



CURRENT AFFAIRS



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FOREST A MAJOR CONTRIBUTOR TO FINANCIAL WEALTH: SC

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS "JUDGMENT OF SC FOR FOREST CONSERVATION". THIS TOPIC IS RELEVANT IN THE "" SECTION OF GS2 IN THE UPSC CSE EXAM.

WHY IN THE NEWS?

- The supreme court has asserted in a judgment that forests are a national asset and major contributor in the nation's wealth. The judgment is crucial because last year the government passed a controversial Forest Conservation (Amendment) Act, 2023 which attracted widespread criticism .
- SC has also highlighted the concept of carbon credit and green accounting to evaluate national wealth. A judge named Justice M.M. Sundresh said that the forest's spirit is what makes the earth move. This was in response to an appeal from Telangana State against a High Court ruling that gave forest land to a private individual. The State's forest officers made things worse by giving different statements in court.
- The top court told both the State government and the private individuals to pay ₹5 lakh each as punishment. Additionally, the State was told to investigate its own forest officers.
- The court's decision comes at a crucial moment, especially with the recent controversy surrounding the Forest (Conservation) Amendment Act (FCAA) of 2023. This law has faced significant backlash, with many criticizing it for granting States the power to legalize encroachments in protected forests and decide on the use of forest lands. Critics argue that the Act essentially opens the door for the **commercial exploitation** of forests.

IMPORTANCE OF FOREST FOR A NATION:

1. **Environmental Stability:** Forests help maintain environmental stability by regulating climate, preventing soil erosion, and purifying air and water. They act as carbon sinks, and suck out carbon dioxide from the atmosphere and help tackle the impacts of climate change.
2. **Biodiversity Conservation:** Forests are home to a variety of plants and animals, some of which are unique and endangered. Protecting forests preserves biodiversity and ensures the survival of these species, which are essential for ecosystem health and resilience.
3. **Economic Benefits:** Forests provide valuable resources such as timber, non-timber forest products, and medicinal plants, which support livelihoods and contribute to economic growth. Forest-based industries, including logging, tourism, and ecotourism, generate revenue and employment opportunities.
4. **Water Regulation:** Forests are important in regulating the water cycle by influencing rainfall patterns, reducing flooding, and maintaining the flow of rivers and streams. They also help recharge groundwater and provide clean drinking water to communities.

5. **Food Security:** Forests contribute to food security by providing habitat for pollinators, wild edible plants, and game animals. Forest ecosystems support agriculture through pollination services, soil fertility, and pest control.
6. **Cultural and Recreational Value:** Forests hold cultural significance for many indigenous communities, serving as sacred sites, sources of traditional knowledge, and places for spiritual practices. They also offer opportunities such as hiking, camping, and wildlife viewing, promoting physical and mental well-being.
7. **Climate Change Mitigation:** Forests are crucial for tackling climate change by sucking out carbon dioxide through photosynthesis. Forest conservation and restoration efforts are essential strategies for reducing greenhouse gas emissions and achieving global climate targets.

THREATS TO FOREST LAND IN INDIA

1. **Deforestation:** Deforestation, primarily driven by logging, agriculture expansion, infrastructure development, and urbanization, is a significant threat to forest land in India. Illegal logging and land clearing for agricultural purposes contribute to the loss of forest cover.
2. **Encroachment:** Forest land often faces encroachment by individuals, communities, and industries for agricultural activities, settlements, mining, and infrastructure projects. Encroachments degrade forest ecosystems and reduce biodiversity.
3. **Illegal Logging and Poaching:** Illegal logging for timber and poaching of wildlife for trade pose serious threats to forest ecosystems. Unsustainable logging practices degrade forest health, while poaching leads to the decline of endangered species and disrupts ecological balance.
4. **Forest Fires:** Forest fires, both natural and human-induced, are a significant threat to forest land in India, particularly during the dry season. These fires destroy valuable forest resources, habitats, and biodiversity, and contribute to air pollution and climate change.
5. **Climate Change:** Climate change is a threat to forest ecosystems in India, leading to shifts in temperature and rainfall patterns, increased frequency and intensity of extreme weather events, and changes in species distributions. These impacts can stress forest ecosystems and make them more vulnerable to other threats.
6. **Illegal Mining and Quarrying:** Illegal mining and quarrying activities, especially in forested areas, degrade habitat quality, disrupt ecosystems, and cause soil erosion and water pollution. These activities also contribute to deforestation and loss of biodiversity.
7. **Infrastructure Development:** Infrastructure projects such as roads, dams, and power plants often involve clearing forest land, leading to habitat fragmentation, loss of biodiversity, and disruption of ecological processes.

FOREST CONSERVATION ACT, 1980

Objectives of the Forest Conservation Act 1980:

1. **Conservation and Sustainable Management:** The primary objective is to conserve forests and ensure their sustainable management.
2. **Regulation of Forest Land Diversion:** The act aims to regulate the diversion of forestland for non-forestry purposes, such as mining, industrial projects, or infrastructure development.
3. **Central Government Approval:** Any diversion of forestland must receive prior approval from the central government.
4. **Compensation for Forest Cover Loss:** If forestland is diverted, compensation is required based on the net present value of the affected area. These funds are then utilized for afforestation and reforestation efforts.

SALIENT FEATURES OF THE ACT:

1. **Central Government Approval:** The Act mandates that forestland diversion for non-forestry purposes can only be approved by the central government. This ensures decisions are made at the national level, balancing economic development and environmental conservation.
2. **Compensation for Loss of Forest Cover:** Compensation is required for the loss of forest cover due to diversion. The amount is based on the net present value of the diverted land, with funds allocated for afforestation and reforestation.
3. **Consultation with State Governments and Tribal Communities:** Before approving forest land diversion, state governments and tribal communities must be consulted. This ensures local stakeholders' views are considered.
4. **Mandatory Compensatory Afforestation:** An equal area of non-forest land must be afforested or reforested as compensation for the loss of forestland due to diversion.

PRELIMS QUESTION

Which of the following statements accurately describes a provision of the Forest Conservation Act, 1980?

1. A) The Act primarily focuses on promoting industrial projects in forested areas.
2. B) Approval for forest land diversion for non-forestry purposes is solely granted by state governments.
3. C) Compensation for loss of forest cover due to diversion is not mandated by the Act.
4. D) Consultation with state governments and tribal communities is required before approving forest land diversion.

Answer: D

Ankit Kumar

DECLINING PRIVATE INVESTMENT IN INDIA

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "**Declining Private Investment in India**". THIS TOPIC IS RELEVANT IN THE "**ECONOMY**" SECTION OF THE UPSC CSE EXAM.

Why in the News?

Private investment has experienced a consistent decrease since the fiscal year 2011-12. The government has anticipated that major Indian corporations would increase their investment to fill this gap. Consequently, in 2019, the central government reduced corporate taxes from 30% to 22% with the expectation that this measure would stimulate private investment.

WHAT IS PRIVATE INVESTMENT?

Private investment refers to the investment made by private individuals or entities, such as businesses, corporations, or individuals, into various assets or projects with the expectation of generating a return on their investment.

Gross Fixed Capital Formation (GFCF) refers to the total value of new fixed assets purchased by businesses, governments, and households within an economy during a specific period. These fixed assets include machinery, equipment, buildings, infrastructure, and other physical assets that are used for production over a long period. GFCF is a key indicator of investment in an economy and is often used to measure the level of economic activity and growth.

Importance of GFCF in the Economy

- **Stimulating Economic Growth:** GFCF is a significant driver of economic growth. Increased investment in fixed capital leads to enhanced production capacity, productivity, and efficiency, which can boost overall economic output.
- **Infrastructure Development:** GFCF plays a crucial role in infrastructure development, including roads, bridges, railways, ports, and telecommunications networks. Improved infrastructure facilitates smoother transportation of goods and services, reduces transaction costs, and fosters economic development.
- **Employment Opportunity:** Investment in fixed capital often requires labor, leading to job creation across various sectors of the economy. This contributes to reducing unemployment rates and improving living standards.
- **Technological Advancement:** GFCF enables businesses to invest in new technologies and innovative processes, leading to technological advancement and industrial modernization. This, in turn, enhances competitiveness and fosters long-term economic growth.
- **Attracting Foreign Investment:** A high level of GFCF signals a favorable investment climate, which can attract foreign investors looking for opportunities to expand their operations or enter new markets. This can lead to increased foreign direct investment (FDI), bringing in additional capital and expertise.
- **Resilience to Economic Shocks:** Economies with robust levels of GFCF are often better equipped to withstand economic downturns. Investment in fixed capital creates a foundation for future growth and can buffer against short-term shocks by maintaining or even increasing productive capacity.
- **Long-term economic planning:** GFCF data is used by governments and policymakers to plan for long-term economic development. By analyzing trends in GFCF, they can identify areas where investments need to be increased or decreased to achieve specific economic goals.

Current Trends of Private Investments in India

- In India, private investment experienced a significant increase primarily following the economic reforms of the late 1980s and early 1990s, which bolstered confidence in the private sector.
- Before economic liberalization, private investment mostly hovered around or slightly above 10% of the GDP, while public investment as a percentage of GDP consistently rose from less than 3% in 1950-51 to surpass private investment by the early 1980s. However, public investment started declining after liberalization, with private investment taking the lead in fixed capital formation. This surge in private investment continued until the global financial crisis of 2007-08, during which it peaked at around 27% of GDP from about 10% in the 1980s.
- However, since 2011-12, private investment has been declining and reached a low point of 19.6% of GDP in 2020-21.

Why is Private investment falling in India?

- **Decline in Private consumption expenditure:** A decrease in private consumption expenditure indicates reduced spending by households on goods and services. This could be due to factors such as lower disposable income, consumer pessimism, or economic uncertainty. When demand weakens, businesses may respond by scaling back their investment plans to align with lower expected sales, leading to a decline in private investment.
- **Policy uncertainties:** The Indian government has been implementing various policies and reforms, such as the Goods and Services Tax (GST) and demonetization, which have created uncertainties in the business environment. These policy changes have led to a temporary slowdown in private investment as businesses adjust to the new regulations.
- **Banking sector stress:** The Indian banking sector has been facing stress due to bad loans and capital shortages. This has led to a slowdown in credit disbursement, which in turn affects private investment as businesses find it harder to secure loans for their projects.
- **Complex Labor laws:** The complex labor laws in India can create difficulties for businesses, making it harder for them to operate and invest in the country. Simplifying labor laws and making them more business-friendly can help boost private investment.
- **Bureaucratic hurdles:** Red tape and bureaucratic hurdles can slow down project approvals and make it difficult for businesses to invest in India. Efforts to streamline the process of project approvals and reduce bureaucratic hurdles can encourage private investment.

Wayforward for India

- **Ease of Doing Business:** The government should focus on improving the ease of doing business in India by simplifying regulations, reducing bureaucratic red tape, and ensuring transparent processes. This will make it easier for private companies to invest and operate in India.
- **Tax Incentives:** The government can provide tax incentives and exemptions to private sector companies that invest in India. This can include deductions on investment, lower corporate tax rates, and exemptions from certain taxes for a specific period.
- **Infrastructure Development:** The government should invest in the development of infrastructure, such as roads, ports, airports, and power plants, to create a conducive environment for private sector investment. This will help in the growth of various industries and create more jobs.
- **Skill Development and Education:** The government should focus on improving the quality of education and skill development in India. This will ensure a skilled workforce is available for private sector companies, which can attract investments.
- **Promote Public-Private Partnerships (PPPs):** The government should encourage PPPs in sectors such as infrastructure, energy, and healthcare, allowing private sector companies to collaborate with the government in delivering public services.
- **Create a favorable investment climate:** The government should create a favorable investment climate by ensuring the protection of investors' rights, providing a level playing field for all investors, and ensuring transparency in the investment process.

Prelims Based Question

Q1. Consider the following statements regarding Private Investment in India:

1. Private investment in India has experienced a consistent decline since the fiscal year 2011-12.
2. High Private Investment fosters long-term economic growth.

Choose the correct answer using the codes given below:

- (a). 1 Only
- (b). 2 Only
- (c). Both 1 and 2
- (d). Neither 1 nor 2

ANSWER: C

Mains Based Question

Q1. Critically assess the reasons behind the recent decline in private investment in India. Examine potential strategies and policy measures to encourage private sector investment in India.

Vikas Agarwal



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