have to figure out how far this virus can travel and in what amounts so that we can rule out several concerns," said Dr Rakesh Mishra, Director, CSIR–Centre for Cellular and Molecular Biology.

CSIR–CCMB is in talks with hospitals across Hyderabad to involve them in the study. At CSIR–Institute of Microbial Technology, Chandigarh, Director Dr Sanjeev Khosla said they were in talks with the Punjab government to involve ICUs, swab collection centres and quarantine centres in the study.

What is the methodology?
Both institutes have got air samplers — handheld machines in which the air passes through a filter so that virus particles get stuck on it. These filters are then analysed to estimate for virus quantity. Several filters will be required as each has to be replaced while collecting new samples.

Dr Khosla said researchers will have to collect air samples a few hours after a Covid-positive patient leaves a particular room. Samples will have to be collected multiple times with different patients at distances of 4 ft, 8 ft and 12 ft.

"We need hundreds of data points and only then can arrive at some conclusion," Dr Mishra said.

Why was this felt necessary?
"People are still worried about going to public places. There have been contrary studies on the airborne transmission and we wanted to check for ourselves just how the aerosols could travel and where the highest concentration of virus is likely to be present," Dr Khosla said.

A droplet is a liquid secretion coming out of the nose/mouth and is a heavy large particle that travels a short distance, while an aerosol is a lighter particle that travels longer, explained Dr Sundeep Salvi, Director, Pulmocare Research and Education (PURE) Foundation. "More studies are required to understand the possibility of aerosol route of transmission as it could have larger economic and social implications," Dr Salvi said.

Source: The Indian Express

2. What is the basis of MSP? How is it fixed, and how binding is it?

Relevant for GS Prelims & Mains Paper III; Economics

The recently enacted law that dismantles the monopoly of APMC (agricultural produce market committee) mandis, thereby allowing sale and purchase of crops outside these state government-regulated market yards, may not have faced serious farmer opposition had it included a provision safeguarding the continuance of the existing minimum support price (MSP)-based procurement regime.

A mere sentence, to the effect that nothing in this Act shall stop the government from announcing MSPs and undertaking crop purchases at these rates as before, might have blunted any criticism of the new law being "anti-farmer".

What does the law say about MSP?

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill does not give any statutory backing to MSP. Forget making it a legal right, there isn't even a mention of either "MSP" or "procurement" in the Bill passed by both Houses of Parliament last week. Agriculture Minister Narendra Singh Tomar has said the new legislation has "nothing to do with MSP". Instead, its objective is simply to grant farmers and traders the freedom of choice to sell and buy agricultural produce outside the premises of APMC mandis. MSP and procurement, according to him, are entirely separate issues: "MSP was not part of any law before. Nor is it part of any law today."

The minister isn't wrong.

The National Food Security Act, 2013 (NFSA), passed by the previous Congress-led UPA government, provides a legal basis for the public distribution system (PDS) that earlier operated only as a regular government scheme.The NFSA made access to the PDS a right, entitling every person belonging to a "priority household" to receive 5 kg of foodgrains per month at a subsidised price not exceeding Rs 2/kg for wheat and Rs 3/kg for rice. Priority households were further defined so as to cover up to 75% of the country's rural population and 50% in urban areas.

MSP, by contrast, is devoid of any legal backing. Access to it, unlike subsidised grains through the PDS, isn't an entitlement for farmers. They cannot demand it as a matter of right.

What is the basis of MSP then?

"It is only a government policy that is part of administrative decision-making. The government declares MSPs for crops, but there's no law mandating their implementation," explained Abhijit Sen, former Planning Commission member and chairman of the Commission for Agricultural Costs & Prices (CACP).

The Centre currently fixes MSPs for 23 farm commodities — 7 cereals (paddy, wheat, maize, bajra, jowar, ragi and barley), 5 pulses (chana, arhar/tur, urad, moong and masur), 7 oilseeds (rapeseed-mustard, groundnut, soyabean, sunflower, sesamum, safflower and nigerseed) and 4 commercial crops (cotton, sugarcane, copra and raw jute) — based on the CACP's recommendations.

But the CACP itself is not any statutory body set up through an Act of Parliament. This, despite its coming to existence in 1965 and MSPs being announced since the time of the Green Revolution, starting with wheat in 1966-67. The CACP, as its website states, is just "an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India". It can recommend MSPs, but the decision on fixing (or even not fixing) and enforcement rests finally with the government.

"The government can procure at the MSPs if it wants to. There is no legal compulsion. Nor can it force others (private traders, organised retailers, processors or exporters) to pay," Sen noted. The government does buy wheat and paddy at their MSPs. But that's more out of political compulsion and the need to supply the PDS's foodgrain requirements, more so post the NFSA.

The only crop where MSP payment has some statutory element is sugarcane. This is due to its pricing being governed by the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act. That order, in turn, provides for the fixation of a 'fair and remunerative price' (FRP) for cane during every sugar year (October-September). But even the FRP — which, incidentally, was until 2008-09 called the 'statutory minimum price' or SMP — is payable not by the government. The responsibility to make FRP payment to farmers within 14 days of cane purchase lies solely with the sugar mills.

Has there been any move to give MSP legislative backing?
The CACP, in its price policy report for the 2018-19 kharif marketing season, had suggested enactment of a legislation conferring on farmers 'The Right to Sell at MSP'. This, it felt, was necessary "to instil confidence among farmers for procurement of their produce". That advice, predictably, wasn't accepted.

The ongoing farmer protests essentially reflect a loss of that very confidence. Is the dismantling of the monopoly of APMC mandis in wholesale trading of farm produce the first step at ending even the present MSP-based procurement programme, largely limited to wheat and paddy? If APMCs were to turn unviable due to the trades moving outside, how will government agencies undertake procurement that now takes place in mandis?
These questions are playing in the minds of farmers, particularly in states such as Punjab, Haryana and MP that have well-established systems of governmental MSP purchases. For them, freedom to sell to anyone, anywhere and anytime has little value compared to the comfort of assured procurement at MSP.

What has the government done to address these questions?
Prime Minister Narendra Modi, on September 20, tweeted that the "system of MSP will remain" and "government procurement will continue". The Agriculture Minister , too, has pointed out that past governments never thought it necessary to introduce a law for MSP.

So why even talk about MSP, leave alone incorporate guarantees relating to its continuance, in an apparently unrelated law?
It remains to be seen whether these finer points would go down well on the ground. By announcing the MSPs of rabi crops for the ensuing planting season on September 21 (this was last year done on October 23) and kickstarting kharif procurement from early next month, the government may hope to counter any major farmer backlash.

Source: The Indian Express

3. Should you invest in fixed deposits with banks?

Relevant for GS Prelims & Mains Paper III; Economics

As central banks around the world, including in India, look to rekindle economies ravaged by the pandemic through monetary policy measures, interest rates are expected to remain low for perhaps the next couple of years. Seeking to stabilise the financial markets and stimulate the United States economy, the Federal Reserve last week reaffirmed plans to leave its benchmark interest rates pinned near zero until at least 2023.

In a situation of high inflation and declining interest rates, fixed deposits (FDs) with banks will have to take the backseat in an investor's asset allocation, especially for those in the highest marginal tax bracket.

How should you view FDs?

Back in 1995, State Bank of India offered an interest rate of 13% on deposits of more than three years. It was an attractive offer, and the fact that income levels were low and most individuals fell in the lower tax brackets, meant double-digit returns post-tax. FDs were a low-risk, high-interest investment then; things have changed dramatically since.

Amar Pandit, founder of Happyness Factory, an online goal-based investing experience platform, said, "FDs are simply low-cost loans to banks, and should not be seen as an investment avenue."

A quick calculation shows that FDs don't make much investment sense for those in the high tax brackets, other than the fact that some old investors still derive comfort from investing in bank FDs. However, over the last couple of years, that comfort too, has been shaken — depositors have seen their deposits getting stuck, first in PMC Bank and then in Yes Bank, as RBI imposed a moratorium/ cap on withdrawals. Investors were reminded also that in case of default in FD maturity payments, their deposit insurance would cover payment only up to Rs 5 lakh.

Indeed, FDs no longer serve the purpose they did 20-25 years ago. "The purpose of any investment is to grow the value of assets over a period of time, but with the interest rates in the current scenario, and the high inflation — and for someone who falls in the highest tax bracket, it does not make much sense," Pandit said. "For liquidity, individuals may keep some money in fixed deposits."

But yes, those who are not required to pay tax, or who fall in the lowest tax bracket, may definitely consider FDs, which will give them around 5 per cent post-tax return. Even high net worth individuals (HNIs) can park a part of their assets in FDs as a diversification strategy.

Do FDs provide cover against inflation?
Any financial instrument must serve the purpose of growing your money — so, the first thing one must see before putting money in an FD is whether it provides real growth to the investment (net of inflation).

While volatility is seen as a risk by many investing in mutual funds, inflation must be seen as a big risk for FD investments. If adjusted for inflation, fixed deposits actually generate negative returns. Consider this example:

For an investor falling in the highest tax bracket, a 10-year investment of Rs 10 lakh in a bank FD offering 5.4 per cent, will generate a post-tax return of close to Rs 4.4 lakh. This means the investment of Rs 10 lakh would grow to Rs 14.4 lakh after 10 years.

However, if inflation is 5% in the same period — which will be actually around 7% taking into account lifestyle and education inflation — the investor will actually lose money. This is because the investor’s Rs 10 lakh needed to have grown to Rs 16.28 lakh in 10 years just to cover for the 5% inflation. Since the FD grows to only Rs 14.4 lakh, in real terms the investor would be poorer by close to Rs 1.9 lakh.

What is the outlook for interest rates?
At 4%, the repo rate (the rate at which RBI lends to commercial banks) is the lowest in at least 17 years. While the central bank has already cut the repo rate by 250 basis points since February 2019, in its monetary policy statement in August, the RBI Governor said that the Monetary Policy Committee had decided to hold on policy rates, but it would keep a watch on durable reduction in inflation “to use the available space to support the revival of the economy”.

This essentially means that once the inflation stabilises, RBI will go for a further cut in interest rates to support the economy and prop up demand.

A cut in interest rates would mean that banks would first reduce their borrowing cost before they cut the lending rates. So, fixed deposit investors will see a further reduction in interest rate offerings.

As of now, while SBI is offering a 5.4% interest on a 5-year term deposit, the post-tax returns for those falling in the highest tax bracket (without surcharge) would come to around 3.7%. Going forward, with a further cut in repo rates, banks may reduce their offering further, making it even more unattractive for investors.

So, should you go for fixed deposits?
For individuals in the middle-income category falling in the highest tax bracket and looking to build a retirement corpus or save for children’s higher education etc., the answer is no. While CPI inflation may be around 6% for now and RBI may have targeted it for around

4%, it is important to realise that lifestyle inflation and education inflation are much higher at around 7-8%. It is therefore important to go for financial instruments that generate above-inflation returns.

Financial planners say that while HNIs can keep some part of their assets in fixed deposits, middle-income individuals should not go for FDs except for keeping some money for liquidity purposes. Individuals whose income is non-taxable, or falls in the low marginal tax rate of 10%, can go for FDs as they will fetch a decent post-tax return.

As for existing FDs, experts say that it is not wise to roll them over beyond what may be required for liquidity, and they should be utilised to repay part of outstanding loans. “Any asset earning a lower interest than the outgo on loan should be utilised to repay and reduce the debt burden,” said Surya Bhatia, founder, Asset Managers, a financial advisory firm.

What should FD investors then look at?
Even for debt investment, investors can look to split their portfolio. An investment corpus that may not be needed for 10-15 years and can be kept for children’s higher education or wedding, can be invested in Public Provident Fund and Sukanya Samriddhi Yojana, which offer 7.1% and 7.6% respectively. Investors can invest up to Rs 1.5 lakh in each of these schemes in a year. In both cases, the interest income is tax-free.

Senior citizens can go for the government’s senior citizen savings scheme that offers 7.4% interest. Investors can put up to Rs 15 lakh in the scheme.

Some other options that fixed deposit investors can consider are Government of India bonds that are currently offering 7.1%; however, this is not fixed, but floating.

Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors, said debt mutual funds too, are a good option for long-term investors, as they offer capital appreciation as well. “Over long periods both inflation and interest rates will trend downwards, and so typically, debt mutual funds will offer capital appreciation to those who can hold for longer periods. It also provides tax arbitrage as compared to fixed deposits. Debt mutual fund investors pay 20% with indexation benefits for investments over three years, and it is more efficient than taxation of fixed deposits for those falling in the 30% marginal tax rate,” Dhawan said. However, investors should only go with debt funds having high-quality AAA-rated papers, he said.

According to Dhawan, those in the highest tax bracket can also go for tax-free bonds, where the current yield is 4.5% — better than FDs.

Bhatia said that while investors can go for short-term debt funds with a quality portfolio, one must look to hold for three years for the best tax benefit.

Source: The Indian Express

4. Parliament passes labour Bills amid boycott

Relevant for GS Prelims & Mains Paper III; Economics

Parliament on Wednesday passed three Bills that complete the government's codification of 29 labour laws into four codes, with the Rajya Sabha passing the Industrial Relations Code, 2020, the Occupational Safety, Health and Working Conditions Code, 2020 and the Social Security Code, 2020.

The Upper House passed the three Bills after less than two hours of discussion, while the Opposition continued its boycott that started on Tuesday over the passage of two agriculture Bills.

The three Bills that merge 25 laws were passed by the Lok Sabha on Tuesday. The first of the four codes proposed by the government, the Code on Wages, was passed by Parliament in 2019.

Speaking in the Rajya Sabha, Labour and Employment Minister Santosh Kumar Gangwar said the passage of the Bills would balance the needs of workers, industry and other stakeholders. Referring to the empty Opposition benches, Mr. Gangwar said it wasn't a new thing that the Congress was absent, adding that the party had not worried about workers in the past.

Strike notice
Responding to concern that the Industrial Relations Code had imposed a 14-day notice period for strikes, Mr. Gangwar said: "The government has not taken away the workers' right to strike." He added that the notice period gave the two parties a chance to resolve the dispute.

He said the changes in the labour laws were needed for the welfare of workers and promotion of industries. He said for the first time, 50 crore workers of the organised and unorganised sectors as well as the self-employed were covered under minimum wage and social security laws. Platform and gig workers were covered under the Social Security Code as well, giving the government the power to formulate social security schemes for them.
The IR Code will allow companies with under 300 workers to decide on termination and other service conditions of employees without prior approval, as opposed to companies with less than 100 employees as of now.

The Social Security Code will extend the scope of the Employees State Insurance Corporation to all 740 districts in the country and that of the Employees' Provident Fund Organisation to all institutions with 20 or more workers as well the self-employed. A

National Occupational Safety and Health Board under the OSH Code and a Social Security Fund under the Social Security Code will be set up.

Source: The Hindu