



## Current Affairs of the Day

### GS Paper III

- Govt. faces a tough choice on interest rates
- For Mizoram students, it's a struggle to 'catch the tower' and log on
- Drones are now a favoured terror tool



## Govt. faces a tough choice on interest rates

A cut in small savings rates will be 'unpopular' and further hurt households amid a surge in inflation, say economists.

### Highlights:

1. The Union government has a tricky political decision to make over the next couple of days, with the quarterly reset of interest rates on small savings schemes due on June 30.
2. A cut in small savings rates at this point would be an "unpopular" move and further hurt households amid a surge in inflation, according to economists.
3. Sharp cuts in the rates for the current quarter on instruments, including the Public Provident Fund (PPF) and National Savings Certificates (NSCs) announced in March, were rolled back within hours.
4. Retail inflation has shot up sharply to 6.3% in May this year after averaging 6.2% through 2020-21. Inflation is expected to stay elevated around 5.5%-6% through 2021-22.
5. Moreover, household savings have been shrinking significantly for two quarters in a row even before the second COVID-19 wave, as per recent Reserve Bank of India (RBI) data on savings rates for the third quarter of 2020-21.
6. If you go strictly by the formula set for small savings rates, they may need to cut rates to some extent. But the government will not do it this time as it will be a very unpopular move due to the rising inflation and declining savings rates.

### Recent auctions

1. Some recent auctions of 10-year government securities (G-secs) have struggled to find takers at the interest rates being offered by the Central bank.
2. No bids were received for such an auction held, which suggests borrowing from the market at low rates may not be sustainable. The RBI has often blamed the high administered interest rates on small savings for poor transmission of its rate cuts in the economy.



3. Mr Sabnavis said the government must revisit the formula adopted since April 2016 that links small savings rates to Gsecs' rates, as they are not really market-determined, but is managed by the Central bank.

### Policy rethink needed

The extent of rate cuts on small savings should be carefully calibrated. We can't give a shock that discourages financial savings by effecting sharp rate cuts like those announced last time. We are a savings-dependent economy and need a policy that gives them the same importance as investments.

### For Mizoram students, it's a struggle to 'catch the tower' and log on

#### Highlights:

1. In the age of work-from-home, students in Mizoram are studying from anywhere with a signal strong enough.
2. They are also sharing smartphones — a rarity in rural areas where relatively good 2G connectivity makes them an “unnecessary buy” — available in the village to attend online classes or sit for exams.
3. Mizoram University's Vice-Chancellor acknowledged the hardships faced by students in remote and rural areas in accessing online classes. But he also saw the silver lining.
4. He also alluded to instances of civil society organisations such as the Young Mizo Association helping put up makeshift exam centres for the students in areas with Internet connectivity.
5. Mizoram University has about 3,000 students, of whom about 600 are from other States, including Kerala and Tamil Nadu. The university's students from these states have better access to the Internet.

### Drones are now a favoured terror tool

In the first instance of a drone attack on a defence installation in the country, unmanned aerial vehicles are suspected to have dropped and detonated two explosive devices at the Jammu Air Force Station, leaving two Indian Air Force (IAF) personnel injured.



## Highlights:

1. Two low-intensity explosions were reported in the technical area of the Jammu Air Force Station. One caused minor damage to the roof of a building while the other exploded in an open area.
2. The attackers may have been operating the drone in close vicinity of the airbase as the quadcopter believed to have been used has limited range, officials said.
3. Earlier this year, the Border Security Forces (BSF) foiled a few attempts to drop weapons and drugs by using drones on this side of the International Border in Jammu's Samba and Kathua belt.
4. There have been warnings that Pakistan-based terrorist groups could attempt to target military bases with drones. After the drone attack on Saudi Aramco oil facilities in Eastern Saudi Arabia in September 2019, the armed forces held deliberations on the issue and put in place plans to procure counter-drone capabilities.
5. The Defence Research and Development Organisation (DRDO) has developed an anti-drone technology for short ranges.
6. The use of drones by Pakistan-based elements has been a major cause of concern. All tech-based solutions are being explored to counter it.
7. Anti-drone jammers cannot be that effective in the border areas, but they can be deployed at security-sensitive installations to prevent such attacks in future
8. Weaponised drones were first used by the Islamic State in northern Iraq in 2016 and then in Syria.
9. Another emerging challenge for the security forces is the increasing use of improvised explosive devices.