Drishti IAS Presents...

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ECONOMY

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Interim Budget 2024-2025

Why in News?

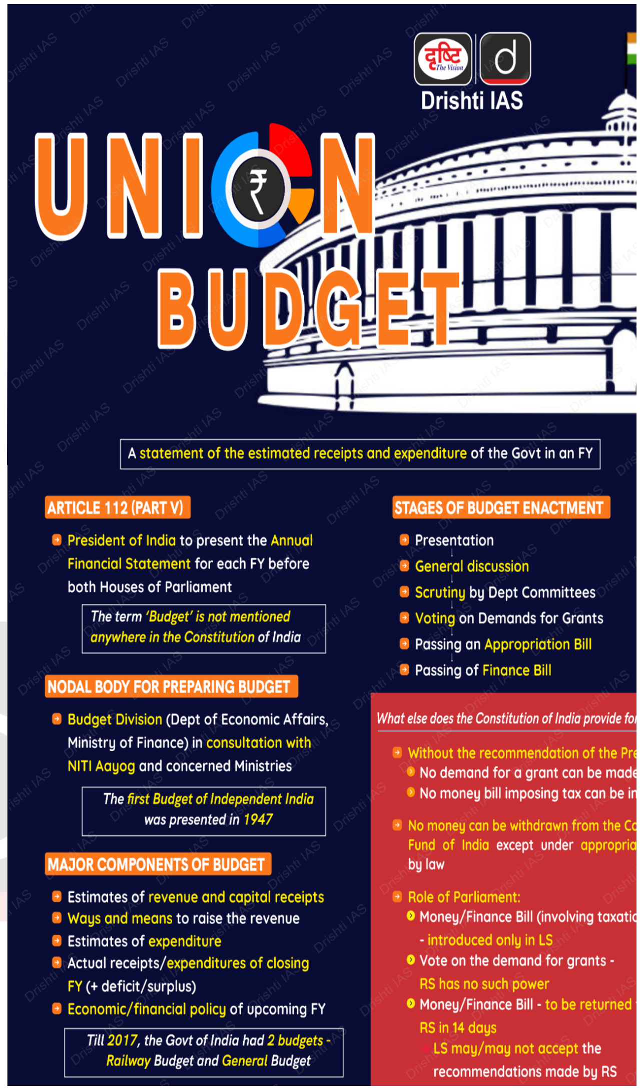
Recently, the **Interim Budget 2024-25** was tabled in the parliament. It envisions '**Viksit Bharat**' by **2047**, with all-round, all-pervasive, and all-inclusive development.

What is an Interim Budget?

- An Interim Budget is presented by a government that is going through a transition period or is in its **last year in office ahead of general elections.**
- The purpose of the interim budget is to **ensure the continuity of government expenditure and essential services** until the new government can present a **full-fledged budget** after taking office.i

What is the Difference Between Interim Budget and Vote on Account?

Feature	Interim Budget	Vote on Account
Constitutional Provision	Article 112	Article 116
Purpose	Financial Statement presented by the government ahead of general elections.	To meet essential government expenditures for a limited period until the budget is approved.
Duration of Expenditure	Covers a specific period, usually a few months until a new government is formed and a full budget is presented.	It is generally granted for two months for an amount equivalent to one-sixth of the total estimation.
Policy changes	Can propose changes in the tax regime	Cannot change the tax regime under any circumstances
Impact on Governance	Provides continuity in governance during the transition period between two governments.	Ensures the smooth functioning of the government and public services until the regular budget is approved.



What are the Major Highlights of the Interim Budget 2024-25?

- **Capital Expenditure:** An 11.1% increase in the **capital expenditure** outlay for 2024-2025 was announced.
  - The capital expenditure is set at **Rs 11,11,111 crore**, constituting **3.4% of the GDP**.
- **Economic Growth Projections:** The GDP growth for **FY 2023-24 real GDP growth is** projected at **7.3%**, aligning with the RBI's revised growth projection.
  - The **International Monetary Fund** upgraded India's growth projection to **6.3% for FY 2023-24**. It also anticipates India becoming the **third-largest economy in 2027.**
- **Revenue and Expenditure Estimates (2024-25):**
  - **Total Receipts:** Estimated at Rs 30.80 lakh crore, excluding borrowings.

Note:

- Total Expenditure: Projected at Rs 47.66 lakh crore.
  - **Tax Receipts:** Estimated at Rs 26.02 lakh crore.
- **GST Collections**: Reached **₹1.65 lakh crore** in December 2023, crossing the ₹1.6 lakh crore benchmark for the seventh time.
- **Fiscal Deficit and Market Borrowing: Fiscal deficit** is estimated at **5.1% of GDP in 2024-25**, aligning with the **goal of reducing it below 4.5% by 2025-26** (announced in budget 2021-22).
  - Gross and net market borrowings through dated securities in **2024-25** are estimated at **Rs 14.13 and 11.75 lakh crore**, respectively.
- **Taxation:** The Interim Budget **maintains the existing rates for direct and indirect taxes**, including import duties.
  - **For Corporate Taxes:** 22% for existing domestic companies, 15% for certain new manufacturing companies.
  - No tax liability for taxpayers with income up to **₹7 lakh** under the new tax regime.
  - Certain tax benefits for **Start-Ups and investments** extended by one year up to March 31, 2025.
- **Priorities:** Emphasizing the focus on the **Poor, Women, Youth and Farmer.**
  - **Poor:** Successful movement of **25 crore people out of multidimensional poverty.**
    - Credit assistance was provided to **78 lakh street vendors under PM-SVANidhi.**
  - **Women:** Disbursement of 30 crore **Mudra Yojana** loans to women entrepreneurs.
    - 43% of female enrolment in **STEM courses.**
    - Assistance to 1 crore women through 83 lakh SHGs, fostering **'Lakhpati Didis.'**
    - **28% increase in female enrolment** in higher education over a decade.
  - **Youth:** Training of 1.4 crore youth under the **Skill India Mission.**
    - Fostering entrepreneurial aspirations with 43 crore loans sanctioned under **PM Mudra Yojana.**
  - **Farmers**: Direct financial assistance was provided to 11.8 crore farmers under **PM-KISAN.**
    - Crop insurance extended to 4 crore farmers through **Fasal Bima Yojana.**
    - Integration of 1,361 mandis under **eNAM** for streamlined agricultural trade.
- **Major Development Plans:**
  - **Infrastructure:**
    - **Railways:** Three major economic railway corridor programmes will be implemented- **energy, mineral & cement corridors, port connectivity corridors, and high traffic density corridors.**
      - **Forty thousand normal rail bogies will be converted to Vande Bharat standards** for enhanced safety, convenience, and passenger comfort.
    - **Aviation**: Expansion of existing airports and comprehensive development of new airports under **the UDAN scheme.**
    - **Urban Transport:** Promotion of urban transformation via Metro rail and **NaMo Bharat.**
  - **Clean Energy Sector:**
    - Viability gap funding for wind energy
      - It will help in **harnessing offshore wind energy potential**, aiming for an initial capacity of **1 gigawatt.**
    - Establishment of **coal gasification** and liquefaction **capacity of 100 million tonnes by 2030.**
    - **Phased mandatory blending** of CNG, PNG and **compressed biogas**
    - Financial assistance for procurement of **biomass aggregation machinery**
    - **Rooftop solarization: 1 crore households** will be enabled to obtain up to **300 units of free electricity per month**
    - Strengthening **e-vehicle ecosystem** by supporting manufacturing and charging
    - New scheme of **biomanufacturing and bio-foundry** to be launched to support environment friendly alternatives
  - **Housing Sector:** Government plans to subsidize the construction of **30 million affordable houses in rural areas.**
    - **Housing for Middle Class scheme** to be launched to promote middle class to buy/built their own houses
  - **Healthcare Sector:** Encouraging **Cervical Cancer Vaccination** for girls (9-14 years).

Note:

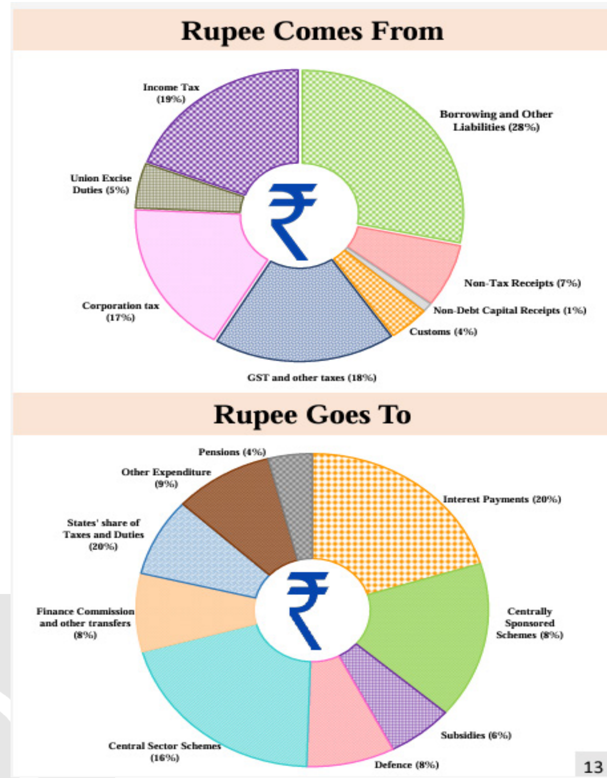
- U-WIN platform for immunization efforts of Mission Indradhanush to be rolled out.
- Expanding the Ayushman Bharat scheme to **include all** ASHA workers, Anganwadi workers, **and helpers.**

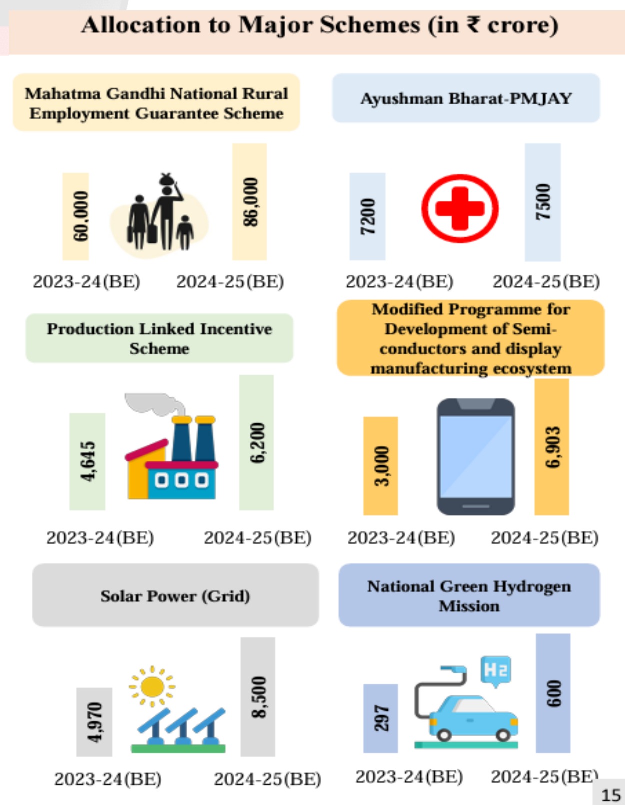
❍ **Agricultural Sector :** Encouraging the use of '**Nano DAP'** for various crops across all agro-climatic zones.
- Formulating policies to support dairy farmers and combat **Foot and Mouth Disease.**
- Strategizing for AtmaNirbharta (self-reliance) in oilseeds, covering research, procurement, value addition, and crop insurance.
  - **Nano-DAP (Di-ammonium Phosphate)** is a nanotechnology-based agri-input developed by the Indian Farmers Fertilizer Cooperative Limited **(IFFCO).** It helps in correcting the **Nitrogen & Phosphorus deficiencies** in standing crops.

❍ **Fishery Sector:** Establishing a new department, '**Matsya Sampada**,' to address the needs of fishermen.

❍ **For States Capex:** The continuation of the **fifty-year interest-free loan scheme** for capital expenditure to states was announced.
- A total outlay of **Rs 1.3 lakh crore**, with a provision of Rs 75,000 crore for fifty-year interest-free loans to support state-led reforms.
- Special attention will be paid to the eastern region to make it a powerful driver of India's growth.

❍ **Others:**
- Establishment of a corpus of **Rs 1 lakh crore** with a fifty-year interest-free loan to encourage research and innovation in **sunrise domains.**
  - Also, aiming to boost private sector participation in research and innovation.
- To address rapid population growth and demographic shifts, the government will form a **high-powered committee.**
  - The committee will provide comprehensive recommendations aligned with the **goal of 'Viksit Bharat.'**





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What are the Funds Related to the Budget in India?

- **Consolidated Fund of India: Article 266 (1)** of the Constitution consolidates all **revenues, loans, and loan repayments received by the Union Government** into a single fund known as the Consolidated Fund of India.
  - Withdrawal needs parliament permission (except for Charged Expenditure like Judges' salaries).
- **Public Account of India**: Under **Article 266 (2),** it includes incoming money from provident fund, small savings, postal deposit etc.
  - Government acts similar to a banker transferring funds from here to there so parliament permission is not necessary.
- **Contingency Fund of India:** It is established under the **Contingency Fund of India Act, 1950** and operates as an imprest in accordance with **Article 267(1).**
  - It serves the purpose of **offering advances to the government for unforeseen expenditures during the fiscal year,** pending authorization by Parliament.
  - Funds withdrawn from the Contingency Fund are replenished upon parliamentary approval through **Supplementary Demands for Grants.**

The Indian Economy: 10 Year Review

(Part - I)

Important Highlights of the Report

Ahead of the **Interim Budget for 2024-25** the Finance Minister presented a 10-year review of the Indian economy.

- **Growth Projection:** The review predicts that **India's GDP** will grow close to **7%** in **2024-25**, with the potential to go **"well above" 7% by 2030.**
  - The economy is expected to expand from about **$3.7 trillion** this year to **$5 trillion** in **three years,** making it the world's **third-largest,** and could even reach **$7 trillion by 2030.**
- **Two Growth Phases:** The review divides India's growth story into two phases:
  - **1950-2014** and a **"decade of transformative growth"** since 2014.
  - It highlights that the state of the economy was **"far from encouraging"** due to structural constraints, tardy **decision-making,** and **high inflation.**
  - However, **post-2014 reforms** have restored the economy's ability to grow healthily, making India the fastest-growing **G-20 nation**.
- **Qualitative Superiority:** The review asserts that India's **7% growth** (when the world grows at 2%) is **"qualitatively superior"** to the **8%-9%** achieved during the previous era when the global economy grew at **4%.**

Summary of the Report

Chapter-1

Indian Economy: Past, Present And Future

The Indian Growth Story (1950 to 2014)

- **Pre-Independence Economic Share:**
  - India's share of world income declined from 22.6% in 1700 to 3.8% in 1952.
- **Post-Independence Economic Strategy (1950s):**
  - The Indian government adopted a strategy in the 1950s.
  - Focused on achieving economic self-sufficiency.
    - Rapid industrialisation
    - Created large state-owned enterprises (SOEs)
  - The decadal average growth rate (1952-60): **3.9%.**
- **Challenges in the 1960s:**
  - Slowdown in economic growth during the 1960s.
    - Decadal growth rate of 4.1%.
  - The **1962 Sino-Indian war**.
  - 1965-66 India-Pakistan war.
  - Severe **drought** in 1965.
- **Barriers in 1970s:**
  - **Indian rupee devaluation** of 57% during the 1970s.
  - The 1970s were marked by severe political instability.
  - **Imposition of Emergency** in 1975.

- Decline in decadal average growth rate during the 1970s, reaching 2.9%.
- **Reform Initiatives in the 1980s:**
  - Removal of Price Controls, Initiation of Fiscal Reforms, Revamp of the Public Sector, Reductions in Import Duties, De-licensing of the Domestic Industry, Promotion of Exports
  - The 1980s also witnessed greater integration with the global economy, with a focus on promoting exports.
  - Modest liberalization combined with significant government spending led to an improvement in Gross Domestic Product (GDP) growth, reaching 5.7% in the 1980s.
- **External Shocks in the Early 1990s:**
  - The breakup of the Soviet Bloc posed an external shock.
  - The Iraq-Kuwait war adversely affected trade and disrupted current account balances during 1990–1991.
  - The external crisis, unsustainable government spending, and internal socio-political factors led to a Balance-of-Payments (BoP) crisis in 1991.
- **Reforms in 1991:**
  - Eliminating the complex system of rules, permissions, and licenses.
  - Reversing the substantial inclination towards state ownership of production facilities.
  - Ending the inward-looking trade strategy.
  - Real GDP growth averaged 5.8% per annum in the 1990s.

Early 2000s Economic Momentum:

- **India's Reforms Yield Growth and Capital Influx:**
  - The growth dividends from transformative reforms implemented during the period 1998-2002 played a key role in economic growth.
  - The early 2000s witnessed a global growth boom, and India attracted significant capital flows.
- **Key Measures Implemented:**
  - **Sarva Shiksha Abhiyan (SSA):** Focused on universal education.
  - **National Rural Health Mission (NRHM):** Implemented to address rural health needs.
  - **National Rural Employment Guarantee Scheme (NREGS):** To provide rural employment.
  - **Decadal Average Growth Rate:** The growth rate in the 2000s was 6.3% per annum.
- **Impact of Global Financial Crisis (2008):** The global financial crisis exposed the fragile foundations of the growth spurt in India.
  - Bad debts in banks began to accumulate.
  - The bad debt ratio reached double-digit percentages, peaking at 11.2% in March 2018.
  - Much of the bad debt originated between 2006 and 2008.
- **High Fiscal Deficits and Loose Monetary Policy (2009-2014):**
  - In the period 2009-2014, the government attempted to sustain high economic growth by running high fiscal deficits and maintaining loose monetary policy for an extended duration.
  - Nominal GDP growth remained high during this period.
  - India experienced annual double-digit inflation rates for five consecutive years from 2009 to 2014.
- **Twin Deficits and Overvalued Rupee:**
  - India faced high twin deficits, including a fiscal deficit of 4.9% in FY13.
  - The current account deficit was also elevated, reaching 4.8% in FY13.
  - The Indian rupee was overvalued during this period.
- **Crash of Indian Rupee in 2013:**
  - The Indian rupee experienced a significant crash against the US dollar.
  - Between 2009 and 2014, the Indian rupee depreciated annually by 5.9% on average.
- **Outcome of Challenges:** The combination of high fiscal deficits, loose monetary policy, twin deficits, and the overvalued rupee led to economic growth stalling during this period.

Lessons From the Growth Experience Till 2014

- **Transition from Closed to Open Economy (1950-1980):**
  - Import substitution, export subsidies, stringent restraints on technology and investment cooperation.
  - Controls on capacity expansion, licensing requirements for manufacturing industries.

- **Pro-Business Reforms Post-1980:**
  - Import liberalization, export incentives, exchange rate policies, and expansionary fiscal policy.
  - These reforms were seen to enhance productivity and boost demand through improved credit availability and high public expenditure.
  - Simultaneously, unsustainable investments, questionable loans, opaque allocation of resources, and high fiscal deficits led to a BoP crisis in 1990-91.
  - The BoP crisis triggered comprehensive economic policy overhauls, moving towards a market economy.
    - Trade policy reforms
    - Industrial policy revamping
    - Foreign Direct Investment (FDI) liberalization
  - Private sector became the major engine of growth and employment generation during the 1990s and 2000s.
  - Foreign technologies were denied due to a closed economy, lack of resources, and security reasons.
  - Since the 1980s, technology has been progressively used to transform the Indian economy.
- **Challenges in the Indian Economy (Pre-2014):**
  - GDP growth below 5%
  - High Wholesale Price Index (WPI) inflation in food articles
  - Accentuated structural constraints.
- **Structural Constraints:**
  - Difficulties in quick decision-making .
  - Subsidies limiting fiscal space for public investment.
  - Especially in capital goods, and low-value addition in manufacturing.
  - Presence of a large informal sector and insufficient labor absorption in the formal sector.
  - Low agricultural productivity due to intermediaries, storage shortages, and inter-state movement issues.

2014 - 2024: Decade of Transformative Growth

- **Structural Reforms and Macroeconomic Fundamentals (Since 2014):**
  - The Government of India initiated several structural reforms strengthening macroeconomic fundamentals.
  - India emerged as the fastest-growing economy among G20 nations.
  - Estimated growth of 7.3% in 2023-24 following 9.1% (FY22) and 7.2% (FY23).
- **Post-Pandemic Recovery and Job Generation:**
  - Urban unemployment rate dropped to 6.6%.
  - Net new Employees' Provident Fund Organisation (EPFO) subscribers in the age group 18-25 consistently exceeded 55% of the total net new EPF subscribers since May 2023.
- **Infrastructure Development:**
  - Record expansion of road, rail, and air networks.
  - 74 airports were built in the last nine years and the number of universities increased from 723 in 2014 to 1,113 in 2023.
  - Gross Enrolment Ratio (GER) for girls increased to 27.9% in 2020 from 12.7% in FY10.
  - Total enrolment in higher education rose from 3.4 crore in 2014 to 4.1 crore students in 2023.
- **Effective Crude Oil Management and Fiscal Support:**
  - Government provided a 50-year interest-free loan of ₹1 lakh crore to states in FY23 and announced another ₹1.3 lakh crore in FY24.
  - States utilized more than ₹97,000 crore out of the ₹1.3 lakh crore of interest-free loans for capital investment in the first eight months of FY24.
- **States' Capital Expenditure Increase:**
  - States capital expenditure increased by more than 47% in the first six months of April-September 2023 compared to the same period in 2022.

Drivers of India's Growth in the Last Decade

- **Financial Sector Reforms (Post-2020):**
  - Addressing the financial system crisis post-2020 with reforms such as recapitalization, Public Sector Banks (PSB) merger, and amendments to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.
  - Implementation of Insolvency and Bankruptcy Code (IBC) facilitated the clean-up of balance sheets.
- **Simplification of Regulatory Frameworks and Reforms (Since 2014):**
  - Enactment of Real Estate (Regulation and Development) Act, 2016 promoting transparent transactions and reducing black money circulation.

- Introduction of **Goods and Services Tax (GST)**, reduction in corporate and income tax rates, exemption for sovereign wealth funds and pension funds, and removal of Dividend Distribution Tax to reduce the tax burden on individuals and businesses.
- Enhanced tax base, reduced compliances, formalization of the economy, and consistently rising monthly gross collections.

➢ **Private Sector Engagement and Disinvestment Policy:**
- Revival of the disinvestment policy, introducing New Public Sector Enterprise (PSE) Policy for **Aatmanirbhar Bharat** to minimize government presence in PSEs.
- Introduction of initiatives to enhance manufacturing capabilities, promote exports, and provide **Production Linked Incentives (PLI)**.

➢ **Ease of Doing Business and MSME Sector Reforms:**
- Decriminalization of minor economic offenses under the **Companies Act, 2013**, resulting in ease of doing business.
- Elimination of 25,000 unnecessary compliances and repeal of over 1,400 archaic laws.
- Introduction of initiatives such as **Emergency Credit Line Guarantee Scheme (ECLGS)**, redefinition of MSMEs under Aatmanirbhar Bharat, TReDS for addressing delayed payments, and extension of non-tax benefits for MSMEs.

➢ **Public Spending on Infrastructure (Since 2014):**
- Effective Capital Expenditure by the Union government rose from 2.8% of GDP in FY14 to 4.5% in 2023-24 (BE).
- Programs like **Bharatmala**, **Sagarmala**, **UDAN**, and others addressing infrastructure and logistics bottlenecks.

➢ **Inclusive Growth Policies (Last Decade):**
- Over 10.11 crore women are given free gas connections.
- Construction of 11.72 crore toilets for the poor.
- Opening of 51.6 crore Jan Dhan accounts.
- Over 6.27 crore hospital admissions under the Ayushman Bharat Scheme.
- Construction of 2.6 crore pucca houses for the poor.

Challenges Confronting the Indian Economy

➢ **Energy Security and Transition:**
- Balancing energy security and economic growth against the need for energy transition poses multifaceted challenges.
- Policy actions related to energy choices have geopolitical, technological, fiscal, economic, and social dimensions.

➢ **Artificial Intelligence (AI) and Employment:**
- The advent of **AI** raises concerns about its impact on employment, particularly in service sectors.
- An IMF paper estimates that 40% of global employment is exposed to AI, emphasizing the need for investment in infrastructure and a digitally skilled labor force in developing economies.

Track Record of Overcoming Challenges

➢ **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**: Aims to provide relevant industry skill training to Indian youth for better livelihoods, with around 1.3 crore candidates trained and 24 lakh individuals placed as of December 2023.

➢ **Renewable Energy Promotion:** Focused efforts to promote manufacturing and use of renewable energy, resulting in a combined installed capacity of 179.57 GW from renewable sources, including large hydropower, as of November 2023.

➢ **Internet Penetration:** Internet penetration in India crossed 50% in 2022, growing three-fold since 2014.

➢ **Aadhar Implementation:** **Aadhar** facilitated the transfer of over ₹34 lakh crores to more than 1167 crore beneficiaries under **Direct Benefit Transfer (DBT)**, with over 200 crore Aadhaar-based authentications monthly.

➢ **Financial Inclusion:** Prime Minister's **Jan Dhan Yojana** reached 51.5 crore beneficiaries as of January 10, 2024, with a 3.5-fold growth since March 2015. Notably, 56% of account holders are women, and two-thirds are in rural and semi-urban areas.

➢ **Covid-19 Response:** Successful implementation of one of the world's largest vaccination programs using the CoWin app, administering 221 crore vaccine doses to the population aged 18 years and above.

➢ **Technological Leap in Space Exploration:** Launched 431 foreign satellites, with 396 launched since June 2014, showcasing advancements in **space technology**.

➢ **Proactive Approach:** India's 'Mission Mode' approach has been effective in addressing challenges, both existing and emerging.

➢ **Adaptability:** The country's ability to convert disadvantages into strengths and use technology for inclusive growth demonstrates adaptability and resilience.

- **Growth Outlook:** India's growth is estimated at 7.3% in FY24, with expectations of sustained strong growth.
- **Current Account Deficit:** Lowering current account deficit to 1% of GDP in FY24.
- **MSME Focus:** Reforms unleashing the productive potential of India's MSMEs with streamlined regulatory and compliance obligations.
- **Land Availability:** Ensuring land availability at reasonable prices.
- **Energy Needs:** Measures addressing the energy needs of the growing economy.
- **G20 Presidency:** Successful hosting of G20 Presidency, marking India's arrival as a key consensus builder on the global stage.
- **Chandrayaan-3:** Successful reach to the South Pole of the Moon.
- **5G Deployment:** Achieved the fastest deployment of 5G globally.

Global Significance and Trust:

- **Global Presence:** Growing importance in the global economic landscape.
- **Global Achievements:** Major strides in various fields, including space exploration and technology deployment.
- **Citizen Resilience:** Path reflects the resilience and determination of Indian citizens founded on trust.

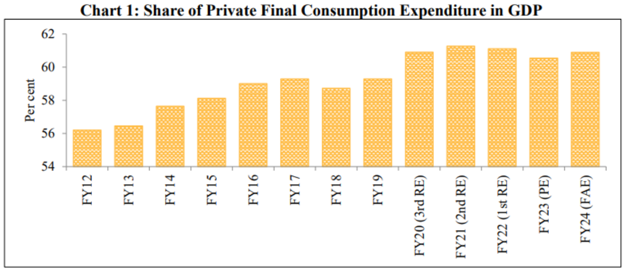
Chapter-2

Key Factors Responsible for the Resilience of the Indian Economy

- **Post-Pandemic Recovery:**
  - **Above-7% Growth:** Displayed resilience with two consecutive years of above-7% growth post the pandemic-induced contraction in FY21.
  - **Potential Third Year:** On track for a third year of above-7% growth in FY24.
- **Performance in FY24:**
  - Achieved 7.6% growth in real terms in the first half of FY24 compared to the first half of FY23.
  - First Advance Estimates by National Statistical Office Estimate indicate an estimated real GDP growth of 7.3% in FY24, exceeding forecasts by various agencies.
- **Positive Estimates:**
  - Estimates from the National Statistical Office exceeding forecasts made by various national and international agencies.
  - Possibility of growth surpassing the RBI's projection of 7%, indicating robust economic performance.
- **Resilience in Multiple Dimensions:**
  - **Economic Growth:**
    - Resilience evident in declining unemployment rates and rising economic activity.
    - Healthy performance in high-frequency indicators, including E-way bill generation, rail freight, and port cargo traffic.
    - Infrastructure focus and housing demand driving construction activity, reflected in increased steel consumption and cement production.
    - Mobility, particularly air travel, exceeded pre-Covid levels despite pandemic challenges.
  - **Banking Sector and Fiscal Discipline:**
    - Strong balance sheets of public sector banks rooted in RBI's Asset Quality Review, recapitalization, and enactment of the Insolvency and Bankruptcy Code (IBC).
  - **Continuity of Growth Drivers:**
    - Simultaneous pursuit of energy security and energy transition without derailing high growth, underway before the pandemic.
    - Resilience built on pre-pandemic domestic demand, a crucial pillar supporting the Indian economy.
  - **Government Measures Over Ten Years:**
    - Identified measures across four blocks - Domestic Economy, Macroeconomic Stability, Human Resources, and External Economy.
    - Building resilience to climate change, enabling the pursuit of energy security and transition without conflict.
- **Domestic Economy:**
  - **Consistent Post-Covid Recovery:**
    - Estimated to grow at an average of 7.9% between FY22 and FY24.
    - Few economies globally have maintained post-Covid recovery as consistently as India.

- **Sectoral Contributions:**
  - Manufacturing Sector's share in Gross Value Added (GVA) increased from 17.2% (FY14) to 18.4% (FY18) due to the Make in India mission. Remained robust at 17.7% (FY24) with Production Linked Incentive (PLI) schemes.
  - Construction Sector's share in total GVA was 8.8% (FY14) and almost recovered to 8.7% (FY24) after countering real estate price increases and pandemic challenges.
  - Service Sector's share in total GVA increased from 51.1% (FY14) to 54.6% (FY24) due to the pandemic and subsequent unlocking, leading to a surge in non-contact services. Government's drive towards digitalization, represented by India Stack, plays a substantial role.
- **Private Final Consumption Expenditure (PFCE):**
  - PFCE's share in GDP at current prices increased from an average of 58.4% in the eight years preceding the pandemic to 60.8% in the last three years ending FY24.

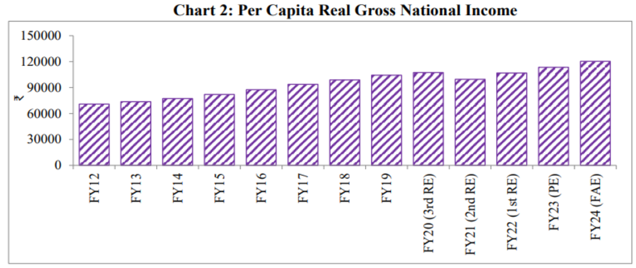
Chart 1: Share of Private Final Consumption Expenditure in GDP



Source: NSO, MoSPI
Note: RE stands for Revised Estimates, PE for Provisional Estimates and FAE for First Advance Estimates

- **Role of PFCE in Post-Covid Growth:**
  - Private Final Consumption Expenditure (PFCE) has emerged as a major growth driver post-Covid pandemic.
  - India has emerged as the fastest-growing major economy, supported by a resilient PFCE.
  - Robust increase in Per Capita Real Gross National Income (GNI) in the nine years before the pandemic.
  - Registered a Compound Annual Growth Rate (CAGR) of 5.3% from FY12 to FY20.
  - Strong government vision, market-friendly reforms, reduced compliance burden, simplified laws, opening up of sectors, and strategic disinvestment of public sector enterprises contributed to private sector growth.

Chart 2: Per Capita Real Gross National Income



Source: NSO, MoSPI
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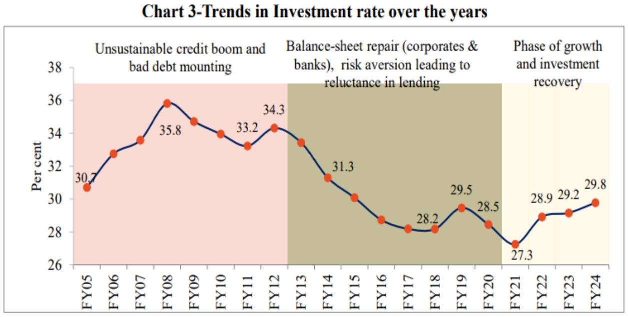
- **Foreign Investment and Financial Sector:**
  - The government has implemented investor-friendly policies, allowing 100% FDI under the automatic route in most sectors.
  - Policymakers contributed to nursing the financial sector back to health.
  - Pragmatic monetary policy and coordination of economic and monetary policies played a significant role.
- **Components of PFCE Growth:**
  - The increase in Private Final Consumption Expenditure (PFCE) is balanced across durables, semi-durables, and services.
  - After witnessing a decline in FY21, durables, semi-durables, and services registered double-digit growth in FY22.
  - SEBI's enhanced market transparency, increased retail participation in the stock market, and growth in demat accounts generated the wealth effect.
  - Government's boost to infrastructure investment created additional employment and incomes, strengthening PFCE.
- **Digital Infrastructure and Economic Potential:**
  - Digitalization enhanced financial inclusion, formalization of the economy, efficient service delivery, and transparent governance processes.
  - Digitalization directly helped increase private consumption, both pre and post-pandemic.
  - Aarogya Setu and CoWin apps were game-changers during the pandemic, facilitating tracking, containment, and vaccination efforts.
  - The pandemic led to shifts in behavior, including virtual healthcare visits, digital payments, and accelerated grocery shopping.
  - Digital payment systems like UPI aided the growth of e-commerce, with a projected CAGR of 16% between 2022 and 2026.

Note:

- **Rural Inclusiveness and Welfare Approach:**
  - Rural India showed increasing social and economic inclusiveness.
  - PMJDY provided low-cost bank accounts, and DBT eased the direct transfer of benefits to these accounts, narrowing the rural-urban divide.
  - The government's all-inclusive welfare approach is expected to contribute to expanding the middle class.
- **Transformation in Investment Climate:**
  - The seemingly impressive investment rate in the first decade relied on excessive borrowing and over-optimism, leading to an unsustainable situation.
  - Banks were reluctant to lend to corporates in the second decade, resulting in a decrease in the investment share of GDP.
  - Stresses on balance sheets accumulated in the first decade, contributing to macro fragility, high fiscal deficit, high current account deficit, and sustained double-digit inflation.
  - India was included in the infamous club of **'fragile-five'** emerging economies.
- **Government Initiatives:**
  - The government took measures to help banks strengthen their balance sheets by recapitalizing them and restructuring the industry.
  - Stronger balance sheets in the non-financial corporate sector and banking sectors have been achieved.
- **Outlook for Investments:**
  - Growth in investments and credit has shown positive trends in the last three years.
  - Data presented in Charts 3 and 4 support the assertion that investments and credit are poised to increase in the current decade.

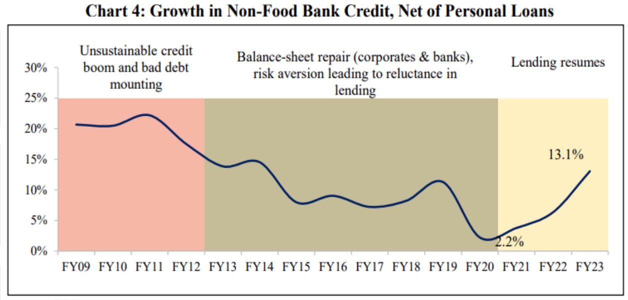
Chart 3-Trends in Investment rate over the years



Note: Investment Rate is the ratio of Nominal GFCF over Nominal GDP
Data for FY24 is as per the First Advance Estimates
Source: NSO, MoSPI

- **Government Efforts and Positive Outcomes:**
  - Efforts have resulted in healthier balance sheets, both in the private corporate sector and banking sector.
  - Positive outcomes include private corporate investment beginning to increase.
  - Banks are responding with increased credit disbursement.
- **Non-Food Bank Credit Growth:**
  - Non-food bank credit growth, net of personal loans, had experienced a decline from above 20% in 2008 to less than 10% in FY 2016.
  - There has been a rebound, reaching 13% in FY23 (Chart 4).

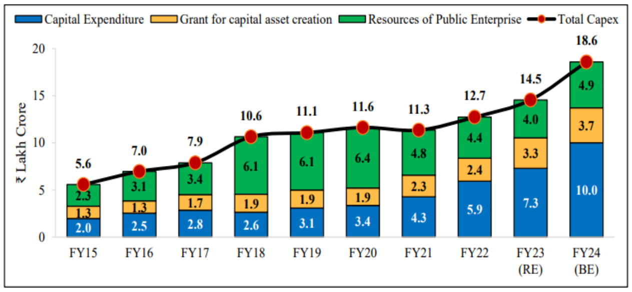
Chart 4: Growth in Non-Food Bank Credit, Net of Personal Loans



Source: RBI

- **Public Sector Capital Expenditure (FY15 to FY24):**
  - Public sector capital expenditure, including Union government capex, grants to states for capital asset creation, and Central PSEs' investment resources, increased from ₹5.6 lakh crore in FY15 to ₹18.6 lakh crore in FY24.
  - Surge in capital expenditure was 5.1 times during this period.
  - Grants to states for capital asset creation increased by 2.8 times, and resources of PSEs increased by 2.1 times.
- **Rebalancing Fiscal Expenditure (FY18 to FY24):**
  - To facilitate the upscaling of capital expenditure, the Union government rebalanced its fiscal expenditure.
  - Capital spending rose from 12% of total expenditure in FY18 to 22% in FY24 (Budget Estimate).
- **Emphasis on Infrastructure Investments:**
  - The emphasis on infrastructure investments aims to address long-standing supply-side deficiencies in the Indian economy.

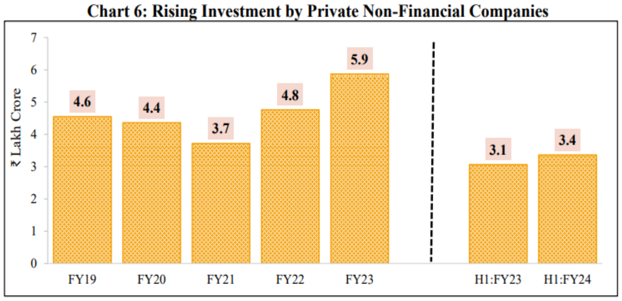
Chart 5: Capital Expenditure by Public Sector (Centre + CPSEs)



Source: Various Budget documents

- **Government Measures to Boost Infrastructure:**
  - The government accelerated work on a large pipeline of stalled infrastructure projects by addressing issues like construction delays, administrative inefficiencies, financing challenges, legal complexities, and land issues.
  - The government digitized bureaucratic procedures, streamlined project approvals, eased legal constraints, reduced corporate tax rates, implemented a uniform GST regime, and opened new avenues for private investors.
  - The Pragati/Project Monitoring Group (PMG) mechanism has played a crucial role in expediting the execution of long-delayed projects.
- **Proxy Indicators for Private Capex Upsurge:**
  - Multiple proxy indicators and industry reports suggest the emergence of green shoots of a private capex upcycle in the post-pandemic years.
  - The Index of Industrial Production (IIP) data indicates robust growth in the capital goods index (12.9%) and infrastructure/construction goods index (8.4%) in FY23.
  - Listed/unlisted corporates indicate expanding private investment in the first half of FY24.

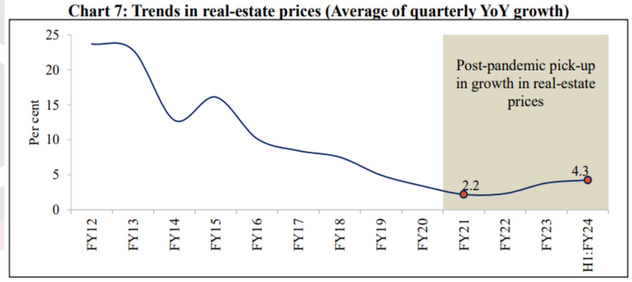
Chart 6: Rising Investment by Private Non-Financial Companies



Source: Axis Bank Research
Note: Data is for a set of 3,336 companies

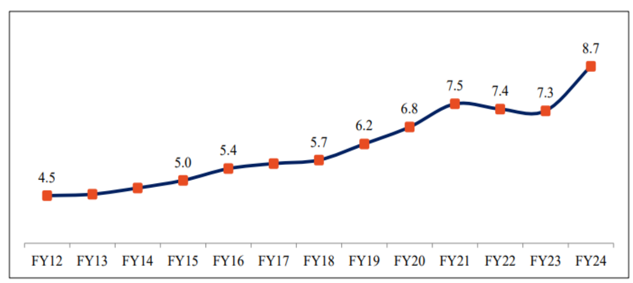
- **Rising Household Investments in Real Estate Strengthens the Investment Rate:**
  - **Household Sector Investment Contribution:**
    - Household sector investment constitutes the largest share in the total Gross Fixed Capital Formation.
    - Household sector investment was on a rising trajectory just before the pandemic.
    - The growth in real-estate prices showed a gradual decline, and there was a continued increase in bank credit for housing, contributing to the rise in household sector investment.
    - After the pandemic, there has been a recovery in housing prices, with the average annual growth increasing from 2.3% in FY22 to 4.3% in H1 of FY24.
    - The uptrend in housing sales and launches, despite factors like increased real-estate prices and higher interest rates, indicates the strength of the recovery of incomes and optimism about the future.

Chart 7: Trends in real-estate prices (Average of quarterly YoY growth)



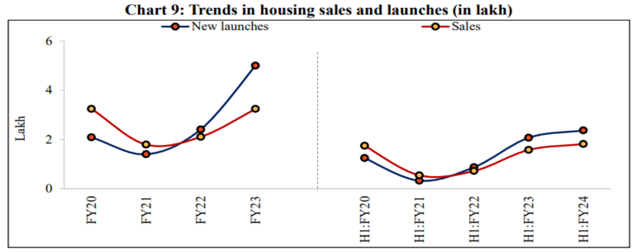
Source: RBI
Note: The figure for H1 FY24 is an average of quarterly YoY growth for the first two quarters of FY24.

Chart 8: Bank Credit for Housing (as a per cent of GDP)



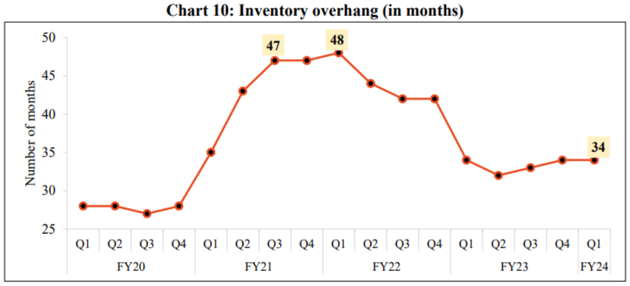
Source: MoSPI, RBI;
Note: The figure for Bank credit for FY24 is up to 17 November 2023, taken as a proportion of the GDP (First AE) for FY24.

Chart 9: Trends in housing sales and launches (in lakh)



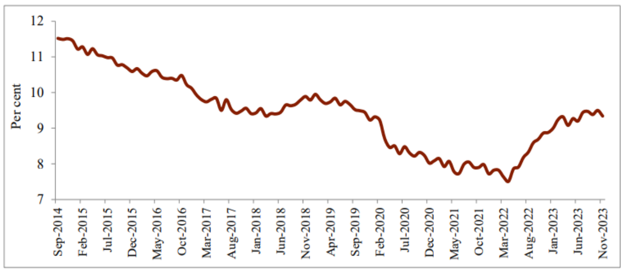
Source: PropTiger

Chart 10: Inventory overhang (in months)



Source: PropTiger

Chart 11: Monthly Fresh Rupee Loans WALR by Scheduled Commercial Banks



Source: RBI. Note: WALR- Weighted Average Lending Rate

- **Sustained Increase in Investment Rate:**
  - The overall investment rate of the economy for the last three years has consistently surpassed the levels of FY16 relative to GDP.
  - The increase in investments is driven by all three sectors of the economy - public sector, private sector, and households.
  - This reflects confidence in the future economic prospects of the country.
  - The sustained increase in the investment rate is expected to lay the foundation for investment-led growth in the Indian economy over the next decade.

Agricultural Sector Policies Ensuring Food Security

- **Agricultural Sector Contribution:**
  - Agriculture constitutes 18% of India's Gross Value Added (GVA) in FY24.
  - Grew at an average annual rate of 3.7% from FY15 to FY23, compared to 3.4% from FY05 to FY14.
  - Total food grains production for FY23 was 329.7 million tonnes, marking a rise of 14.1 million tonnes.
  - India's global dominance in agricultural commodities: largest producer of milk, pulses, and spices.
  - Second-largest producer of various commodities, including fruits, vegetables, tea, farmed fish, sugarcane, wheat, rice, cotton, and sugar.
  - Agricultural exports reached ₹4.2 lakh crore in FY23, surpassing previous records.
- **Government Initiatives:**
  - Consistent increase in **Minimum Support Prices (MSPs)** for 22 crops.
  - Policy initiatives such as PM-KMY, PM-KISAN, and PMFBY provide financial and income support to farmers.
  - Digital inclusion and mechanization promoted productivity.
  - Launch of **e-NAM (National Agriculture Market)** in 2016 facilitating online trading of agricultural commodities.
  - Affordable drone technology made available to farmers.
  - Efforts to strengthen cooperative movement and creation of Agristack for effective planning and implementation of schemes.
  - Focus on post-harvest infrastructure investment, sustainable agriculture practices, and promotion of natural farming.
- **Food Security Measures:**
  - Timely and efficient procurement and distribution of food grains.
  - Wheat procurement surpasses last year's total, reaching 262 LMT.
  - **Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)** scheme introduced in 2018.
  - Extension of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) for five years starting from January 1, 2024.

Reform Push to the Indian Industry

- **Industrial Growth:**
  - Industrial growth accelerated to 7.1% per annum from FY15 to FY19 compared to 5.5% in FY10 to FY14.
  - Despite a short-lived contraction due to the COVID-19 pandemic, Indian Industry is likely to record a robust 8% growth per annum during the triennium ending March 2024.
- **Government Initiatives:**
  - **Make in India:**
    - Targeted measures under '**Make in India'** initiative to bolster domestic manufacturing.

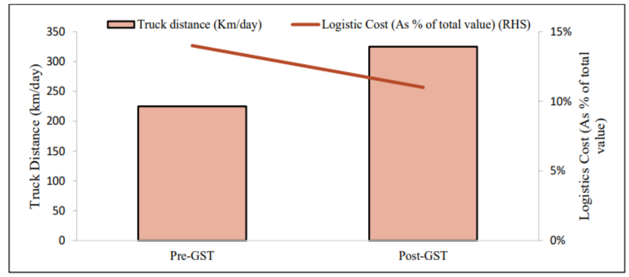
- Production-Linked Incentive (PLI) scheme covering 14 sectors to incentivize manufacturers.
- Over ₹1.07 lakh crore investment, ₹8.7 lakh crore production/sales, and employment generation of over 7 lakh under PLI scheme.

- **Startup India:**
  - 1.14 lakh startups recognized, creating more than 12 lakh jobs.
  - Open Network for Digital Commerce recorded more than 6.3 million transactions in November 2023.
  - Regulatory reforms, including the decriminalization of 3,600 compliances, improved ease of doing business.
- **MSME Support:**
  - Vibrant and dynamic MSMEs with supportive measures.
  - Union Budget for FY24 facilitating timely receipt of payments for MSMEs.
  - Udyam portal and Udyam Assist Platform (UAP) consolidating MSME information.
  - PM Vishwakarma, offering support to artisans, attracting 48.8 lakh enrolments.
- **Credit Schemes:**
  - Pradhan Mantri Mudra Yojana disbursed ₹25.98 lakh crore to small and micro enterprises.
  - Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) limit raised to ₹5 crore.
  - Emergency Credit Line Guarantee Scheme (ECLGS) provided guarantees of ₹2.4 lakh crore.

➢ **Logistics and Infrastructure:**

- Unified Logistics Interface Platform (ULIP) under the National Logistics Policy integrated with 35 systems of 8 ministries, with 699 industry players registered.
- Logistics cost in the economy reduced by 0.8 to 0.9 percentage points of GDP between FY14 and FY22.
- Average turnaround time at major ports decreased from 4.2 days (FY04-FY14) to 2.9 days (FY14-FY22).
- Government's capex push reduced logistics costs, bolstered the construction industry, and contributed to around 12% per annum growth in construction from FY22 to FY24.

Chart 12: Reduction in Logistics Cost for Trucks after implementation of GST accompanied by a rise in distance travelled per day



Source: Bernstein [Original source: data sourced from Ministry of Road Transport and Highways (MoRTH)]

Digital Infrastructure and Delivery of Citizen-Centric Services

➢ **Digital Public Infrastructure (DPI) - India Stack:**

- Three interconnected layers: Identity Layer (Aadhaar), Payments Layer (UPI, Aadhaar Payments Bridge, Aadhaar Enabled Payment Service), and Data Layer (Account Aggregator).
- Identity Layer (Aadhaar) provided digital identity to every Indian.
- Payments Layer witnessed a surge in cashless payments, especially during the pandemic.
- Data Layer transformed the authentication ecosystem, reducing e-KYC costs from ₹1000 to ₹5.

➢ **PMJDY and Direct Benefit Transfers (DBT):**

- PMJDY utilized India Stack for direct benefit transfers into beneficiaries' bank accounts.
- PMJDY accounts grew threefold from 14.7 crore in March 2015 to 51.5 crore as of January 10, 2024.
- DBT mode transferred more than ₹33.6 lakh crore (as of December 2023).

➢ **Financial Inclusion and Fintech Growth:**

- 100% FDI in the telecom sector and prohibition of discriminatory data tariffs increased competition.
- Average monthly data consumption per wireless data subscriber increased almost 300 times to 18.4 GB in June 2023 from 61.7 MB in March 2014.
- India among the fastest-growing fintech markets globally, third-largest after the USA and the UK.

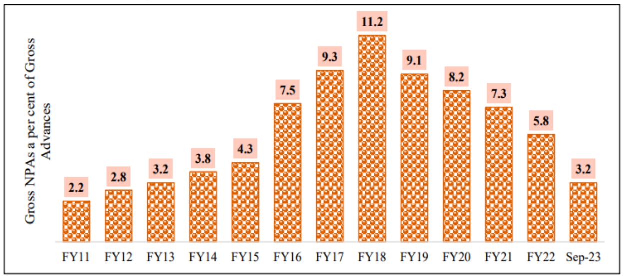
➢ **Global Capability Centres (GCCs):**

- Sharp increase in business services exports linked to the proliferation of Global Capability Centres (GCCs) in India.
- GCCs account for more than 1% of India's GDP.

Return of Credit Creation

- **Bank Credit Growth:**
  - Outpaced the growth in deposits.
  - Non-food bank credit grew at 15% in FY23, the highest in the last decade.
- **Asset Quality Improvement:**
  - Improvement in asset quality across all Scheduled Commercial Bank (SCB) groups.
  - Downward trend in the ratio of GNPAs and Net NPAs relative to total advances. Signifies a positive shift in asset quality, reducing non-performing assets.

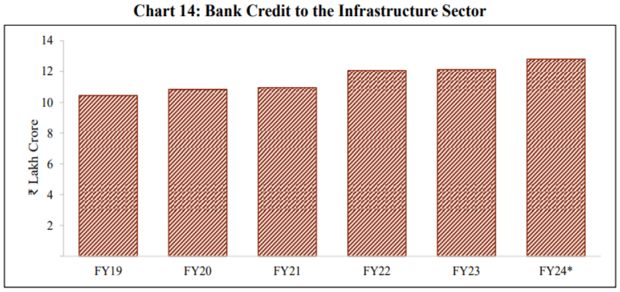
Chart 13: Declining Gross Non-Performing Assets of SCBs (as % of Gross Advances)



Source: RBI

- **Global Ranking Improvement:**
  - India's global ranking in resolving insolvency parameters improved from 136 to 52 in the first three years of IBC implementation.
- **Recapitalization Measures:**
  - Government recapitalization measures helped improve profit margins of public sector banks (PSBs).
  - Corporate profit margins increased due to the resolution of stressed assets, saving costs on debt servicing.
- **Credit Disbursal to MSMEs and Infrastructure Sector:**
  - Bank credit to MSMEs registered a CAGR of 14.2% from FY19 to FY24.
  - Recent government emphasis on capital expenditure strengthened the credit cycle, with growing bank credit disbursal to the infrastructure sector.

Chart 14: Bank Credit to the Infrastructure Sector



Source: RBI
Note: *Data for FY24 is as of 17th November 2023

Evolving Financial Markets to Support the Investment Needs of a Growing Economy

- **India's Equity Market Surge and Digital Revolution:**
  - Indian equity markets have outshone global counterparts, delivering an impressive CAGR of approximately 13.5% between January 2014 and December 2023.
  - Volatility in 2023, measured by the standard deviation of the BSE Sensex, has decreased to levels last observed in 2019, reflecting increased stability.
  - Adoption of digital technology has significantly enhanced retail investors' access to financial markets, evidenced by a remarkable 536% growth in demat accounts, reaching 13.9 crore by December 2023 from March 2014.
- **IPO Activity: SME Segment Flourishing:**
  - Since FY15, a total of 1,050 companies have collectively raised ₹3.9 lakh crore through IPOs, showcasing the buoyancy in the market.
  - Sustained IPO activity has positioned the Indian market as the fifth-largest globally by market capitalization.
  - India's market capitalization to GDP ratio has witnessed a significant improvement, rising from 79% in 2014 to an impressive 104% by the end of 2022.
  - India's robust equity market performance has translated into the second-largest weightage in the MSCI Emerging Markets index.
  - The Indian corporate bond market has experienced substantial growth, doubling from ₹43 lakh crore in FY24 to a projected ₹100-120 lakh crore in FY30, according to CRISIL.
- **Initiatives Driving Bond Market Development:**
  - Introduction of sovereign green bonds and regulatory measures by SEBI for instruments like InvITs and Municipal Bonds have contributed to the deepening and widening of the bond market.
  - Large corporations listed on exchanges are mandated to fulfill 25% of their financing needs through the issuance of debt securities, promoting market growth.
  - India's financial markets are anticipated to play a pivotal role in financing the nation's capital investment requirements in the future.

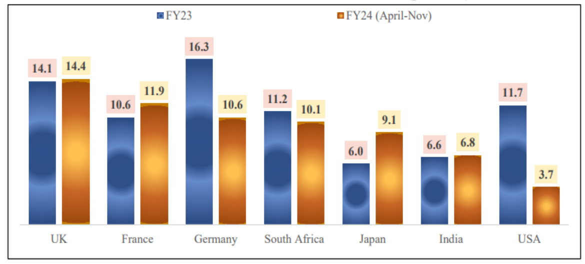
Note:

- Access to financial markets is expected to facilitate a broader pool of investors, allowing for diversified investments and safer savings growth.

Safeguarding Macroeconomic Stability

- **Macroeconomic Stability Goals:**
  - The government and the Reserve Bank of India aim for macroeconomic stability, which includes strong output growth, price stability, and a robust external account.
  - Institutional architecture has been committed to fostering macro stability in the face of multiple challenges.
- **Inflation Targeting:**
  - The period between FY09 and FY14 saw high average retail inflation, but since FY16, flexible inflation targeting has been adopted within the band of 4 +/- 2 per cent under the Monetary Policy Framework Agreement.
  - The Price Stabilization Fund (PSF) has been effective in managing price volatility in agri-horticultural commodities.
  - Despite challenges during the Covid-19 pandemic, inflation was kept within the 2 to 6 per cent range, aided by the PSF and improved fiscal and external balances.
- **Post-Pandemic Challenges and Response:**
  - FY22 witnessed an economic revival, but by the end of FY22, global economic conditions worsened due to geopolitical conflicts and sanctions.
  - Elevated global commodity prices, especially crude oil, and supply chain disruptions posed challenges.
  - The government diversified energy supply sources to insulate the economy from vulnerabilities, contributing to India's growth revival.
- **Inflation Trends:**
  - Inflationary pressures moderated in FY24, with average retail inflation easing to 5.5 per cent.
  - Core inflation reached a 49-month low of 3.8 per cent in December 2023.
  - Overall retail inflation is stable and within the notified tolerance band of 2 to 6 per cent.
- **Food Inflation Challenges and Mitigation:**
  - Global and domestic challenges, including untimely rains and weather-driven supply chain disruptions, impacted food prices.
  - Supply-side initiatives, periodic open market releases, trade policy measures, and anti-hoarding measures helped keep food inflation at moderate levels, lower than many large economies.

Chart 16: Global Food Price Inflation (per cent)



Source: MoSPI for India and OECD for other countries

- **Monetary Policy Support:**
  - Supportive monetary policy by the Reserve Bank of India, including a progressive increase in the policy repo rate, aimed at aligning inflation with the target while supporting growth.
  - The RBI projected that inflation would average 5.4 per cent in FY24 within the notified tolerance level.
- **Future Outlook:**
  - With likely improvements in the fiscal balance and external current account balance, macro vulnerabilities are expected to moderate.
  - The government and the RBI have implemented a comprehensive approach, including inflation targeting, fiscal measures, and supply-side initiatives, to achieve and maintain macroeconomic stability in India despite various challenges.

Human Resources: Dovetailing Growth with Capacitating Welfare

A New Approach to Welfare

- **Rising Productivity of Social Sector Spending:**
  - Union government expenditure on social services has increased at a Compound Annual Growth Rate (CAGR) of 5.9% between FY12 and FY23.
  - Capital expenditure on social services has grown by 8.1% CAGR over the same period, indicating the creation of societal assets.
- **Universal Access to Basic Amenities:**
  - Programs like Ujjwala Yojana, PM-Jan Aarogya Yojana, PM-Jal Jeevan Mission, and PM-AWAS

Yojana focus on universal access to basic amenities.

- This approach builds social infrastructure for the future and empowers individuals to improve their standard of living.

- **Target-Based Budgetary Allocation with Monitoring Framework:**
  - An Output-Outcome Monitoring Framework for major central sector and centrally sponsored schemes has been in place since FY20.
  - User-friendly dashboards and management information systems (MIS) across major schemes enhance transparency and accountability.
- **Fiscal Efficiency and Minimization of Leakages:**
  - Direct Benefit Transfer (DBT) scheme and Jan Dhan Yojana-Aadhaar-Mobile (JAM) trinity enhance fiscal efficiency and minimize leakages.
  - 'One Nation One Ration Card' program institutionalizes digital goods in welfare, allowing seamless portability of ration cards across states.
- **Prioritizing Social Enablers:**
  - Investments in child immunization and sanitation have positive externalities, benefiting the least privileged and improving long-term health and well-being.
- **Affordable Social Security Schemes for Unorganised Sector Workers:**
  - Atal Pension Yojana (APY), PM Jeevan Jyoti Yojana (PMJJY), and PM Suraksha Bima Yojana (PMSBY) provide social security for unorganised sector workers.
  - The success of these schemes is reflected in their expanding subscriber base, with APY having a subscriber base of 6.1 crore as of December 2023.
- **Large-Scale Infrastructure Development:**
  - A significant push towards infrastructure development has a multiplier impact on employment at the bottom of the pyramid.
  - Investments in digital, energy, and transport infrastructure strengthen the link between growth and development.
- **Calibrated Response to Crisis:**
  - During the Covid-19 crisis, the government opted for a phased response with safety nets for vulnerable sections.
  - The response addressed specific needs, such as ensuring food security, providing credit for street vendors, and creating employment for returnee migrants, while allowing different sectors of the economy to recover at different paces.

The Impact of the New Welfare Approach: A Review

- **Overall Improvement in Quality of Life:**
  - The new welfare approach has led to a significant enhancement in the quality of life in India.
  - India's ascent to the 5th largest economy is indicative of the positive impact on the lives of the common people compared to a decade ago.
- **Reduction in Multidimensional Poverty:**
  - According to a NITI Aayog report, 13.5 crore Indians have escaped multidimensional poverty between 2015-16 and 2019-21.
  - This positive trend is particularly pronounced in rural India and the most backward areas, reflecting the principle of "Antyodaya."
- **Improvements in Basic Amenities:**
  - The National Family Health Survey data for 2019-21 highlights consistent progress in access to basic amenities such as electricity, drinking water, sanitation, and clean fuel.
  - These improvements contribute to an overall better standard of living.

Basic Amenities	• 11 crore toilets and 2.3 lakh community toilet complexes were constructed under **Swachh Bharat Mission-Grameen** (as of January 11, 2024). • 10.8 crore households provided tap water connection under **Jal Jeevan Mission** (as of January 11, 2024). • Under **PM-AWAS**-Urban and PM-AWAS-Gramin, 79 lakh and 2.5 crore houses were constructed for the poor in the last 9 years (as of January 8, 2024 and January 11, 2024). • 10 crore LPG connections provided under **PM Ujjwala Yojana** since 2016 (as of January 8, 2024) • 21.4 crore rural households electrified under **Saubhagya** since 2015 (as of March 31, 2019) • Digital India: 4.5 lakh **common service centres** set up in rural areas (as of November 30, 2023)

- **Decline in Out-of-Pocket Health Expenditure:**
  - National health accounts data reveals a consistent decline in out-of-pocket health expenditure, decreasing from 62.6% of total health expenditure (THE) in FY15 to 47.1% of THE in FY20.
  - This reduction signifies improved access to healthcare without placing a significant financial burden on individuals.

- **Health Indicators Improvement:**
  - Maternal mortality ratio has seen a decline from 130 per lakh live births in 2014-16 to 97 per lakh live births in 2018-20, indicating progress in maternal health.
  - Other health indicators, such as the decline in maternal mortality, contribute to the positive impact of welfare initiatives on public health.

Affordable and Wholesome Health	• 30.3 crore Ayushman Bharat cards created and 6.2 crore hospital admissions (as of January 17, 2024) • More than 1.6 lakh primary healthcare facilities upgraded to **Ayushman Arogya Mandir** (erstwhile AB-HWCs) (as of December 13, 2023) • More than 17.4 crore patients availed **e-Sanjeevani OPD** services in Ayushman Arogya Mandir (as of November 3, 2023) • 10,000 **Janaushadhi Kendras** across the country, selling medicines at 50-90 per cent cheaper rates compared to market rates (as of November 30, 2023) • 16 per cent decline in **TB incidence** between 2015 and 2022, with 18 per cent reduction in mortality. • one crore beneficiaries of **Janani Suraksha Yojana** in FY22

- **Gender Equality in Higher Education:**
  - The female Gross Enrollment Ratio (GER) in higher education has surpassed the male GER since FY18.
  - This shift indicates progress towards gender equality in access to higher education, aligning with the goals of inclusive development.
- **Economic Inequality Reduction:**
  - Fiscal transfers through welfare schemes play a crucial role in lowering economic inequality, as evidenced by a recent Collection of Essays by the Office of CEA.
  - This demonstrates the broader impact of welfare policies on creating a more equitable society.
- **Expansion of Empowering Welfare Initiatives:**
  - Over the last decade, the scope of "empowering welfare" has expanded significantly.
  - The expansion signifies a comprehensive and inclusive approach to welfare, addressing diverse needs and demographics.

Social Security	• 51.4 crore accounts opened under **PM Jan Dhan Yojana** (as of January 3, 2024). • 18.5 crore and 41.0 crore enrolments under **PM Jeevan Jyoti Yojana** and **PM Suraksha Beema Yojana**, respectively (as of November 15, 2023). • **Atal Pension Yojana** (launched in 2015) total subscriber base has risen to 6.1 crore (as of December 31, 2023) • Assured pension for 49.7 lakh unorganised workers enrolled under **PM Shram Yogi Maandhan Yojana** (as of December 31, 2023).

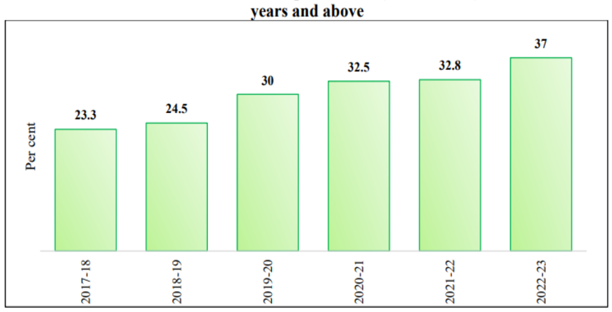
Women-Led Development

- **Empowerment through Political Representation:**
  - The women's reservation Bill (Nari Shakti Vandan Adhiniyam (NSVA) in 2023 aims to enhance women's participation in government, linked to improved institutions and integrity.
  - Constitutionalizing one-third reservation for women in Panchayats in 1991 has resulted in 46% of elected representatives being women.
  - Research indicates that such reservations lead to increased investment in public goods, especially related to women's concerns like drinking water and public roads.
- **Inclusive Growth and Basic Needs:**
  - Actualizing women-led development requires fulfilling prerequisites of equal opportunity and basic needs.
  - Initiatives have been launched to improve women's quality of life and enable their productive participation in the workforce.
- **Financial Inclusion:**
  - Access to financial services, exemplified by the success of PM Jan Dhan Yojana, enhances women's control over household resources.
  - The proportion of women with bank accounts has risen from 53% in 2015-16 to 78.6% in 2019-21.
- **Self-Help Groups (SHGs) and Economic Empowerment:**
  - Women-led SHGs positively impact economic, social, and political empowerment, influencing financial decision-making and livelihood diversification.
  - The Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) empowers nearly nine crore women through 83 lakh SHGs.
- **Skill Development and Entrepreneurship:**
  - Female participation in human capital formation is encouraged through initiatives like Skill India Mission, Start-up and Stand-Up India.
  - Over 59 lakh women have been certified under PM Kaushal Vikas Yojana, with significant loans sanctioned to women entrepreneurs under PM Mudra Yojana.
- **Infrastructure Development:**
  - Initiatives like 'Swachh Bharat Mission,' 'Ujjwala Yojana,' and 'Jal Jeevan Mission' have transformed lives, reducing the drudgery and care burden on women.

Note:

- **Housing and Asset Ownership:**
  - PM AWAS Yojana (Gramin) has led to 26.6% of completed houses solely in the name of women, enhancing their participation in decision-making.
- **Health and Education of the Girl Child:**
  - Initiatives like "Beti Bachao, Beti Padhao" and Sukanya Samriddhi Yojana focus on saving, educating, and financial planning for the girl child.
  - Increased Gross Enrollment Ratio (GER) of girls in secondary schools signifies progress.
- **Economic Impact and Progress:**
  - The initiatives have contributed to a rise in the female labor force participation rate to 37% in 2022-23.
  - Positive trends include an improved sex ratio at birth (933 in 2022-23) and a reduced maternal mortality rate (97/lakh live births in 2018-20).

Chart 17: Female Labour Force Participation Rate (rural+urban), usual status, 15 years and above



Source: Periodic Labour Force Survey (PLFS), NSSO

Focused on the Long-Term Perspective

- The document highlights the need for sustained and strategic efforts, adopting a comprehensive societal approach to address persistent challenges in human development. Two key areas of focus are outlined:
  - **Malnutrition and Public Health:**
    - Recognizing malnutrition as a barrier to realizing the demographic dividend, the approach to nutrition has been broadened to include sanitation, clean drinking water, basic medicines, housing, and a life cycle approach to malnutrition reduction.
    - Initiatives like Mission Saksham Anganwadi and Poshan 2.0 prioritize improved health, wellness, and immunity through micronutrient sufficiency, moving beyond a focus on calorific sufficiency alone.
    - Under the POSHAN Abhiyaan, cost-effective strategies such as technology-based monitoring via POSHAN Tracker, behavioral change, and program convergence are being implemented.
    - Positive outcomes are evident, with data from the National Family Health Survey showing a reduction in stunting from 38.4% to 35.5%, wasting from 21% to 19.3%, and underweight prevalence from 35.8% to 32.1% for children under five years from 2015-16 to 2019-21.
  - **Education and Human Capital Development:**
    - Having achieved universal access to elementary education, the focus has shifted towards enhancing learning outcomes to build a human capital pool suitable for a developed India@100.
    - The National Education Policy is identified as a silent revolution, addressing issues such as the impact of Covid-19 on learning, quality improvement in schools, and reforms in teacher training, community participation, and pedagogy.
    - The National Achievement Survey 2021 results highlight the need for upgrading the quality of education, emphasizing the importance of ongoing efforts outlined in the National Education Policy.

Employment situation in the Past Decade

- **Unemployment Trends and LFPR:**
  - The unemployment rate in India has significantly decreased from 6 percent in 2017-18 to 3.2 percent in 2022-23, as per the Periodic Labour Force Surveys (PLFS).
  - This positive trend is observed across gender and rural-urban divides.
  - The Labor Force Participation Rate (LFPR) has risen from 49.8 percent in 2017-18 to 57.9 percent in 2022-23, driven by an increase in rural female LFPR.
- **Organized Sector Job Market:**
  - Payroll data for the Employees' Provident Fund Organisation (EPFO) indicates a consistent year-on-year increase in payroll additions since 2018-19.
  - Net payroll additions to EPFO more than tripled from 61 lakh in 2018-19 to 139 lakh in 2022-23.
  - Aatmanirbhar Bharat Rojgar Yojana (ABRY) played a significant role in the swift recovery of the organized sector job market post-pandemic.

- **Regular-Wage Jobs and Workforce Growth:**
  - Despite a decline in the percentage of people with regular wages (from 22.8% in FY18 to 20.9% in FY23), the absolute number of workers in this category increased by almost 15 million during the same period.
  - This challenges the misconception that a decline in the percentage implies a reduction in the total number of jobs.
- **Gig Economy and Job Creation:**
  - The gig economy has witnessed significant growth, employing 77 lakh workers in FY21, according to a NITI Aayog report.
  - Affordable internet access and smartphones have facilitated the rise of the gig economy, particularly in tier-2 and tier-3 cities.
  - The gig economy serves as an entry point for job seekers, offering flexibility and acting as a potential pathway to better-paying jobs.
- **Overall Positive Transformation:**
  - India has undergone a positive transformation in its employment situation over the past decade.
  - Achievements include formalization, skill development, entrepreneurship, industry diversification, and inclusive growth.
  - Commitment to technological advancement and infrastructure development positions India as a dynamic and resilient player in the global job market.
- **Persistent Challenges:**
  - Despite positive trends, challenges remain, such as formalizing a growing workforce and creating jobs in sectors absorbing workers from agriculture.
  - Ensuring social security benefits for those in regular wage/salaried employment is crucial, with 53 percent not eligible for any social security benefit, as per PLFS 2022-23.
- **Future Outlook:**
  - As India navigates the challenges and opportunities of the 21st century, the positive aspects of its evolving employment scenario bode well for sustained economic growth and social progress.
  - Ongoing commitment to addressing challenges will be essential for continued positive developments in the employment landscape.

Table 3: Annual Labour Market Indicators (usual status, age 15 years and above)

(Values in per cent)

		Rural		Urban		Rural + Urban	
		2017-18	2022-23	2017-18	2022-23	2017-18	2022-23
Male	LFPR	76.4	80.2	74.5	74.5	75.8	78.5
	WPR	72.0	78.0	69.3	71.0	71.2	76.0
	UR	5.7	2.7	6.9	4.7	6.1	3.3
Female	LFPR	24.6	41.5	20.4	25.4	23.3	37.0
	WPR	23.7	40.7	18.2	23.5	22.0	35.9
	UR	3.8	1.8	10.8	7.5	5.6	2.9
Person	LFPR	50.7	60.8	47.6	50.4	49.8	57.9
	WPR	48.1	59.4	43.9	47.7	46.8	56.0
	UR	5.3	2.4	7.7	5.4	6.0	3.2

Source: Annual Periodic Labour Force Survey (PLFS)

Rising Youth Employment

- **Youth Unemployment Trends:**
  - **Overall Decline:** The youth unemployment rate in India has significantly decreased from 17.8 per cent in 2017-18 to 10 per cent in 2022-23.
  - **Comparison with Overall Unemployment:** There are notable differences, with the 15-29 age group having a 10 per cent unemployment rate compared to the overall rate of 3.2 per cent, showcasing a sharp decline in youth unemployment.
  - **Population Growth vs. Employment Growth:** Despite a population increase of 17 million in this age group, the **Working Population Ratio (WPR)** has risen from 31.4 per cent to 40.1 per cent, signifying an additional 35 million people finding employment.
- **State-Level Impact:**
  - **Leadership of Youth-Populous States:** States like Uttar Pradesh, Bihar, and Madhya Pradesh, with a significant share of the young population, have been at the forefront of positive changes in youth employment.
  - **State-wise Decline:** Uttar Pradesh, for instance, has seen its youth unemployment rate drop from 16.7% in 2017-18 to 7% in 2022-23.
  - **Correlation with LFPR:** The decline in youth unemployment is accompanied by a rise in Youth Labor Force Participation Rate (LFPR) in these states, exemplified by Uttar Pradesh's increase from 33.7% to 41.4%.
- **Impact on Employment Landscape:**
  - **Positive Narrative:** Contrary to concerns about a shrinking job market, the data reflects a positive narrative, showcasing the largest addition to the number of workers relative to the population in the 15-29 age group.

- **Population-Employment Dynamics:** The implied narrative challenges the perception of dwindling job opportunities for the youth, emphasizing a favorable trend in youth employment over the past decade.

- **National Economic Implications:**
  - **Youth as Economic Contributors:** The rise in youth employment rates has broader implications for the economy, with a growing working-age population contributing positively to economic growth.
  - **Demographic Transition Success:** The shift from a high youth unemployment rate to a decline and an increase in LFPR indicates success in managing the demographic transition, aligning with positive economic indicators.

The past decade has witnessed a significant improvement in youth employment in India, characterized by a decline in the unemployment rate, a rise in LFPR, and positive trends in populous states, challenging concerns of a diminishing job market for the youth.

Rising Female Labour Force Participation Rate

The rising female labor force participation rate (FLFPR) in India is a significant trend, and several factors contribute to this positive shift.

- **Data and Statistics:**
  - **FLFPR Decline:** In the new millennium, India's FLFPR declined from 34.1% in 1999-00 to 23.3% in 2017-18.
  - **Recent Rise:** However, the trend has reversed in recent years, with FLFPR rising from 23.3% in 2017-18 to 37.0% in 2022-23, as per the "usual status" concept.
  - **Urban vs. Rural:** While urban FLFPR has also increased, the rural FLFPR has seen a sharper rise, from 24.6% in 2017-18 to 36.6% in 2022-23.
- **Factors Contributing to the Rise:**
  - **Improved Education:** While the initial decline in FLFPR coincided with increased female enrollment in education, this is expected to lead to higher future workforce participation as young cohorts complete their studies, aligning with Goldin's U-curve theory.
  - **Rural Employment Growth:** The recent rise in FLFPR is primarily driven by rural women entering the workforce, with an increase in self-employment and agricultural work among them.
    - **Contributing Factors:**
      - **Increased agricultural output:** This potentially creates more opportunities for women in agriculture.
      - **Improved access to basic amenities:** Reduced time spent on household chores might free up women's time for paid work.
      - **Shifting male workforce:** As men move towards non-agricultural jobs, women might be filling in for them in agricultural activities.
    - **Structural Shift within Rural Female Workforce:**
      - **Increased skilled agricultural labor:** The proportion of skilled female agricultural workers is rising (from 48% in 2018-19 to 59.4% in 2022-23), indicating a shift towards more productive and potentially remunerative work.
      - **Decreased reliance on manual labor:** The share of female workers engaged in physically demanding agricultural tasks is declining (from 23.4% to 16.6% over the same period), suggesting potential improvement in working conditions.
- **Points for Further Consideration:**
  - While the rising FLFPR is a positive trend, it's crucial to analyze the quality of these jobs, their impact on income and bargaining power within households, and the long-term sustainability of this trend.
  - The data suggests a potential feminization of agriculture, which requires further investigation regarding its implications for gender dynamics within the agricultural sector.

Overall, the rise in FLFPR, particularly in rural areas, presents a complex picture with both positive and potential challenges. Further research and analysis are necessary to understand the nuances of this phenomenon and ensure its sustainable and equitable contribution to India's economic and social development.

Skill Development and Entrepreneurship

- **Government Initiatives:** The government of India has recognized the importance of a skilled workforce in a rapidly changing global economy. In 2014, a Central Ministry was established, leading to the launch of the National Skill Development Mission and the National Policy on Skill Development and Entrepreneurship.

- **Educational Reforms:** The National Education Policy (NEP) 2020 emphasizes vocational education and skill development, aiming to integrate vocational education with general education and mainstream it. This is seen as a crucial reform in the country's education system.
- **Skill India Mission:** Launched in 2015, the Skill India Mission has been instrumental in youth employment and skill development. The PM Kaushal Vikas Yojana has trained nearly 1.4 crore candidates since 2015. The recent introduction of the Skill India Digital platform further supports skill acquisition, education, employment, and entrepreneurship.
- **Skilling Progress:** The push for mass skilling has yielded positive results, reflected in India's rising position in WorldSkills Competitions. The employability of final-year and pre-final-year students has increased from 33.9% in 2014 to 51.3% in 2024, as per the **India Skills Report 2023**.
- **Education-Skill Continuum:** The report highlights the need to mainstream skilling into the education curriculum, as outlined in the National Education Policy. Additionally, there is a call to upskill a significant portion of the existing workforce in future-relevant skills, considering a substantial percentage without formal/informal vocational/technical training.
- **Opportunities for Improvement:** Despite progress, there is room to improve the education-skill continuum, especially for individuals with ten or more years of schooling. The report suggests the establishment of finishing schools for employability to tap into the potential of the youth.
- **Future Impact:** The government's investment in human capital through skill development initiatives is expected to have a positive impact on various sectors, contributing to economic prosperity and social development.

India's External Sector: Safely Navigating Through Uncertainties

Merchandise Trade Depicted Resilience

- **Export Performance:**
  - India's merchandise exports have shown remarkable growth, exceeding 50% over the past decade, reaching a record high of USD 451.1 billion in FY23.
  - Services exports have also experienced significant growth, with a 120% increase over the same period, and software services consistently comprising almost half of the total service exports.
- **Trade Balance Improvement:**
  - Despite geopolitical tensions and weaker global demand affecting merchandise exports in FY24, India's merchandise trade balance improved significantly. The trade deficit decreased from USD 189.2 billion in April-November 2022 to USD 166.4 billion in the same period of 2023 due to a decline in imports.
- **Diversification Efforts:**
  - While the principal commodity classification of the Directorate General of Commercial Intelligence and Statistics (DGCI & S) has remained relatively stable, there is progressive diversification in India's export basket. There is potential for further diversification to add more quality and complexity to exports, leveraging existing capabilities.
- **Services Sector Resilience:**
  - India has established itself as a knowledge-based economy, with software services playing a crucial role in the service export sector.
  - Business services and financial services have witnessed double-digit growth since FY22, reflecting resilience in the aftermath of the pandemic.
- **Policy Measures for Export Promotion:**
  - The government is actively engaged in efforts to enhance production capacity and boost exports, with the aim of achieving a target of USD 2 trillion by 2030.
  - Deliberate policy measures and trade facilitation initiatives are in place to encourage export promotion. This includes setting export targets, monitoring, and course correction.
  - Measures such as export credit insurance services, affordable and adequate export credit for MSME exporters, and encouragement for exploring new markets and diversifying products competitively are being implemented.

Comfortable Balance on Current Account

- The comfortable balance on the current account of India has been attributed to several factors:

Note:

- **Service Exports and Remittances Growth:**
  - Service exports experienced a Compound Annual Growth Rate (CAGR) of 7.1% from FY12 to FY23.
  - Remittances grew at a CAGR of 4.5% during the same period.
  - The combined effect of these growth rates played a crucial role in maintaining a comfortable current account balance.
- **Current Account Deficit Improvement:**
  - The current account deficit (CAD) for the first half (H1) of FY24 decreased significantly, dropping to USD 17.5 billion from USD 48.8 billion in the same period of the previous year, reflecting a remarkable 64.1% decline.
  - This improvement was driven by broad-based enhancements in both merchandise trade and invisibles (services, transfers, etc.).
- **Remittances and High-Skilled Employment Shift:**
  - India is the largest recipient of worker remittances globally, receiving USD 125 billion in 2023.
  - A structural shift in the employment pattern of Indian migrants towards high-skilled jobs in high-income countries, such as the United States, the United Kingdom, and East Asia, contributed to the growth in remittances.
  - Approximately 36% of India's remittances are attributed to high-skilled migrants in these top high-income destinations.
- **Private Transfer Receipts:**
  - Private transfer receipts, mainly representing remittances, reached a record level of USD 112.5 billion in FY23, with a notable growth of 26.2% compared to the previous year.
  - During April-September 2023, private transfer receipts amounted to USD 55.2 billion, indicating a 4.1% increase from the corresponding period of the previous year.

Capital Account

- **Capital Account:**
  - Capital account witnessed an 88.2% YoY upsurge in H1 of FY24.
  - Mainly driven by higher inflows of foreign investment (direct and portfolio) into India.
- **Foreign Portfolio Investments (FPIs):**
  - Rupee stability and global factors triggered FPIs to increase exposure to Indian markets by USD 28.8 billion in H1 of FY24.
  - Contrastingly, there was a USD 7.8 billion outflow in H1 of FY23.
  - Measures like simplification of FPI regulatory regime contributed to this positive trend.
- **Foreign Direct Investment (FDI):**
  - India remains a preferred destination despite subdued global trends.
  - Factors include a young workforce, large middle-class population, and liberal measures like 100% FDI in most sectors.
  - Cumulative FDI inflows were USD 305.3 billion (2.2% of GDP) in FY05-FY14 and USD 596.5 billion (2.5% of GDP) in FY15-FY23.
- **Rupee Exchange Rate and External Debt:**
  - Macro stability and improved external position led to stability in the Indian rupee during FY24.
  - Foreign exchange reserves stood at USD 623.2 billion (covering more than ten months of imports) as of December 29, 2023.
  - External debt was USD 635.3 billion by end-September 2023, considered comfortable.
  - External debt to GDP ratio decreased from 22.4% (March 2013) to 18.6% (September 2023).

Way Forward for the External Sector

- **Export Diversification:** Acknowledge the anticipated decline in the share of exports in GDP for FY24 due to the global demand slowdown. Focus on diversifying the export portfolio to mitigate the impact of reduced demand in traditional markets.
- **FDI Reforms:** Recognize the positive trend in Foreign Direct Investments (FDI) as a result of continuous reforms in the FDI policy. Continue with policy reforms to attract foreign investments, aligning them with India's strengths.
- **Infrastructure and Logistics Improvement:** Strengthen efforts to improve infrastructure and logistics, as this is identified as a key factor for boosting exports and attracting investments. Ensure timely implementation of projects to enhance supply chain efficiency.
- **FPI Confidence:** Acknowledge the increased confidence of Foreign Portfolio Investors (FPIs) in the prospects of the Indian economy and markets. Sustain this momentum by maintaining stability in foreign exchange reserves and the external debt position.

- **Remittances Growth:** Note the expected 8% growth in remittances, reaching USD 135 billion in 2024. Monitor and leverage this positive trend for economic stability and development.
- **Geopolitical Risk Management:** Recognize the potential risks from ongoing geopolitical tensions and the recent surge in shipping costs. Implement strategies to proactively manage and address these risks to minimize disruptions to trade.
- **Energy Cost Management:** Acknowledge the potential for triggering inflation, especially in energy costs, due to the recent surge in shipping costs. Develop strategies to manage and absorb increased energy costs, such as negotiating long-term contracts or exploring alternative transportation methods.

Climate Action

India's Climate Action Towards Building Resilience

- India's climate action towards building resilience is characterized by a comprehensive and ambitious approach. The key points include:
  - **High Resilient Growth and Inclusive Livelihood:**
    - The primary focus is on achieving high resilient growth while ensuring sustainable and inclusive livelihood options for all.
    - Access to energy is identified as vital for achieving development goals, including powering industry, enabling education and healthcare, and enhancing overall social and economic well-being.
  - **Global Responsibility Despite Low Historical Contribution:**
    - India acknowledges the need for collective action to address climate change within the framework of UNFCCC and the Paris Agreement.
    - Despite India's low historical contribution to global carbon stock, the country recognizes its responsibility and adopts a comprehensive approach addressing adaptation, resilience building, and mitigation actions.
  - **Nationally Determined Contributions (NDCs):**
    - India announced its first NDCs in 2015, including targets to reduce emission intensity, increase non-fossil fuel-based energy capacity, and create additional carbon sinks through afforestation.
    - Achievements include surpassing targets for non-fossil fuel-installed electricity capacity, emission intensity reduction, and carbon sink creation.
    - The NDCs were updated in 2022 with more ambitious targets, demonstrating India's commitment to climate action.
  - **National Action Plan on Climate Change (NAPCC):**
    - The strengthened NAPCC comprises nine missions focusing on specific areas such as solar energy, energy efficiency, water, sustainable agriculture, and others.
    - The National Adaptation Fund for Climate Change (NAFCC) supports adaptation actions, including projects in agriculture, water, forestry, livestock, and ecosystem restoration.
  - **Rapid Expansion of Non-Fossil Fuel Capacity:**
    - India's success in implementing climate targets is attributed to the ambitious expansion of non-fossil fuel capacity, which has more than doubled in the last nine years.
    - Installed solar energy capacity has increased significantly, contributing to the overall growth in non-fossil fuel capacity.
  - **Energy Efficiency Measures:**
    - Energy efficiency is recognized as a vital measure to reduce carbon emissions.
    - The Perform Achieve and Trade (PAT) scheme has resulted in substantial energy savings and avoided CO2 emissions.
    - The introduction of the Carbon Credit Trading Scheme (CCTS) further incentivizes energy-saving measures.
  - **Policy Incentives and Schemes:**
    - Policy incentives, including schemes introduced post-2014, have played a critical role in boosting renewable energy and improving energy efficiency.
    - Various schemes, such as solar parks, rooftop solar, and energy conservation programs, have contributed to the shift to non-fossil fuel energy.
    - Major recent schemes include PM-KUSUM, UJALA, and PMUY, promoting energy efficiency through LPG connections, LED distribution, and street light installations.

- **LiFE Movement:**
  - The LiFE movement, launched in 2021, encourages individual and community actions for environmental preservation. Initiatives like **Green Credit Program (GCP)** and Ecomark incentivize environment-friendly behaviors.
- **Financial Sector Resilience:**
  - Regulatory measures, including sustainability reporting and green finance frameworks, highlight the integration of climate considerations into the financial sector.
- **Global Initiatives:**
  - India actively participates in international initiatives like **International Solar Alliance (ISA)**, Coalition for Disaster Resilient Infrastructure (CDRI), Infrastructure for Resilient Island States or Infrastructure for Resilient Island States (IRIS), and LeadIT, showcasing leadership in addressing global climate challenges and fostering international cooperation.
- **Net Zero and Enhanced NDC Goals:**
  - The Indian government places the achievement of developmental priorities at the core of its efforts towards climate action.
  - Pursues the goal of reaching net zero by 2070 and enhanced NDC targets for 2030 through a diverse range of policy, regulatory measures, and incentives.
  - **Mission LiFE** is instrumental in aligning production and consumption patterns with mindful and deliberate utilization, moving away from mindless and destructive consumption practices.
- **India as a Climate Leader:**
  - India's significant climate actions, resulting in progress towards achieving its NDC well before 2030, have positioned the country as a climate leader.
  - India is recognized as the only G20 nation in alignment with limiting global warming to 2°C compared to its fair share contribution to climate action, showcasing its commitment to addressing climate change on a global scale.

Outlook

- **Economic Growth and Reforms:**
  - Over the past ten years, India has made significant strides in economic growth, moving from the 10th largest economy to the 5th largest, with a GDP of USD 3.7 trillion (estimated FY24).
  - The journey has been marked by substantive and incremental reforms that have contributed to economic progress and resilience.
  - The government anticipates becoming the third-largest economy in the world in the next three years, with a GDP of USD 5 trillion.
- **Reforms for Future Growth:**
  - Continued reforms are expected to help India achieve its goal of becoming a 'developed country' by 2047.
  - Full participation of state governments is crucial, and reforms should extend to governance at the district, block, and village levels, with a focus on citizen-friendly and small business-friendly measures.
  - Sustained growth in various sectors, such as health, education, land, and labor, is emphasized, with active involvement from the states.
- **Factors Contributing to Growth:**
  - Domestic demand, driven by private consumption and investment, has led to a 7 percent plus growth rate in the last three years.
  - Investments in physical and digital infrastructure, as well as measures to boost manufacturing, have strengthened the supply side of the economy.
- **Potential for Accelerated Growth:**
  - The GDP growth rate has the potential to rise above 7 percent by 2030, supported by factors such as rapid infrastructure development, strengthened balance sheets, digital infrastructure expansion, technological progress, and favorable investment climate.
- **Structural Reforms and Global Context:**
  - The adoption of GST has unified domestic markets, incentivizing production on a larger scale and reducing logistics costs.
  - The credibility of the RBI in controlling inflation contributes to a stable interest rate environment.
  - Despite a sluggish global economic backdrop, the Indian economy has demonstrated internal strengths, with a compounded annual growth rate of 7.4 percent between 2014 and 2019.
- **Future Challenges and Reforms:**
  - Geopolitical conflicts pose a potential risk to growth.

- Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduction in compliance burden for MSMEs, and gender balancing in the labor force.

- **Aspirations for the Future:**
  - Under reasonable assumptions regarding inflation differentials and the exchange rate, India aims to become a USD 7 trillion economy by 2030, reflecting the aspiration to improve the quality of life and standard of living for its people.

Union Budget 2023-24

Why in News?

The Finance Minister of India introduced the **last full-fledged** Union Budget (for 2023-24) **before the Lok Sabha elections of 2024.**

What are the Highlights of Budget 2023-24?

- A key theme of Union Budget 2023-24 is the focus on inclusive development - **Sabka Sath, Sabka Vikas** which specifically covers:
  - **Farmers**, **Women**, **Youth**, **Scheduled Castes**, **Scheduled Tribes,** Other Backward Classes (**OBCs**), Divyangjan (**PwDs**) and Economically Weaker Sections (**EWS**), Overall **priority for the underprivileged** (vanchiton ko variyata),
  - There has also been a sustained focus on UTs of J&K and Ladakh and the Northeast Region (NER).
- The Budget is along the lines of the **two-pronged growth strategy** first unveiled in 2019:
  - **Incentivising the private sector** thus creating jobs and pushing growth.
  - **'Minimum Government, Maximum Governance';** increasing capex and raising more revenues via disinvestment.
- **Key Takeaways of the Budget:**
  - Changes in the **new income tax regime** (in rebate limit and in tax slabs).
  - A **33% increase in capital investment outlay** has been proposed, raising it to Rs 10 lakh crore (the **biggest in the past decade**).
  - **Changes in customs duty**; **reduced on** import of certain inputs for mobile phone manufacturing, shrimp feed etc. and **increased on** cigarettes, gold articles, compounded rubber etc.
  - **Capital outlay for the railways increased to the highest ever** – Rs 2.40 lakh crore.

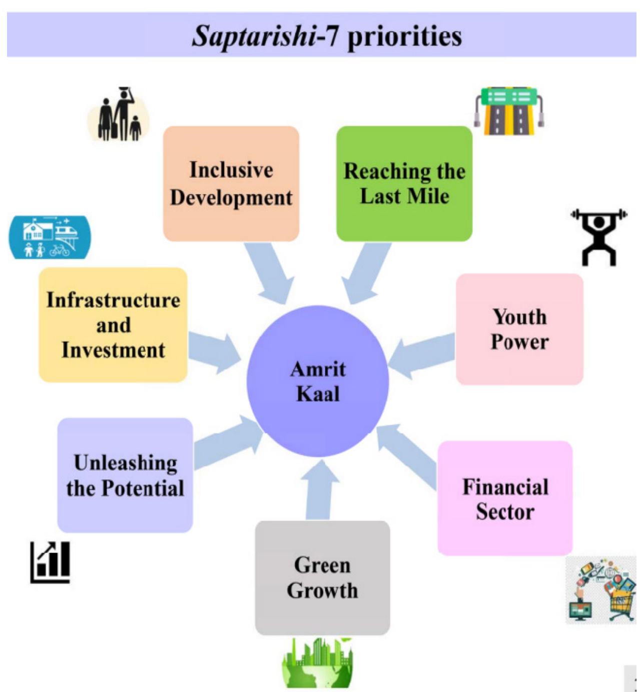
Part – A

What is the Budget's Vision for Amrit Kaal?

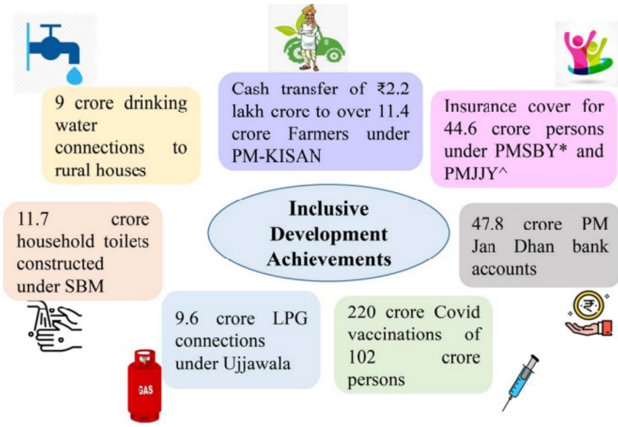
- **Amrit Kaal:**
  - The Finance Minister of India called it the **first Budget in Amrit Kaal.** The vision for the Amrit Kaal is an **empowered and inclusive economy** that is **technology-driven and knowledge-based** with a **robust financial sector.**
- **The Budget identifies 4 transformative opportunities to be leveraged before reaching India@100:**
  - Economic Empowerment of Women through SHGs
  - PM VIshwakarma KAushal Samman (PM VIKAS)
  - Tourism Promotion in Mission Mode
  - Green Growth

What are the Priorities of Budget 2023-24?

- **Saptarishi:**



Priority 1: Inclusive Development



Agriculture:

- **Digital Public Infrastructure:** Digital Public Infrastructure for agriculture will be built as an open source, open standard and interoperable public good resulting in:
  - Inclusive **farmer-centric solutions**
  - Relevant information services for **crop planning/ health**
  - Better access to **farm inputs, credit, and insurance**
  - Growth-support of the **agri-tech industry and start-ups**
- **Funding for Agri-startups: Agriculture Accelerator Fund** will be set-up to **encourage agri-startups by young entrepreneurs** in rural areas.
- **Agri-Credit:** Agriculture credit target to be **increased to Rs 20 lakh crore** with **focus on animal husbandry, dairy and fisheries.**
  - A new **sub-scheme of PM Matsya Sampada Yojana** with targeted investment of Rs 6,000 crore to be launched for fishermen, fish vendors and MSMEs.
- **Horticulture: Atmanirbhar Clean Plant Programme** will be launched to boost availability of disease-free, quality planting material **for high value horticultural crops at an outlay of Rs 2,200 crore.**
- **Millets:** To make India a global hub for ***'Shree Anna'* (Millets)**, the **Indian Institute of Millet Research, Hyderabad** will be supported as the **Centre of Excellence** for sharing best practices, research and technologies at the international level.
- **Agri-Cooperatives:** To fulfil the vision of **"Sahakar Se Samriddhi"**, the Government plans to establish decentralized storage capacity and set up **multiple cooperative societies in uncovered villages** over the next 5 years.

➢ **Education and Skilling:**

Education and Skilling

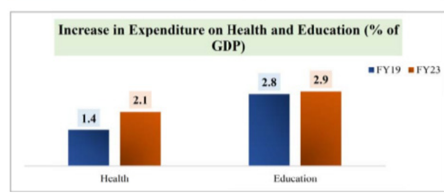
- ✓ Revamped Teachers' training via **District Institutes of Education and Training**
- ✓ **National Digital Library** to be set up for children and adolescents
- ✓ States will be encouraged to set up physical libraries at Panchayat and ward levels

➢ **Health:**

- **157 new nursing colleges will be established** in co-location with the existing 157 medical colleges established since 2014.
- A Mission to **eliminate Sickle Cell Anaemia by 2047** will be launched.

Health

157 New Nursing Colleges to be established	Sickle Cell Anaemia elimination Mission to be launched
New Programme to promote research in Pharmaceuticals to be launched	Joint Public and Private Medical Research to be encouraged via select ICMR labs



Priority 2: Reaching the Last Mile

➢ **New 'Aspirational Blocks Programme':**

- Building on the success of the Aspirational Districts Programme, the Aspirational Blocks Programme was recently launched **covering 500 blocks.**
- It is aimed at improving the performance of areas across multiple domains such as **health, nutrition, education, agriculture, water resources, financial inclusion, skill development,** and **basic infrastructure**.

- **PM PVTG Development Mission:**
  - To improve socio-economic conditions of the Particularly Vulnerable Tribal Groups (PVTGs), **Pradhan Mantri PVTG Development Mission** will be launched.
  - An amount of **Rs 15,000 crore** will be made available to implement the Mission in the next 3 years under the **Development Action Plan for the Scheduled Tribes.**
  - The Centre will also **recruit 38,800 teachers and support staff** for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students.
- **Water for Drought Prone Region:**
  - In the **drought prone central region of Karnataka**, central assistance of **Rs 5,300 crore** will be given to the **Upper Bhadra Project** to provide sustainable micro irrigation and filling up of surface tanks for drinking water.
- **Other Initiatives:**
  - The **outlay for** PM Awas Yojana **is being enhanced by 66%** to over Rs 79,000 crore.
  - A **'Bharat Shared Repository of Inscriptions (Bharat SHRI)' will be set up** in a digital epigraphy museum, with **digitization of 1 lakh ancient inscriptions** in the first stage.

Priority 3: Infrastructure and Investment

- **Increase in Capex for Infra:**
  - Capital investment outlay increased for the third consecutive year - by **33% to Rs 10 lakh crore** making it **3.3% of GDP.**
  - The **'Effective** Capital Expenditure**'** is budgeted at Rs 13.7 lakh crore - **4.5% of GDP.**
- **Support to State Govts for Cap-Investment:**
  - The Government has decided to **continue the** 50-year interest free loan to state governments **for one more year** to spur investment in infrastructure and to incentivize them for complementary policy actions.
  - The enhanced **outlay for this is Rs 1.3 lakh crore.**
- **Railways:**
  - A capital outlay of **Rs 2.40 lakh crore** has been provided for the Railways - the highest ever outlay and about 9 times the outlay made in 2013- 14.
- **Aviation:**
  - **50 additional airports, heliports, water aerodromes** and **advanced landing grounds** will be revived for improving regional air connectivity.
- **Other Transportation Projects:**
  - **100 critical transport infrastructure projects**, for last and first mile connectivity for ports, coal, steel, fertiliser, and food grains sectors have been identified and **will be taken up on priority with investment of Rs 75,000 crore**, including **Rs 15,000 crore from private sources.**
  - An **Urban Infrastructure Development Fund (UIDF)** will be established through use of priority sector lending **shortfall**.
    - UIDF will be managed by the National Housing Bank, and will be used by public agencies to **create urban infrastructure in Tier 2 and Tier 3 cities.**
    - **Rs 10,000 crore on a yearly basis** will be allocated for this purpose.

Infrastructure and Investment

Incentives to boost Investment in Infrastructure and productive capacity → Multiplier Impact → Rise in growth and employment

- Increased capital investment outlay by 33.4% to ₹10 lakh crore
- Continuation of 50 year interest free loan to State Governments to incentivize infrastructure investment
- Highest ever Capital outlay of ₹2.4 lakh crore for Railways
- 100 transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel, fertilizer sectors
- Creating Urban Infrastructure in Tier 2 and 3 cities via establishment of UIDF**

Priority 4: Unleashing the Potential

- **Reduced Compliances and Jan Vishwas Bill:**
  - To enhance ease of doing business, more than **39,000 compliances have been reduced** and **more than 3,400 legal provisions have been decriminalised** under the amendments to the Companies Act 2013.
  - To further the trust-based governance, the Government introduced the Jan Vishwas Bill to amend 42 Central Acts.
- **Centres of Excellence for AI:**
  - To realise the vision of **"Make AI in India and Make AI work for India"**, three **centres of excellence for** Artificial Intelligence will be set-up in top educational institutions.
  - **National Data Governance Policy:**

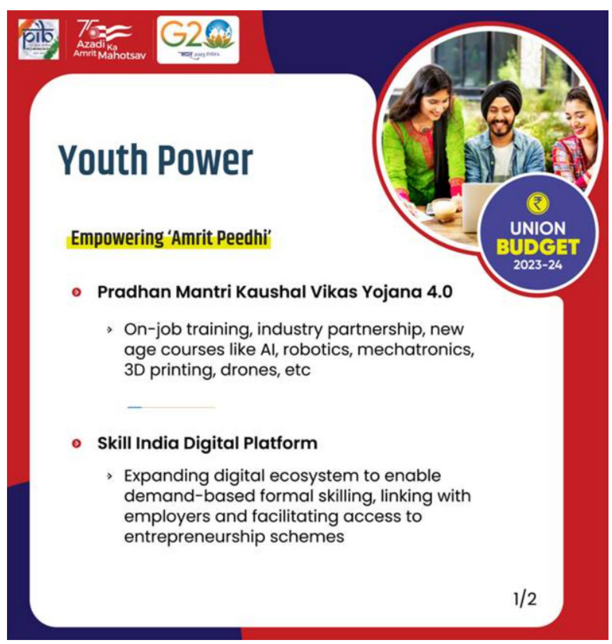
- To **facilitate innovation and research by start-ups** and academia, a **National Data Governance Policy** will be brought out, which will enable **access to anonymized data.**

- **Digilocker for Data Sharing:**
  - An **Entity** DigiLocker **will be set up for use by MSMEs**, large business and charitable trusts for **storing and sharing documents online securely**, whenever needed, with various authorities, regulators, banks and other business entities.
- **Resolving Disputes:**
  - **Vivad se Vishwas: Less stringent contract execution** for MSMEs (being provided as a relief to the MSMEs affected during the Covid period).
  - **Easier and standardised settlement scheme** enabling **faster settlement of contractual disputes** of Govt and Govt undertakings.
  - **e-Courts: Phase III of** e-courts will be launched for effective administration of justice.
- **5G Technology:**
  - **100 labs for developing applications using** 5G **services** will be set up in engineering institutions to realise a new range of opportunities, business models, and employment potential.
  - The labs will cover, among others, applications such as **smart classrooms, precision farming, intelligent transport systems,** and **healthcare apps.**

Priority 5: Green Growth

- **National Green Hydrogen Mission:**
  - **An outlay of Rs 19,700 crores has been allocated** to the National Green Hydrogen Mission to facilitate transition of the economy to **low carbon intensity, reduce dependence on fossil fuel imports**, and make the country **assume technology and market leadership** in this sunrise sector.
  - The target is to reach an annual production of 5 MMT by 2030.
- **GOBARdhan Scheme:**
  - **500 new 'waste to wealth' plants under** GOBARdhan scheme will be established to promote Circular Economy (**200** compressed biogas (CBG) plants and **300 community/cluster-based plants**). Total Investment - Rs 10,000 crore.
  - In due course, a **5% CBG mandate** will be introduced for all organizations marketing natural and biogas.
- **Bhartiya Prakritik Kheti Bio-Input Resource Centres:**
  - Over the next 3 years, the Centre will facilitate **1 crore farmers to adopt natural farming** by setting up **10,000 Bio-Input Resource Centres,** creating a national-level distributed **micro-fertilizer and pesticide manufacturing network.**
- **Other Investments in Green Energy:**
  - **Rs. 35,000 crore** for **priority capital investments towards energy transition** and net zero objectives, and energy security (Ministry of Petroleum & Natural Gas).
  - **Battery Energy Storage Systems** with capacity of 4,000 MWH to be supported with Viability Gap Funding**.**
  - **Rs 20,700 crore** (central support - Rs 8,300 crore) for **inter-state transmission system** for evacuation and grid integration **of 13 GW renewable energy from Ladakh.**

Priority 6: Youth Power



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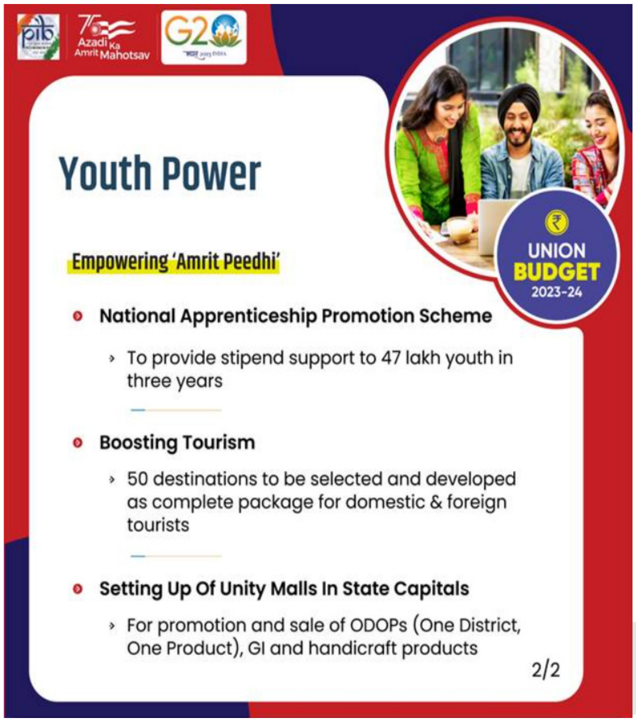
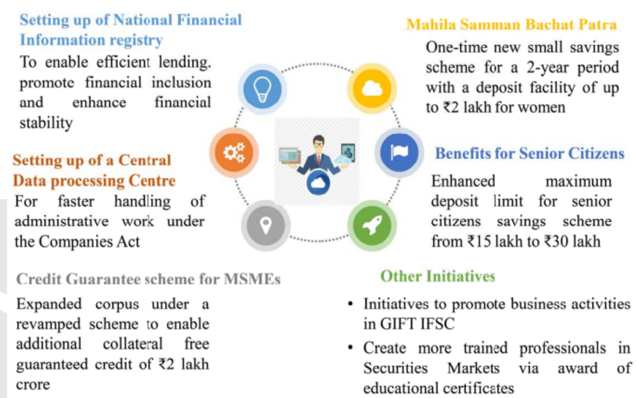


Priority 7: Financial Sector

- **Credit Guarantee for MSMEs:**
  - In 2022, the credit guarantee scheme for MSMEs was revamped and will take effect from 1st April 2023 through **infusion of Rs 9,000 crore** in the corpus.
  - This will enable **additional collateral-free guaranteed credit of Rs 2 lakh crore.**
  - The **cost of the credit** will be **reduced** by about **1%.**
- **Financial Information Registry:**
  - A National Financial Information Registry will be set up to **serve as the central repository of financial and ancillary information.**
  - This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability.
  - A **new legislative framework, designed in consultation with the RBI**, will govern this credit public infrastructure.
- **Small Savings Schemes:**
  - To commemorate Azadi Ka Amrit Mahotsav, a **one-time new** small savings scheme, **Mahila Samman Savings Certificate**, will be made **available for a two-year period up to March 2025.**
    - This will offer **deposit facility upto Rs 2 lakh in the name of women** or girls (fixed interest rate of **7.5%**) with **partial withdrawal option.**
  - The **maximum deposit limit** for Senior Citizen Savings Scheme will be **enhanced from Rs 15 lakh to Rs 30 lakh.**
  - The maximum deposit limit for the **Monthly Income Account Scheme** will be **enhanced from Rs 4.5 lakh to Rs 9 lakh** (for **single account**) and from **Rs 9 lakh to Rs 15 lakh** (for **joint account**).

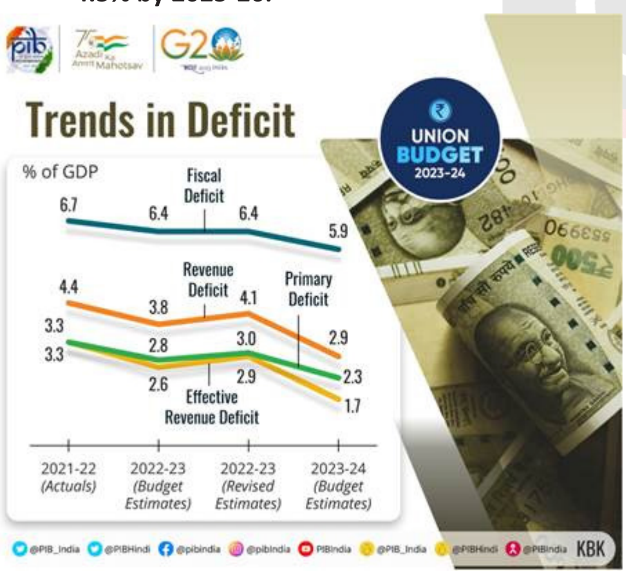
Financial Sector



What is the Status of Fiscal Management?

- **Utilisation of Funds for Capital Expenditure:**
  - The **Indian Finance Minister** stated that **all states must utilise their fifty-year loan for** capital expenses by the end of **2023-24**.
  - Most of this will be at the discretion of states, but a part will be conditional on states designated for specific purposes, such as:
    - Replacing outdated **government vehicles**
    - Improving urban planning
    - Making **urban local bodies eligible for obtaining** municipal bonds
    - Building housing for police officers
    - **Constructing Unity Malls**
    - **Creating libraries and digital infrastructure for children** and adolescents
    - Contributing to the **capital expenses of central schemes.**
- **Fiscal Deficit Allowed to States:**
  - States are allowed to have a deficit of **3.5% of their** Gross State Domestic Product (GSDP), with **0.5%** of this amount specifically designated for **power sector reforms.**

- **Revised Estimates 2022-23:**
  - **Total receipts**, (excluding borrowings): **Rs 24.3 lakh crore**
  - **Net tax receipt: Rs 20.9 lakh crore**.
  - Total expenditure: **Rs 41.9 lakh crore**
  - **Capital expenditure: Rs 7.3 lakh crore.**
  - Fiscal deficit : **6.4%** of GDP.
- **Budget Estimates 2023-24:**
  - Total **estimated receipts** (excluding borrowings): **Rs 27.2 lakh crore,**
  - Total estimated expenditure: **Rs 45 lakh crore**.
  - **Net tax receipts: Rs 23.3 lakh crore**.
  - **Fiscal deficit: 5.9%** of GDP.
  - To **finance the fiscal deficit in 2023-24,** the net market borrowings from dated securities are estimated at **Rs 11.8 lakh crore.**
  - The **gross market borrowings** are estimated at **Rs 15.4 lakh crore.**
  - Also, the government is committed to sticking to this plan to **reduce the fiscal deficit to** below **4.5% by 2025-26.**



Part – B

What are the Reforms Proposed in Direct Taxation?

- **Personal Income Tax:**
  - There are five major announcements relating to the personal income tax. The **rebate limit in the new tax regime has been increased to ₹ 7 lakh.**
  - It means that persons in the new tax regime with **income up to ₹ 7 lakh will not have to pay any tax.**
  - The tax structure in the new personal tax regime has been changed by **reducing the number of slabs to five** and **increasing the tax exemption limit to ₹ 3 lakh**.
- **Other Tax Reforms:**
  - **Standard Deduction:**
    - The new tax regime has proposed to **increase the standard deduction for salaried individuals to 50,000 rupees** and the deduction for family pension up to **15,000 rupees.**
  - **MSMEs:**
    - The limits for **presumptive taxation have been increased for micro enterprises and certain professionals** as long as the amount received in cash does not exceed **5% of the total gross receipts/turnover.**
    - The **deduction for payments made to MSMEs** will only be allowed when payment is actually made to support their timely receipt of payments.
  - **Cooperatives:**
    - New **manufacturing co-operatives** that start manufacturing before 31.3.2024 will have **a lower tax rate of 15%.**
    - The limit for cash deposits and loans by **Primary Agricultural Co-operative Societies and Primary Co-operative Agriculture** and Rural Development Banks has been increased to **2 lakh rupees per member.**
    - **Tax Deduction at Source (TDS)** on cash withdrawals for co-operative societies has been increased to **3 crore rupees.**
  - **Startups:**
    - The date for start-ups to receive income tax benefits has been **extended to 31.3.2024.** The carry forward of losses for start-ups has been increased from **7 years of incorporation to 10 years.**
  - **Online Gaming:**
    - **Taxability on online gaming** will be clarified with TDS and taxability on **net winnings at the time of withdrawal** or at the end of the financial year.
  - **Gold:**
    - **Conversion of gold** into electronic gold receipt and vice versa will **not be treated as capital gains.**

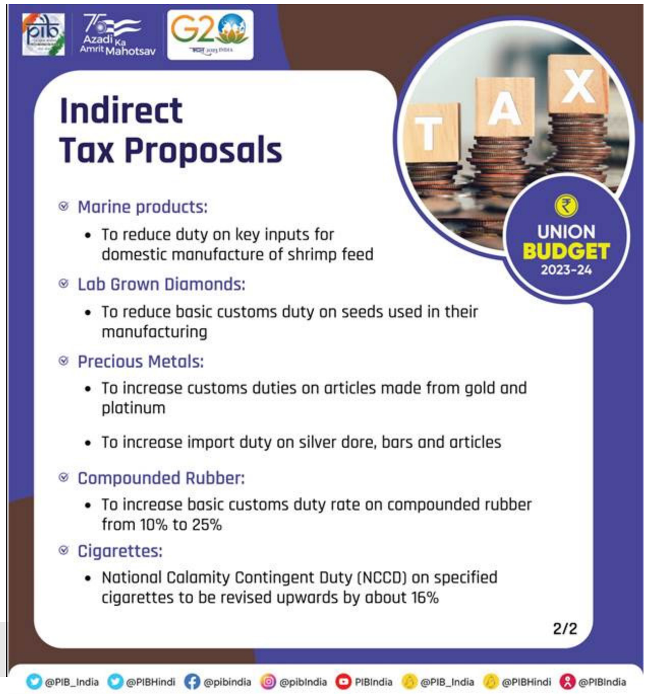
Note:

- **Exception from Income Tax**:
  - **Income of authorities, boards and commissions set up by Union or State laws** for housing, town and village development, and regulation, will be **exempt from income tax.**
  - Agniveer **Fund** has been given **Exempt-Exempt-Exempt (EEE) status**. Payments received by Agniveers enrolled in Agneepath Scheme, 2022 will be **exempt from taxes.**
  - Deduction in total income will be allowed for **contributions to the Agniveer Seva Nidhi** account by the Agniveer or the Central Government.
- **Common IT Return Form:**
  - To improve taxpayer services, the government **rolled out a proposal for next-generation Common IT Return Form** for taxpayer convenience, along with plans to strengthen the grievance redressal mechanism.
- **Current and Proposed Tax Slabs:**

Tax Rate	Current Income Slab	Proposed Income Slab
Nil	Up to Rs 2.5 lakh	Up to Rs 3 lakh
5%	Rs 2.5 lakh to Rs 5 lakh	Rs 3 lakh to Rs 6 lakh
10%	Rs 5 lakh to Rs 7.5 lakh	Rs 6 lakh to Rs 9 lakh
15%	Rs 7.5 lakh to Rs 10 lakh	Rs 9 lakh to Rs 12 lakh
20%	Rs 10 lakh to Rs 12 lakh	Rs 12 lakh to Rs 15 lakh
25%	Rs 12 lakh to Rs 15 lakh	-
30%	Above Rs 15 lakh	Above Rs 15 lakh

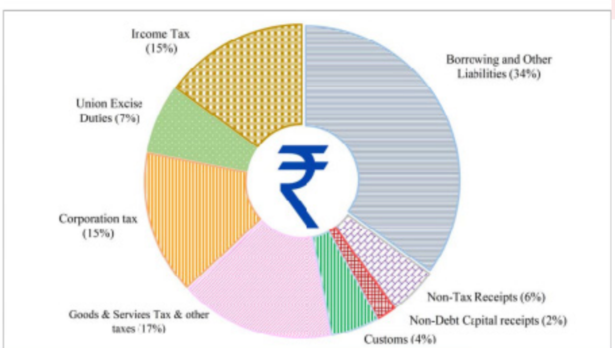
What are the Reforms Proposed in Indirect Taxation?

- **Custom Duties:**
  - The number of basic customs duty rates for goods **other than textiles and agriculture** has been decreased to **13 from 21.**
  - National Calamity Contingent Duty (NCCD) on specified **cigarettes** revised upwards by about **16%**
- **Increased Duties:**
  - Articles made from gold and platinum
  - Import duties on silver dore, bars, and articles
- **Exception from Duties:**
  - Compressed biogas contained in blended compressed natural gas.
  - Testing agencies that import **vehicles, automobile parts/components, sub-systems**, and tires for testing and/or certification purposes.
  - Also, the **deadline for the customs duty on specified machinery for lithium-ion cell manufacturing for** EV batteries has been extended to 31.03.2024.
  - **Denatured ethyl alcohol** used in the chemical industry.
- **Legislative Changes in Customs Laws:**
  - The Customs Act, 1962 is going to be revised to set a **nine-month deadline for the Settlement Commission** to make a final decision after an application has been filed.
  - The Customs Tariff Act will be revised to make the purpose and scope of **Anti-Dumping Duty (ADD), Countervailing Duty (CVD),** and Safeguard Measures clearer.
  - Changes will also be made to the Central Goods and Service Tax Act**:**
    - The minimum amount of tax for starting a **prosecution under GST will be raised from 1 crore to 2 crore.**
    - The **compounding amount for tax will be reduced from 50-150%** to 25-100% of the tax amount.
  - Certain offences will be decriminalised.
    - The **filing of returns or statements will be limited to a maximum of three years** from the due date.
    - Unregistered suppliers and composition taxpayers will be allowed to make i**ntra-state supply of goods through** E-Commerce **Operators (ECOs).**

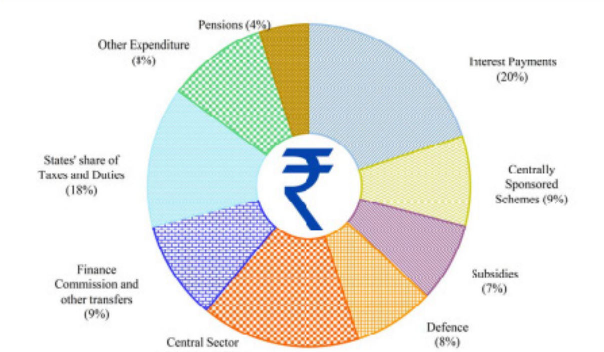


Where does the Rupee Come from and where does it Go?

Rupee Comes From



Rupee Goes To



Economic Survey 2022-23

Why in News?

The **Union Finance Minister** tabled the **Economic Survey for the Financial Year 2022-23,** after the **President's address**.

- The **Economic Survey 2022-23 highlighted** that **India's economic recovery from the pandemic is complete** and the **economy is expected to grow in the range of 6% to 6.8%** in the coming financial year **2023-24.**

What is the Economic Survey?

- The Economic Survey of India is an annual document released by the Ministry of Finance. It is usually presented in **Parliament a day before the Union Budget.**
- It is prepared by the **Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the **Chief Economic Advisor.**
- It reviews the developments in the Indian economy over the previous 12 months and presents the economic outlook for the current fiscal year.
- It also presents the **current state of the Indian economy,** including data on **gross domestic product (GDP), inflation, employment, and trade**.

- The **first Economic Survey in India was presented in the year 1950-51**.
  - Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.

How was the State of Indian Economy in 2022-23?

- **Performance:**
  - India hosted the world's second-largest vaccination drive, involving over **2 billion doses.**
  - The improvement in the financial health of public sector banks has enabled them to increase **credit supply, leading to rapid credit growth for the micro, small, and medium enterprises (MSME) sector.**
- **Current Challenges:**
  - Indian economy still faces persistent challenges, including the depreciating rupee **and the possibility of further US Fed interest rate hikes.**
  - The current account deficit (CAD) may also continue to widen as global commodity prices remain elevated.
- **Outlook 2023-24:**
  - India's economic growth in FY23 is being led by **private consumption and capital formation,** generating employment.
    - The **recovery of MSMEs** is progressing, with the Emergency Credit Linked Guarantee Scheme (ECGS) easing their debt concerns.
  - **Global growth is projected to decline in 2023, but India's growth is expected to be swift in FY24** with a vigorous credit disbursal and capital investment cycle.
  - The expansion of public digital platforms and measures such as PM GatiShakti, **the** National Logistics Policy**, and the** Production-Linked Incentive schemes will support economic growth and boost manufacturing output.

What is India's Medium-term Growth Outlook?

- **Context:**
  - The **current decade is similar to 1998-2002**, where transformative reforms had delayed growth returns due to temporary shocks, **but structural reforms later paid growth dividends.**
- **2014-2022 Period:**
  - 2014-2022 is an important period in **India's economic history** with reforms aimed at improving the ease of living and doing business.
    - The reforms were based on **creating public goods, trust-based governance, co-partnering with the private sector and increasing agricultural productivity.**
    - However, due to **balance sheet stress and global shocks,** key macroeconomic variables were negatively impacted during this period.
- **2023-2030 Outlook:**
  - The growth outlook is **better than pre-pandemic years** and the Indian economy is prepared to grow at its potential in the medium term.

What were the Major Fiscal Developments Related to Revenue?

- **Context:**
  - During the **fiscal year 2023**, the Union Government's finances showed resilience, which was a result of various factors like the **increase in direct taxes and Goods and Services Tax (GST) revenues.**
- **Revenue Growth and Performance:**
  - From **April to November 2022,** the Gross Tax Revenue experienced a **YoY growth of 15.5%,** which was primarily driven by the strong growth of both direct taxes and GST.
  - **GST has established itself as a vital source of revenue** for the central and state governments, as seen from the YoY growth of **24.8% from April to December 2022.**
  - Over the years, the **Centre's Capex has steadily increased from 1.7% of GDP (FY09 to FY20) to 2.5% of GDP** in FY22.
    - To prioritise spending on Capex, the Centre incentivized the state governments through **interest-free loans and increased borrowing limits.**
    - The increased Capex, particularly in **infrastructure-intensive sectors** such as roads and highways, railways, housing, and urban affairs, has **substantial positive effects on medium-term growth.**

Note:

- **Towards Sustainable Debt-to-GDP ratio:**
  - The government's strategy of focusing on Capex-led growth will keep the **growth-interest rate differential positive,** resulting in a **sustainable debt-to-GDP ratio** in the medium run.

What was the Status of Monetary Management and Financial Intermediation?

- **Context:**
  - The Reserve Bank of India (RBI) started its **monetary tightening cycle in April 2022,** and since then, they have **raised the repo rate by 225 basis points.**
    - This has led to a **decrease in surplus liquidity and improved the balance sheets of financial institutions**, making it easier for them to lend money.
  - It is expected that the **growth in credit offtake will continue and be sustained by an increase in private capital expenditure**, which will start a virtuous cycle of investment.
- **Performance and Growth:**
  - The Gross Non-Performing Assets (GNPA) ratio **of SCBs** (scheduled commercial banks) has dropped to a seven-year low of **5.0**, and the **Capital-to-Risk Weighted Assets Ratio (CRAR) remains healthy at 16.0.**
  - In FY22, the recovery rate through the Insolvency and Bankruptcy (IBC) **channel was the highest compared to other channels**, which shows a positive trend for the SCBs.

How was Prices and Inflation Regulated in 2022-23?

- **Context:**
  - In 2022, India experienced three phases of consumer price inflation. During the first phase, from **January to April, inflation peaked at 7.8% due to the war between Russia and Ukraine** and **crop shortages caused by heat waves** in some parts of the country.
    - However, prompt actions by the government and the Reserve Bank of India helped bring inflation under control, with a **decline to 5.7% by December.**
- **Bottlenecks:**
  - The **gap between the** wholesale price index **and the** consumer price index **remained wide**, with core inflation still showing resistance to change.
- **Regulatory Measures:**
  - The government adopted a **multi-pronged approach to control the increase in prices**, which included: **reducing the export duty of petrol and diesel, bringing the import duty on major inputs to zero, imposing export ban on wheat products** and export duty on rice, and reducing the basic duty on crude and refined palm oil.
  - The government's timely policy intervention in the **housing sector, along with low home loan interest rates,** boosted demand in the affordable housing segment and **attracted more buyers in FY23.**
- **RBI's Forecast:**
  - The **RBI forecasts higher domestic prices for cereals, spices, and milk in the near future**, mainly due to supply shortages and rising feed costs.
    - The **changing climate around the world** is also increasing the risks of higher food prices.

What is the Status of Social Infrastructure and Employment in India during 2022-23?

- **Context:**
  - The government **increased its spending on the social sector.** The **twin pillars of education and health are being strengthened to form human capital**.
    - Overall, the government's social sector spending increased from **Rs. 9.1 lakh crore in FY16** to **Rs. 21.3 lakh crore in FY23.**
- **Social Infrastructure:**
  - **Education**:
    - The National Education Policy 2020 is expected to enrich the nation's growth and development prospects.
    - The government's efforts have led to **improvements in enrollment ratios and gender parity in schools.**
  - **Healthcare:**
    - In FY23, the government's **budgeted spending on the health sector was 2.1%** of GDP, up from **1.6% in FY21.**
    - As of **January 4, 2023,** nearly **22 crore people** have benefited from the **Ayushman Bharat Scheme**, and over 1.54 lakh health and wellness centres have been established across the country.

- Poverty Alleviation:
  - The progress in attaining the Sustainable Development Goal of halving poverty by 2030 is demonstrated by the fact that more than **41 crore people have exited poverty between 2005-06 and 2019-21** according to the UN Multidimensional Poverty Index.
- Aadhaar and Co-Win:
  - **Aadhar played a critical role in developing the** Co-WIN platform and administering over 2 billion vaccine doses.
- Aspirational Districts Programme:
  - The Aspirational Districts Programme is seen as a model of good governance, especially in remote areas.

- **Employment:**
  - **Labour Force Participation:** Labour markets have recovered from the effects of Covid-19, with **unemployment rates falling from 5.8% in 2018-19 to 4.2% in 2020-21.**
    - The **Rural Female Labor Force Participation Rate** has risen from 19.7% in 2018-19 to 27.7% in 2020-21, which is a positive development.
  - **eShram Portal:** The eShram portal was created to create a national **database of unorganised** workers, and as of December 31, 2022, over 28.5 crore workers were registered.
  - **Jam Trinity and DBT:** The JAM trinity**, combined with** Direct Benefit Transfer(DBT), has brought marginalised people into the **formal financial system, empowering them.**

How was India's Economic Performance in Climate Change and Environment?

- **Context:**
  - The **Economic Survey 2022-23** presented a chapter on **'Climate Change and Environment'** listing out **India's** nationally determined contributions (NDCs) that include the **transition to renewable energy** resources, **commitment to achieve** "Net Zero" emissions by 2070 and steps taken to **become energy independent.**
- **Performance and Goals:**
  - India has also **committed to reduce emissions intensity of its GDP** by **45% by 2030** from 2005 levels.
  - Another target has been set to achieve about **50% cumulative electric power installed capacity from non-fossil fuel-based** energy resources by 2030.
    - India has **already achieved its target of 40%** installed electric capacity from non-fossil fuels ahead of 2030 and the likely installed capacity from non-fossil fuels will be more than 500 GW by 2030.
    - This would lead to a **decline of average emission rate by around 29% by 2029-30** (compared to 2014-15).
  - A mass movement LiFE– Lifestyle for Environment was launched at the Glasgow climate summit at UNFCCC COP26.
  - In Nov 2022, India's first Sovereign Green Bonds (SGrBs) Framework was issued. **RBI auctioned two tranches of ₹4,000 crore SGrBs.**
  - The survey also highlighted **India's plans to be energy independent by 2047,** by relying on green hydrogen through the National Green Hydrogen Mission.
  - The survey shows that **India is becoming a favoured destination for renewables** with investments standing at USD 78.1 billion in the past 7 years.
    - Solar power capacity installed, a key metric under the National Solar Mission, stood at 61.6 GW as of October 2022.

How was India's Economic Performance in Agriculture and Food Management?

- **Context:**
  - India's **agriculture sector** has witnessed a **robust average annual growth rate of 4.6%** over the last six years. This enabled agriculture to contribute significantly towards the country's overall growth, development and food security.
- **Performance:**
  - In recent years, **India has emerged as the net exporter of agricultural products**, with exports in 2021-22 touching a record USD 50.2 billion.
  - Agri sector saw buoyant growth due to the following measures taken by the govt:
    - **Augmentation of crop and livestock** productivity
    - MSP for all mandated crops fixed at 1.5 times of all India weighted average cost of production
    - Promotion of **crop diversification**
    - Mechanisation and boost to horticulture **and** organic farming.

- **Private investment in agriculture increased** to 9.3% in 2020-21. **Institutional credit to the Agri** sector continued to grow to **Rs. 18.6 lakh crore in 2021-22.**
- **Foodgrains production in India saw sustained increase** and stood at 315.7 million tonnes in 2021-22.
  - As per the First Advance Estimates for 2022-23 (**Kharif only**), total foodgrains production in the country is estimated at **149.9 million tonnes** which is **higher than the average Kharif foodgrain production** of the previous five years (2016-17 to 2020-21).
  - Also, the GoI has recently decided to provide free foodgrains to beneficiaries under the NFSA 2013 for one year from 1 January 2023.
- The National Agriculture Market (e-NAM) Scheme has established an online, competitive, transparent bidding system to ensure farmers get remunerative prices for their produce (covering 1.74 crore farmers and 2.39 lakh traders).
- Under **Paramparagat Krishi Vikas Yojana (PKVY)**, organic farming is being promoted through Farmer Producer Organisations (FPO).
- **India stands at the forefront to promote** millets after the UNGA, in its 75th session in 2021, declared 2023 the International Year of Millets (IYM).

How was India's Economic Performance in the Industrial Sector?

- **Context:**
  - The Economic Survey 2022-23 showed a **rise of 3.7% of overall** Gross Value Added (GVA) **by the Industrial Sector** (for the first half of FY 22-23) which is higher than the average growth of 2.8% achieved in the first half of the last decade.
- **Performance:**
  - Robust **growth in** Private Final Consumption Expenditure, **export stimulus** during the first half of the year, **increase in investment demand** triggered by enhanced public capex and **strengthened bank and corporate balance sheets** have provided a demand stimulus to industrial growth.
    - The supply response of the industry to the demand stimulus has been robust.
  - Both the Purchasing Managers Index (PMI) and Index of Industrial Production (IIP) are in an **upward growth trajectory since July 2021.**
- **Credit to both** MSMEs **and large industries** have shown double digit growth (MSMEs by 30% since Jan 2022).
- **India's electronics exports have risen nearly threefold**, from US $4.4 billion in FY19 to US $11.6 Billion in FY22 with **India becoming the second-largest mobile phone manufacturer** globally.
- Foreign Direct Investment (FDI) **flows into the** Pharma Industry have risen four times, from US $180 million in FY19 to US $699 million in FY22.
- Production Linked Incentive (PLI) schemes were also introduced across 14 categories, with an estimated capex of Rs. 4 lakh crore over the next five years, to plug India into global supply chains.
- Over 39,000 c**ompliances have been reduced** and more than 3500 provisions decriminalised as of January 2023 by amending the Companies Act 2013.
- To further enhance India's integration in the global value chain, **'Make in India 2.0'** is now focusing on 27 sectors, which include 15 manufacturing sectors and 12 service sectors.

How was India's Economic Performance in the Services Sector?

- **Context:**
  - The Services Sector in India is **expected to grow at 9.1% in FY23,** compared to 8.4% (YoY) in FY22.
- **Performance:**
  - **Robust expansion in PMI (Purchasing Managers' Index) services** has been observed since July 2022.
  - India was **among the top ten services exporting countries** in 2021, with a **share of 4%** in world commercial services exports.
  - **India's services sector has been resilient** even throughout the Covid-19 pandemic and amid geopolitical uncertainties due to **higher demand for digital support, cloud services, and infrastructure modernization.**
  - In the real-estate sector, there was sustained growth, leading to pre-pandemic housing sales levels, with a 50% rise between 2021 and 2022.
  - In the tourism sector, hotel occupancy rate improved from 30-32% in April 2021 to 68-70% in November 2022 showing **signs of revival with increasing foreign tourist arrivals in FY23.**
  - **Digital platforms** are transforming India's financial services; India's e-commerce market is projected to grow at 18% annually through 2025.

How was India's Economic Performance in the External Sector?

- **Context:**
  - Owing to the recent geopolitical developments, India's external sector has been facing considerable global headwinds.
  - However, India has diversified its markets and **increased its exports to Brazil, South Africa and Saudi Arabia.**
- **Performance:**
  - India's current account balance (CAB) recorded a **deficit of US$ 36.4 billion (4.4% of GDP)** in the **second quarter (Q2) of FY23** in contrast to a deficit of US$ 9.7 billion **(1.3% of GDP)** in Q2 of FY22.
    - This was **mainly due to a higher merchandise trade deficit** of US$ 83.5 billion **and an increase in net investment income outgo**.
  - To increase its market size and ensure better penetration, in 2022, India signed CEPA with UAE and ECTA with Australia.
  - India is the largest recipient of remittances in the world receiving US$ 100 bn in 2022.
    - Remittances are the **second largest source of external financing** after service export.
  - As of December 2022, India's Forex Reserves stood at US$ 563 bn covering 9.3 months of imports (this is a **decline from 13 months of imports** in FY 21-22).
    - Despite this, India was the **6th largest foreign exchange reserves holder** in the world.

How was India's Economic Performance in the Digital Public Infrastructure?

- **Context:**
  - India's Digital Public Infrastructure (DPI) can add around 60-100 basis points (BPS) to India's potential GDP growth rate.
  - In the immediate future, platforms such as Open Network for Digital Commerce (ONDC), **Open Credit Enablement Network (OCEN)** will open avenues for e-commerce market access and credit availability for smaller businesses and strengthen the expected economic growth.
- **Performance:**
  - **Unified Payment Interface (UPI):**
    - UPI-based transactions grew in both value (121%) and volume (115%), between 2019-22, paving the way for its international adoption.
  - **Telephone and Radio - For Digital Empowerment:**
    - Total telephone subscriber base in India stands at 117.8 crore (as of Sept,22), with **44.3% of subscribers in rural India.**
      - **More than 98%** of the total telephone subscribers are **connected wirelessly.**
      - As of March 2022, India's **overall teledensity** (number of telephone connections per 100 people) in India **stood at 84.8%.**
- Economic Survey states that a landmark achievement in telecommunications in India was the launch of 5G services.
  - The Indian Telegraph Right of Way (Amendment) Rules, 2022, will facilitate faster and easier deployment of telegraph infrastructure to **enable speedy 5G rollout.**
- Prasar Bharati, **India's autonomous public service broadcaster,** broadcasts in 23 languages, 179 dialects from 479 stations and reaches 92% of India's total area and 99.1% of the total population.
- **Digital Public Goods:**
  - Schemes like **MyScheme**, **TrEDS**, GEM, **e-NAM**, UMANG have transformed India's market place and has enabled citizens to access services across sectors.
  - **Open Credit Enablement Network** aims towards democratising lending operations while allowing end-to-end digital loan applications.
  - National AI portal has published 1520 articles, 262 videos, and 120 government initiatives and **'Bhashini'** is being viewed as a tool for overcoming the language barrier.
  - The bouquet of digital public infrastructure products like **e-RUPI**, e-Way Bill etc. have **ensured real value for money to consumers** while reducing the compliance burden for producers.

India Employment Report 2024: ILO

Why in News?

Recently, the **Institute for Human Development (IHD)** and International Labour Organisation (ILO) have released a report titled- ***'India Employment Report 2024'***, which highlights that India's youth **continue to grapple with soaring** Unemployment rates.

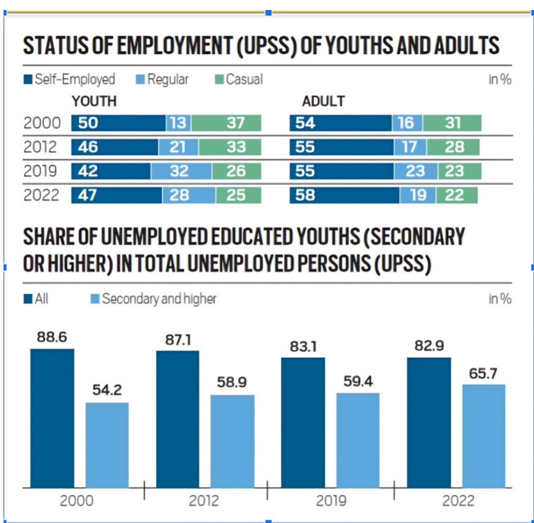
Note:

- The **Institute for Human Development (IHD)** was established in the year 1998 under the aegis of the **Indian Society of Labour Economics (ISLE)**, it is a non-profit autonomous institution that aims to **contribute towards building a society** that fosters and values an inclusive social, economic and political system that is free from poverty and deprivations.

> **Note**:
>
> The **India Employment Report 2024** is the **third in the series of regular publications by the IHD** on labour and employment issues. This report on Youth Employment, Education and Skills examines the **challenge of youth employment in the context of the emerging economi**c, labour market, educational and skills scenario in India and changes over the past two decades.
>
> - The report is primarily **based on analysis of data from the National Sample Surveys and the Periodic Labour Force Surveys** between 2000 and 2022, with a postscript for 2023.

What are the Key Highlights of the Report?

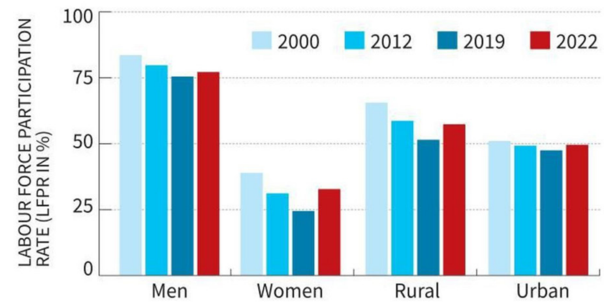
- **Poor Employment Conditions:**
  - Despite improvements in overall labour force participation and employment rates, employment conditions in **India remain poor**, with issues such as **stagnant or declining wages**, increased self-employment among women, and a higher proportion of unpaid family work among youth.
  - India's **youth account for almost 83% of the unemployed workforce** and the share of youngsters with secondary or higher education in the total unemployed has almost doubled from **35.2% in 2000 to 65.7% in 2022.**



- **Youth Employment Challenges:**
  - Youth employment and **underemployment surged between 2000 and 2019**, with educated youths experiencing significantly higher levels of joblessness.
  - The **Labour Force Participation Rate (LFPR)**, **Worker Population Ratio (WPR)** and the **Unemployment Rate (UR)** showed a long-term deterioration between 2000 and 2018 but witnessed an improvement after 2019.
  - The improvement coincides with periods of economic distress, both pre and post-**Covid-19** with the exception of two peak Covid-19 quarters.

Employment blues

Labour participation for various sections increased slightly in 2022 (compared to 2019) but was still low vis-a-vis 2000



- **Paradoxical Improvements:**
  - Over the past two decades, India's job market has seen some improvements in certain labour indicators, but the o**verall employment situation remains challenging.**
  - **Non-farm sectors have not grown sufficiently to absorb workers from agriculture,** despite non-farm employment growing faster than farm employment before 2018.
  - Most workers, **around 90%, are engaged in informal work**, and the proportion of regular employment, which was steadily increasing after **2000, started declining after 2018.**
  - India's large young workforce, often seen as a demographic advantage, faces challenges due to **a lack of necessary skills.**
    - A significant portion of **youth lacks basic digital literacy skills**, with 75% unable to send emails with attachments, 60% unable to copy and paste files, and 90% unable to perform basic spreadsheet tasks like putting a mathematical formula.

- **Wages and Earnings are Declining:**
  - While **wages of casual labourers maintained a modest upward trend** during 2012–22, real wages of regular workers either remained stagnant or declined. Self Employed real earnings also declined after 2019.
  - Overall, wages have remained low. As much as **62% of the unskilled** casual agricultural workers and **70% of such workers in the construction** sector at the **all-India level did not receive the prescribed daily minimum wages in 2022.**
- **Changing the Structure of Industrial Employment**:
  - There has been a rapid introduction of digitally mediated gig and platform work, which are algorithmically **controlled by the platforms and have brought about new features in control** of the labour process.
  - Increasingly, platform and gig work have been expanding, but it is, to a large extent, the extension of informal work, with hardly any social security provisions.
- **Migration is Likely to Increase in Future:**
  - The rates of urbanization and migration are expected to considerably increase in the future.
  - India is **expected to have a migration rate of around 40% in 2030** and will have an urban population of around 607 million.
  - The bulk of this **increase in urban growth will come from migration**. The pattern of migration also shows regional imbalance in the labour markets.
  - The **direction of migration** in general is from eastern, north-eastern and central regions to southern, western and northern regions.
- **Regional Disparities:**
  - Significant variations in employment outcomes exist across states, with certain **states consistently ranking lower in employment indicators**.
  - States like Bihar, Uttar Pradesh, Odisha, Madhya Pradesh, Jharkhand, and Chhattisgarh have s**truggled with poor employment outcome**s over the years, **reflecting the influence of regional policies.**
- **Widening Gender Gap:**
  - India is facing the **challenge of a substantial gender gap** in the labour market, with low rates of female labour force participation.
  - The **unemployment challenge among young women,** especially those who are highly educated, is enormous.
  - Social inequalities also persist despite affirmative action and targeted policies, with Scheduled Castes and Scheduled Tribes facing barriers to accessing better job opportunities.
    - Although educational attainment has improved across all groups, social hierarchies persist, **exacerbating the employment disparity.**

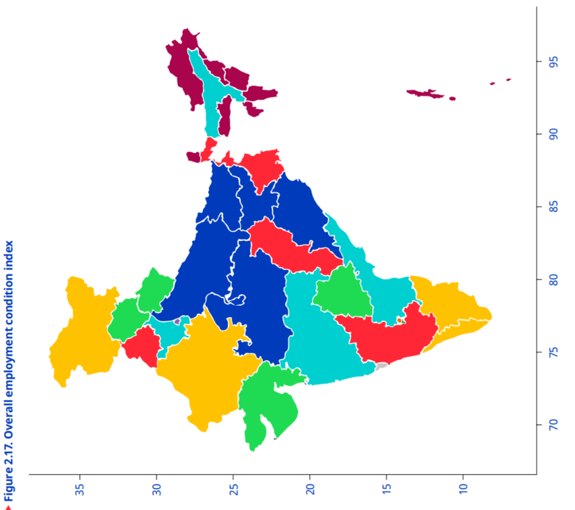


Figure 2.17. Overall employment condition index

Source: Computed from various years of the Employment and Unemployment Survey data and the Periodic Labour Force Survey unit-level data.

What are the Government's Initiatives Related to Employment?

- Support for Marginalised Individuals for Livelihood and Enterprise (SMILE)
- PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Start Up India Scheme
- Rozgar Mela
- Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan.

What is the International Labor Organization?

- It is the only tripartite United Nations **(UN) agency**. It brings together governments, employers and workers of 187 Member States (India is a member), to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

Note:

- It received the Nobel Peace Prize **in 1969.**
- It was established in 1919 by the Treaty of Versailles as an affiliated agency of the League of Nations and became the first affiliated specialised agency of the UN in 1946.
- Headquarters: Geneva, Switzerland

Omnibus SRO Framework

Why in News?

The Reserve Bank of India (RBI) has recently announced the finalisation of the **Omnibus Framework** for recognising **Self-Regulatory Organisations (SRO)** for its Regulated Entities (RE).

- The framework aims to address the increasing operations of regulated entities and the adoption of innovative technologies, while also improving industry standards for self-regulation.

Note:
- The draft framework was released for public comments on December 21, 2023, following an announcement in the Monetary Policy **Statement** of RBI.
- Inputs received from stakeholders were examined to finalise the Omnibus Framework.

What is the Omnibus SRO Framework?

- The Omnibus Framework is a comprehensive set of guidelines and regulations for recognising **Self-Regulatory Organisations (SROs).**
- The omnibus SRO framework sets out **common objectives, functions, eligibility criteria, and governance** standards for all SROs, regardless of the sector.
- It also **establishes membership criteria and terms for SROs** to follow in order to be recognised by the RBI.
- The framework represents the minimum requirements, and recognised SROs are encouraged to develop their best practices.
- The **Reserve Bank may impose sector-specific additional conditions** when calling for applications to recognise SROs, within the framework's broad parameters.
- It facilitates a coordinated and integrated approach to regulatory oversight while allowing for sector-specific guidelines to be issued separately for different sectors.
- Aims to foster **transparency, professionalism, and independence** within SROs to build confidence in the integrity of the sectors they regulate.

Note:
- Existing SROs recognized by the RBI will continue to be **governed by their current terms and conditions** unless the framework is specifically extended to them.

Self-Regulatory Organisations

- SROs are entities formed within **specific industries or sectors** to regulate themselves, often in collaboration with government regulators.
- SROs operate under the **supervision of government regulators**, who delegate certain regulatory functions to these organisations. While **regulators maintain ultimate authority,** they rely on SROs to monitor and enforce compliance within their respective industries.
- SROs aim to promote best practices and **ethical conduct within their industries**. They often provide guidance, training, and educational resources to help members understand and comply with regulatory requirements.
- These organisations develop and enforce industry-specific rules, standards, and codes of conduct aimed at ensuring compliance and ethical behaviour among their members.
- SROs operate with **transparency and accountability to ensure that their regulatory activities** are conducted in the public interest.

Bond Yield

Why in News?

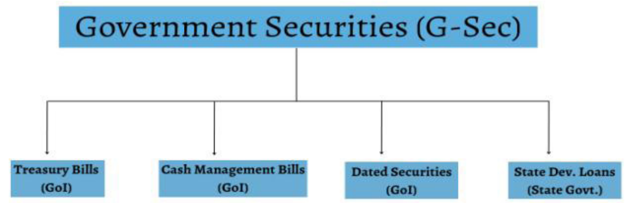
Recently, the State governments have **mobilised a record Rs 50,206 crore** through the auction of State

Development Loan (SDL) Bonds, marking the largest such weekly borrowing ever.

- The funds raised far exceeded the indicative borrowing target of Rs 27,810 crore set for the period, as per **Reserve Bank of India (RBI)** data. This indicates robust demand for state government securities in the financial markets.
- SDLs are the part of **Government Securities (G-Sec)**, where State Governments raise loans from the **market**. SDLs are dated **securities issued through normal auctions similar to the auctions conducted for dated securities** issued by the Central Government.

What are Bonds?

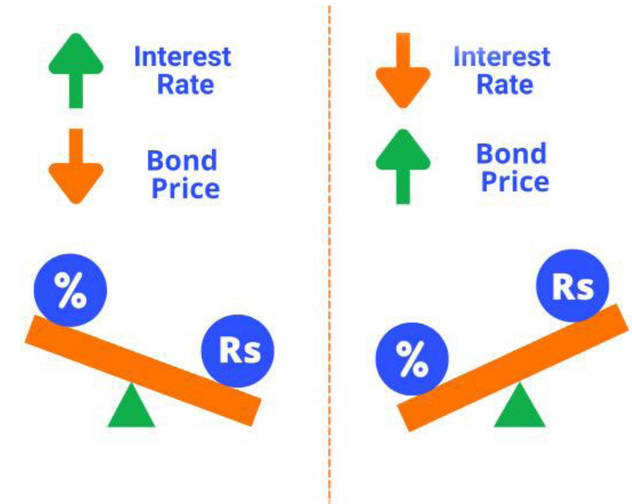
- **About:**
  - A bond is an **instrument to borrow money**. It is like an IOU (I owe you).
    - An IOU is a written acknowledgement of debt that one party owes another. IOUs are less formal and legally binding than promissory notes.
  - A bond could be **floated/issued by a country's government** or by a company to raise funds.
  - Since **Government Bonds (referred to as G-secs in India**, Treasury in the US, and Gilts in the UK) come with the **sovereign's guarantee,** they are considered one of the safest investments.
- **Types of G-Secs:**
  - **Treasury Bills (T-bills):** Treasury bills are zero coupon securities and pay no interest. Instead, they are issued at a discount and redeemed at the face value at maturity.
  - **Cash Management Bills (CMBs):** In 2010, the Government of India, in consultation with RBI introduced a new short-term instrument, known as CMBs, to meet the temporary mismatches in the cash flow of the Government of India.
    - The CMBs have the generic character of T-bills but are issued for maturities of less than 91 days.
  - **Dated G-Secs:** Dated G-Secs are securities that carry a fixed or floating coupon rate (interest rate) which is paid on the face value, on a half-yearly basis. Generally, the tenor of dated securities ranges from 5 years to 40 years.
  - **State Development Loans (SDLs):** State Governments also raise loans from the market which are called SDLs. SDLs are dated securities issued through normal auctions similar to the auctions conducted for dated securities issued by the Central Government.



Types of Government Securities

- **Bond Yields:**
  - The yield of a bond is the **effective rate of return that it earns.** But the rate of return is not fixed — it **changes with the price** of the bond.
  - But to understand that, one **must first understand how bonds are structure**d.
  - Every bond has a f**ace value and a coupon payment.** There is also the price of the bond, which may or may no**t be equal to the face value of the bond.**
  - In addition to the face value and coupon payment, bonds also have a **coupon rate.**
    - The coupon rate is the **fixed annual interest rate expressed as a percentage** of the bond's face value.
    - **For Instance,** t**he face value of a 10-year G-sec is Rs 100**, and its coupon payment is **Rs 5, and coupon rate is 5%.**
  - Buyers of this bond will give the government Rs 100 (the face value); in return, the government will pay **them Rs 5** (the coupon payment) every year for **the next 10 years**, and will pay back their Rs **100 at the end of the tenure.**
    - In this case, the bond's yield, or **effective rate of interest, is 5%**. The yield is the **investor's reward for parting with Rs 100 toda**y, but for staying without it for 10 years.
- **Yield Curve:**
  - The Yield Curve is a graphical representation of the **interest rates on debt for a range of maturities**.
  - It shows the yield an **investor is expecting to earn if he lends his money for a given period** of time.
  - A fixed income Analyst may use the yield curve as a leading economic indicator, especially when **it shifts to an inverted shap**e, which signals an economic downturn, as long-term returns **are lower than short-term returns.**

Note:



Relationship between Bond Price and Interest Rates

RBI to Review NBFCs

Why in News?

The **Reserve Bank of India (RBI)** is gearing up to conduct a comprehensive review of the categorisation of **Non-Banking Finance Companies (NBFCs) in 2024.**

- The review is seen as a precursor to potentially granting bank licences to select NBFCs.
- Elevating specific NBFCs could serve as a preliminary and evaluative step towards considering them for the allocation of bank licences in the future.

What are NBFCs?

- **About:** An NBFC is a company registered under the **Companies Act, 1956 or Companies Act, 2013**, involved in various financial activities like lending, investing in securities, leasing, insurance.
    - They offer various banking services but do not have a banking licence.
- Key Features:
    - NBFCs provide diverse financial services like personal loans, home loans, vehicle loans, gold loans, microfinance, insurance, and investment management.
    - They can accept public deposits for a minimum of **12 months and a maximum of 60 months.**
        - However, NBFCs **cannot accept demand deposits.**
    - They **do not form part of the payment and settlement system** and cannot issue cheques drawn on itself.
- **Licencing:** The company must be registered under the **Companies Act, 2013,** either as a public or private company.
    - The company should have a minimum net owned fund of at least **Rs. 10 crores** to be eligible for NBFC registration.
    - At least **one-third of the directors** of the company must possess relevant work experience in the finance sector.
    - The company should have a good track record with **CIBIL (Credit Information Bureau India Limited)** regarding its credit history and financial credibility.
    - The company must comply with all the regulations, norms, and guidelines prescribed under Capital Compliances and the **Foreign Exchange Management Act (FEMA) laws**.
- **Regulation:** The RBI has been given the powers under the **RBI Act 1934** to register, lay down policy, issue directions, inspect, regulate, supervise and exercise surveillance over NBFCs that meet the **50-50 criteria of principal business.**
    - The Reserve Bank introduced the Scale Based Regulation (SBR) in October, 2021, categorising NBFCs into **Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL), and Top Layer (NBFC-TL)**.
    - This framework outlines the methodology for identifying NBFCs in the Upper Layer based on their asset size and scoring criteria.

List of NBFCs in upper layer

1	LIC Housing Finance	9	Shanghvi Finance Pvt Ltd
2	Bajaj Finance	10	M&M Financial Services
3	Shriram Finance	11	PNB Housing Finance
4	Tata Sons Pvt Ltd	12	Tata Capital Financial Services
5	L&T Finance	13	Aditya Birla Finance
6	Indiabulls Housing Finance	14	HDB Financial Services
7	Piramal Capital & Housing Finance	15	Muthoot Finance
8	Cholamandalam Investment and Finance	16	Bajaj Housing Finance

What is the 50-50 Criteria of Principal Business?

- RBI considers a company's principal business to be financial in nature if more than **50% of its total assets and gross income come from financial activities.**

Note:

- This definition ensures that only companies primarily involved in financial operations are registered as NBFCs and fall under RBI's regulatory oversight.
- Companies primarily engaged in non-financial activities, even if they conduct some financial business on the side, are not regulated by RBI.
  - This assessment is commonly referred to as the **"50-50 criteria**" for determining a company's involvement in financial business.

Note: Demand deposits refer to funds deposited in banks or financial institutions that can be **withdrawn by the account holder on demand** without any prior notice.

- They are highly liquid and accessible for day-to-day transactions, making them a preferred choice for individuals and businesses needing frequent access to their funds.

RBI Integrated Ombudsman Scheme

Why in News?

Recently, the Reserve Bank of India (RBI) has reported a spike of **68.2% in complaints under its** Integrated Ombudsman Scheme (RB-IOS) for the financial year 2023, with figures reaching a staggering 703,000.

- This leap marks a substantial rise compared to the previous years, where FY22 saw a 9.4% increase and FY21 witnessed a 15.7% hike in complaints.

What is an Ombudsman?

- A government official who deals with complaints made by **ordinary people against public organisations.** This concept of the Ombudsman arrived from Sweden.
- It means an officer appointed by the Legislature to **handle complaints against a service or administrative authority.**
- In India an Ombudsman is appointed to **resolve grievances in the following sectors.**
  - Insurance Ombudsman
  - Income Tax Ombudsman
  - Banking Ombudsman

What is RBI Integrated Ombudsman Scheme (RB-IOS)?

- **About:**
  - RB-IOS amalgamates three ombudsman schemes of **RBI-banking ombudsman scheme of 2006**, Ombudsman scheme for NBFCs of 2018 and Ombudsman scheme of digital transactions of 2019.
  - The unified ombudsman scheme aims to provide **redress of customer complaints involving deficiency in services rendered** by RBI-regulated entities viz. **banks,** NBFCs (Non-banking Financial Companies) **and pre-paid instrument players** if the grievance is not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity.
  - It includes non-scheduled primary co-operative banks with a deposit size of Rs 50 crore and above. The integrated scheme makes it a "**One Nation One Ombudsman' approach** and jurisdiction-neutral.
- **Features:**
  - The Scheme defines '**deficiency in service' as the ground for filing a complaint,** with a specified list of exclusions.
    - Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme".
  - The scheme is jurisdiction-neutral and a centralised receipt and processing centre has been set up in Chandigarh for initial handling of complaints in any language.
  - RBI had created a provision for the **use of** Artificial Intelligence **tools** so that banks and investigating agencies could coordinate in a better way in the fastest time possible.
  - The bank customers **will be able to file complaints, submit documents**, track their status, and give feedback through a single email address.
  - There will also be a multilingual toll-free number that will provide all relevant information on grievance redress.
  - The regulated entity **will not have any right to appeal in cases where an award is issued by the ombudsman** against it for not furnishing satisfactory and timely information.
- **Appellate Authority:**
  - **RBI's Executive Director in charge of the Consumer Education and Protection Department** would be the Appellate Authority under the integrated scheme.

Boosting Exports from MSMEs: NITI Aayog

Why in News?

Recently, the NITI Aayog released a report titled **Boosting Exports from MSMEs**, which recommends that the government must make it easier for smaller firms to export their goods through e-commerce platforms.

What is the Current Scenario of the MSME Sector in India?

- **MSME Contribution to the Economy:**
  - The report highlights the significant contribution of MSMEs to India's economy, accounting for over **11 crore jobs and around 27% of GDP (Gross Domestic Product)**.
- **Rapid Growth in MSME Establishment:**
  - Between the financial year (FY) 2019 and FY 2021, India saw a significant increase in the establishment of new MSME units, **with around 40 lakh new MSMEs being established**. This growth is particularly notable in micro-enterprises.
  - Currently, around 38% of the total 54 lakh MSME units are engaged in manufacturing, with small and medium enterprises largely **contributing to manufacturing activity suitable for export.**
    - The top five states with the highest concentration of manufacturing MSMEs are Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, and Gujarat.
- **Export Potential:**
  - Exporting is crucial for Indian MSMEs to unlock growth potential. However, **India's share of global exports of low-skilled manufacturing products is only 5%**, despite having a large working-age population and significant employment in manufacturing MSMEs.
    - Despite the potential for exporting, only a small percentage of MSMEs engage in it, with many **having annual turnover from exports of less than Rs 1 crore**.

What is MSME?

- MSMEs form the backbone of the Indian economy, contributing significantly to employment generation, industrial production, and overall economic growth.
- These enterprises are engaged in the **production, manufacturing, processing, or preservation of goods and commodities.**
  - They account for **38.4% of the total manufacturing output** and contribute 4**5.03% of the country's total exports.**

1: Revised Definition of Micro, Small and Medium Enterprises

Parameters	Micro	Small	Medium
Investment in Plant and Machinery	< 1 Crore INR	< 10 Crore INR	< 50 Crore INR
Annual Turnover	< 5 Crore INR	< 50 Crore INR	< 250 Crore INR
No. of MSMEs (Based on NSS data)	6.3 Crore	3.3 Lakh	5 thousand
No. of MSMEs (Based on Udyam data as on 31st March 2023)	1.5 Crore	4.6 Lakh	41 thousand

What are the Government Initiatives Related to MSMEs?

- Raising and Accelerating MSME Performance (RAMP) Scheme
- Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE)
- Interest Subsidy Eligibility Certificate (ISEC)
- A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)
- Credit Linked Capital Subsidy for Technology Upgradation (CLCSS)
- Zero Defect & Zero Effect (ZED)

India's Basmati Rice Cultivation Dispute and the Direct Seeded Rice

Why in News?

Recently, India's prized basmati rice **varieties, like Pusa-1121 and 1509 Basmati,** have been found in Pakistan under new names, raising concerns among Indian scientists at the Indian Agricultural Research Institute (IARI), urging legal action to safeguard Indian farmers and exporters.

- This highlights the urgency for unified action to protect Indian farmers and maintain equitable trade practices.
- In another development, the **Federation of Seed Industries of India (FSII)** and Sathguru Consultants have emphasised the necessity for collaborative endeavours in rice cultivation, with a particular focus on direct seeded rice (DSR) techniques.

How are Indian Basmati Varieties Illegally Cultivated in Pakistan?

- **Illegal Cultivation:**
  - The cultivation of Indian basmati varieties in Pakistan began with Pusa **Basmati-1121 (PB-1121),** officially registered as **'PK 1121 Aromatic'** in Pakistan.
    - Other popular IARI-bred varieties like **Pusa Basmati-6 (PB-6) and PB-1509** have also been grown and renamed in Pakistan, posing a significant challenge to Indian agricultural authorities.
  - More recent varieties such as Pusa Basmati-1847 (PB-1847), PB-1885, and PB-1886, designed to **resist bacterial blight and rice blast fungal disease,** have also been identified in Pakistani fields.
- **Implications:**
  - The unauthorised cultivation of Indian basmati varieties in Pakistan undermines the **rights of Indian farmers and breeders** protected under the **Seeds Act, 1966,** and the **Protection of Plant Varieties and Farmers' Rights Act, 2001 (PPV & FR Act).**
    - The Protection of Plant Varieties and Farmers' Rights Act in India, enacted in 2001, protects the rights of Indian farmers to **sow, save, re-sow, exchange, or share the seed/grain produced from registered varieties.**
      - The Act prohibits selling the seeds of protected varieties in branded form without the breeder's rights.
      - IARI-bred improved basmati varieties are registered under this Act.
    - The Seeds Act of 1996, allows cultivation of IARI varieties only in the officially demarcated **Geographical Indication (GI) area** of basmati rice within India.
  - Cultivation of the protected basmati varieties in **Pakistan would potentially violate intellectual property rights (IPR)** and could be raised by India in relevant bilateral forums and at the **World Trade Organisation.**

Protection of Plant Varieties and Farmers' Rights Act, 2001

- **Rights under the Act:**
  - **Breeders' Rights:**
    - Breeders are granted exclusive rights to produce, sell, market, distribute, import, or export protected varieties.
    - Breeder's rights include the ability to appoint agents or licensees and seek civil remedies for infringement.
  - **Researchers' Rights:**
    - Researchers can utilise registered varieties for experimentation or research purposes.
    - **Initial use of a variety for developing another variety is permitted**, but repeated use requires prior permission from the registered breeder.
  - **Farmers' Rights:**
    - Farmers who have evolved or developed new varieties are entitled to registration and protection similar to breeders.
    - Farmers **can save, use, exchange, share, or sell farm produce, including protected varieties,** subject to certain conditions.
    - Recognition and rewards are provided for farmers' conservation efforts related to plant genetic resources.
    - Compensation provisions exist for farmers in cases of non-performance of protected varieties.
    - Farmers are **exempt from paying fees in proceedings** under the Act before relevant authorities or courts.

Indian Agricultural Research Institute

- The **Indian Agricultural Research Institute (IARI)** is India's largest and foremost institute in research, higher education, and training in agricultural sciences.
- It played a pivotal role in the **Green Revolution,** contributing significantly to scientific advancements and the development of appropriate agricultural technologies.
- Established in 1905 in the village of Pusa in north Bihar, it was relocated to New Delhi in 1936 after a devastating earthquake.
- The administrative control of the IARI is vested with the **Indian Council of Agricultural Research (ICAR)**, an autonomous organization established under the **Societies Registration Act, of 1860.**

What is the Direct Seeded Rice (DSR) Technique?

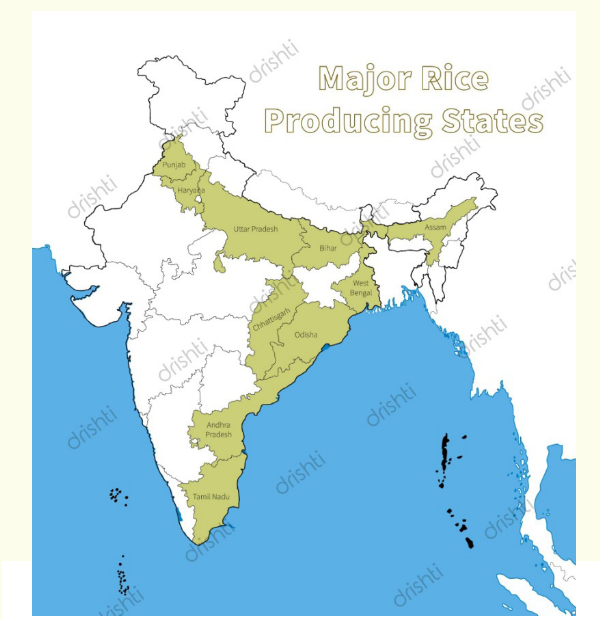
- **About:**
  - Direct seeded rice (DSR) is a method of rice cultivation where **seeds are sown directly in the main field,** bypassing the traditional nursery raising and transplanting process.

Note:

- **Advantages of DSR:**
  - **Labour and Cost Savings:**
    - Eliminates the **need for labour-intensive nursery** raising and transplanting, reducing overall production costs.
    - Reduces manual labour requirements and associated costs, potentially leading to higher yields and better returns for farmers.
  - **Water Conservation:**
    - **Reduces water consumption by approximately 40%** compared to traditional methods, minimising soil erosion and methane emissions.
    - Requires less water than traditional transplanting, making it suitable for areas facing water scarcity.
  - **Early Crop Maturity:** Crops mature **7–10 days' sooner than usual (115–120 days)**, allowing for the timely planting of successive harvests.
- **Methods of DSR:**
  - **Dry Seeding:** Seeds are sown in dry soil, suitable for areas with assured rainfall or irrigation facilities.
  - **Wet Seeding:** Seeds are sown in puddled soil, similar to conditions for transplanting, suitable for areas with assured water availability.

Note:
- FSII is an industry body of the R&D-based plant science industry, engaged in the production of high-performance quality seeds for food, feed and fibre in India.

Rice:



- **Temperature:** Between 22-32°C with high humidity.
- **Rainfall:** Around 150-300 cm.
- **Soil Type:** Deep clayey and loamy soil.
- **Top Rice Producing States:** West Bengal, Punjab, Uttar Pradesh, Andhra Pradesh, and Bihar.
- It is the **staple food crop of the majority** of Indian people.
- India is the **second largest producer of rice in the world after China.**
- In states like **Assam, West Bengal and Odisha,** three crops of paddy are grown in a year. These are **Aus, Aman and Boro.**
- **National Food Security Mission**, **Hybrid Rice Seed Production and Rashtriya Krishi Vikas Yojana** are few government initiatives to support rice cultivation.

NABARD to Launch Fund for Agri-startups

Why in News?

The **National Bank for Agriculture and Rural Development (NABARD)** plans to introduce a Rs. 1,000-crore fund to support technology-driven agricultural **start-ups** and rural enterprises, with an additional Rs. 750 crore earmarked for **pre-seed investments** in untested ideas, emphasising the need to foster **innovative solutions.**

- It aims to **redirect agricultural funding from traditional farmers to new players** with innovative technologies, aiming to shift focus from **production credit** to investment credit.

What are the Agri Startups?

- **About:**
  - An agricultural startup, or agri startup, is a young company or business venture that **focuses on developing innovative solutions, technologies,** or business models to address **challenges and improve efficiency in the agricultural sector.**
- **Services Offered by Agritech Startups:**
  - **Smart Agriculture Promotion:** Providing information on crop yields, rainfall patterns, pest infestation, and soil nutrition.

Note:

- **Farming as a Service:** For example, EM3 Agri Services offers farming services and machinery rentals to farmers on a pay-for-use basis.
- **Big Data Analytics:** Developing **farm-specific, data-driven diagnostics** to enhance soil and crop health, thereby increasing productivity and farmer income. This often involves the use of Artificial Intelligence, among other technologies.

➢ **Other Initiatives by the Government:**
- Digital Agriculture Mission (DAM), 2021
- Innovation and Agri-Entrepreneurship Development Programme, under Rashtriya Krishi Vikas Yojana (RKVY)
- Priority Sector lending for Agri-startups.
- NIDHI Seed Support Program (NIDHI-SSP), under the Department of Science & Technology (DST)

Nabventures: Fund for Rural Agriculture Startup

➢ **About:**
- The government plans to launch a Rs **750 crore** Blended Capital fund to support agricultural start-ups and rural enterprises, aiming to enhance investments and efficiency in the sector.
  - According to the Organisation for Economic Co-operation and Development (OECD), **blended finance** is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.
- **Objective:**
  - The goal is to **support pre-seed startups** with unproven ideas or uncertain growth potential, particularly those hindered by insufficient equity for scaling.
  - Start-ups that fall under agritech, animal husbandry, fisheries, food processing, and biotechnology would benefit from it.
- **Supervision:**
  - To finance agri-based start-ups and rural enterprises, blended capital support will be rolled out by the **Ministry of Agriculture** and managed by Nabventures, a wholly-owned subsidiary of NABARD.

India-EFTA Trade Deal

Why in News?

India and the European Free Trade Association (EFTA) recently signed the Trade and Economic Partnership Agreement (TEPA).

➢ India previously rejected the inclusion of "data exclusivity" clauses in the agreement which would have restricted Indian pharmaceutical companies from producing generic drugs.

➢ Now, India and EFTA agreed to **exclude the most "sensitive" agricultural products** and gold imports from the pact.

What are the Key Highlights of the TEPA?

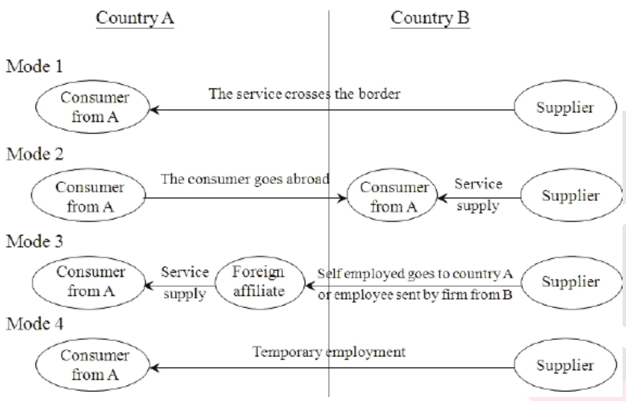
➢ **About:** The India-EFTA trade deal was finalised a decade after initial negotiations broke down in **2013** due to disagreements.
- Recent geopolitical changes and a **shared goal to reduce dependence on China** facilitated the agreement.
- TEPA comprises 14 chapters with a main focus on market access related to **goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures,** technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.

➢ **Key Points:**
- **EFTA Commitments:** To increase foreign direct investments in India by USD 100 billion over 15 years. The investments do not cover foreign portfolio investment.
  - Target to generate **1 million direct jobs in India** through these investments.
  - Commitments related to Intellectual Property Rights in TEPA are at the Trade-Related Aspects of the Intellectual Property Rights level.
- **Tariff Offers:** EFTA offers **92.2%** of tariff lines covering 99.6% of India's exports.
  - India offers **82.7%** of tariff lines covering 95.3% of EFTA exports.
  - **India excludes sectors like dairy, soya, coal,** and sensitive agricultural products from tariff concessions.

Note:

drishti

- **Mutual Recognition:** TEPA has provisions for Mutual Recognition Agreements in Professional Services like **nursing, chartered accountants, architects** etc.
- **Market Integration:** TEPA provides an opportunity for India to integrate into EU markets.
  - Over 40% of Switzerland's global services exports are to the EU.
  - **Indian companies can look to Switzerland as a base for extending its market reach to the EU.**
- **Services Offer From EFTA:** Services offered by EFTA include better access through digital delivery of Services (Mode 1), commercial presence (Mode 3) and improved commitments and certainty for entry and temporary stay of key personnel (Mode 4).



What is the European Free Trade Association?

- **About:** The EFTA is the intergovernmental organisation of **Iceland, Liechtenstein, Norway and Switzerland** (all four are not a part of the EU).
  - It was founded by the **Stockholm Convention** in 1960.
  - It aims to promote free trade and economic integration to the benefit of its four Member States and their trading partners around the globe.
- **India and EFTA:** India is the EFTA's **5th-largest trading partner** after the European Union, the United States, Britain and China.
  - Two-way trade between India and EFTA was USD 18.65 billion in 2022-23, with a trade deficit of **USD 14.8 billion** for India.
    - Switzerland is India's largest trading partner in this bloc of nations, followed by Norway.
  - The biggest exports to India were pharmaceutical items (11.4%) and machinery (17.5%), while organic chemicals (27.5%) made up the majority of EFTA imports.

Note: TEPA is the 4th major deal signed by India to promote trade and economic cooperation in the last 3 years. The others are with **Australia, Mauritius and the UAE**.

Comprehensive Framework for a Regulatory Sandbox

Why in News?

Recently, the Reserve Bank of India (RBI) revised the timeline for the completion of various stages of a Regulatory Sandbox (RS) to **nine months** from the previous **seven months**.

- The updated framework for an RS also requires sandbox entities to ensure compliance with provisions of the Digital Personal Data Protection Act, 2023.

What is the Regulatory Sandbox (RS)?

- **Background:**
  - The Reserve Bank of India (RBI) set up an **inter-regulatory Working Group** in **2016** to look into and report on the **granular aspects of** FinTech and its implications so as to review the **regulatory framework** and respond to the dynamics of the rapidly evolving FinTech scenario.
  - The report recommended introducing an appropriate framework for a **Regulatory Sandbox (RS)** within a well-defined space and duration where the

financial sector regulator will provide the requisite regulatory guidance, to increase efficiency, manage risks and create new opportunities for consumers.

- **About:**
  - A **Regulatory Sandbox (RS)** refers to live testing of new products or services in a **controlled regulatory environment** for which regulators may or may not permit certain regulatory relaxations for the limited purpose of testing.
  - It enables the **regulator, financial service providers** and **customers** to conduct field tests to collect evidence on the benefits and risks of new financial innovations while monitoring and containing their risks.
- **Objectives:**
  - The objective of the RS is to foster responsible **innovation in financial services, promote efficiency** and bring **benefit to consumers.**
  - It can provide a **structured avenue** for the regulator to engage with the ecosystem and to develop **innovation-enabling** or **innovation-responsive regulations** that facilitate delivery of **relevant, low-cost financial products.**
- **Target Applicants:**
  - Target Applicants for entry to the RS include **fintechs, banks,** and **companies** partnering with or providing support to **financial services businesses**, among others.

Adoption of Regulatory Sandboxes in India:

- **Fintech Focus:** The Reserve Bank of India (RBI) introduced the **first regulatory sandbox** program in 2019.
  - It facilitates live **testing of innovative financial products and services** in a controlled environment under RBI supervision.
- **Thematic Cohorts:** The RBI sandbox operates on a thematic cohort basis. Each cohort **focuses on a specific area like retail payments**, cross-border transactions, or MSME lending.
  - **Key Design Aspects of RS:**
    - **RS cohorts:** Based on thematic cohorts focussing on **financial inclusion, payments and lending, digital KYC,** etc.
    - **Regulatory relaxations:** RBI may grant some relaxations such as **liquidity requirements, board composition, statutory restrictions** etc.
    - **Exclusion from RS:** Indicative negative list includes **credit registry, cryptocurrency, initial coin offerings** etc.
- **Telecom Sandbox:** The government introduced a **"Millennium Spectrum Regulatory Sandbox" initiative.** This includes a **Spectrum Regulatory Sandbox** (SRS) and Wireless Test Zones (WiTe Zones).
  - These initiatives aim to **simplify regulations for telecom R&D activities** and explore new spectrum bands for technological advancements.

National Urban Cooperative Finance and Development Corporation Limited

Why in News?

Recently, the **Union Minister for Cooperation** inaugurated the **National Urban Cooperative Finance and Development Corporation Limited (NUCFDC)**, an umbrella organisation for urban cooperative banks (UCB).

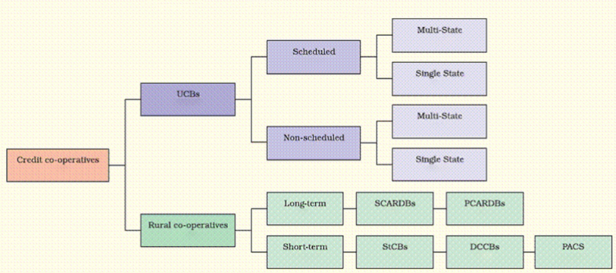
- NUCFDC has received Reserve Bank of India (RBI)'s approval to function as a non-banking finance company and a self-regulatory organisation for the urban cooperative banking sector.

What are Urban Cooperative Banks?

- **About**: Cooperative banks are financial institutions that are **owned and operated by their members, who are also the bank's customers.**
  - In order to support the financial needs of a community such as a village or a specific community, people come together to pool resources and provide banking services such as **loans**.
    - In India, they are registered under the Cooperative Societies Act of the State concerned or the Multi-State Cooperative Societies Act, 2002.
  - Urban Co-operative Banks (UCBs) refers to **primary cooperative banks** located in **urban and semi-urban areas.**
- **Regulator:** The Reserve Bank regulates the banking functions of Urban Cooperative Banks under the provisions of Sections 22 and 23 of the Banking Regulation Act, 1949.
  - Also, State Cooperative Banks, District Central Cooperative Banks and Urban Cooperative Banks, which are registered with Deposit Insurance and Credit Guarantee Corporation are insured.

- **Four Tier Structure:**
  - In 2021 RBI appointed **N. S. Vishwanathan** committee that suggested a 4-tier structure for the UCBs.
    - Tier 1 with all unit UCBs and salary earner's UCBs (irrespective of deposit size) and all other UCBs having deposits up to Rs 100 crore.
    - Tier 2 with UCBs of deposits between Rs 100 crore and Rs 1,000 crore,
    - Tier 3 with UCBs of deposits between Rs 1,000 crore and Rs 10,000 crore, and
    - Tier 4 with UCBs of deposits more than Rs 10,000 crore.
- **Current Status:** Currently, there are **1,514 UCBs in India,** accounting for 11% of the total credit to agriculture. The total deposit base of UCBs stands at ₹5.26 trillion.

Structure of Co-operative Credit Institutions in India



StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.
Notes: 1. Figures in parentheses indicate the number of institutions at end-March 2013 for UCBs and at end-March 2012 for rural co-operatives.
2. For rural co-operatives, the number of co-operatives refers to reporting co-operatives.

> **Note**: NABARD is entrusted with the responsibility for conduct of statutory inspections of **State Cooperative Banks, District Central Cooperative Banks and Regional Rural Banks** under the Banking Regulation Act, 1949.
> - The regulatory powers continue to be vested with the Reserve Bank of India.

BioCNG Production from Dung

Why in News?

Banaskantha District Co-operative Milk Producers' Union, Gujarat are **converting dung into Bio CNG (compressed natural gas) and fertiliser,** supplementing farmers' income. This initiative addresses waste management while creating new revenue streams for dairy farmers.

- The BioCNG outlet on the Deesa-Tharad highway in Gujarat's Banaskantha district is a pioneering initiative, being **India's first and only gas-filling station operating on dung sourced** from cattle and buffaloes.

How are Farmers Harnessing the Value of Dung?

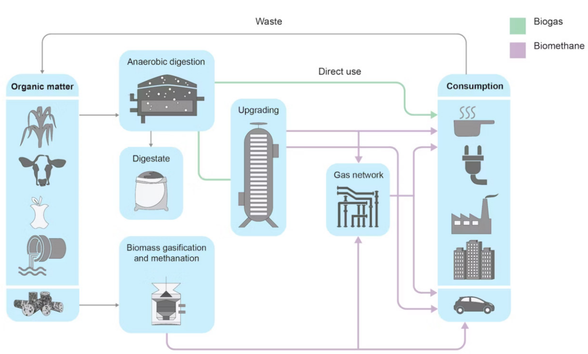
- **Dung Facts:**
  - An average adult bovine animal discharges 15-20 kg of fresh dung daily, while calves give out 5-10 kg.
    - A bovine refers to a **domestic animal of the species *Bos taurus* (cattle)** or ***Bubalus bubalis*** (water buffalo).
  - Fresh dung contains 80-85% water; one kg weighs hardly 200 grams on drying.
  - Fresh dung contains methane **along with water**, making it essential for biogas production in ***anaerobic digestion*** (breaks down biodegradable material without oxygen and produces biogas).
    - Methane, a key component of biogas, is produced in the **rumen of bovines (the first of four stomach compartments in bovines)** during the fermentation of plant material they consume.
    - Bacteria-like microbes in the rumen, known as ***archaea,*** utilise carbon dioxide and hydrogen produced during carbohydrate fermentation to **generate methane.**
- **Biogas Production Process:**
  - Fresh raw dung is mixed with water in equal quantities to form a slurry. The slurry undergoes anaerobic digestion in a sealed vessel reactor over 35 days.
    - The digestion involves four successive stages: ***hydrolysis*** (break-down of organic matter into simple molecules), ***acidogenesis*** (their conversion into volatile fatty acids), ***acetogenesis*** (production of acetic acid, CO2 and hydrogen) and ***methanogenesis*** (biogas generation).
  - Biogas digesters reduce methane emissions from animal waste, which can help mitigate greenhouse gas impact.
    - A single cow can emit between **150 to 260 pounds of methane per year.** With over 1.5 billion cattle raised globally for meat and milk production, the industry is responsible for an **estimated 14.5% of global human-caused** greenhouse gas emissions.

Note:

- **Biogas Purification and Compression:**
  - **Raw biogas is purified to remove CO_2, H_2S,** and moisture through various processes.
  - The purified biogas, compressed to 96-97% methane, is stored and farmers sell it as BioCNG at Rs 72/kg.
- **Utilization of Slurry for Fertilizer Production:**
  - After biogas production, the **slurry undergoes dewatering in a solid-liquid separator.**
    - The separated solid residue is decomposed aerobically and **sold as PROM (phosphate-rich organic manure)** by incorporating rock phosphate and phosphate-solubilizing bacteria.
    - Alternatively, the decomposed solid residue can be used for **compost production by adding neem and castor cake,** sugarcane press mud, and microbial consortia.
    - The liquid part is reused for mixing in the digester or sold as liquid-fermented organic manure.

Biogas:

- Biogas is a renewable energy source that's produced when organic matter breaks down in the absence of oxygen. This process is called **anaerobic digestion.**
- Biogas is also known as **renewable natural gas (RNG)** or **biomethane**. It's made up of mostly methane (CH) and carbon dioxide (CO2).



What are India's Initiatives Related to Biogas?

- Sustainable Alternative Towards Affordable Transportation" (SATAT) Scheme
- GOBARdhan
- National Biogas Programme:

Unemployment in India

Why in News?

According to the Periodic Labour Force Survey (PLFS), conducted by the **National Sample Survey Office (NSSO)**, in 2023, India's unemployment rate has dropped significantly, marking the lowest in the past three years.

- The PLFS gives estimates of Key employment and unemployment Indicators like, the **Labour Force Participation Rates (LFPR), Worker Population Ratio (WPR), Unemployment Rate (UR)**, etc and the **Activity Status- 'Usual Status'** and **'Current Weekly Status'**.

Note:

- **Labour Force Participation Rate (LFPR):** LFPR is defined as the percentage of persons in the labour force **(i.e. working or seeking or available for work) in** the population.
- **Worker Population Ratio (WPR):** WPR is defined as the percentage of employed persons in the population.
- **Unemployment Rate (UR):** UR is defined as the percentage of persons unemployed among the persons in the labour force.
- **Activity Status- Usual Status:** The activity status of a person is determined based on **the activities pursued** by the person during the specified reference period.
  - When the activity status is determined based on the reference period of the last 365 days preceding the date of the survey, it is known as the **usual activity status of the person**.
- **Activity Status- Current Weekly Status (CWS):** The activity status determined based on a **reference period of the last 7 days preceding the date of the survey** is known as the **CWS** of the person.

What fare the Key Highlights of the Report?

- India's Unemployment Rate:
  - India's unemployment rate for individuals aged 15 and above has dropped to **3.1% in 2023**, marking the lowest in the past three years.
    - The unemployment rate was at **3.6% in 2022 and 4.2% in 2021.**
  - There is a decline in the **unemployment rate among females to 3% in 2023 from 3.3% in 2022** and 3.4% in 2021.
    - Similarly, for males, it decreased to 3.2% in 2023 from 3.7% in 2022 and 4.5% in 2021.

Note:

- **Recovery in Employment Scenario:**
  - There is a **recovery in the employment scenario** post the impact of the Covid-19 pandemic, with increased economic activity after the lifting of lockdowns by the Centre and states.
- **Urban and Rural Unemployment:**
  - Urban areas witnessed a **reduction to 5.2% in 2023** from 5.9% in 2022 and 6.5% in 2021, while **rural areas experienced a decrease to 2.4% in 202**3 from 2.8% in 2022 and 3.3% in 2021.
  - The LFPR in Current Weekly Status (CWS) for individuals **aged 15 and above in urban areas rose to 56.2% in 2023**, showing an upward trajectory from 52.8% in 2022 and 51.8% in 2021.
- **Economic Growth:**
  - This positive employment data comes on the heels of recent reports indicating India's economic **growth surging to 8.4% in the third quarter of 2023-24.**
  - Sectors such as manufacturing, mining & quarrying, and construction played a pivotal role in driving this growth, as per data released by the NSO.
  - The NSO's second advance estimate pegs India's growth at **7.6% for the entire fiscal year 2023-24**, surpassing the initial projection of 7.3% released in January 2024.

What is the Periodic Labour Force Survey?

- **About:**
  - The National Statistics Office (NSO) **is conducting PLFS** to produce a**nnual statistics of employment and unemployment** characteristics **for both rural and urban areas, along with quarterly estimates for urban areas.**
    - The first annual report based on the data collected in PLFS during July **2017- June 2018 was published** in May 2019.
- **Objective of PLFS:**
  - To estimate the key employment and unemployment **indicators (viz.** Worker Population Ratio, Labour Force Participation Rate, **Unemployment Rate)** in the short time interval **of three months for the urban areas only in the 'Current Weekly Status' (CWS).**
  - To estimate employment and unemployment **indicators in both 'Usual Status' and CWS in both rural and urban areas annually.**

What are the Government's Initiatives Related to Employment?

- Support for Marginalized Individuals for Livelihood and Enterprise (SMILE)
- PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Start Up India Scheme
- Rozgar Mela
- Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan.

Initiatives to Promote Sustainable Agriculture

Why in News?

In a significant stride towards revolutionising the agricultural sector and promoting sustainable farming practices, the Union Minister for Agriculture & Farmers and Union Minister for Rural Development jointly inaugurated four key initiatives in New Delhi.

- These initiatives, including the **Revamped Soil Health Card Portal & Mobile Application**, **School Soil Health Programme**, **Krishi Sakhi Convergence Programme (KSCP),** and **CFQCTI Portal for Fertilizer Sample Testing**, hold the promise of transforming the agricultural landscape of the country.

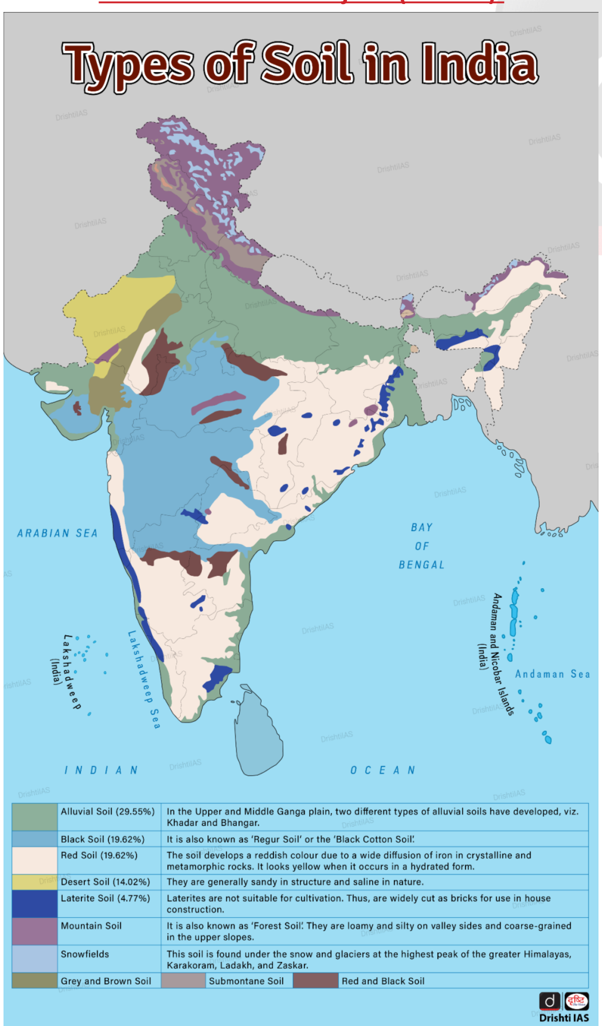
What are the Inaugurated Initiatives for Soil Health Management?

- **Revamped Soil Health Card Portal and Mobile Application**:
  - The portal includes a **registry of soil labs with real-time status** and geo-coordinates mapping.
  - It also provides **real-time data on soil sample collection,** lab testing, and Soil Health Card generation.
- **School Soil Health Programme:**
  - The **Department of Agriculture & Farmers' Welfare (DA&FW)** in collaboration with the **Department of School Education and Literacy,** initiated a pilot project. This project involved the establishment of **20 soil laboratories in rural Kendriya and Navodaya Vidyalaya schools.**

Note:

- The DA&FW, in collaboration with the **National Bank for Agriculture and Rural Development (NABARD)**, will set up soil labs in these schools.

- **Krishi Sakhi Convergence Programme (KSCP):**
  - A MoU between the **Ministry of Agriculture & Farmer Welfare and the Ministry of Rural Development** initiated the **KSCP**, which aims to transform rural India through the empowerment of Krishi Sakhi.
    - The programme includes a **Krishi Sakhis Training Programme** to certify 70,000 Krishi Sakhis as **"Para-Extension Workers."**
    - Krishi Sakhis are practising farmers and trained para-extension professionals. They serve as farmers' friends, guiding **Natural Farming** and **Soil Health Management.**
    - Krishi Sakhis play a pivotal role in implementing various schemes such as the **National Mission of Natural Farming (NMNF)** and the **Pradhan Mantri Fasal Bima Yojana (PMFBY).**



- **CFQCTI Portal:**
  - The Central Fertilizer Quality Control and Training Institutes' (CFQCTI's) portal introduces facilities for **sample collection and testing, ensuring quality control in fertilizer management.**
  - The portal facilitates the generation of OTP for sample verification, automatic allocation to labs, and issuance of analysis reports, streamlining the process of quality assessment.

Other Initiatives Related to Conserving Soil

- **Five-Pronged Programme of Soil Conservation:**
  - India's five-pronged strategy for soil conservation which includes making soil chemical-free, saving soil biodiversity, enhancing soil organic matter, maintaining soil moisture, mitigating soil degradation, and preventing soil erosion.
- **Soil Health Card scheme:**
  - The government of India's Soil Health Card scheme, launched in 2015, **displays soil health indicators and associated descriptive terms**, which guide farmers in making necessary soil amendments.

Local Currency Trade between India-Indonesia

Why in News?

The **Reserve Bank of India (RBI)** and the **Bank Indonesia (BI)** signed a Memorandum of Understanding (MoU) for establishing a framework to promote the use of **local currencies (the Indian Rupee (INR) and the Indonesian Rupiah (IDR)) for cross-border transactions.**

- Earlier in 2023 **India and Malaysia announced that they will settle trade in INR** in addition to other currencies.

Note:

What are the Key Highlights of the MoU between RBI and Bank Indonesia?

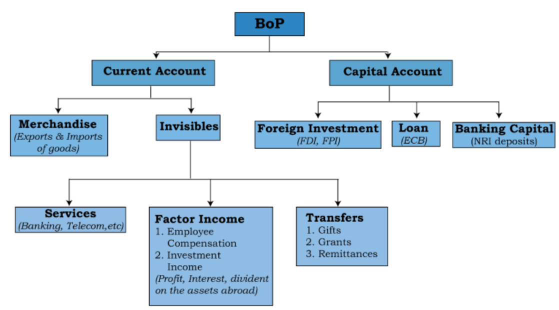
- The primary objective of the MoU is to facilitate **bilateral transactions in INR and IDR,** covering **all current account transactions, permissible capital account transactions,** and other economic and financial transactions as mutually agreed upon by both countries.
- The framework enables **exporters and importers to invoice and pay in their respective domestic currencies,** thereby fostering the development of an INR-IDR foreign exchange market. This approach optimizes costs and settlement time for transactions.
  - It is expected to **promote trade between India and Indonesia,** deepen financial integration, and enhance the historical, cultural, and economic relations between the two nations.

What are Efforts for the Internationalisation of the Rupee?

- **Liberalisation of Capital Markets:**
- Promotion of Digital Payment Systems:
- Special Vostro Rupee Accounts (SVRAs):
- **Currency Swap Agreements:**

Balance of Payments (BoP)

- The **Balance of Payments (BoP)** is a crucial indicator of a country's economic health, summarising its international transactions with the rest of the world.
  - Those transactions that **happen between Indian residents and Foreigners or nonresident Indians (NRIs)** are recorded in India's balance of payment.
- **Structure:** The BoP is broadly divided into two main accounts:
  - **Current Account:** This account reflects the **flow of goods, services, income, and current transfers.**
    - It deals with **transactions that do not change the overall assets or liabilities of Indian residents** abroad or foreign residents in India. It includes:
      - Exports and Imports of goods and services
      - Investment income (interest, dividends) and compensation of employees
      - Current transfers (gifts, aid, Remittances)
  - **Capital Account:** This account captures transactions involving **capital assets**.
    - It records transactions that **directly impact a country's foreign assets** and liabilities.
    - Acquisition or disposal of non-produced non-financial assets (land, intellectual property)
    - Includes **Foreign Direct Investment (FDI)**, **Foreign Portfolio Investment (FPI)**, Investing in businesses abroad, borrowing from foreign entities, and deposits made by **NRIs in Indian banks** are examples of capital account transactions.



Government Proposes Higher Reporting Limits for Ministry Expenditure

Why in News?

The **Public Accounts Committee** of Parliament has recently endorsed the Finance Ministry's proposal to increase the financial thresholds for expenditure on **'New Service'** and **'New Instruments of Service'** by government ministries and departments.

- This proposed revision in financial limits marks the 4th instance since Independence. The last revision occurred in 2005 but came into effect in 2006.

What are the New Financial Limits Proposed by the Finance Ministry?

- **New Service and New Instruments of Service:**
  - **New Service (NS)** denotes expenditure resulting from a **new policy decision not previously brought to Parliament's notice**, encompassing new activities or investments (**Article 115(1)(a)** of the Constitution).
  - **New Instrument of Service (NIS)** refers to a relatively significant expenditure stemming from a **notable expansion of an existing policy.**
- **New Limit:**
  - For expenditures between **Rs 50 crore and Rs 100 crore**, reporting to Parliament is mandatory, but approval is not needed upfront.
    - Prior parliamentary approval is required only if the spending surpasses Rs 100 crore.
  - The reporting limit for '**New Instrument of Service'** has been fixed at up to 20% of the original appropriation or up to Rs 100 crore, whichever is higher.
    - Parliament's approval becomes mandatory for amounts exceeding 20% of the original appropriation or above Rs 100 crore, subject to savings within the same grant section.

> **Note**: Previously, the limits were very low between Rs 10 lakh to Rs 2.5 crore and the value differed across nearly 50 items of expenditure.

What is the Public Accounts Committee?

- **About**: The Public Accounts Committee is an entity composed of selected members of parliament, established by the Parliament of India, with the primary mandate of **scrutinizing the revenue and expenditure** of the Government of India.
  - Its primary responsibility lies in auditing the reports provided by the Comptroller and Auditor General (CAG), with the assistance of the CAG during investigations.
    - Notably, none of its members are permitted to hold ministerial positions in the government.
- **Members**: The PAC consists of a maximum of 22 members, with 15 elected by the Lok Sabha and up to 7 members from the Rajya Sabha.
  - Members are chosen annually through proportional representation via **a single transferable vote.**
  - The chairperson is appointed by the Lok Sabha speaker, and the term of office for members is 1 year.
    - The chairperson is predominantly from the opposition party.

Penicillin G and PLI Scheme

Why in News?

India will start manufacturing the common antibiotic **Penicillin G** in 2024, three decades after India's last plant shut down. This is **one of the successes of the government's** Production Linked Incentive (PLI) **scheme** launched during Covid-19 to promote **domestic manufacturing**.

- Penicillin G is the Active Pharmaceutical Ingredient (API) used in manufacturing several common antibiotics.
- APIs, also called bulk drugs, are significant ingredients in the manufacture of drugs. The Hubei province of China is the hub of the API manufacturing industry.

WHAT IS PENICILLIN G

PENICILLIN G is the active pharmaceutical ingredient (API) used in several common antibiotics. An API is the main ingredient of a drug responsible for bringing about its desired effects. Like many other APIs, Penicillin G was phased out of production in India after cheaper Chinese products flooded the market. The last plant to stop production of the antibiotic was Torrent Pharma in Ahmedabad.

ACCORDING TO the United States government's National Library of Medicine, Penicillin G is a narrow spectrum antibiotic used for the treatment of several serious bacterial infections such as pneumonia, meningitis, gonorrhea, syphilis, etc. Due to poor oral absorption, Penicillin G is generally administered intravenously or intramuscularly. Penicillin G may have some side effects in some patients.

What is the Production Linked Incentive Scheme (PLI)?

- **About:**
  - The PLI scheme was conceived to scale up domestic manufacturing capability, accompanied by higher import substitution and employment generation.
  - Launched in March 2020, the scheme initially targeted three industries:
    - Mobile and allied Component Manufacturing
    - Electrical Component Manufacturing and
    - Medical Devices.
  - Later, it was extended to 14 sectors.

Note:

- In the PLI scheme, Domestic and Foreign companies receive financial rewards for manufacturing in India, based on a percentage of their revenue over up to five years.
- **Targeted Sectors:**
  - The 14 sectors are mobile manufacturing, manufacturing of medical devices, automobiles **and** **auto components,** pharmaceuticals, drugs, specialty steel, telecom & networking products, electronic products, white goods (ACs and LEDs), food products, textile products, solar PV modules, advanced chemistry cell (ACC) battery, **and** **drones and drone components.**
- **Incentives Under the Scheme:**
  - The incentives given, are calculated on the basis of incremental sales.
    - In some sectors such as advanced chemistry cell batteries, textile products and the drone industry, the incentive to be given will be calculated on the basis of sales, performance and local value addition done over the period of five years.
  - The emphasis on R&D investment will also help the industry keep up with global trends and remain competitive in the international market.
- **Success in Smartphone Manufacturing:**
  - In FY 2017-18, mobile phone imports were USD 3.6 billion, while exports were a mere USD 334 million, resulting in a -USD 3.3 billion trade deficit.
  - By FY 2022-23, imports reduced to USD 1.6 billion, while exports surged to nearly USD 11 billion, yielding a positive net exports of USD 9.8 billion.

Coal Logistics Plan and Policy

Why in News?

India has taken a groundbreaking step in its **coal sector** with the unveiling of the **"Coal Logistics Plan and Policy,"** a transformative initiative aimed at **modernising coal transportation.**

What is the Coal Logistics Plan and Policy?

- **Background**: Coal logistics has long been a persistent issue in India, particularly during the **summer months** when power plants face shortages of coal amid rising electricity demand.
  - **Transportation of coal** has frequently posed challenges, leading to the need for railways to implement special measures to prevent supply disruptions.
- **About:** The Coal Logistics Plan and Policy aims to enhance coal logistics by making it more **affordable, efficient, and environmentally friendly**.
  - It encompasses various aspects such as storage, loading, unloading, and delivery of coal to power plants, steel mills, cement factories, and washeries.
  - It proposes a strategic shift towards a **railway-based system in First Mile Connectivity (FMC) projects,** aiming for a 14% reduction in rail logistic costs, and an annual cost-saving of Rs **21,000 Crore.**
- **Expected Outcomes:** It is expected to minimise air pollution, alleviate traffic congestion, and reduce carbon emissions by approximately 100,000 tonnes per annum.
  - Moreover, a **10%** saving in the average turnaround time of wagons nationwide is expected.

What is the Status of the Coal Sector in India?

- **Coal:** Coal is a naturally occurring, combustible **sedimentary rock** composed primarily of carbon, along with hydrocarbons.
  - It forms through the accumulation and decomposition of plant material over millions of years. Under pressure and heat, this organic matter undergoes physical and chemical changes, **transforming into coal.**
- **Coal Reserves in India:** India's coal reserves are concentrated in the eastern and central parts of the country.
  - The major coal-producing states are **Odisha, Chhattisgarh and Jharkhand**, along with parts of **Madhya Pradesh**, and they account for 75% of domestic raw coal dispatches in India.
- **Coal Imports in India**: Present import policy allows for the **unrestricted import of coal** under **Open General License.**
  - Consumers, including the steel, power, and cement sectors, as well as coal traders, can import coal based on their commercial requirements.
  - Steel sector primarily imports **coking coal** to supplement domestic availability and improve quality.
  - Other sectors like power and cement, along with coal traders, import **non-coking coal** to meet their respective needs.

Market Monopoly and Anti-Competitive Practices

Why in News?

Recently, a dispute has emerged between Google and app developers, where Google removed almost a dozen firms **out of its marketplace for Android apps.**

- The dispute incorporate concerns over Market Monopoly and Anti-Competitive practices, with Google's firm grip over the Android app ecosystem serving as a focal point of contention.

What is the Issue Between Google and App Developers?

- **Background and Context:**
  - Google's Android platform and its app marketplace, **Google Play, dominate the Indian smartphone ecosystem.**
  - Indian app developers rely heavily on Google Play for **distribution and monetization of their apps**, making them susceptible to Google's policies and fees.
  - The dispute stems from Google's **imposition of fees ranging from 11% to 30% on in-app purchases of digital services**, which developers consider excessive and harmful to innovation and competition.
- **Issues and Concerns:**
  - Indian app developers, including major players like **Bharat Matrimony and Disney+ Hotstar**, have challenged Google's fees in court, citing economic burden and lack of choice.
    - The Competition Commission of India (CCI) has fined Google for **anticompetitive practices**, indicating **regulatory scrutiny** over its market dominance and pricing policies.
  - The conflict underscores broader concerns about platform monopolies and their impact on **small and medium-sized enterprises (SMEs)**, innovation, and consumer welfare.
- **International Comparisons:**
  - Similar disputes between tech giants and app developers have occurred globally, with **Apple facing scrutiny over its App Store fees** and practices.
  - Legal and regulatory actions in jurisdictions like the **European Union and the United States serve** as precedents for addressing **antitrust concerns and enforcing fair competition** in digital markets.

How Does the Play Store Work?

- Google's operating system Android runs on **Samsung, OnePlus, Motorola and Oppo among other smartphones.**
- Some of the Google apps and Play Store come pre-installed in the phones that a user buys.
- But in order to add a new app, the user **has to visit the Play Store and download it.**
- Apps on Google have three options to accept payments for digital services, Google's billing system, alternative payment where the company charges the commission and consumption mode where the developer redirects the user to an external website to accept payments.

What are the Indian and International Initiatives to Deal with Market Monopoly?

- **Indian:**
  - **Competition Act, 2002:** The Competition Act, 2002, is the primary legislation in India addressing antitrust issues. It was enacted to promote and sustain competition in markets, prevent anti-competitive practices, and protect the interests of consumers.
    - **Competition Amendment Bill, 2022:** The proposed amendment aims to further **strengthen the regulatory framework,** address emerging challenges, and enhance the effectiveness of competition law enforcement.
  - **Competition Commission of India (CCI):** CCI is the regulator of competition **under the Competition Act, 2002** in the Indian market. It is responsible for enforcing the provisions of the Competition Act 2002. It consists of a Chairperson and Members appointed by the Central Government.
    - The CCI investigates and takes actions against anti-competitive practices, abuse of dominant position, and anti-competitive agreements.
  - **Competition Appellate Tribunal and NCLAT:** The Competition Appellate Tribunal (COMPAT) was initially responsible for hearing appeals against CCI decisions.
    - However, in 2017, the government **replaced COMPAT with the** National Company Law Appellate Tribunal (NCLAT), which now handles appeals related to competition matters.

Note:

- **International Initiatives:**
  - **OECD Competition Committee:** The OECD (Organisation for Economic Cooperation and Development) addresses anti-competitive practices through various initiatives, including the **OECD Competition Committee,** which facilitates discussions and cooperation among member countries on competition-related issues.
  - **United Nations Conference on Trade and Development (UNCTAD):** It provides guidance on competition policy and law through its Intergovernmental Group of Experts on Competition Law and Policy, supporting countries in implementing effective competition frameworks.
    - It also **deals with the policies to Protect consumers** from abuse and Curb regulations that stifle competition.
  - **International Competition Network (ICN):** The ICN is a **network of competition authorities** from around the world. It facilitates communication and cooperation among member jurisdictions to address global competition challenges.
    - The ICN provides a platform for sharing best practices and developing guidelines on various aspects of competition law.
  - **World Trade Organization (WTO):** While primarily focused on trade issues, the WTO **addresses competition policy** through its Working Group on the Interaction between Trade and Competition Policy.
    - The aim is to ensure that competition policies do not create unnecessary barriers to trade.

Thailand's Concern over India's Agriculture Subsidy

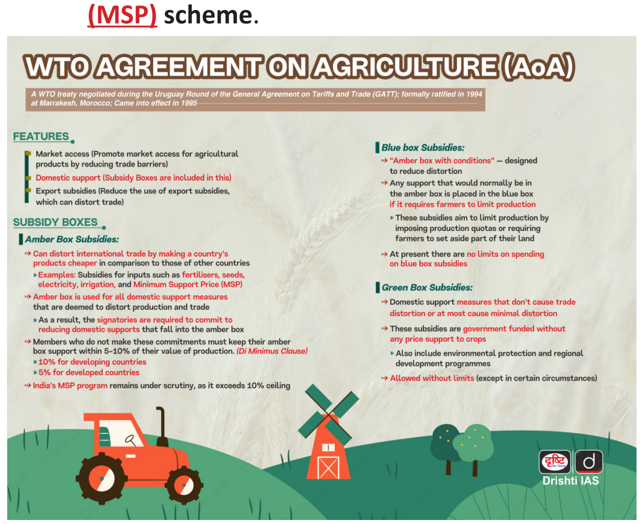
Why in News?

Recently, Thailand's ambassador to the World Trade Organisation (WTO) accused India of exporting rice at unfairly low prices funded by Government Subsidy. .

- Thailand stated that India's Public Distribution System (PDS), under which the government procures essential food items from producers and sells them to the public at low rates, is not for the people but for "capturing" the export market.

What are Thailand's Concerns Regarding India's Agriculture Subsidy?

- **Trade Distortion and Impact on Global Food Prices:**
  - Thailand views India's Public Stockholding Programme (PSH) as highly subsidised, distorting global food prices.
    - **Trade distortion is a situation** where prices and production are higher or lower than levels that would usually exist in a competitive market.
  - Subsidized agricultural production can lead to overproduction and lower prices, making it difficult for unsubsidized competitors like Thailand to compete in the global market.
- **Violation of WTO Regulations:**
  - India's breach of the **de minimis limit** for rice subsidies is a violation of WTO regulations. This breach not only affects the competitive landscape but also undermines the principles of fair trade established by the WTO's Agreement on Agriculture.
    - The WTO norms say that the **support given** should be **within the 10% de minimis limit**. India informed the WTO that the value of its rice production in 2019-20 was USD 46.07 billion while it gave subsidies worth USD 6.31 billion or **13.7%, as against the permitted 10%.**
- **Desire for Agricultural Trade Liberalization:**
  - As part of the **Cairns Group,** Thailand advocates for agricultural trade liberalization.
  - The group seeks to reduce trade barriers and subsidies that distort global agricultural markets, including lobbying against India to dismantle or reduce the scope of its Minimum Support Price (MSP) **scheme**.



Note:

Development Box:

- **Article 6.2 of the Agriculture Agreement** under WTO, allows developing countries additional flexibility in providing domestic support.
- The type of support that fits into the developmental category are measures of assistance, **whether direct or indirect**, designed to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries.
- They include **investment subsidies which are generally available to agriculture** in developing country members, agricultural input subsidies generally available to low-income or resource-poor producers in developing country members, and domestic support to producers in developing country **members to encourage diversification from growing illicit narcotic crops.**

What are Cairns Group and G-33 Group?

- **Cairns Group:**
  - **Established:** 1986 in Cairns, Australia
  - **Members: 19 agricultural exporting countries**, including Argentina, Australia, Brazil, Canada, Pakistan, and New Zealand.
    - India is not a Member of Cairns Group.
  - **Stance:** Advocates for **liberalization of agricultural trade,** meaning they generally support reducing tariffs, subsidies, and other trade barriers that hinder the **free flow of agricultural products across borders.** They believe this will benefit all countries by promoting efficiency and economic growth.
- **G-33 Group:**
  - **Established:** Prior to the 2003 Cancun ministerial conference
  - **Members:** Originally **33 developing countries,** currently around 48, **including India, China, and Cuba.**
  - **Stance:** Advocates for **special treatment for developing countries in agricultural trade negotiations.**
    - They argue that developing countries need more flexibility to protect their domestic agricultural sectors and ensure food security, even if it means maintaining some trade barriers.
    - They are also **concerned about the potential negative impacts** of full trade liberalization on their livelihoods and rural development.

What is the WTO's Peace Clause?

- As an interim measure, the WTO members agreed on a mechanism called the **'Peace Clause' in December 2013** and pledged to negotiate a permanent solution.
- Under the Peace Clause, WTO members agreed to **refrain from challenging any breach** in the prescribed ceiling by a developing nation **at the dispute settlement forum of the WTO.**
- This clause will **stay till a permanent solution** is found to the food stockpiling issue.

Household Consumption Expenditure Survey 2022-23

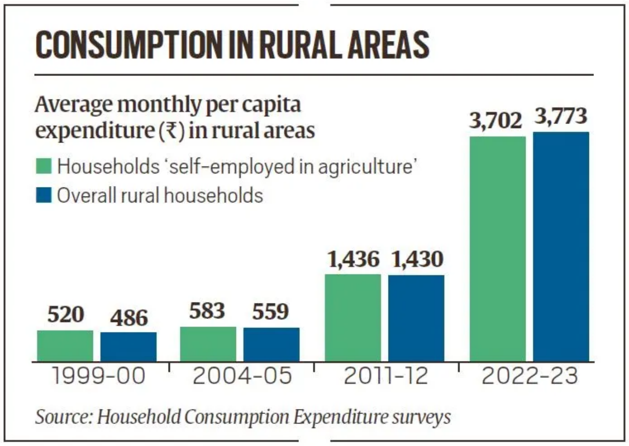
Why in News?

Recently, the Ministry of Statistics and Program Implementation disclosed the general results of the **All India** Household Consumption Expenditure Survey conducted from **August 2022 to July 2023**.

What are the Highlights of the Recent Household Consumption Expenditure Survey?

- **About:** The **Household Consumption Expenditure Survey** (HCES) is conducted by the National Statistical Office (NSO) every 5 years.
  - It is designed to collect information on the consumption of goods and services by households.
  - The data collected in HCES is also utilized for deriving various other macroeconomic indicators such as Gross Domestic Product (GDP), **poverty rates, and** Consumer Price Inflation (CPI).
    - NITI Aayog has stated that the latest consumer expenditure survey indicated that **poverty has come down to 5%** in the country.
  - The findings of the last HCES, conducted in **2017-18** were not released after the government cited **"data quality" issues.**
- **Information Generated:** Provides information on the typical spending on both goods (including food and non-food items) and services.
  - Additionally, assists in calculating estimates for household Monthly Per Capita Consumer Expenditure (MPCE) and analyzing the distribution of households and individuals across different MPCE categories.

- **Highlights of the Recent Survey:** The estimates of average monthly per capita consumption **expenditure were generated without imputing the value figures of** the **items received free by the households** through various social welfare programmes such as Pradhan Mantri Garib Kalyan Yojana.
  - **Increase in MPCE:** It reveals a **33.5%** increase in **MPCE** in urban households since 2011-12, reaching **₹3,510**, while rural India's MPCE increased by **40.42%** to **₹2,008**.
    - In 2022-23, **46%** of rural household expenditure and **39%** of urban household expenditure were on food items.



- **Distribution of MPCE by Population Percentiles:** The **bottom 5% of India's rural population**, ranked by MPCE, **has an average MPCE of Rs. 1,373** while it is Rs. **2,001 for the same category of population in the urban areas.**
  - The **top 5% of India's rural and urban population**, ranked by MPCE, has an average **MPCE of Rs. 10,501 and Rs. 20,824**, respectively.
- **State-wise MPCE Variations: Sikkim** has the **highest MPCE** in both rural (₹7,731) and urban areas (₹12,105), while **Chhattisgarh has the lowest** with ₹2,466 for rural households and ₹4,483 for urban households.
  - The **rural-urban difference** in average MPCE, among the states is the highest in Meghalaya (83%) followed by Chhattisgarh (82%).
- **UT-wise MPCE Variations:** Among the UTs, **MPCE is the highest in Chandigarh** (Rural Rs. 7,467 and Urban Rs. 12,575), whereas, it is the **lowest in Ladakh** (Rs. 4,035) and Lakshadweep (Rs. 5,475) for rural and urban areas respectively.
- **Food Spending Trends**: Since the 1999-2000 survey, the **share of expenditure on food has gradually declined** and the share of non-food items has increased for both urban and rural households.
  - A decline in food spending is understood as an increase in incomes, which then means **having more money for other expenditures** like on medical, clothing, education, conveyance, durables, fuel, entertainment, among other things.
  - The recent survey result showed that the share of **cereals and pulses** within overall food consumption expenditure has been **reducing**, both in rural and urban households.
    - Among the non-food items, the share of spending on **conveyance** was the highest.
    - Till 2022-23, **fuel and light** used to see the highest consumption spending among the non-food items.

What is the National Statistical Office?

- **About:** Formed in 2019 by merging the **Central Statistical Office (CSO) and the National Sample Survey Office (NSSO).**
  - C. Rangarajan Committee first suggested the establishment of **NSO** as the nodal body for all core statistical activities.
  - It currently works under the **Ministry of Statistics and Programme Implementation (MoSPI).**
- **Function**: Collects, compiles, and disseminates reliable, objective, and relevant statistical data.

UAE's Exit from FATF Grey List

Why in News?

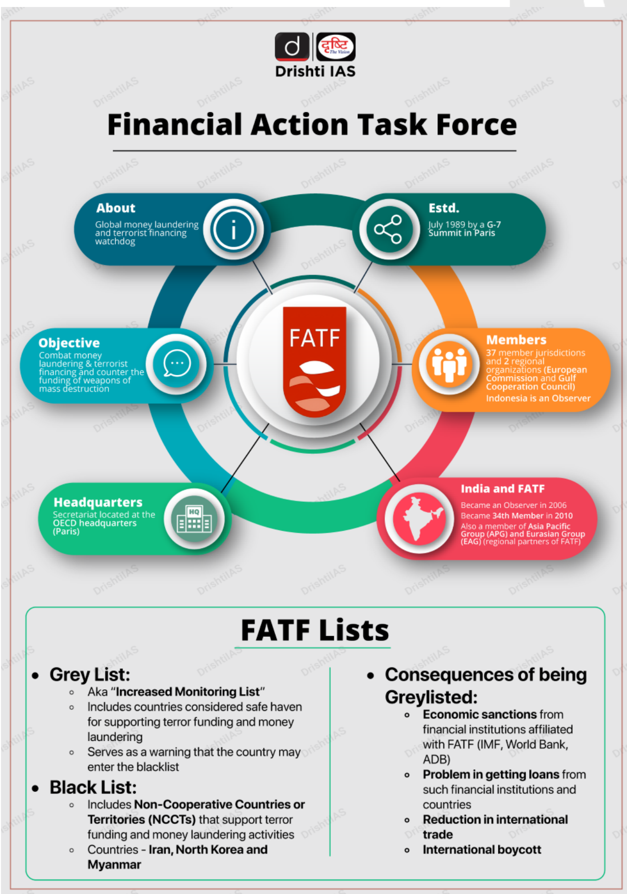
The recent removal of the **United Arab Emirates (UAE)** from the Financial Action Task Force (FATF) grey list has sparked optimism for investment landscapes, particularly in India's Non-Banking Financial Companies (NBFCs).

What is a Non-Banking Financial Company (NBFC)?

- **About:** An NBFC is a company registered under the **Companies Act, 1956,** involved in various financial activities such as providing loans and advances, acquiring shares, stocks, bonds, debentures, and securities issued by the government or local authorities.

- NBFCs do not include institutions primarily engaged in:
  - Agricultural or industrial activities
  - Purchase or sale of goods (other than securities)
  - Providing services
  - Dealing in immovable property.
- **Difference Between Banks & NBFCs:**
  - While banks can accept **demand deposits** from customers, NBFCs are not permitted to do so.
  - NBFCs are **not part of the payment and settlement system,** unlike banks.
  - NBFCs cannot issue cheques drawn on themselves, which banks are authorised to do.
  - The deposit insurance facility provided by Deposit Insurance and Credit Guarantee Corporation is not available to NBFC depositors, unlike bank depositors.

What is FATF?



Krishi Integrated Command and Control Centre

Why in News?

The Union Agriculture Minister recently launched the **Krishi Integrated Command and Control Centre (ICCC)** at Krishi Bhavan in New Delhi, marking a major stride forward in the field of agricultural technology.

What is Krishi Integrated Command and Control Centre (ICCC)?

- **About**:
  - The Krishi ICCC is a state-of-the-art tech-based solution housed in the **Ministry of Agriculture & Farmers' Welfare,** designed to aid in making informed decisions using multiple IT applications and platforms such as weather data from the India Meteorological Department (IMD); sowing data from **Digital Crop Survey**; farmer-and farm-related data from **Krishi Mapper (**an application for geo-fencing and geo-tagging of land); market intelligence information from the Unified Portal for Agricultural Statistics (UPAg); and yield estimation data from the General Crop Estimation Survey (GCES).
  - It leverages technologies such as artificial intelligence, **remote sensing, and** Geographic Information Systems (GIS) to collect and process granular agricultural data.
  - The ICCC gives information on crop yields, production, drought situation, cropping patterns, relevant trends, outliers, and Key Performance Indicators (KPIs).
    - It also provides insights, alerts, and feedback on agriculture schemes, programs, projects, and initiatives.
  - It includes map, timeline, and drill-down views, offering a comprehensive macro picture through the **Krishi Decision Support System (DSS).**
  - This integrated visualisation facilitates quick and efficient decision-making and can be linked with the PM-Kisan chatbot in the future.
- **Practical Applications:**
  - **Farmer's Advisory:**
    - The ICCC allows visualisation of GIS-based **soil carbon mapping** and soil health card data,

Note:

enabling the generation of customised advisories for farmers regarding suitable crops and their water and fertiliser requirements.

- **Drought Actions:**
  - The ICCC correlates yield data with weather and rainfall information, facilitating proactive decision-making in response to changes in yield from specific regions.
- **Crop Diversification:**
  - Analysis of crop diversification maps and field variability for paddy assists in identifying regions with potential for diversified cropping, enabling tailored advice for farmers.
- **Farm Data Repository:**
  - The **Krishi Decision Support System (K-DSS)** acts as an agriculture data repository, supporting evidence-based decision-making and the preparation of customised advisories for farmers.
- **Validation of Yield:**
  - The ICCC validates yield data captured through Krishi MApper with data generated through the General Crop Estimation Survey (GCES) application for a plot, ensuring accuracy and reliability.

Multimodal Transport Hub

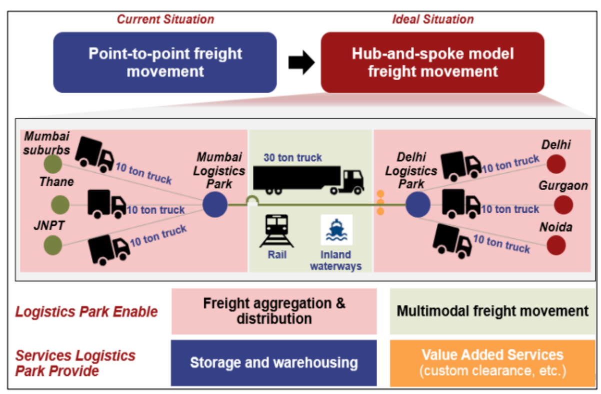
Why in News?

Indian Railways plans to develop a Multi-Modal Transport Hub (MMTH) in Aspirational cities with a population of more than **10 lakh across the country.**

- The programme is part of the infrastructure being developed for India's **'Viksit Bharat' initiative.**

What is a Multimodal Transport Hub?

- **About:**
  - An MMTH is a transportation facility designed to **integrate various modes of transportation** such as rail, road, and mass transit systems in a single location.
  - The primary objective of an MMTH is to **provide seamless connectivity and efficient transfer of passengers and goods** between different modes of transportation.
- **Key Features:**
  - **Railway Station:** The railway station serves as a **terminus for train services connecting** different regions.
    - It is equipped with modern facilities for passengers including waiting areas, ticketing counters, platforms, and amenities.
  - **Interstate Bus Terminus (ISBT):** The ISBT facilitates interstate and intrastate bus services, providing connectivity to various destinations.
  - **Mass Rapid Transit System (MRTS) Station:** The MRTS station accommodates rapid transit services such as metro, light rail, or other forms of urban mass transit.
    - It connects the hub to the wider urban transit network and offers convenient transportation options for commuters.
  - **Transportation Catchment Zone:** The surrounding area of the MMTH serves as a catchment zone, attracting travellers from nearby regions and facilitating improved transport connectivity for the surrounding areas.
    - This enhances accessibility and contributes to the economic development of the region.



What are the Government Initiatives for Railways and Transportation?

- The Gati Shakti Terminal (GCT) policy
- National Logistics Policy (NLP)
- Sagarmala' and '**Bharatmala** for Investment in railway infrastructure
- Dedicated Freight Corridors

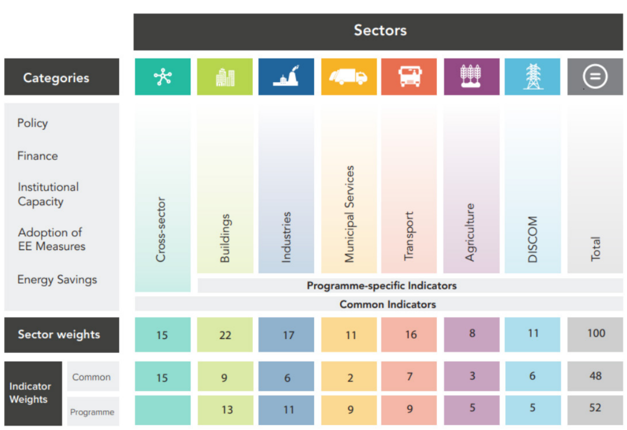
Bureau of Energy Efficiency

Why in News?

The 22nd **Foundation Day** of the Bureau of Energy Efficiency was recently celebrated with the theme **"Energy Transition through Electrification and Decarbonization in India"** and the State Energy Efficiency Index 2023 was released.

What is the State Energy Efficiency Index (SEEI) 2023?

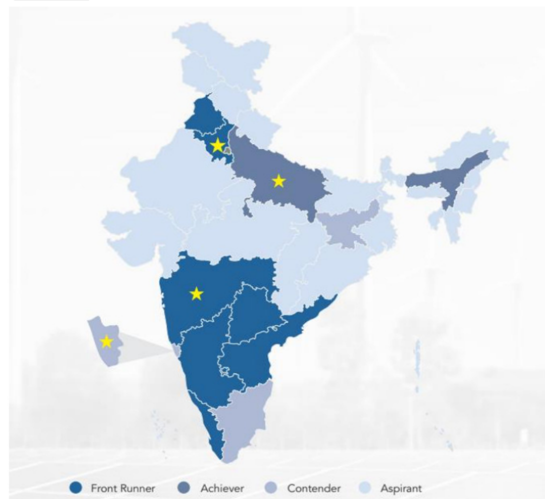
- **About:**
  - It is the 5th **edition** of the index, developed by the Bureau of Energy Efficiency (BEE), a **statutory body** under the Ministry of Power, in association with the Alliance for an Energy-Efficient Economy (AEEE).
  - It evaluates the performance of 36 states and UTs across **seven demand sectors** using 65 indicators, including qualitative, quantitative, and outcome-based measures.
  - In **SEEI 2023**, states and UTs are classified as 'Front runner' (>=60), 'Achiever' (50-59.75), 'Contender' (30-49.75), and 'Aspirant' (<30) according to their total scores.
  - States and UTs are also classified into **four groups** based on their total final energy consumption (TFEC) **for peer-to-peer performance comparison:** Group 1 (>15 million tonnes of oil equivalent (MTOE)), Group 2 (5-15 MTOE), Group 3 (1-5 MTOE), and Group 4 (<1 MTOE).
    - The **top-performing states in each group are** Karnataka (Group 1), Andhra Pradesh (Group 2), Assam (Group 3), and Chandigarh (Group 4).



Categories	Cross-sector	Buildings	Industries	Municipal Services	Transport	Agriculture	DISCOM	Total
Policy, Finance, Institutional Capacity, Adoption of EE Measures, Energy Savings		Programme-specific Indicators						
	Common Indicators							
Sector weights	15	22	17	11	16	8	11	100
Indicator Weights – Common	15	9	6	2	7	3	6	48
Indicator Weights – Programme		13	11	9	9	5	5	52

Framework for SEEI 2023

- **Key Findings of SEEI 2023:**
  - Front runner (>=60):
    - Seven states in 'Front runner' category in SEEI 2023: Karnataka (score 86.5), Andhra Pradesh (83.25), Haryana, Kerala, Maharashtra, Punjab, and Telangana.
  - Achiever (50-59.75):
    - Two states, **Assam and Uttar Pradesh** are in the 'Achiever' category,
  - Contender (30-49.75):
    - Three states, **Goa, Jharkhand, and Tamil Nadu**, are in the 'Contender' category.
  - Aspirant (<30):
    - **Maharashtra and Haryana** most improved states, with score increases of 18.5 and 17 points, respectively.
  - **15 states have improved** their scores compared to SEEI 2021- 22.
  - **Substantial decline in** score observed in **Rajasthan**, primarily attributed to **lack of reported data.**



Performance of states and UTs under SEEI 2023

Bureau of Energy Efficiency (BEE):

- BEE was established on 1st March 2002, under the provisions of the Energy Conservation Act, 2001, under the **Ministry of Power.**
- The mission of BEE is to assist in **developing policies** and strategies for energy efficiency with the primary objective of reducing the **energy intensity** of the Indian economy.
- **Functions:** It is responsible for **regulatory and promotional functions** outlined in the Energy Conservation Act, 2001.
- BEE has helped India reduce its energy consumption by around 3.5%.

Note:

India's Foreign Direct Investment Trends

The Finance Ministry has released a comprehensive review shedding light on India's foreign direct investment (FDI) landscape, revealing both declines and hopeful prospects.

- India's **net FDI inflows dropped by almost 31% to USD 25.5 billion** over the first ten months of 2023-24.
  - Overall global FDI flows rose by 3% to an estimated USD 1.4 trillion in 2023, but flows to developing countries **fell by 9% due to economic uncertainty and higher interest rates.**
  - While a modest increase in global FDI flows is anticipated in 2024, significant risks remain, including **geopolitical tensions, high debt levels, and global economic uncertainties.**
- Around 65% of India's FDI equity inflows were observed in services, drugs and pharmaceuticals, construction (infrastructure activities), and non-conventional energy sectors.
  - The **Netherlands, Singapore, Japan, the USA, and Mauritius** accounted for approximately **70% of the total FDI equity inflows into India.**

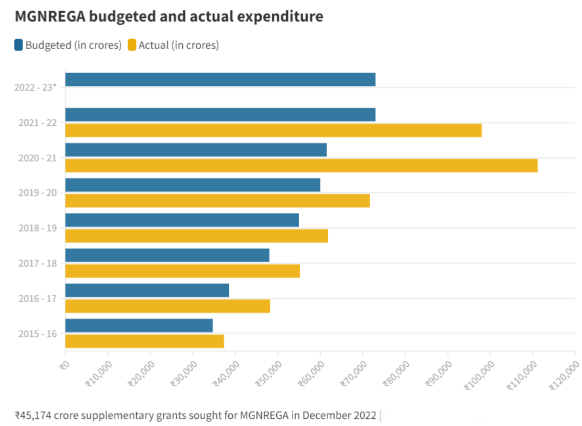
Read more: Foreign Direct Investment

Revised Wages under MGNREGS

The Union government recently announced revised wages under the **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS),** prompting varied responses from different states.

- Several states reported an increase in **wages ranging from 8% to 10%**. The Union Rural Development Ministry obtained special permission from the **Election Commission** for this routine annual exercise, considering the constraints imposed by the **model code of conduct.**
  - Telangana, Andhra Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Tamil Nadu, and Goa recorded notable hikes ranging from 8% to 10.5%.
- **Haryana offers the highest wages at Rs 374 per day,** whereas **Uttar Pradesh has one of the lowest** at Rs 237.
  - The revised rates will come into effect from 1st April 2024.
- Despite the revision, the nation-wide average days of **employment provided per household in the financial year 2023-24 remained at 51 days,** falling short of the promised 100 days.
- Launched in 2005, **MGNREGA is one of the world's largest work guarantee programs,** initiated by the Ministry of Rural Development.

How has the Centre's allocation for MGNREGS changed over the years?



Read more: Social Audit of MGNREGA Scheme

GRID-INDIA Attains Miniratna Category-I Status

GRID Controller of India Limited (GRID-INDIA) reached a significant milestone as it was designated as a **Miniratna Category-I Central Public Sector Enterprise (CPSE)** by the Ministry of Power highlighting its pivotal role in the nation's power sector.

- Established in 2009, GRID-INDIA oversees the seamless operation of the Indian Power System, ensuring efficient power transfer within and across regions.
  - It manages the All India synchronous grid through five **Regional Load Despatch Centres (RLDCs)** and the **National Load Despatch Centre (NLDC),** playing a crucial role in the power landscape.
- GRID-INDIA manages competitive electricity markets, prioritising reliability, sustainability, and fair competition for integrated power system operations.

Classification of CPSEs

Category	Launch	Criteria	Examples
Maharatna	❍ **Maharatna Scheme** was introduced for CPSEs in May, 2010, in order to **empower mega CPSEs to expand their operations and emerge as global giants.**	❍ Having **Navratna status.** ❍ Listed on Indian stock exchange with minimum prescribed public shareholding under **Securities and Exchange Board of India (SEBI)** regulations. ❍ An **average annual turnover of more than Rs. 25,000 crore** during the last 3 years. ❍ An average annual **net worth of more than Rs. 15,000 crore** during the last 3 years. ❍ An average **annual net profit after tax of more than Rs. 5,000 crore** during the last 3 years. ❍ Should have **significant global presence/international operations.**	❍ Bharat Heavy Electricals Limited, Bharat Petroleum Corporation Limited, Coal India Limited, GAIL (India) Limited, etc.
Navratna	❍ **Navratna Scheme** was introduced in **1997** in order to identify CPSEs that enjoy comparative advantages in their respective sectors and **to support them in their drive to become global players.**	❍ The **Miniratna Category – I and Schedule 'A' CPSEs, which have obtained 'excellent' or 'very good' rating** under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the **six selected performance parameters,** namely, ❍ Net profit to net worth. ❍ Manpower cost to total cost of production/services. ❍ Profit before depreciation, interest and taxes to capital employed. ❍ Profit before interest and taxes to turnover. ❍ Earning per share. ❍ Inter-sectoral performance.	❍ Bharat Electronics Limited, Hindustan Aeronautics Limited, etc.
Miniratna	❍ **Miniratna scheme** was introduced in **1997** in pursuance of the policy objective **to make the public sector more efficient and competitive** and to grant enhanced autonomy and delegation of powers to the profit-making public sector enterprises.	❍ **Miniratna Category-I:** The CPSEs which have **made profit in the last three years continuously,** pre-tax profit is Rs.30 crores or more in at least one of the three years and have a positive net worth are eligible to be considered for grant of Miniratna-I status. ❍ **Miniratna Category-II:** The CPSEs which have **made profit for the last three years continuously and have a positive net worth** are eligible to be considered for grant of Miniratna-II status. ❍ Miniratna CPSEs **should have not defaulted in the repayment of loans/interest payment on any loans** due to the Government. ❍ Miniratna CPSEs **shall not depend upon budgetary support or Government guarantees.**	❍ **Category-I:** Airports Authority of India, Antrix Corporation Limited, etc. ❍ **Category-II:** Artificial Limbs Manufacturing Corporation of India, Bharat Pumps & Compressors Limited, etc.

Read more: Maharatna Status to REC

Boosting Fintech Education and Innovation

The Government of India and the Asian Development Bank (ADB) have signed a USD 23 million loan agreement to enhance access to quality fintech education, research, and innovation at the Gujarat International Finance Tec-City (GIFT-City).

- The project will establish an **International Fintech Institute (IFI)** to strengthen fintech education, boost startup success rates, and drive fintech research and innovation.
  - Emphasis will be placed on **market-driven fintech skills programs,** private sector investment, and collaboration between industry, institutes, and partners for holistic growth.
  - IFI will offer industry-aligned fintech training programs meeting international standards and supporting innovation and entrepreneurship.
- The ADB program will support research in **climate fintech, regulatory technology, social inclusion, and gender equality** in finance to develop new solutions and a state fintech readiness index.
- **GIFT-City** is a business district and the **first operational greenfield smart city in India.** It's located on the banks of the **Sabarmati River in Gujarat**
  - It is inclined to provide a conducive business ecosystem at par or above with leading global financial hubs.
  - It consists of a multi-service Special Economic Zone (SEZ), which houses India's first International Financial Services Centre (IFSC) and an exclusive **Domestic Tariff Area (DTA).**

Read more: GIFT City and Bullion Exchange, ADB Regional Conference and PM Gati Shakti

India's First Green Hydrogen Plant in the Stainless Steel Sector

Recently, the Union Minister for Steel, virtually inaugurated **India's 1st** Green Hydrogen **Plant** in the Stainless Steel Sector located at Jindal Stainless Limited, Hisar. It is the world's first **off-grid green hydrogen plant** dedicated to the stainless steel industry.

- Conventional steel production relies heavily on coal, a major source of greenhouse gasses. This dependence is problematic for India's environmental goals. Green hydrogen offers a cleaner alternative.
  - The plant targets a considerable reduction in carbon emissions, aiming to **cut around 2,700 Metric Tonnes per annum** and 54,000 tons of $CO2$ emissions over the next two decades.
- Stainless steel is a type of steel alloy that contains a minimum of 10.5% chromium by mass.
  - It is known for its **exceptional corrosion resistance**, making it highly suitable for various applications where durability and resistance to rust and staining are essential.
- India is the **world's second-largest producer of crude steel**, with an output of 125.32 million tonnes (MT) of crude steel and 121.29 MT of finished steel production in FY23.
  - India is also a **net exporter of steel** witnessing an export of 6.72 MT of finished steel against the import of 6.02 MT in 2022-23.

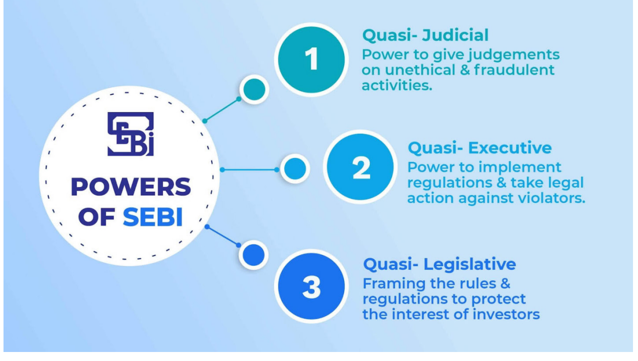
Read more: Steel Sector, Green Hydrogen

SEBI Warns Against Fraudulent Trading Platforms

Source: IE

The Securities and Exchange Board of India (SEBI) has issued a cautionary statement regarding deceptive trading platforms falsely asserting ties with its registered **Foreign Portfolio Investors (FPIs)**.

- Pretending as SEBI-registered FPIs, they entice individuals to download applications promising access to stock purchases, IPO subscriptions, and exclusive **'institutional account benefits.'**
  - These platforms lure individuals through online trading courses, seminars, and mentorship programs, exploiting social media platforms like WhatsApp or Telegram.
- SEBI clarified that the **FPI route is not accessible to resident Indians,** with limited exceptions outlined in the **SEBI (Foreign Portfolio Investors) Regulations, 2019.**
  - Also, there is **no provision for an Institutional Account.**
- FPIs encompasses financial investments made by foreign individuals, corporations, and institutions in Indian financial assets like **stocks, bonds, and mutual funds**.
  - Unlike **Foreign Direct Investment (FDI)**, which involves long-term ownership of assets, FPI is primarily driven by the aim of **achieving short-term gains and portfolio diversification.**

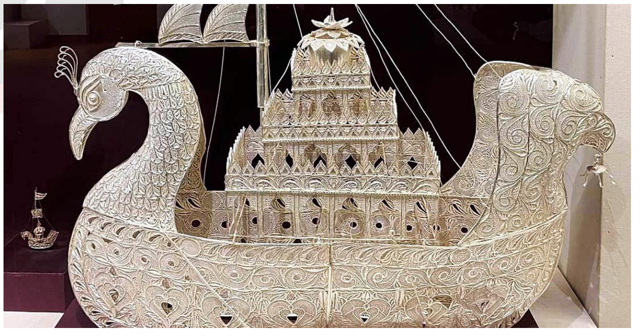


GI Tag to Cuttack Rupa Tarakasi

Source: TH

The renowned **Cuttack Rupa Tarakasi (Silver Filigree)** has been granted the **Geographical Indication (GI) tag**, marking its distinct heritage and craftsmanship.

- Dating back to ancient **Mesopotamia**, where filigree adorned jewellery as early as 3500 BCE, its journey to Cuttack potentially via Persia and Indonesia speaks volumes about cultural exchange through maritime trade routes.
  - Filigree is ornamental work especially of fine wire of gold, silver, or copper applied chiefly to gold and silver surfaces.
- Alongside Cuttack Rupa Tarakasi, other crafts like **Banglar muslin (West Bengal), Narasapur crochet lace (Andhra Pradesh), and Kutch rogan craft (Gujarat)** have also earned GI status, emphasising the diversity and excellence of India's traditional crafts.
- A GI tag is a label used on products linked to a specific geographic area, ensuring only authorised users from that region can use the product's name.
  - It guards against imitation and lasts for **10 years** once registered.
  - The Department for Promotion of Industry and Internal Trade (DPIIT) manages GI registration in India under the **Geographical Indications of Goods Act, 1999**, in line with the **TRIPS agreement.**



Read more: Geographical Indication Tag

Vocal for Local initiative

Source: PIB

Recently, the **NITI Aayog (National Institution for Transforming India)** launched the **'Vocal for Local' initiative** under its **Aspirational Blocks Programme (ABP).**

- Initiative aims to boost **sustainable growth by showcasing indigenous products** through **'Aakanksha.'** A dedicated window on the GeM portal facilitates e-commerce for local products.
  - As a part of this initiative, indigenous local products from **500 Aspirational Blocks** have been mapped and consolidated under Aakanksha.

Note:

- The CEO of NITI Aayog urged district collectors and block-level officials to collaborate with partners such as Government e-Marketplace (GeM) and Open Network for Digital Commerce (ONDC) to facilitate sustainable growth of microenterprises in Aspirational Blocks.
- The ABP is a development initiative announced in the **Union Budget 2022-23**, it aims to **provide direction, guidance, and support for social and economic advancement** in the most underdeveloped regions in India and to direct development benefits towards marginalised and vulnerable sections of the population.

Read more: Aspirational Blocks Programme

India to Become Third Largest Economy by 2031

Source: FE

CRISIL, a major rating agency in India, forecasts the country's Gross Domestic Product **(GDP) growth** to be 6.8% in the next fiscal year (FY25).

- CRISIL expects India's economic growth to moderate slightly from the current fiscal year (FY24) due to factors like **higher interest rates** but still sees a healthy 6.8% growth for FY25.
- Over the next seven years, CRISIL predicts an average **annual growth rate of 6.7%,** potentially propelling India to become the **world's third-largest economy by 2031, trailing behind the US and China.**
  - India, with a GDP size of USD 3.7 trillion, is currently the **fifth largest economy in the world,** after the US, China, Japan and Germany.
- The projected growth is expected to elevate India's per capita income (reach $4,500 by 2031), allowing it to reach **upper-middle-income status by 2031.**
- Crisil's India Outlook report projects that between fiscal 2025 and 2031, the size of the Indian economy will inch closer to the **USD 7 trillion mark.**

Read more: India's Economic Outlook

Revamped PM-Surya Ghar Muft Bijli Yojna

Source: TH

The Centre has tweaked the new ₹75,000-crore PM-Surya Ghar Muft Bijli Yojna **(Prime Minister's Rooftop Solar: Free Electricity Scheme)**

- Originally intended to **fully subsidise installation of 1-3 Kilowatt (KW) solar systems in 1 crore households**, the scheme now offers **up to 60% coverage of costs,** with households required to cover the remainder, albeit with accessible loans.
  - The scheme envisaged **to generate up to 300 units of free electricity every month** which would translate to benefits of ₹15,000-18,000 annually for households.
- India had aimed to install 40 GW of rooftop solar by 2022 but has only achieved approximately 12 GW thus far.
  - Currently a rooftop solar system costs about **₹50,000** per KW.

Read more: Pradhan Mantri Suryodaya Yojana

Decline in Indian Diamond Exports

Source: TH

India's diamond export is anticipated to witness a significant downturn, with projections indicating a decrease to a 5-year low of approximately **USD 15-16 billion in 2023-24**.

- This bleak outlook is attributed to subdued demand from major markets such as the **U.S. and China,** which collectively contribute around 65% of India's diamond exports.
- Factors including the **emergence of alternative spending options,** the growing popularity of lab-grown diamonds (LGDs), and geopolitical tensions further exacerbate the export slowdown.
  - **LGDs** are manufactured in laboratories, as opposed to naturally occurring diamonds. However, the **chemical composition and other physical and optical properties of the two are the same.**
- **Major Diamond Producing Countries:** Russia, Botswana, Canada, South Africa, and the Democratic Republic of the Congo.
  - In India, **Surat is dubbed as the Diamond City**. It holds a commanding position in processing precious gems, with roughly **90% of the world's rough diamonds cut and polished in the city.**

Read more: Lab-grown Diamonds

e-Kisan Upaj Nidhi

Source: PIB

Recently, the Minister of Consumer Affairs, Food & Public Distribution launched the **'e-Kisan Upaj Nidhi' (Digital Gateway)** of Warehousing Development and Regulatory Authority (WDRA) to leverage technology for easing farmers' warehousing logistics and ensuring fair prices for their produce.

- The 'e-Kisan Upaj Nidhi' platform simplifies the digital process, allowing farmers to store their produce at any registered WDRA warehouse for **up to six months at 7% interest per annum.**
  - This initiative, featuring a **no collateral, extra security deposit policy,** aims to **prevent distress sales by farmers,** enabling better post-harvest storage opportunities.
- The Minister highlighted that the integration of e-Kisan Upaj Nidhi and e-NAM enables farmers to leverage interconnected markets, **extending benefits beyond government** Minimum Support Price (MSP).
- WDRA was established in October 2010, under the **Warehousing (Development and Regulation) Act, 2007,** with the aim of **developing and regulating warehouses,** promoting negotiability of warehouse receipts, and facilitating orderly growth of the warehousing business in India.
  - WDRA operates as a **statutory authority under the Department of Food and Public Distribution,** with its headquarters located in New Delhi.

Read more: Minimum Support Price (MSP)

Quality Control Order on Viscose Staple Fibre

Source: IE

Significant shifts have occurred in the textile supply chain in less than a year since the enforcement of a strict Quality Control Order (QCO) on **viscose staple fibre (VSF)** in India.

- VSF imports **dropped by 65%** after the enforcement of the QCO in April 2023.
  - VSF is a **natural, biodegradable, semi-synthetic fibre** that has similar characteristics to cotton. It's made from wood or cotton pulp and is versatile, easily blendable, and light and breathable.
  - It is widely used in apparel, home textiles, dress material, knitted wear and non-woven applications.
- A QCO is a **non-tariff trade barrier** that bars manufacturers, importers, and distributors from storing or selling a product without a licence from the Bureau of Indian Standards (BIS) that certifies specific quality standards being met.
  - The implementation of QCO holds significant importance in regulating the **influx of sub-quality and cheaper imports** to ensure customers get quality products
  - Small and medium-sized spinning mills faced challenges due to restricted access to cheaper VSF imports.
- Industry representatives advocate for reversing QCOs on raw materials, proposing enforcement solely on finished products.

Read more: Quality Control Orders

Bharat Tex 2024

Source: PIB

Bharat Tex 2024, the largest global textile event in India, concluded at Bharat Mandapam, New Delhi, inspired by the **5F Vision of the Prime Minister of India.**

- The '5F' Formula encompasses - **Farm to fibre; fibre to factory; factory to fashion; fashion to foreign.**
- The event was organised by a consortium of 11 Textile Export Promotion Councils and supported by the Ministry of Textiles.
- Leading textile states including Uttar Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Telangana, Tamil Nadu and Karnataka actively participated with dedicated pavilions.
- Bharat Tex served as a launchpad for initiatives like the **'Innovative Business Practices and Economic Models in the Textile Value Chain in India' (IndiaTex)** and **Textile Grand Innovation Challenge,** aiming to drive innovation and sustainability in the textile industry.
  - IndiaTex is a four-year UN Environment Programme project that aims to accelerate the transition of the **Indian textile sector towards circularity.**

Note:

- Multiple **Memorandum of Understandings (MoUs)** were signed across various domains, including academic collaboration, research, product development, and market linkage.

Read more: PM MITRA Scheme and Textile Sector

National Bank for Financing Infrastructure and Development

Source: PIB

Recently, the Union Finance Minister chaired a meeting to evaluate the performance of National Bank for Financing Infrastructure and Development **(NaBFID)**,

- NaBFID, established by the Government of India in **April 2021**, is the nation's **5th** All India Financial Institution (AIFI), aimed at fostering long-term non-recourse infrastructure financing.
- NaBFID serves both developmental and financial objectives, facilitating credit flow and enhancing infrastructure finance accessibility.
  - It plays a pivotal role in advancing India's infrastructure sector by addressing financing gaps through innovative tools like **longer tenor loans, blended finance, and partial credit enhancement.**
- The other 4 AIFIs in India are:
  - National Bank for Agriculture and Rural Development
  - National Housing Bank (NHB)
  - Small Industries Development Bank of India (SIDBI)
  - **Export-Import Bank of India (EXIM Bank)**

Read more: National Bank for Financing Infrastructure and Development

India's First Integrated Oil Palm Processing Unit in Arunachal Pradesh

The inaugural commercial operations of India's premier **integrated Oil Palm Processing Unit,** established by **3F Oil Palm** (one of the nation's leading Oil Palm development enterprises), commenced recently. This factory is located in Roing within the lower Dibang Valley of **Arunachal Pradesh.**

- Despite significant potential, India currently struggles with achieving self-sufficiency in edible oils, importing **96% of its required palm oil,** which makes up 67% of the country's edible oil import bill, totaling over **Rs. 1 Lakh crore.**
  - This milestone marks a crucial step in India's quest for self-reliance in edible oils, bolstered by the National Mission on Edible Oils - Oil Palm (NMEO-OP).
- India is the **second-largest consumer of edible oil** globally and one of its largest importers.
  - India imported 16.5 million metric tons (MT) of edible oil in 2022-23 including: palm (9.8 MT from Indonesia, Malaysia and Thailand), soyabean (3.7 MT from Argentina and Brazil) and sunflower (3 MT from Russia, Ukraine and Argentina).
  - **Indonesia and Malaysia** are the main global palm oil producers, followed by **Thailand, Colombia, and Nigeria.**

Read more: Palm-Oil Production

Women Exporters in the Digital Economy (WEIDE) Fund

Source: WTO

- The World Trade Organization (WTO) and the **International Trade Centre (ITC)** launched a **USD 50 million Women Exporters in the Digital Economy (WEIDE) Fund** to assist women in accessing opportunities in **international trade and the** digital economy, coinciding with the 13th Ministerial Conference in Abu Dhabi, UAE.
  - The Women Exporters in the Digital Economy (WEIDE) Fund aims to **assist** women-led businesses and entrepreneurs in developing and least-developed countries to adopt digital technologies and enhance their online presence.
  - The United Arab Emirates (UAE) has allocated **USD 5 million as the first donor to the fund.**
- The **WTO-ITC SheTrades Summit** convened over 250 women entrepreneurs from 60+ countries, along with business leaders and development partners, to **discuss solutions** and access new markets in a **green and digital trading system**, featuring masterclasses by experts.

Read more: National and Global Efforts for Women's Equality

Note:

Status and Proceeds of Disinvestment

Why in News?

In the Union Budget 2023-24, the government has set a disinvestment **target of Rs 51,000 crore,** down nearly 21% from the budget estimate for the current year and just Rs 1,000 crore more than the revised estimate. It is also the lowest target in seven years.

What is Disinvestment?

- **About:**
  - The disinvestment process involves **the sale of government stake in public sector enterprises to strategic or financial buyers,** either through the sale of shares on stock exchanges or through the sale of shares directly to buyers.
  - The proceeds from the **disinvestment are used to finance various social and infrastructure projects** and to reduce the government's fiscal deficit.
- **Approaches**:
  - **Minority Disinvestment:** The government retains a majority in the company, typically greater than 51%, thus ensuring management control.
  - **Majority Divestment:** The government hands over control to the acquiring entity but retains some stake.
  - **Complete Privatisation**: 100% control of the company is passed on to the buyer.
- **Process**:
  - In India, the disinvestment process is conducted by the Department of Investment and Public Asset Management (DIPAM), which comes under the **Ministry of Finance.**
  - The primary objective of DIPAM is **to manage the government's investments in public sector enterprises** and to oversee the disinvestment of government equity in these enterprises.
  - Government had constituted the **National Investment Fund (NIF) in 2005** into which **the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized**.

What is the Disinvestment Plan in 2023-24?

- The Centre is **not going to add new companies to the list of CPSEs** to be divested in 2023-24.
- The government has decided to stick to the already-announced and planned privatisation of State-owned companies.
  - These include IDBI Bank, the Shipping Corporation of India (SCI), the Container Corporation of India Ltd (Concor), NMDC Steel Ltd, BEML, HLL Lifecare, and so on.
  - Incidentally, the disinvestments of Bharat Petroleum Corporation Limited, SCI, and ConCor had been approved by the government in 2019 but have not gone through yet.

UPI Services in Sri Lanka and Mauritius

Why in News?

Recently, the Prime Minister of India along with the President of Sri Lanka, Mr Ranil Wickremesinghe and the Prime Minister of Mauritius, Mr Pravind Jugnauth jointly inaugurated the launch of Unified Payment Interface (UPI) **services in Sri Lanka and Mauritius**, and also RuPay card **services in Mauritius**.

- These projects have been developed and executed by **NPCI International Payments Ltd (NIPL),** along with partner banks/non-banks from Mauritius and Sri Lanka, under the guidance and support of the Reserve Bank of India.

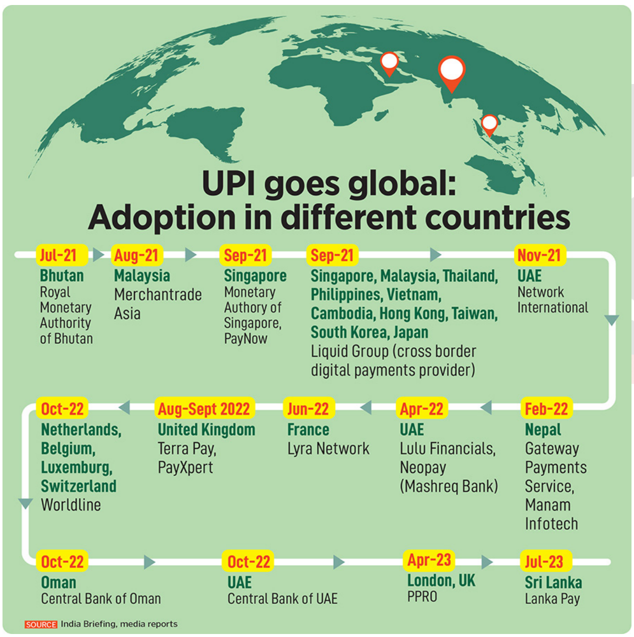
What are RuPay and UPI?

- **RuPay:**
  - RuPay is a payment system and financial services product developed by the National Payments Corporation of India (NPCI).
  - It is a **domestic card payment network** that can be used at automated teller machines (ATMs), point of sale (POS) devices, and e-commerce websites across India.
  - The provision under the **Payment and Settlement Systems Act, 2007,** empowered the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA) to create a secure electronic payment and settlement system in India.

Note:

- After Nepal, **Bhutan**, **Singapore** and **UAE**, the RuPay card is now available in Africa through Mauritius, the **first non-Asian country to issue it.**

- **UPI:**
  - The UPI is a digital and real-time payment system developed by the NPCI in 2016.
  - UPI is built over the IMPS (Immediate Payment Service) infrastructure and allows users to instantly transfer money between any two parties' bank accounts.
  - UPI allows merging several banking features, seamless fund routing, and merchant payments into one mobile application.



India's Digital Public Infrastructure (DPI)

- India's DPI also known as the India Stack, is a set of **open and interoperable platforms** yet independent "blocks" that provide **identity, payment, data sharing, and consent mechanisms** for various digital applications.
- These platforms are built on the principles of **user-centric design, policy objectives, developing use cases, and engagement.**
- Some of the key components of India's DPI are Aadhaar, DigiYatra, DigiLocker, and Account Aggregator (AA).

Indian Oil Market Outlook to 2030: IEA

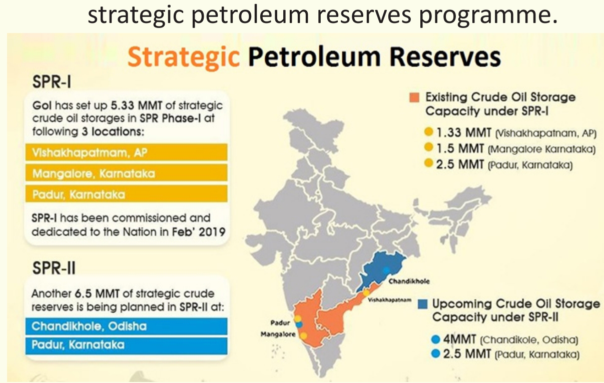
Why in News?

Recently, the International Energy Agency (IEA) has released the ***Indian oil market outlook to 2030 report***, which looks in-depth at how India's role on the global oil market may evolve over the period **through to 2030.**

- The Report looks at energy transition trends that may affect the demand for oil in different sectors and how these changes could impact the country's energy security.

What are Strategic Petroleum Reserves?

- Strategic petroleum reserves (SPRs) are stockpiles of crude oil maintained by countries ensuring a stable supply of crude oil even during times of geopolitical uncertainty or supply disruptions.
- These underground storage facilities play **a crucial role in maintaining a steady flow of energy resources** for the nation's growth and development.
  - India currently has a strategic crude oil reserve **capacity of 5.33 million tonnes.**
  - More strategic reserves with a combined capacity to hold 6.5 million tonnes of crude oil will be built under the second phase of the country's strategic petroleum reserves programme.



What is the International Energy Agency?

- **About:**
  - The **International Energy Agency (IEA)**, which has its headquarters in Paris, France was set up as an autonomous agency in **1974** by member countries of the Organisation for Economic Cooperation and Development (OECD) in response to the mid-1970s oil crisis.

Note:

- The IEA's main focus is on energy policies, which include economic development, energy security, and environmental protection.

- **Members:**
  - The IEA family is made up of 31 member countries, 13 association countries **including** India, and 4 accession countries.
    - A candidate country to the IEA must be a member country of the OECD.
- **Major Reports:**
  - World Energy Outlook.
  - World Energy Investment Report.
  - India Energy Outlook Report.

ASI Results for 2020-21 and 2021-22

Why in News?

Recently, the **Ministry of Statistics and Programme Implementation (MoSPI)** released the results of the Annual Survey of Industries (ASI) for the reference periods of 2020-21 and 2021-22 referred to as **ASI 2020-21 and ASI 2021-22.**

What are the Key Highlights From the ASI 2020-21 and ASI 2021-22 Results?

- **Growth in Gross Value Added (GVA):** GVA grew by **8.8% in the year 2020-21** over 2019-20, primarily due to a sharp fall in input (4.1%) that offset an output contraction (1.9%) during the pandemic.
- **Key Industry Drivers:** Industries such as Manufacture of **Basic** Metal, Coke **&** Refined Petroleum **Products**, Pharmaceutical Products, Motor vehicles, Food Products, and Chemical and Chemical products emerged as **major drivers of growth.**
- **Regional Performance: Gujarat remained at the top in terms of GVA in 2020-21** and second in 2021-22, while **Maharashtra ranked first in 2021-22** and second in 2020-21.
- **Employment Trends: Tamil Nadu, Gujarat, Maharashtra, Uttar Pradesh, and Haryana** emerged as the **top five states employing the highest number of persons** in the manufacturing sector in both 2020-21 and 2021-22.
  - Together, these states contributed about 54% of total manufacturing employment in both years.

What is the Annual Survey of Industries (ASI)?

- **About:**
  - The Annual Survey of Industries (ASI) is the **principal source of industrial statistics** in India. It **started in 1960 with 1959 as the base year** and continues annually except for 1972, under the Collection of Statistics Act, of 1953.
  - From ASI 2010-11, the Survey is being conducted under the **Collection of Statistics Act, 2008.**
    - The Collection of Statistics Act, 2008 has been amended in 2017 as the **Collection of Statistics (Amendment) Act, 2017** which extends the coverage to All India.
  - The National Statistical Office (NSO) **conducts the ASI.** The NSO is part of the MoSPI.
    - The MoSPI is responsible for the coverage and quality of released statistics.

Fiscal Deficit and its Management

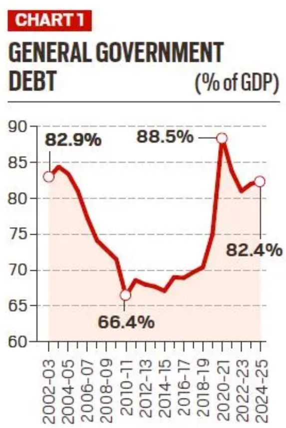
Why in News?

Since India has been faring with the **fiscal challenges** in dealing with the National Debts, the Ministry of Finance in its Interim Budget 2024-25 has decided to reduce India's Fiscal Deficit to 5.1% of Gross Domestic Product (GDP) **in 2024-25.**

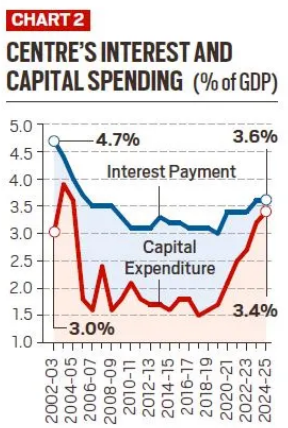
What is Fiscal Deficit?

- **About:**
  - Fiscal deficit refers to the **shortfall in a government's revenue** when compared to its expenditure.
- **Projections:**
  - Government estimates that the Fiscal Deficit would be pared to below **4.5% of GDP by 2025-26** announced in **Budget 2021-22.**
  - The government's **revised estimates** also lowered the **fiscal deficit projection for 2023-24 to 5.8% of** GDP.
- **Fiscal Deficit and National Debt:**
  - The **National Debt** is the total amount of money that the government of a country **owes its lenders** at a particular point in time.
    - Countries with larger economies can run **higher fiscal deficits**. As of 2022, the leading deficit holders included Italy -7.8%, Hungary -6.3%, South Africa -4.8%, Spain -4.7%, France -4.7%.

- **Trends in National Debt:**
  - The debt-GDP ratio stood at **84.4% in 2003-04**, witnessing subsequent declines and rises under different administrations.
  - Post 2014, the government witnessed a **surge in the debt-GDP ratio**, reaching a peak of **88.5% in 2020-21**, driven primarily by the economic disruptions caused by the Covid-19 Pandemic.
  - Despite slight improvements in subsequent fiscal years, the ratio remains elevated, projected at **82.4% for 2024-25**, posing significant challenges for fiscal management.



Note: Figures for 2022-23 are estimates and those for 2023-24 and 2024-25 are projections.
Source: International Monetary Fund



Note: Figures for 2023-24 are Revised Estimates and those for 2024-25 Budget Estimates.
Source: Union Budget documents, various years.

Key Formulas

- **Fiscal Deficit= Total Expenditure- Total Receipts (excluding borrowings).**
- **Revenue Deficit:** This deficit of a government or business can be determined by subtracting the total revenue receipts from the total income expenditure.
  - Revenue deficit= Total revenue receipts – Total revenue expenditure.
- **Debt to GDP Ratio:** It measures how much a nation owes in relation to its GDP
  - **Debt to GDP= Total Debt of Country/Total GDP of Country**What is the Legislation Related to Fiscal Management in India?

- **Fiscal Responsibility and Budget Management (FRBM) Framework:**
  - The FRBM Act, instituted in 2003, set ambitious targets for debt reduction, aiming **to limit the general government debt to 60% of GDP by 2024-25.**
  - However, subsequent fiscal trajectories deviated from these targets, with the Centre's outstanding debt surpassing the originally envisioned thresholds.
    - **FRBM Review Committee Report** has recommended a debt to GDP ratio of **60% for the general (combined) government** by 2023, comprising **40% for the Central Government** and **20% for the State Governments.**

Renewables 2023 Report of IEA

Why in News?

The International Energy Agency **(IEA)'s** recent **Renewables 2023 report** paints a complex picture of the renewable energy sector, highlighting both progress and challenges.

What are the Major Highlights of the Renewables 2023 Report?

- **Record Growth and China's Dominance:** Global annual renewable capacity additions surged by nearly **50% to almost 510 gigawatts (GW) in 2023**, marking the fastest growth rate in two decades.
  - **China played a pivotal role**, commissioning as much solar photovoltaics (PV) in 2023 as the entire world did in 2022, while **wind additions grew by 66%** year-on-year.
- **Accelerated Growth in Key Regions:**
  - **US, EU, India, Brazil:** Supportive policies and improving economic attractiveness are driving accelerated growth in **solar PV and** onshore wind installations in these regions.
  - **Middle East and North Africa**: Policy incentives are spurring renewable capacity growth.
    - While **sub-Saharan Africa** is lagging despite its resource potential.
- **Growth Forecast for India:** India is forecast to add **205 GW over 2023-2028**, doubling 2022's cumulative installed capacity, making it the **world's third-largest market for renewables.**

What are India's Renewable Energy Targets and Related Government Interventions?

- **India's Renewable Energy Targets:**
  - Panchamrit Goals:
    - Reaching a **non-fossil fuel energy capacity of 500 GW** by 2030.
    - Fulfilling at least **half of its energy requirements via renewable energy** by 2030

Note:

- **Reducing CO2 emissions by 1 billion tons by 2030;** reducing carbon intensity below 45 percent by 2030.
- Net-Zero emission target by 2070.
  - In August 2022, India updated its Nationally Determined Contribution **(NDC)** according to which the target to reduce emissions intensity of its GDP has been enhanced to **45% by 2030 from 2005 level.**
- **Related Government Initiatives:**
  - Pradhan Mantri- Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM- KUSUM)
  - National Solar Mission
  - Production Linked Incentive (PLI) Scheme for High-Efficiency Solar PV Modules
  - Offshore Wind Energy Policy
  - Global Biofuel Alliance
  - International Solar Alliance
  - **Suryamitra Skill Development Programme:** It aims for skill development among the youth, considering the opportunities for employment in the growing **Solar Energy Power Project's installations.**

Guidelines on State Guarantees on Borrowings

Why in News?

Recently, a Working Group constituted by the Reserve Bank of India (RBI) has made certain recommendations to address issues relating to **Guarantees extended by State governments**.

- The Working Group constituted during the 32nd Conference of the State Finance Secretaries held in July 2022.

What Constitutes a Guarantee?

- **About:**
  - A 'guarantee' is a legal obligation for a State to make payments and protect an **investor/lender from the risk of default by a borrower.**
  - A guarantee, as per the Indian Contracts Act, 1872, is a contract to "perform the promise, or discharge the liability, of a third person in case of his default. It involves three parties: **the principal Debtor, Creditor, and Surety.**
    - **Creditor:** The entity to whom the guarantee is given. This is the party to whom the **payment is due**, and they are protected by the guarantee.
    - **Principal Debtor:** The entity on whose **behalf the guarantee is given**. This is the **party that owes a debt** or has a liability.
    - **Surety:** The **entity providing the guarantee** (State governments in this context), that **promises to perform the promise** or discharge the liability of the **principal debtor in case of default**.
- The surety undertakes a legal obligation to perform the promise or discharge the liability of the **principal debtor if they default.**
  - A guarantee must not be confused with an **'Indemnity'** contract that protects the lender from loss caused to them by the conduct of the promisor (or the principal debtor).

What are the Different Guarantees Given by the Government?

- **Guarantees given to RBIs**, other banks and Financial Institutions (like IFCI, LIC, UTI etc) **for repayment of principal and payment of interest**, cash credit facility, financing seasonal agricultural operations, and for providing working capital in respect of companies, corporations, cooperative societies and cooperative banks.
- Guarantees given in pursuance of agreements entered into by the **Government of India with International Financial Institutions** towards repayment of principal, payment of interest etc.
- **Counter-Guarantees to Banks in consideration of the Banks having issued Letters of Authority to Foreign Suppliers** for Supplies/Services made/rendered by them on credit basis, in favour of the Companies/ Corporations.
- **Guarantees given to Railways**/State Electricity Boards for due and punctual payment of dues/freight charges by Companies/Corporations. **(Nil for past few years)**
- **Performance guarantees given for fulfilment of contracts/projects** awarded to Indian companies or Foreign companies in foreign countries. (Nil for past few years)

Hybrid Vehicles as Alternative to EVs

Why in News?

Recently, HSBC Global Research has released a note, suggesting that, in the next 5-10 years, India should prioritise adopting Hybrid Vehicles as a **Sustainable Mobility Solution** before transitioning to full Battery Electric Vehicles (BEVs).

- Hybrid vehicles integrate a conventional Internal Combustion Engine with an Electric Propulsion system.

What are Battery Electric Vehicles (BEVs)?

- **About:**
  - BEVs are a type of electric vehicle that runs solely on electric power stored in high-capacity batteries.
  - They do not have an Internal Combustion Engine (ICE) and produce **zero tailpipe emissions.**
  - BEVs use **electric motors to drive the wheels**, providing instant torque and smooth acceleration.
- **Battery Technology:**
  - BEVs rely on advanced battery technology, primarily Lithium-ion (Li-ion) Batteries.
  - Li-ion batteries offer **high energy density, longer range**, and improved performance.
- **Charging Infrastructure:**
  - BEVs require a **network of charging stations** for recharging their batteries. Charging infrastructure includes **various types of chargers:**
    - Level 1 (household outlets)
    - Level 2 (dedicated charging stations)
    - Level 3 (DC fast chargers).
  - Public charging stations, workplaces, and residential buildings play a crucial role in expanding the charging infrastructure.

FOUR TYPES OF EVs

HEVs: Conventional hybrid electric vehicles (such as variants of the Toyota Hyryder Hybrid or Honda City e:HEV in India) combine a conventional ICE system with an electric propulsion system, resulting in a hybrid drivetrain that substantially lowers fuel usage. The onboard battery in a conventional hybrid is charged when the IC engine is powering the drivetrain.

PHEVs: Plug-in hybrid vehicles (such as the Chevrolet Volt) also have a hybrid drivetrain that uses both an ICE and electric power for motive power, backed by rechargeable batteries that can be, in this case, plugged into a power source.

BEVs: Vehicles like the Tata Nexon in India, or the Nissan Leaf and Tesla Model S, have no ICE or fuel tank, and run on a fully electric drivetrain powered by rechargeable batteries.

FCVs: Fuel cell vehicles (such as Toyota's Mirai and Honda's Clarity) use hydrogen to power an onboard electric motor. FCVs combine hydrogen and oxygen to produce electricity, which runs the motor, and the only residue of the chemical process is water. Since they're powered entirely by electricity, FCVs are considered EVs — but unlike BEVs, their range and refuelling processes are comparable to conventional cars and trucks.

What are Hybrid Vehicles?

- **About:**
  - Hybrid vehicles combine a **traditional** Internal Combustion Engine (ICE) **with an Electric Propulsion system**, allowing the vehicle to operate using either or both power sources.
  - There are different types of hybrid systems, but the most common ones include **parallel hybrids** (both the engine and electric motor can power the vehicle independently) **and series hybrids** (only the electric motor drives the wheels, while the engine generates electricity).

What are the Other Possible Alternative Technologies to BEVs?

- **Ethanol & Flex Fuel:**
  - Flex fuel vehicles **can** run on various fuel types, **including** ethanol**, reducing reliance on fossil fuels**.
- **Fuel Cell Electric Vehicles (FCEVs) & Hydrogen ICE:**
  - FCEVs run on hydrogen fuel cells, which produce electricity and **water as the only by-products** offering a clean and efficient alternative to BEVs.
  - Hydrogen ICE vehicles use hydrogen as a fuel in ICEs offering a simpler and cheaper alternative to BEVs.
    - However, both FCEVs and Hydrogen ICEs have their own shortcomings in terms of infrastructure and zero emissions.
- **Synthetic Fuels:**
  - **Porsche is developing synthetic fuels** that make **ICEs CO2-neutral,** potentially extending the life of ICE vehicles.
  - These fuels, **produced from carbon dioxide and hydrogen using renewable energy,** could have broader applications.

What are Some Government Initiatives to Promote EV Adoption?

- Faster Adoption and Manufacturing of Electric Vehicles (FAME) Scheme II
- National Electric Mobility Mission Plan (NEMMP)
- National Mission on Transformative Mobility and Battery Storage
- Go Electric campaign
- Production Linked Incentive (PLI) scheme:
  - Incentives for the **manufacturing of EVs and components**

- **Ministry of Power's Revised Guidelines on Charging Infrastructure:**
  - At least one charging station to be present in a grid of 3 km and at every 25 km on both sides of the highways.
- **Amendment to** Model Building Bye-laws, 2016 (MBBL):
  - Mandatory to set **aside 20% of the parking space for EV charging facilities** in residential and commercial buildings.
- **India's support to the global** EV30@30 campaign

IEA Report Electricity 2024

Why in News?

Recently, the **International Energy Agency (IEA)** unveiled key insights into India's energy future with its report **"Electricity 2024."**

- This comprehensive analysis highlights trends, such as the persistent role of **coal,** a surge in renewable energy, and the promising growth of nuclear power, shaping India's power sector until 2026.

Glance of India's Power Sector:

- Installed Electricity Generation Capacity (Fuelwise) as of May 2023:
  - Total Installed Capacity (Fossil Fuel & Non-Fossil Fuel) is 417 GW.
  - The share of various energy sources in the total Electricity Generation are:
    - **Fossil fuel** (including Coal)**- 56.8%**
    - **Renewable Energy (**including Hydropower**)- 41.4%**
    - **Nuclear fuel- 1.60%**

India's Renewable Energy Target:

- India is set to achieve its short term and long term targets under the **Panchamrit action plan,** like
  - **Reaching a non-fossil fuel energy capacity of 500 GW by 2030**.
  - Fulfilling at least **half of its energy requirements via renewable energy by 2030**
  - **Reducing CO2 emissions by 1 billion tons by 2030**; **reducing carbon intensity below 45 percent by 2030.**
  - Net-Zero emission target by 2070.
- In August 2022, India updated its **Nationally Determined Contribution (NDC)** according to which the target to reduce emissions intensity of its **GDP** has been **enhanced to 45% by 2030 from 2005 level.**

Government Securities

Why in News?

The government has completed **Government Securities (G-Sec)** borrowing for the **current fiscal 2023-24** and it expects a dividend from the **Reserve Bank of India (RBI)** in Financial Year 25 (FR 25), similar to FY 24.

- The government's approach to borrowing remains cautious, focusing on prudent fiscal management and ensuring borrowing aligns with the actual needs.
- The completion of G-Sec borrowing, coupled with expectations for dividend income from the RBI, reflects efforts to maintain fiscal stability and meet expenditure targets.

What are the Rules Under Which RBI Transfers its Surplus to the Government?

- The RBI transfers its surplus to the government in accordance with **Section 47 (Allocation of Surplus Profits) of the Reserve Bank of India Act, 1934.**
  - A technical **committee** of the RBI Board **headed by Y H Malegam (2013),** which reviewed the adequacy of reserves and surplus distribution policy, recommended a higher transfer to the government.
- According to this section, after making provisions for **reserves and retained earnings,** the **RBI transfers the surplus to the government.**
- The amount transferred is determined based on various factors, **including the RBI's income from sources** such as interest on holdings of domestic and foreign securities, fees and commissions from its services, profits from foreign exchange transactions, and returns from subsidiaries and associates.
  - On the expenditure side, the **RBI incurs costs such as printing of currency notes**, payment of interest on deposits and borrowings, salaries and pensions of staff, operational expenses of offices and branches, as well as provisions for **contingencies and depreciation.**

What are Government Securities (G-Sec)?

- **About:**
  - A G-Sec is a tradable instrument issued by the **Central Government or the State Governments.**

Note:

- A G-Sec is a type of **debt instrument** issued by the government to borrow money from the public to finance its Fiscal Deficit.
  - A debt instrument is a financial instrument that represents a **contractual obligation by the issuer to pay the holder a fixed amount of money,** known as principal or face value, on a specified date.
- It acknowledges the **Government's debt obligation.**
  - Such securities are **short-term** (usually called treasury bills, with original maturities of less than one year- presently issued in three tenors, namely, 91-day, 182 days and 364 days) **or long-term** (usually called **Government bonds or dated securities** with original maturity of one year or more).
- In India, the Central Government issues both, **treasury bills and bonds or dated securities** while the **State Governments issue only bonds** or dated securities, which are called the State Development Loans (SDLs).
- **G-Secs carry practically no risk of default** and, hence, are called **risk-free gilt-edged instruments.**
  - Gilt-edged securities are **high-grade investment bonds offered by governments** and large corporations as a means of borrowing funds.

➢ **Types of G-Sec:**
- **Treasury Bills (T-bills):**
  - Treasury bills are **zero coupon securities and pay no interest.** Instead, they are **issued at a discount and redeemed at the face value** at maturity.
- **Cash Management Bills (CMBs):**
  - In 2010, the Government of India, in consultation with RBI introduced a **new short-term instrument, known as CMBs,** to meet the temporary mismatches in the cash flow of the Government of India.
  - The CMBs have the generic character of T-bills but are issued for maturities of less than 91 days.
- **Dated G-Secs:**
  - Dated G-Secs are securities that **carry a fixed or floating coupon rate (interest rate)** which is paid on the face value, on a half-yearly basis. Generally, the tenor of dated securities ranges **from 5 years to 40 years.**
- **State Development Loans (SDLs):**
  - State Governments also **raise loans from the market** which are called SDLs. SDLs are **dated securities issued through normal auctions** similar to the auctions conducted for dated securities issued by the Central Government.

➢ **Issue Mechanism:**
- The RBI conducts Open Market Operations (OMOs) for sale or purchase of G-secs to adjust money supply conditions.
  - The RBI sells g-secs to remove liquidity from the market and buys back g-secs to infuse liquidity into the market.
- These operations are **often conducted on a day-to-day basis** in a manner that balances inflation while helping banks continue to lend.
- RBI carries out the OMO through commercial banks and does not directly deal with the public.
- The RBI uses **OMO along with other monetary policy tools** such as repo rate, cash reserve ratio and statutory liquidity ratio to adjust the quantum and price of money in the system.

Retail Sale and Purchase of T Bills

➢ **Method of Purchase**: Retail investors can open an online Retail Direct Gilt (RDG) **Account with the Reserve Bank of India (RBI)** to directly purchase T-bills. Additionally, they can place bids via select banks and registered primary agents.

➢ **Portal for Purchase:** The **Retail Direct Gilt (RDG)** platform provided by RBI facilitates the purchase of T-bills for retail investors.

➢ **Rules Regarding Purchase and Sale:** Retail investors must adhere to certain rules and regulations when buying and selling T-bills. This includes meeting the **minimum investment amount requirement (INR 10,000 per lot for various durations)** and ensuring compliance with RBI guidelines.

➢ **Participation in Primary Market:** Retail investors can **participate in the primary market** by placing bids for T-bills through the designated channels mentioned earlier. This allows them to directly purchase newly issued T-bills from the RBI on behalf of the Government of India.

➢ **Participation in Secondary Market:** Retail investors can **also participate in the secondary market for T-bills through their demat accounts**. In the secondary market, investors can buy and sell T-bills before their maturity dates, providing liquidity and opportunities for trading

Note:

Bitcoin Halving

Why in News?

In April 2024, the anticipated Bitcoin (BTC) halving is poised to take place, with potentially profound implications for the cryptocurrency's market value.

What is Bitcoin Halving?

- **About:**
  - A bitcoin halving is an event where the **reward for mining new blocks is halved**, meaning miners **receive 50% fewer bitcoins** for verifying transactions.
  - Bitcoin halvings are scheduled to occur **once every 210,000 blocks – roughly every four years** – until the maximum supply of 21 million bitcoins has been generated by the network.
  - Bitcoin halvings are important events for traders because they reduce the number of new bitcoins being generated by the network. This **limits the supply of new coins**, so **prices could rise if demand remains** strong.

What is Bitcoin?

- **About:**
  - Bitcoin is a type of digital currency that enables instant payments to anyone. Bitcoin was introduced in 2009. Bitcoin is based on an open-source protocol and is not issued by any central authority.
- **History:**
  - The origin of Bitcoin is unclear, as is who founded it. A person, or a group of people, who went by the identity of Satoshi Nakamoto are said to have conceptualised an accounting system in the aftermath of the 2008 financial crisis.
- **Use:**
  - Originally, Bitcoin was intended to provide an alternative to fiat money and become a universally accepted medium of exchange directly between two involved parties.
- **Record of Bitcoins:**
  - All the transactions ever made are contained in a publicly available, open ledger, although in an anonymous and an encrypted form called a blockchain.
    - Transactions can be denominated in sub-units of Bitcoin.
      - Satoshi is the smallest fraction of a Bitcoin.
  - **Blockchain Technology:**
    - Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.
      - An asset can be tangible (a house, car, cash, land) or intangible (intellectual property, patents, copyrights, branding).

India and Cryptocurrency

- Cryptocurrencies in India fall under the virtual digital assets (VDAs) category and are subject to taxation.
  - The profits generated from cryptocurrency trading are taxed at a rate of 30%, with an additional 4% cess (**Union budget 2022-23**).
- In 2022, the RBI launched its own Central Bank Digital Currency (CBDC) known as e-Rupee which is based on blockchain technology.

Eased FDI Policy for Space Sector

Recently, the Union Cabinet approved **amendments in the Foreign Direct Investment (FDI) policy pertaining to the space industry**.

- This development comes in alignment with the Indian Space Policy 2023, which seeks to unlock the nation's potential in the space domain through enhanced private participation.

What are the Recent Amendments in FDI Policy for the Space Sector?

- **100% FDI Allowed:** Under the amended policy, 100% FDI is permitted in the space sector, aiming to attract potential investors to Indian space companies.
- **Liberalised Entry Routes:** The entry routes for various space activities are as follows:
  - **Up to 74% under Automatic Route:** Satellites-Manufacturing & Operation, Satellite Data Products, Ground Segment & User Segment.
    - Beyond 74%, the government route applies.
  - **Up to 49% under Automatic Route:** Launch Vehicles, associated systems or subsystems, Creation of Spaceports.
    - Beyond 49%, the government route applies.
  - **Up to 100% under Automatic Route:** Manufacturing of components and systems/sub-systems for satellites, ground segment, and user segment.

What are the Major Developments in the Space Sector in India?

- **About:**
  - India constitutes **2-3% of the global space economy (US: 40%, UK: 7%)** and is expected to enhance its share to more than **10% by 2030.**
    - ISRO is one of the **six largest space agencies** in the world.
- **Recent Major Successful Missions**:
  - Aditya L1
  - Chandrayaan 3
  - Mars Orbiter Mission (Mangalyaan)
- **Advancements in Launch Vehicles:**
  - **GSLV Mark III**
  - **Small Satellite Launch Vehicle (SSLV)**
  - **PSLV**
- Missions for International Clients
  - **TeLEOS-2 (2023)**: Singaporean Earth observation satellite
  - **PSLV-C51 (2021)**: Launched Brazil's Amazonia-1 satellite and 18 smaller satellites.
- **Other Key Developments:**
  - **NavIC**
  - **Bhuvan**
  - Number of Space Start-Ups have gone up (189 in 2023)

What are the Key Features of Indian Space Policy 2023?

- **Transition of ISRO's Role:** ISRO to transition out from manufacturing operational space systems and **concentrate on research and development** in advanced technologies.
- **Private Participation Encouragement:**
  - Non-government entities (NGEs) permitted to **offer national and international space-based communication services** through self-owned, procured, or leased satellite systems.
  - NGEs encouraged to manufacture and operate space transportation systems, including **launch vehicles, shuttles, and develop reusable, recoverable**, and reconfigurable technologies and systems for space transportation.
  - NGEs permitted to engage in the **commercial recovery of asteroid resources** or space resources.
    - Entitled to possess, own, transport, use, and sell obtained resources in accordance with applicable laws.
- **Industry Collaboration and Commercialisation: Indian National Space Promotion and Authorisation Centre (IN-SPACe)** mandated to promote, handhold, guide, and authorise space activities autonomously.
  - **NewSpace India Limited (NSIL)** is tasked with **commercialising space technologies and platforms**, manufacturing, leasing, or procuring space components, and servicing space-based needs on commercial principles.

Lab-Grown Diamonds

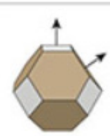
Why in News?

Lab-grown diamonds (LGDs), also known as synthetic diamonds have emerged as a disruptive force in the traditional diamond market.

- These gems are created in laboratories using advanced techniques, mimicking the natural processes that form **diamonds deep within the Earth.**

What are Laboratory-Grown Diamonds?

- **About:**
  - LGDs are manufactured in laboratories, as opposed to naturally occurring diamonds. However, the chemical composition and other physical and optical properties of the two are the same.
  - Naturally occurring diamonds take millions of years to form; they are created when carbon deposits buried within the earth are exposed to extreme heat and pressure.

Growth Process	Typical Growth Morphology
Natural	 **Shape:** Octahedron **Growth:** 8 directions
High Pressure, High Temperature (HPHT)	 **Shape:** Cuboctohedron **Growth:** 14 directions
Chemical Vapor Deposition (CVD)	 **Shape:** Cube **Growth:** 1 direction

What is the Scenario of Lab-Grown Diamonds in India?

- **Surat: The Hub of Diamond Cutting and Polishing**
  - Surat plays a pivotal role in the global diamond trade. Approximately **90% of the world's diamonds are cut and polished in Surat.**
- **The Rise of Lab-Grown Diamond Exports from India**
  - Between 2019 and 2022, lab-grown diamond exports **from India tripled in value.**
  - Export volumes rose by **25% between April and October 2023**, up from 15% in the same period a year earlier.
  - Lab-grown diamonds are gaining popularity globally due to their **affordability and ethical appeal.**
    - Lab-grown diamonds are called **"blood-free diamonds"** because they guarantee no violence and no human rights abuse.
- **Market Share and Industry Impact:**
  - The global market share of lab-grown gems surged from **3.5% in 2018 to 18.5% in 2023.**
    - Industry analysts predict that this share will likely exceed 20% in the year 2024-25.
  - This growth has added pressure to an industry already grappling with geopolitical challenges and **declining demand for natural diamonds.**

Note: Major Diamond Producing Countries: Russia, Botswana, Canada, South Africa, and the Democratic Republic of the Congo.

- **Russia is the world's largest producer** of rough diamonds, mining nearly 42 million carats in 2022.

What is the Kimberley Process Certification Scheme (KPCS)?

- **About:**
  - The Kimberley Process Certification Scheme (KPCS) is an important global initiative established in 2003 to **prevent the trade of conflict diamonds from infiltrating the mainstream rough diamond market.**
  - The KPCS was established by the United Nations General Assembly Resolution 55/56 following recommendations in the **Fowler Report.**
  - There are **59 participants representing 85 countries** around the world participating in the KP.
  - The KP observers include the **World Diamond Council**, representing the diamond industry.
  - Since 2003, India has been actively participating in the KPCS process and is a member of almost all Working Groups of KP (except the Working Group on Artisanal and Alluvial Production (WGAAP).
    - The **Department of Commerce is the nodal Department,** and
    - Gem & Jewellery Export Promotion Council (GJEPC) is designated as the KPCS Importing and Exporting Authority in India.
      - GJEPC is responsible for issuing KP Certificates and is also the custodian of KP Certificates received in the country.

Private Investments in India's Nuclear Energy

Why in News?

India is set to revolutionise its nuclear energy sector by **inviting private companies to invest approximately USD 26 billion,** marking a significant shift in its energy policy.

- This move aims to boost **electricity generation from non-carbon-emitting sources** and aligns with India's ambitious targets for renewable energy adoption.

How will the Investment Plan be Implemented?

- Private companies will be responsible for making investments in nuclear plants, acquiring land, and water, and undertaking construction activities.
- However, the rights to build, operate, and manage the nuclear stations, as well as fuel management, will remain with the **state-run Nuclear Power Corporation of India Ltd. (NPCIL)** as per legal provisions.
- Private companies are anticipated to **generate revenue from electricity sales,** while **NPCIL will operate the projects for a fee.**

Note:

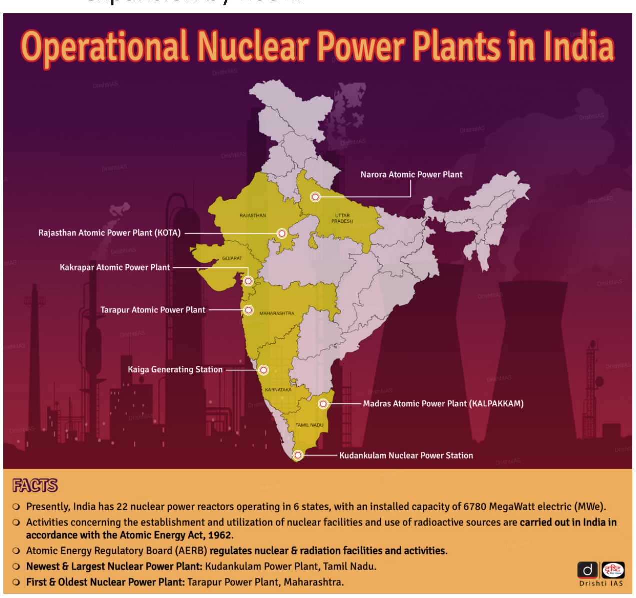
- The Consolidated Foreign Direct Investment (FDI) policy of India **prohibits foreign investment in the atomic energy sector.**
  - In contrast, there is **no restriction on FDI in the industry for manufacturing nuclear equipment and parts for nuclear power plants and other related facilities.**

Note:

> - The subject of **'nuclear energy' is governed by** India's Atomic Energy Act 1962, and the Government of India plays a pivotal role in the development, operation, and decommissioning of nuclear facilities.
> - Recently, a NITI Aayog (National Institution for Transforming India) panel recommended to the Government of India to allow FDI into India's atomic sector.

What are the Key Highlights of India's Nuclear Power Sector?

- **Current Energy Landscape:**
  - India's total installed power capacity presently stands at 428 GW, expected to double to 810 GW by 2030.
    - Nuclear power contributes approx 3% to India's energy mix.
- **Current Nuclear Power Scenario:**
  - India operates **22 nuclear power reactors** with a total capacity of 6.8 GW, contributing approximately 3% to the nation's energy mix.
  - An additional 11 nuclear power plants are under construction, aiming to add 8,700 MW of capacity.
    - This includes a Prototype Fast Breeder Reactor (PFBR) and four Pressurized Water Reactors (PWRs) based on Russian technology.
  - The government has also sanctioned ten **indigenous Pressurized Heavy Water Reactors (PHWRs)** of 700 MW each, aiming for significant capacity expansion by 2031.



- **Key Players and Regulatory Environment:**
  - **Key Players:**
    - The Department of Atomic Energy (DAE), the **Nuclear Power Corporation of India (NPCIL)**, and the National Thermal Power Corporation (NTPC) are the key organizations that play a pivotal role in the nuclear energy sector in India.
      - All three are under the control of the Union government.
      - NPCIL is the owner and operator of all nuclear power plants (except the **PFBR variants**, owned by The **Indira Gandhi Centre for Atomic Research (IGCAR), DEA**) and the primary contact for all nuclear business in India.
      - **NTPC is a major producer of electricity from coal and accounts for 70GW capacity** and is seeking to adopt nuclear reactors as part of its strategy to phase out old coal plants.
  - **Regulatory Oversight:**
    - The Atomic Energy Regulatory Board (AERB) oversees **nuclear safety and regulatory processes**, including site selection, construction, operation, and decommissioning.
      - AERB's responsibilities extend to nuclear applications in various sectors.
- **Nuclear Liability and Insurance:**
  - India ratified the Convention on **Supplementary Compensation for Nuclear Damage (CSC) in 2016**, establishing a global compensation regime for nuclear accidents.
  - The **Civil Liability for Nuclear Damage Act (CLND), 2010,** sets liabilities for operators and mandates insurance to cover potential damages.
  - The **Indian Nuclear Insurance Pool (INIP),** backed by General Insurance Corporation of India (GIC-Re) and other insurers, provides USD 15 billion in coverage to protect suppliers against liability claims.

Promoting Local Fintech Players

Why in News?

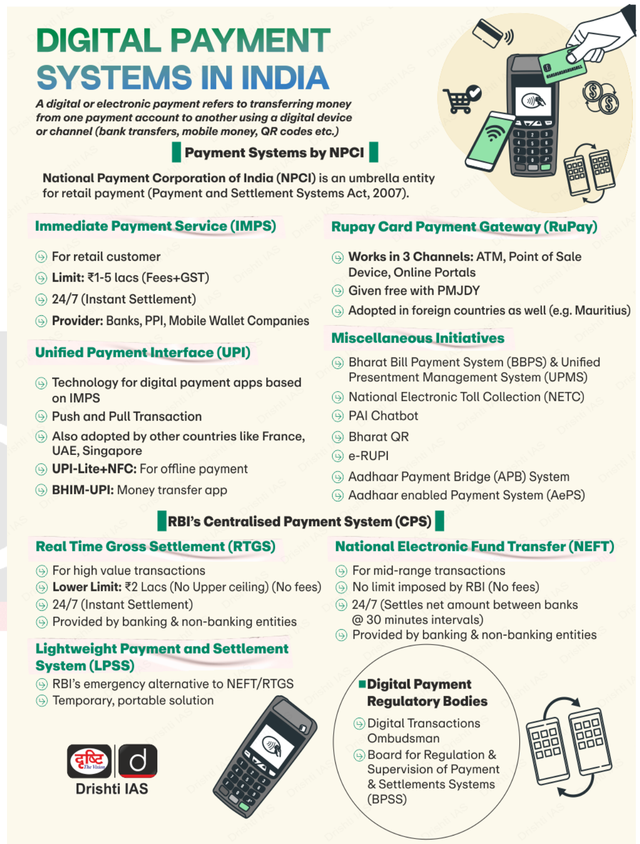
In a recent report presented to Parliament, the Standing Committee **on Communications and Information Technology** raised concerns regarding the dominance of **foreign-owned fintech apps in** India's digital payments ecosystem.

- Fintech is the use of digital platforms to provide financial services.

Note:

What is Fintech?

- **About:**
  - Fintech, or financial technology, is the use of digital platforms, software, and services to provide or **facilitate financial services,** such as payments, lending, insurance, wealth management, and more.
- **Segments and Trends of the Fintech Sector in India:**
  - Major segments under Fintech include **Payments, Digital Lending, InsurTech, WealthTech.**
    - Digital payments, which enable the transfer of money or value through online or mobile platforms, such as **UPI, wallets, cards, and QR codes.**
    - **Digital lending,** which provides loans or credit to individuals or businesses through online or mobile platforms, using alternative data sources and algorithms.
    - **Insurtech**, which applies technology to improve the distribution, delivery, and management of insurance products and services.
    - **Wealthtech**, which offers online or mobile platforms for investment, wealth management, and financial advisory services
  - India is amongst the **fastest growing Fintech markets in the world.** It is home to over 7,000 fintech start-ups.
  - The Indian FinTech industry's market size is USD 50 Bn in 2021 and is estimated at ~ USD 150 Bn by 2025.
- **Key Regulatory Bodies for Fintech in India:**
  - Reserve Bank of India (RBI):
    - Regulates banks, **NBFCs**, PSPs, and credit bureaus.
    - Responsible for regulating India's money market and foreign exchange market.
    - Oversees fintech sectors like **Digital Payments, Digital Lending, and Digital** or **neo-banks.**
  - **Securities and Exchange Board of India (SEBI):**
    - Regulates securities markets and intermediaries such as **stockbrokers and investment advisors.**
    - Services like stockbroking and investment advisory fall under its jurisdiction.
  - **Insurance Regulatory and Development Authority of India (IRDAI)**:
    - Regulates insurers, corporate agents, web aggregators for insurance, and third-party agents for insurance.
    - Ensures compliance and integrity in the insurance sector.



India's Industrial Sector

Why in News?

Despite a swift post-pandemic recovery, India experiences **'premature deindustrialization',** exacerbating inequality as benefits of rapid growth favour a small minority, widening existing disparities.

What is Premature Deindustrialization?

- **Premature Deindustrialization** refers to a phenomenon wherein the growth of an economy's manufacturing sector begins to slow down prematurely in its path towards development.

- This concept was popularized in 2015 by Turkish Economist **Dani Rodrik**.
- Economists typically view economic development as a **transition from** agriculture **to** manufacturing **and then to services.**
  - However, some economies may experience premature shifts to the services sector, **hindering** manufacturing growth.

What is the Current Status of India's Industrial Sector?

- **Status:** Historically**,** India's industrialization **progress has been inadequate**, with manufacturing consistently contributing less than 20% to output and employment, except during **2003-2008 (**Industrial growth during 2003–08 called as **the 'Dream Run').**
  - Despite LPG Reforms in 1991 aiming for labour-intensive industrialization, this trend persisted.
- **Factors Responsible for Stagnant Industrialization in India:**
  - **Inadequate Research and Development (R&D) Investment:** It limits innovation and technological advancement in Indian industries, hampering their competitiveness globally.
  - **Corruption and Red Tape:** Rampant corruption and bureaucratic inefficiencies in obtaining permits, licences, and clearances create bottlenecks and **add to the cost of doing business,** deterring investment in the industrial sector.
  - Informal Economy **Dominance:** Competition from the **informal economy**, which operates outside regulatory frameworks and often evades taxes, creates an uneven playing field for formal industrial enterprises, impacting their growth prospects.
  - **Skill Mismatch:** Discrepancies between the **skills demanded by industries and those possessed by the workforce** contribute to underemployment and inefficiencies in the industrial sector.
    - As per the Skill India Report, only **5% of the Indian population is formally skilled** compared to 68% in the UK, and 75% in Germany.
  - **Supply Chain Vulnerabilities and Resilience:** Dependency on **imported raw materials makes Indian industries vulnerable to global supply chain disruptions,** requiring strategies to strengthen domestic supply chains and promote local manufacturing.
- **Approach to Boost Industrial Sector:** India needs an unconventional approach.
  - Prioritising **high-skill services**, particularly in information technology (IT), to stimulate manufacturing growth.
  - This contradicts the traditional view that service growth relies on a strong manufacturing base.

Potential of Lakshadweep

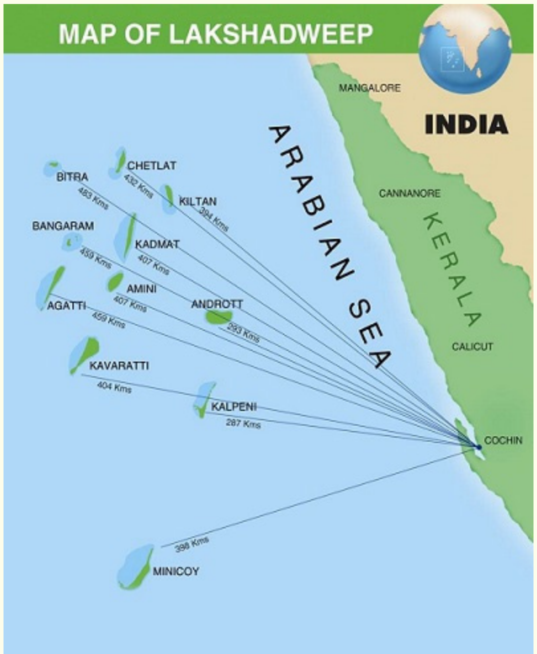
Why in News?

Lakshadweep, India's smallest Union Territory (UT), due to its proximity to international shipping routes, has the potential to become a logistics hub and a remarkable tourist destination of India.

What are the Key Facts About Lakshadweep?

- **About:**
  - India's **smallest Union Territory, Lakshadweep** is an archipelago consisting of 36 islands with an area of 32 sq km.
  - It is a uni-district Union Territory and comprises 12 atolls, three reefs, five submerged banks, and ten inhabited islands.
  - All Islands are 220 to 440 km away from the coastal city of Kochi in Kerala, in the emerald Arabian Sea.
  - It is directly under the control of the Centre through an administrator.
- **There are three main groups of islands:**
  - Amindivi Islands (Northernmost Islands)
  - Laccadive Islands
  - Minicoy Island (southernmost island)
    - All are tiny islands of Coral **origin (Atoll) and are surrounded by fringing reefs.**
    - **The Capital is** Kavaratti and it is also the principal town of the Union Territory.
- **Organic Agricultural Area:** The entire Lakshadweep group of islands has been declared as an organic agricultural area under the Participatory Guarantee System (PGS) of India.
- **Blue Flag Certification: The** Blue Flag Certification has been accorded to two new beaches of Lakshadweep- **Minicoy Thundi Beach and Kadmat Beach**.

Note:



Data Exclusivity in Trade Talks with EFTA

Why in News?

India has recently taken a firm stance against the **inclusion of 'data exclusivity**' clauses in its ongoing discussions with the European Free Trade Association (EFTA) for a free trade agreement.

What is Data Exclusivity under the Trade Agreement?

- **About**: Data exclusivity pertains to a clause in this draft agreement that puts a minimum **6-year embargo** (a legal prohibition on commerce) **on clinical trial data** generated during the testing and development of a drug.
  - Thus, manufacturers seeking to produce generic versions of drugs would either need to generate such data on their own, which is an expensive proposition, or wait out for the above specified period before selling their versions in India.
- **Impact on India's Generic Drug Industry:** India's generic drug industry has been pivotal in providing affordable alternatives to expensive medications globally.
  - However, the imposition of data exclusivity could severely hamper this industry's growth and **accessibility of affordable medicines.**
- **Historical Context and Rejection:** Demand for data exclusivity has consistently emerged since 2008 from both the European Union **(EU)** and the EFTA during trade negotiations with India.
  - Despite this, India has consistently refused these requests.

What is the European Free Trade Association?

- **About**: The EFTA is the intergovernmental organisation of **Iceland, Liechtenstein, Norway and Switzerland (all four are not a part of the EU).**
  - It was founded by the **Stockholm Convention in 1960.**
  - It aims to promote **free trade and economic integration** to the benefit of its four Member States and their trading partners around the globe.

- **India and EFTA:** The total value of commercial trade between the EFTA members and India exceeded **USD 6.1 billion in 2022.**
  - The biggest exports to India were pharmaceutical items (11.4%) and machinery (17.5%), while organic chemicals (27.5%) made up the majority of EFTA imports.

What is a Free Trade Agreement?

- **About**: A free trade agreement (FTA) is a pact between two or more nations to reduce barriers to imports and exports among them.

- Under this agreement, goods and services can be bought and sold across international borders with **little or no government tariffs, quotas, or prohibitions** to inhibit their exchange.
- It is the opposite of trade protectionism or economic isolationism.

➢ **FTA's of India:** So far, India has signed **13 Free Trade Agreements (FTAs)** with its trading partners including the Agreement on the South Asian Free Trade Area (SAFTA),

India-Singapore Comprehensive Economic Cooperation Agreement (CECA),
India-Japan CEPA, and India-Australia Economic Cooperation and Trade Agreement (ECTA).

India's Renewable Energy Vision: IREDA

Why in News?

Recently, the **Indian Renewable Energy Development Agency (IREDA)** addressed an international webinar organised by the **World Bank (WB)**, shedding light on **India's Renewable Energy** landscape and its ambitious targets to combat **Climate Change** while ensuring energy security.

What is IREDA?

➢ IREDA is a **mini ratna company** under the Ministry of New and Renewable Energy (MNRE).

➢ It was set up in 1987 as a specialised **non-banking finance agency** for the renewable energy sector.

➢ IREDA plays a key role in renewable energy project financing which gives confidence to the financial institutions/banks to lend in the sector.

Bilateral Investment Treaties

Why in News?

While presenting the interim **Union budget 2024-25**, the Indian Finance Minister stated that India will be negotiating **Bilateral Investment Treaties (BITs)** with its trade partners to boost the inflow of **Foreign Direct Investment (FDI)**.

➢ This announcement comes at a time when India's bilateral treaties have dried up, more so, since the adoption of the **Model BIT in 2016.**

What are the Bilateral Investment Treaties (BITs)?

➢ **About:**
- BITs are **reciprocal agreements between two countries** to promote and protect foreign private investments in **each other's territories.**
- In the mid-'90s, the Indian government initiated BITs to **offer favourable conditions and treaty-based protection** to foreign investors and investments.

➢ **Minimum Guarantees:**
- BITs establish minimum guarantees between the two countries regarding the **treatment of foreign investments**, such as,
  - **National treatment** (treating foreign investors at par with domestic companies)
  - **Fair and equitable treatment** (in accordance with international law)
  - Protection from expropriation (limiting each country's ability to take over foreign investments in its territory).

➢ **Arbitration under BITs:**
- BITs generally provide a mechanism for settling disputes between **investors and the country of investment.**
- The most preferred mode of settling such disputes is arbitration, where parties agree to have their dispute decided by a **neutral person (the arbitrator) instead of going to court.**

➢ **History:**
- The first BIT signed by India was with the UK in 1994.
- The BIT regime gained attention in the **year 2010 with the settlement of the first-ever investor** treaty claim filed against India.
- In 2011, India suffered its first adverse award in a dispute arising out of the **Australia-India BIT** (***White Industries v Republic of India)*** where the Indian government was ordered to pay USD 4.1 million by the **International Chamber of Commerce.**
- By 2015, India faced 17 known BIT claims, notably including one with **Cairn Energy Plc,** a British oil and gas company, resulting in a USD 1.2 billion award against the Indian government.
- Given the burden that was being levied on the public exchequer, the government was compelled to **revisit the 1993 BIT model.** This led to the

adoption of the 2016 model BIT resulting in the government terminating **68 of the 74 treaties it had executed until 2015** with a request to renegotiate terms based on the revised text.

- The adoption of the 2016 BIT model was seen more as a knee-jerk protectionist measure rather than a nuanced and calibrated approach to encouraging foreign investment.

RBI Imposes Restrictions on Paytm Payments Bank

Why in News?

Recently, the Reserve Bank of India (RBI) has imposed strict restrictions on **Paytm Payments Bank Ltd (PPBL).** This move comes after an audit report highlighted persistent non-compliances and supervisory concerns within the bank.

What are the Key Restrictions Imposed on PPBL?

- **Background:** Section 35A of the **Banking Regulation Act, 1949,** confers authority upon the RBI to issue directives to banks and undertake necessary actions to prevent the operations of any banking entity from being conducted in a manner detrimental to the interests of depositors or prejudicial to the bank's own interests.
  - In this case, sources indicate concerns over **dubious transactions** involving significant sums of money between Paytm and its associated banking entity prompted the RBI to take action against the business.
    - PPBL reportedly had **numerous non-compliant accounts lacking proper KYC verification,** with thousands of instances where a single PAN was used to open multiple accounts.
  - Additionally, transactions exceeding regulatory limits in minimum KYC prepaid instruments raised red flags about potential money laundering **activities.**
- **Key Restrictions:**
  - **Deposit Bar:** PPBL is barred from accepting further deposits, top-ups, or credit transactions into its accounts or wallets from **29th February, 2024.**
    - This also applies to its prepaid instruments for FASTags and National Common Mobility Cards (NCMC) cards.
  - **Service Limitations**: The ban extends to banking services such as Aadhaar Enabled Payment System, Immediate Payment Service, bill payments, and UPI transactions.
    - The bank must settle all pipeline and nodal account transactions by 29th March, with no further transactions permitted thereafter.
  - **Closure of Nodal Accounts:** PPBL is directed to terminate nodal accounts of its parent company and Paytm Payments Services before 29th February, 2024.

> **Note**: Nodal accounts serve as specialized bank accounts established by businesses, acting as financial intermediaries.
> - These accounts are designed to hold funds collected from participating banks on behalf of consumers, with the primary purpose of later transferring these funds to specific merchants.

What are Payment Banks?

- **About:**
  - Payment banks are a specialized type of bank introduced by the **RBI** in 2014. They are designed to promote financial inclusion by offering basic banking services to the unbanked and underbanked population.
  - They were introduced on the recommendations of the Nachiket Mor committee set up by the RBI to examine financial services for small businesses and low-income households.
  - **Example**: Airtel Payments Bank, India Post Payments Bank, etc.
- **Licensing Requirements:** They are licenced under **Section 22 (1) of the** Banking Regulation Act, 1949
  - They fall under the differentiated bank license category of RBI as they are restricted from offering the full range of services provided by commercial banks.
    - RBI grants two types of banking licenses: **universal bank licenses and differentiated bank licenses**.
- **Features**:
  - **Reserve Requirements**: They are required to maintain the Cash Reserve Ratio (CRR) **and** Statutory Liquidity Ratio (SLR).

- Minimum **75%** of its demand deposit balances in **Statutory Liquidity Ratio** eligible G-securities/ T-bills with maturity up to one year.
- Maximum **25%** in current and time/ fixed deposits with other scheduled commercial banks apart from maintaining CRR requirements

- **Minimum Paid-up Capital:** The **minimum paid-up equity capital** has been fixed at **Rs 100 crore.**
  - The promoter's minimum initial contribution to the paid-up equity capital shall be at least **40% for the first 5 years.**
- **Prohibited Services:** They are prohibited from conducting lending operations or issuing credit cards.
  - Therefore, they are also exempt from priority sector lending **regulations** that typically apply to traditional banks.
- **Rural Outreach Requirements**: At least 25% of a Payments Bank's physical access points have to be in rural centers.

- **Major Activities Performed by Payment Banks:**
  - Accepting deposits from individuals and small businesses, up to a certain limit (currently set at Rs 2 lakh per account).
  - Providing remittance services, and facilitating domestic money transfers.
  - Issuing ATM/debit cards, prepaid payment instruments, and other electronic payment methods.
  - Offering internet banking services, including online fund transfers and bill payments.

System	Access Deposit	Advance Loan	Make Payment
Commercial banks like SBI, PNB	YES	YES	YES
Payments network operators(Master card, VISA)	NO	NO	YES
Payments bank	YES	NO	YES

World Bank's Global Economic Prospects Report

Why in News?

Recently, the World Bank (WB) has released its **Global Economic Prospects Report**, which shows that the global economy may witness a poor performance by the end of 2024, the slowest half-decade of GDP (Gross Domestic Product) growth in 30 years.

What are the Key Highlights of the Report?

- Slowest Half-Decade of GDP Growth in 30 Years
- Improved Outlook Compared to Previous Year
- Deteriorating Medium-Term Outlook for Developing Economies
- Challenges in Global Trade and Borrowing Costs
- Global growth is projected to slow for the **third consecutive year,** dropping from 2.6% in 2023 to 2.4% in 2024.

What is World Bank?

- **About:**
  - It was **created in 1944, as the International Bank for Reconstruction** and Development (IBRD) along with the IMF. The IBRD later became the World Bank.
  - The World Bank Group is a unique global partnership of five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
  - The World Bank is one **of the** United Nations' **specialized agencies.**
- **Members:**
  - It has 189 member countries.
  - India is also a member country.
- **Major Reports:**
  - **Human Capital Index.**
  - **World Development Report.**
- **Its Five Development Institutions:**
  - International Bank for Reconstruction and Development (IBRD)
  - International Development Association (IDA)
  - International Finance Corporation (IFC).
  - Multilateral Guarantee Agency (MIGA)
  - International Centre for the Settlement of Investment Disputes (ICSID)
    - India is not a member of ICSID.

World Employment and Social Outlook: Trends 2024

Why in News?

Recently, the International Labour Organisation's (ILO) has released the ***World Employment and Social Outlook: Trends 2024*** report, which highlighted that

Note:

Global **Unemployment** rate is set to increase in 2024 and growing inequalities and stagnant productivity are causes for concern.

What are the Key Highlights of the Report?

- Resilience Amid Deteriorating Economic Conditions
- **Global Unemployment Trends:** The global unemployment rate stood at 5.1% in 2023, a modest improvement from 2022.
- **Uneven Recovery:** The recovery from the pandemic is uneven, **with new vulnerabilities and multiple crises** eroding prospects for greater social justice.
- **Income Inequality Widening:** Income inequality has widened, and **Disposable Incomes have declined in the majority of G20 countries**.
- **Working Poverty Persists:** Working poverty is **likely to persist as a challenge.**
- **Informal Work Rates Remain High:** Rates of **Informal Work** are expected to remain static, accounting for around 58% of the global workforce in 2024.

What is the International Labour Organisation?

- **About:**
  - It was created in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice.
    - It became a specialized agency of the **United Nations** **in 1946.**
  - It is a tripartite organization, the only one of its kind bringing together representatives of governments, employers and workers in its executive bodies.
- **Members:**
  - India is a founding member of the ILO with a total 187 member States.
  - In 2020 **India assumed the Chairmanship** of the Governing Body of ILO.
- **Headquarter:**
  - Geneva in Switzerland.
- **Awards:**
  - In 1969, ILO received the **Nobel Peace Prize** for improving fraternity and peace among nations, pursuing decent work and justice for workers, and providing technical assistance to other developing nations.

Navigating GST Challenges

Why in News?

The recent **Goods and Services Tax (GST)** revenue data paints a concerning picture: **consumption growth is not uniform across Indian states**, revealing a potential dissonance in **national economic recovery.**

What are the Major Takeaways From the Recent GST Related Data?

- State GST collections grew at a **higher rate (15.2%) compared to Central GST,** suggesting differential consumption patterns across states.
- **Sharp Disparities Among States:** Some states like **Madhya Pradesh, Maharashtra, and Karnataka** showed robust growth in state **GST revenues (17% to 18.8%),** while others like Gujarat, West Bengal, and Andhra Pradesh lagged behind with single-digit growth or even contraction.
- **Lowest Private Consumption Expansion: National Statistical Office (NSO)** estimates project private final consumption expenditure (PFCE) growth for the year at **only 4.4%,** the slowest since 2002-03 (excluding pandemic times).
  - The **PFCE** is defined as the expenditure incurred by the **resident households and non-profit institutions serving households (NPISH)** on final consumption of goods and services, whether made within or outside the economic territory.

What is Goods and Services Tax?

- **About**: GST is a value-added tax system that is levied on the supply of goods and services in India.
  - It is a comprehensive indirect tax that was introduced in India on **1st July 2017,** through the **101st Constitution Amendment Act, 2016**, with the slogan of '**One `Nation One Tax'.**
- **Tax Slabs:** The primary GST slabs for regular taxpayers are currently 0% (nil-rated), **5%, 12%, 18%, and 28%.**
  - There are a few GST rates that are less commonly used, such as **3% and 0.25%.**
- **Benefits of GST:**
  - Simplified Tax Regime
  - Increased Transparency
  - Reduced Tax Burden
  - Boosted Economic Growth

Note:

- **GST Council:** The GST Council is a **constitutional body responsible for making recommendations** on issues related to the implementation of the GST in India.
  - As per **Article 279A (1)** of the amended Constitution, the **GST Council was constituted by the President.**

World Economic Situation and Prospects Report for 2024

Why in News?

A recent United Nations report titled World Economic Situation and Prospects report **for 2024** forecasts a **decline in global** inflation **in 2024,** but warns of a **simultaneous rise in** food inflation, particularly in developing nations.

- The implications of this phenomenon, coupled with **climate-related challenges** and geopolitical tensions, pose threats to food security, poverty alleviation, and economic growth.

What are the Key Highlights of the World Economic Situation and Prospects Report for 2024?

- **Global GDP Growth:**
  - The report forecasts a **deceleration in global** gross domestic product (GDP) **growth,** from an estimated **2.7% in 2023 to 2.4% in 2024**.
  - It is anticipated that **many low-income and vulnerable nations** will experience **only moderate growth** in the upcoming years.
    - The reasons are persistently **high-interest rates**, **escalating geopolitical conflicts, slow international trade** and an increase in **climate-related calamities.**
- **India's Perspective:**
  - South Asia grew by an estimated 5.3% in 2023 and is projected to increase by 5.2% in 2024, driven by a robust expansion in **India, which remains the fastest-growing large economy in the world.**
  - India is projected to grow by **6.2% in 2024,** supported by domestic demand and **growth in manufacturing and services.**
- **Inflation:**
  - Global inflation, a key concern over the past two years, shows **signs of easing.**
    - Global **headline inflation** fell from 8.1% in 2022 to an estimated 5.7% in 2023 and is projected to decline to 3.9% in 2024.
      - Headline inflation measures the **total inflation within an economy,** which includes commodities like food and energy prices.
    - The decline in inflation was attributed to ongoing **moderation in international commodity prices** and a decrease in demand due to monetary tightening by the UN.
- **International Finance and Debt**:
  - Rising **external debt and increased interest rates** hinder developing countries' access to international capital markets.
  - Decline in **official development assistance** and **foreign direct investment** compounds financial constraints for low-income nations.
  - Debt sustainability becomes a critical concern, necessitating debt restructuring and relief efforts to manage escalating financial burdens effectively.
- **Multilateralism and Sustainable Development:**
  - The report underscores the critical role of multilateralism in navigating the complex global economic landscape and achieving the UN-mandated Sustainable Development Goals (SDG).

Concerns over Insolvency and Bankruptcy Code, 2016

Why in News?

The Insolvency and Bankruptcy Code (IBC) came into effect in 2016 to achieve several objectives, including maximizing the value of debtor's assets, promoting entrepreneurship, ensuring timely resolution of cases, and balancing the interests of stakeholders.

- However, recent developments have raised concerns about the **effectiveness of the code and the resolution process.**

What are the Key Highlights of the Insolvency and Bankruptcy Code, 2016?

- **About:**
  - The Insolvency and Bankruptcy Code (IBC), 2016 provides a framework for resolving the bankruptcy and insolvency of companies, individuals, and partnerships in a time bound manner.

- Insolvency is a state where the **liabilities of an individual or an organization exceeds its asset** and that entity is **unable to raise enough cash to meet its obligations** or debts as they become due for payment.
- Bankruptcy is when a person or company is **legally declared incapable of paying** their due and payable bills.

- The **Insolvency and Bankruptcy Code (Amendment) Act, 2021** amends the Insolvency and Bankruptcy Code, 2016.
  - This amendment aims to provide an efficient alternative insolvency resolution framework for corporate persons classified as **micro, small and medium enterprises (MSMEs)** under the code.
  - It aims for **ensuring quicker, cost-effective and value maximizing outcomes** for all the stakeholders.

- **IBC Proceedings:**
  - Insolvency and Bankruptcy Board of India (IBBI):
    - **IBBI** serves as the regulatory authority overseeing insolvency proceedings in India.
      - The IBBI's **Chairperson and three whole-time members** are appointed by the government and are experts in the fields of finance, law, and insolvency.
        - It also has ex-officio members.
  - **Adjudication of Proceedings:**
    - **National Companies Law Tribunal (NCLT)** adjudicates proceedings for companies.
    - **Debt Recovery Tribunal (DRT)** handles proceedings for individuals.
      - Courts play a pivotal role in approving the initiation of the resolution process, appointing professionals, and endorsing the final decisions of creditors.
  - **Procedure for Insolvency Resolution under the Code:**
    - Initiated by **either the debtor or creditor upon default.**
    - Insolvency professionals manage the process, providing financial information to creditors and overseeing debtor asset management.
    - A **180-day period prohibits legal action** against the debtor during the resolution process.
  - **Committee of Creditors (CoC):**
    - Formed by insolvency professionals, the CoC comprises financial creditors.
      - The CoC determines the **fate of outstanding debts,** deciding on debt revival, repayment schedule changes, or asset liquidation.
    - Failure to decide within 180 days leads to the debtor's assets going into liquidation.
  - **Liquidation Process:**
    - Proceeds from the sale of the debtor's assets are distributed in the following order of order:
      - First insolvency resolution costs, including the remuneration to the insolvency professional, second secured creditors, whose loans are backed by collateral and third dues to workers, other employees, forth unsecured creditors.

Debt Sustainability and Exchange Rate Management

Why in News?

The **International Monetary Fund (IMF)** recently released its annual Article IV consultation report on India, addressing **critical issues concerning the nation's debt sustainability and exchange rate management.**

What are IMF's Projections Related to India's Economic Outlook?

- **Debt Sustainability:** The IMF flagged concerns about **India's long-term debt sustainability**.
  - It projected that India's general government debt, encompassing both the Centre and States, could potentially **escalate to 100% of GDP by fiscal year 2028**, particularly under adverse circumstances.
- **Debt Management Challenges:** The report highlighted the **necessity for more prudent debt management practices**, emphasizing the crucial need for **financing to achieve climate change mitigation goals** and enhance resilience against natural disasters.
  - The **Indian Finance Ministry contested the IMF's debt projections**, dismissing them as a worst-case scenario rather than an imminent reality.
- **Exchange Rate Dynamics:** The IMF reclassified India's de facto exchange rate regime to **"stabilized arrangement" from "floating"** for December 2022 to October 2023

Note:

- This reclassification reflects observations about **controlled fluctuations in the rupee's value** due to interventions by the RBI.

- **Stagnant Credit Ratings:** Despite being lauded as the fastest-growing major economy, **India's sovereign investment ratings** have remained stagnant for a considerable period.
  - Agencies like Fitch Ratings and S&P Global Ratings have maintained **India's credit rating at 'BBB- with stable outlook' since 2006**, citing concerns about weak fiscal performance, burdensome debt, and low per capita income.

What is the Global Debt Landscape ?

- **Rising Global Debt:** Globally, public debt has surged dramatically, surpassing **USD 92 trillion in 2022**, a more than fourfold increase since 2000, outpacing the growth of global GDP.
  - According to the UN, in 2022, 3.3 billion people live in countries that spend more on interest payments than on education or health.
  - Developing countries accounted for almost 30% of the total, of which roughly 70% is attributable to **China, India and Brazil,** largely driven by diverse factors like the **pandemic, cost-of-living crisis, and climate change.**
  - **Debt Asymmetry Between Developed and Developing Nations:** Developing countries, including those in **Africa,** contend with substantially higher borrowing costs compared to developed nations.
    - This disparity in borrowing rates compromises debt sustainability for developing nations, leading to **increased interest spending relative to public revenues.**

What is India's Current Debt Scenario?

- **Government Current Debt Levels:** The central government's debt stood at **₹155.6 trillion, approximately 57.1% of GDP by March 2023**. Meanwhile, State governments carried a debt of about **28% of GDP.**
  - As stated by the Finance Ministry, India's public debt-to-GDP ratio is **81% in 2022-23.** This, is way higher than the levels specified by the FRBM target.
    - The 2018 amendment to the FRBM Act specified debt-GDP targets for the Centre, States and their combined accounts at **40%, 20% and 60%, respectively.**

- **Interlinked Factors Related to India's Rising Debt Levels:**
  - **High Fiscal Deficit:** The government consistently spends more than it earns, leading to the deficit being financed through borrowing. This deficit can arise due to:
    - **High Expenditure Commitments:** Social welfare programs, subsidies, and defense spending significantly contribute to government outlays.
    - **Slow Revenue Growth:** Tax reforms haven't sufficiently boosted revenue collection, creating a **revenue-expenditure gap.**
  - **Global Geopolitical Events:** Events like the Russia-Ukraine war and rising commodity prices can lead to economic disruptions and higher import costs, forcing the government to borrow to maintain stability.
  - **Informal Economy and Tax Leakage:** India's large informal economy poses challenges for efficient tax collection.
    - **Tax evasion and lack of formalization in sectors like agriculture** and small businesses limit revenue generation, potentially forcing the government to rely on debt financing.
  - **Guarantees and Contingencies:** Government guarantees for loans taken by **public sector entities or contingent liabilities,** like potential losses from public-private partnerships, substantially add to the debt indirectly.
  - **Exchange Rate Fluctuations**: Fluctuations in exchange rates **impact the cost of servicing foreign currency-denominated debt**, potentially increasing the overall debt burden.

- **Legislation for Debt Management in India:**
  - Fiscal Responsibility and Budget Management Act, 2003 **(FRBM Act): FRBM Act** is an Indian law enacted to bring financial discipline to the government's fiscal operations and to reduce the **country's fiscal deficit.**
    - **FRBMA** aimed for specific debt-GDP targets for the Centre and States.
      - However, disruptions induced by the **pandemic** contributed significantly to elevated debt-GDP ratios, surpassing the specified thresholds.
    - Also, despite several years since its enactment, the Government of India has struggled to meet the FRBM Act targets.

Note:

What Differentiates Floating Exchange Rate Dynamics from Stabilized Arrangement?

- **Floating Exchange Rate:**
  - **Market-Driven:** Currency value is **determined solely by supply and demand in the foreign exchange market,** with minimal government intervention.
  - **High Volatility**: The exchange rate can fluctuate significantly in response to economic news, events, or market sentiment.
  - **Promotes Flexibility:** Businesses and individuals can **adjust to changing economic conditions** through market-determined exchange rates.
- **Stabilized Arrangement:**
  - **More Managed than Purely Floating**: The government or central bank may intervene in the foreign exchange market **occasionally to smooth out excessive volatility** or maintain a target range for the currency.
  - **Moderate Volatility:** Aiming for greater stability than a pure float, but still accepting some degree of fluctuation.
  - **Offers Predictability:** Businesses and individuals can plan with a more stable exchange rate environment.
- IMF's Classification of Stabilised Arrangement:
  - **The IMF classifies an ex**change rate regime as a stabilized arrangement when it determines that the **exchange rate has not moved beyond a 2% band in 6 months** and that this stability has **resulted from market interventions rather than market conditions.**

Supreme Court Verdict on Adani-Hindenburg Case

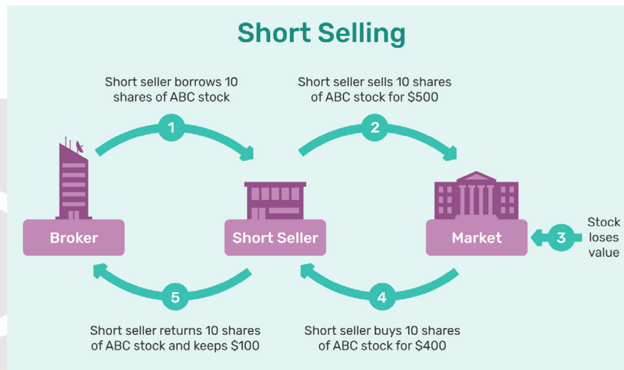
Why in News?

The **Supreme Court of India** recently concluded its judgment on a series of petitions pertaining to allegations made by the US-based firm, **Hindenburg Research**, against the **Adani group.**

- The apex court **refused to transfer the investigation** from the **Securities and Exchange Board of India (SEBI)** to other bodies, affirming its confidence in SEBI's handling of the case.
- Also, SC instructed SEBI to utilize its investigative authority to **determine if the Hindenburg report's short-selling actions violated laws,** resulting in investor harm.

What is Short Selling?

- **About:**
  - **Short selling** is the practice wherein **an investor borrows a stock or security, sells it in the open market, foreseeing a potential future price decline**, aiming to repurchase the same asset at a lower price point later on.
    - SEBI defines short selling as **selling a stock that the seller does not own at the time of trade.**



- **Regulation of Short-selling in India:**
  - SEBI has recently stated that **investors across all categories will be allowed for short-selling**, but **naked short-selling will not be permitted.**
    - Consequently, all investors are required to **fulfill their duty of delivering securities** during the settlement period
    - **Naked short selling** occurs when an investor sells stocks or securities without first arranging to borrow them or ensuring they can be borrowed.
  - Institutional investors must disclose upfront whether a **transaction is a short sale,** while **retail investors can make a similar disclosure by the trading day's end.**
  - Also, short selling is permitted for securities traded in the **F&O (Futures & Options) segment,** subject to SEBI's periodic review of eligible stocks.
    - **Futures and Options (F&O)** are derivative instruments. Futures involve an **obligation to buy/sell assets at an agreed price** on a set date, carrying unlimited risk.

- **Options grant the right (but not obligation)** to buy/sell assets by a certain date, **with a premium paid upfront** limiting potential losses.

Futures	Options
A buyer has to purchase the stocks at the time of delivery irrespective of its price (even if it's going low)	A buyer can forgo the decision of buying stocks if there is a drop or may not buy at all
Requires higher margin payment than options	Has lower margin payment as compared to futures
There is unlimited profit and risks are also high	There is limited loss potential and unlimited profit due to its flexibility to purchase stocks or not at the said date
Requires no upfront cost apart from commissions	There is a premium required to pay
The underlying position in futures is much more than options	Underlying position is lower than futures

Interest Rate Adjustments in Small Savings Schemes

Why in News?

Recently, the Union government decided to raise the returns on the Sukanya Samriddhi Account Scheme (SSAS) from 8% to 8.2%, and on **the 3-year Post Office Time Deposit Scheme (POTDS)** from 7% to 7.1%, for the first quarter of 2024, while keeping the interest rates unchanged for all other small savings schemes

What is Sukanya Samriddhi Account Scheme?

- **About:**
  - The **Sukanya Samriddhi Account Scheme (SSAS)** is a small deposit scheme by the **Ministry of Finance** exclusively for a girl child and is launched as a part of the Beti Bachao Beti Padhao Campaign.
    - The scheme is meant to meet the **education and marriage expenses** of a girl child.
- **Eligibility:**
  - Any girl child who is a resident Indian from the time of opening the account till the time of maturity/ closure.
  - The account may be opened by **one of the guardians in the name of a girl** child, who has **not attained the age of ten years** as of the date of opening of the account.
  - A family can open a maximum of two accounts under this scheme for girl children. However, exceptions allow opening more than two accounts for twins or triplets born in the first or second order, supported by an affidavit and birth certificates.
- **Benefits:**
  - The Minimum Investment is Rs 250 per annum; the Maximum Investment is Rs 1,50,000 per annum. The **Maturity Period is 21 years.**
    - At present, SSAS has several tax benefits and the **highest rate of interest among all the Small Savings Schemes**.

What is the Post Office Time Deposit Scheme?

- **About:**
  - The POTDS also known as **National Savings Time Deposit scheme** is a government-backed savings option that allows individuals to deposit an amount for a fixed tenure and earn a predetermined interest rate on their investment. This scheme is offered by India Post Payments Bank (IPPB).
- **Features of the POTDS:**
  - It offers four types of accounts with varying maturity periods: **1 year, 2 years, 3 years, and 5 years.**
  - It allows deposits from Rs. 1,000 to any amount, in multiples of Rs. 100.
  - It allows joint accounts, minor accounts, and nomination facility.
  - It **provides income tax benefits for the 5-year account** under Section 80C of the Income Tax Act, of 1961.
    - Section 80C of the Income Tax Act, of 1961, allows for deductions from gross total income for certain investments and expenses made by individuals and Hindu Undivided Families (HUFs).
    - It **encourages savings and investments** in specific avenues, thereby reducing taxable income and providing tax benefits to taxpayers.

Extended PLI Scheme for Automobile and Auto Components

Why in News?

The **Ministry of Heavy Industries** has recently extended the tenure of the Production Linked Incentive (PLI) Scheme for **Automobile and Auto Components** by one year, with incentives now applicable for five consecutive financial years starting from 2023-24.

Note:

- This decision has been made after receiving the approval of the **Empowered Group of Secretaries (EGoS).**
- Companies failing to meet the first year's sales increase threshold **will not receive incentives for that year.**
  - However, they remain eligible for future benefits by achieving a 10% year-on-year growth over the first year's threshold.

What is a Production Linked Incentive Scheme?

- **About:** PLI scheme is a government initiative in India that **offers financial incentives to companies** based on their **incremental sales of products** manufactured in India.
  - The scheme aims to drive domestic manufacturing, **spur job creation, bolster exports, facilitate technology transfer**, and diminish import reliance.
- **Key Features:**
  - **Sector-specific:** The scheme is currently active in **14 key sectors:** mobile manufacturing, manufacturing of medical devices, automobiles and auto components, pharmaceuticals, drugs, specialty steel, telecom & networking products, electronic products, white goods (ACs and LEDs), food products, textile products, solar PV modules, advanced chemistry cell (ACC) battery, and drones and drone components.
  - **Incentive Rate:** The incentive rate varies depending on the sector and product category, but can range from **4% to 6% of incremental sales.**

What is the Status of the Automobile Sector in India?

- India is the **world's third-largest** automobile market. The Automobile Sector resulted in **5.41% of the total FDI inflow** as per the September 2023 DPIIT Report.
- The Electric Vehicle market is expected to grow at a **CAGR of 49%** between 2022-2030 and the EV industry would create 5 Mn direct and indirect jobs by 2030.
- **Related Government Initiatives:**
  - FAME Scheme
  - Automotive Mission Plan 2016-26 (AMP 2026)

RBI Guidelines on Inoperative Accounts and Unclaimed Deposits

Why in News?

The Reserve Bank of India (RBI) has recently revised guidelines regarding inoperative accounts and unclaimed deposits, aiming to streamline the classification and activation processes.

- The revised instructions apply to all Commercial Banks and all Cooperative Banks and will come into effect from 1st April 2024.

What are Inoperative Accounts and Unclaimed Deposits?

- **Inoperative Account:**
  - An account with no **'customer-induced transactions'** for **over two years** is deemed inoperative.
    - A customer-induced transaction can be a **financial transaction** initiated by or done at the behest of the account holder by the bank or third party, a **non-financial transaction**, or a KYC (know your customer) **updation** done in face-to-face physical mode or through digital channels such as internet banking or mobile banking application of the bank.
  - Around **Rs 1-1.30 lakh crore** is estimated to be lying in inoperative bank accounts.
- **Unclaimed Deposits:**
  - Balances in savings/current accounts **inactive for 10 years or term deposits** unclaimed after 10 years from maturity are considered unclaimed deposits.
  - As of March 2023, around **Rs 42,270 crore remains unclaimed in banks.**

What are the Revised RBI Guidelines?

- **Classification Criteria for Inoperative Accounts:**
  - Only customer-induced transactions, not bank-induced ones, are considered for classification.
    - Mandates like standing instructions or auto-renewal with no other operations are also treated as customer-induced transactions.
    - Bank-induced transactions encompass charges, fees, interest payments, penalties, and taxes.

Note:

- The classification of an account as inoperative will be for a particular account of the customer and not with reference to the customer.
- **Exemptions from Inoperative Classification:**
  - Accounts **opened for beneficiaries of government schemes and students** (with zero balance) should be segregated in the core banking solution.
    - This ensures that the 'inoperative' label is not applied due to non-operation for more than two years.
- **Depositor Education and Awareness Fund:**
  - The credit balance in any deposit account maintained with banks, **not operated for ten years or more,** is required to be transferred by banks to the **DEA (Depositor Education and Awareness) Fund** maintained by the RBI.

India's Steel Sector

Why in News?

Over the years, **the Steel Sector has witnessed tremendous growth** and India has emerged as **a global force in steel production and the 2nd largest producer of steel** in the world after China.

What is the State of Steel Sector in India?

- **Present Scenario:**
  - India's steel output has been 125.32 million tonnes (MT) of crude steel and 121.29 MT of finished steel production in FY23.
- **Significance:**
  - Steel is **one of the widely used materials all over the world.** The iron and steel industry is the bottom line producer industry.
    - The steel industry plays a pivotal role in crucial sectors such as construction, infrastructure, automobile, engineering, and defense.
  - Steel is a key sector for the Indian economy (responsible for 2% of the country's GDP in FY 21-22).
- **Producing States:**
  - India's major steel-producing states include **Odisha,** which leads among all steel producing states, **followed by Jharkhand and Chhattisgarh**. Karnataka, Maharashtra, Gujarat, and West Bengal also play crucial roles.

What are the Government Initiatives for the Growth of Steel Sector?

- **Inclusion of Specialty Steel in PLI Scheme**
- **Green Steel Making:**
  - The Ministry of New and Renewable Energy (MNRE) has announced a **National Green Mission for green hydrogen production and usage.** The steel sector has also been made a stakeholder in the mission.
- **Ministry's Engagement with PM Gati Shakti National Master Plan:**
  - The **Ministry of Steel has integrated BISAG-N's capabilities into the PM Gati Shakti National Master Plan,** uploading geolocations of more than 2000 steel units to gain insights into steel production facilities.
- **Steel Scrap Recycling Policy:**
  - The **Steel Scrap Recycling Policy (SSRP)** has been notified in 2019 which provides a framework to facilitate and promote establishment of metal scrapping centres in the country for scientific processing and recycling of ferrous scrap generated from various sources **including end of life vehicles (ELVs).**
- **National Steel Policy 2017:**
  - The Government has formulated the National Steel Policy 2017, which lays down the broad roadmap for encouraging **long term growth for the Indian steel industry,** both on demand and supply sides, by 2030-31.
- **Steel and Steel products (Quality Control) Order:**
  - The Ministry of Steel has introduced Steel Quality Control Order, thereby **banning sub-standard/ defective steel products both from domestic & imports** to ensure the availability of quality steel to the industry, users and public at large.

Inflation in India: Demand vs. Supply

Why in News?

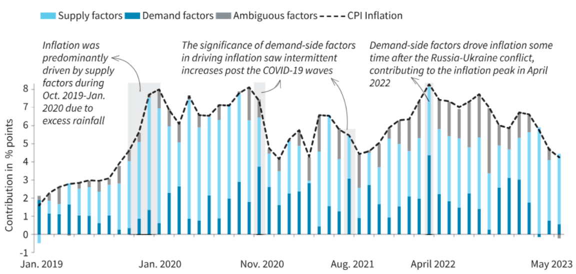
Recently, Inflation in India is a perennial concern, but recent observations by the Reserve **Bank of India (RBI)** suggest changing dynamics influenced by both supply and demand factors.

Note:

- Over the entire period from **January 2019 to May 2023,** approximately **55%** of the Consumer Price Index (CPI) headline inflation is attributed to supply-side factors and the contribution of demand drivers to inflation stood at 31%.

What has Caused Inflation in India in Recent Years?

- During the two waves of Covid-19, supply disruptions were the main cause of inflation.
  - The start of the pandemic, lockdowns caused a major decline in production and demand, leading to a **steep drop** in economic growth.
  - This phase also saw a decrease **in commodity prices** due to **weakened demand.**
  - As the economy began to reopen with distribution of vaccines and release of pent-up demand, demand recovered more rapidly than supply. This imbalance resulted in rising pressures on commodity prices.
- The onset of the Russia-Ukraine conflict in **2022** further **intensified supply chain challenges** and added to **commodity price pressures.**



What is the Methodology for Assessing Inflation Causes?

- Unforeseen shifts in **prices** and **quantities** within a month determine whether inflation is **demand-driven** (prices and quantities move in the same direction) or **supply-driven** (prices and quantities move in opposite directions).
- Demand and supply factors at the sub-group level were combined using the CPI weights to assess overall headline inflation.
- **Headline inflation** is a measure of the **total inflation** within an economy, including commodities such as **food and energy prices,** which tend to be much more **volatile** and prone to **inflationary spikes**.
  - The headline inflation figure is reported through the Consumer Price Index (CPI), which calculates the **cost to purchase** a fixed **basket of goods** to determine how much inflation is occurring in the broad economy.

What is Inflation?

- **About:**
  - **Inflation,** as defined by the International Monetary Fund, is the rate of increase in prices over a given period, encompassing a broad measure of overall price increases or for specific **goods and services.**
  - It reflects the **rising cost of living** and indicates how much more expensive a set of goods and/ or services has become over a specified period, usually a year.
    - In India, inflation's impact is particularly significant due to **economic disparities** and a large population.
- **Different Causes of Inflation:**
  - **Demand-Pull Inflation:**
    - Demand Pull inflation occurs when the **demand for goods and services** exceeds their **supply**. When the overall demand in the economy is high, consumers are willing to pay more for the available goods and services, leading to a **general rise in prices.**
      - A **booming economy** with high consumer spending can create excess demand, putting upward pressure on prices.
  - **Cost-Push Inflation:**
    - Cost-push inflation is driven by an increase in the **production costs for goods and services.** This can be caused by factors such as **increased incomes, increased costs of raw materials,** or **disruptions in the supply chain.**
  - **Built-In or Wage-Price Inflation:**
    - This type of inflation is often described as a **feedback loop** between **wages and prices.** When workers demand **higher wages, businesses** may raise prices to cover the **increased labor costs.** This, in turn, prompts workers to seek higher wages, and the cycle continues.
      - Collective bargaining by labor unions can result in **higher wages,** leading to **increased production costs** and subsequently **higher prices for goods and services.**

Banks' Gross NPAs Drop to 3.2%

Why in News?

The **gross non-performing asset (GNPA)** ratio for **Scheduled commercial banks (SCBs)** witnessed a significant decline, falling from **3.9%** at the end of March 2023 to **3.2%** by the end of **September, 2023,** as per the recent report of **Reserve Bank of India (RBI)**.

- **Contributing factors:** Write-offs, Upgrades, and Recoveries.

What is a Non-Performing Asset?

- **About:**
  - As per **RBI**, an asset becomes non-performing when it ceases to generate income for the bank.
  - NPA is usually a loan or advance for which the **principal or interest** payment remained overdue for a certain period of time.
    - In most cases, **debt is classified as non-performing**, when the loan payments have not been made for a **minimum period of 90 days**.
    - For agriculture, if principle and interest is not paid for **2 cropping seasons**, the loan is classified as NPA.
- **Types:**
  - Banks are required to classify NPAs further into the following three categories based on the period for which the asset has remained non-performing and the realizability of the dues:
    - **Sub-standard Assets:** A substandard asset is an asset classified as an NPA for a period less than or equal to 12 months.
    - **Doubtful Assets:** A doubtful asset is an asset that has been non performing for a period exceeding 12 months.
    - **Loss Assets:** Assets that are uncollectible and where there is little, or no hope of recovery and that needs to be fully written off.
- **Gross NPA(GNPA) and Net NPA:**
  - **GNPA:** This is the total amount of NPAs **without deducting the provisional amount**.
  - **Net NPA:** This is the gross NPA **minus the provision**.
    - Provision refers to **funds left aside by banks** to cover potential losses arising from bad loans or NPAs.
- **Provisions to Deal with NPAs in India:**
  - **The Recovery of Debts due to Banks and Financial Institutions Act (RDB Act), 1993**: It established **Debt Recovery Tribunals (DRTs) and Debts Recovery Appellate Tribunals (DRATs)** to quickly adjudicate and recover debts owed to banks and financial institutions.
  - **The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act), 2002:** Empowers banks and financial institutions to take possession and **sell secured assets of defaulting borrowers** without court intervention.
  - **The Insolvency and Bankruptcy Code (IBC), 2016**: Provides a **fast-track corporate insolvency resolution** process for stressed assets, including NPAs.
    - IBC has helped resolve **Rs 3.16 lakh crore of debt stuck** in 808 cases, since its inception.

- **Write-offs**: Write-offs refer to the **removal of a non-performing loan or asset from the bank's books** as an acknowledgment that the debt is unlikely to be recovered.
  - This action does not absolve the borrower from the obligation to repay but acknowledges the unlikelihood of recovery.
- **Upgrades:** It refers to the process of reclassifying a loan account from NPA back to a **"standard" asset category,** if certain conditions are satisfied including: arrears of interest and principal are paid by the borrower.

Note:

- **Recoveries:** Recoveries represent the **funds or assets regained by the bank after taking actions** to collect on defaulted loans or NPAs.
  - These can include repayments, collateral liquidation, or settlements after pursuing recovery mechanisms.

FPI Disclosure Norms

Why in News?

Recently, the Securities and Exchange Board of India (SEBI) has extended more months to provide additional disclosures by the Foreign portfolio investors (FPIs).

- In May 2023, SEBI estimated that **FPI** Assets Under Management (AUM) of around Rs 2.6 lakh crore **may potentially be identified as High-Risk FPIs** requiring additional disclosures based on data as of 31st March 2023.
- **High-risk FPI** that own more than 50% or more of their equity (AUM) in a single corporate entity.

What are SEBI's FPI Disclosure Norms?

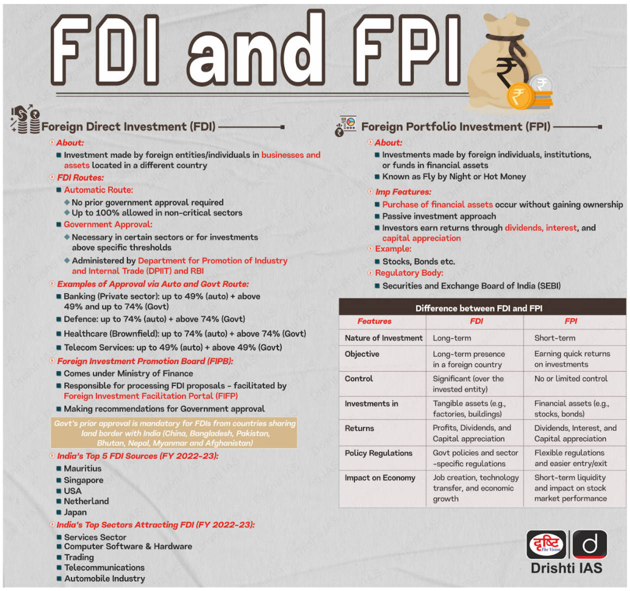
- **Requirement for Additional Disclosures:**
  - FPIs holding **more than 50%** of their Indian equity Assets Under Management (AUM) in a single Indian corporate group or holding over Rs 25,000 crore of equity AUM in the Indian markets are **required to provide additional details.**
- **Exempted Categories:**
  - Certain categories of FPIs are exempted from making additional disclosures.
    - These include Sovereign Wealth Funds (SWFs), listed companies on certain global exchanges, public retail funds, and other regulated pooled investment vehicles with diversified global holdings.

Why has SEBI Asked FPIs to Provide Additional Disclosures?

- **Risk of Market Disruption**
- **Potential Regulatory Circumvention:** The regulator is wary of the possibility that promoters of investee companies or other investors acting in concert might use the FPI route to circumvent regulatory requirements.
  - This includes **avoiding disclosures mandated by the Substantial Acquisition of Shares and Takeovers Regulations, 2011** (SAST Regulations) or failing to meet the Minimum Public Shareholding (MPS) requirements in the listed company.
- **Alignment with Regulatory Objectives:** SEBI aims to ensure the integrity, transparency, and stability of the Indian securities markets.
- **PN3 Exclusion:** While Press Note 3 (PN3) issued by the Union government in April 2020 does not specifically apply to FPI investments, SEBI is still concerned about the **potential misuse of the FPI route.**
  - SEBI believes that obtaining additional disclosures from FPIs is **necessary to address these concerns** and protect the interests of the Indian securities markets.

What is Press Note 3?

- During the Covid-19 pandemic, the Union government amended the Foreign Direct Investment (FDI) policy through a Press Note 3 (2020).
  - The amendments were said to have been made **to check opportunistic takeovers/acquisitions of stressed Indian companies at a cheaper valuation.**
- The new regulations required an entity of a **country, sharing a land border with India** or where the beneficial owner of an investment into India is situated or is a citizen of any such country, **to invest only under the Government route.**
  - There are **two routes of Investment for foreign investors**, the Government Route and the Automatic Route.
  - The **government route refers to obtaining official approval** from regulatory bodies for foreign investments, whereas the **Automatic Route allows investments without prior approval,** common in sectors where foreign participation is encouraged.
- Also, **in the event of the transfer of ownership of any existing or future FDI** in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of the said policy amendment, such subsequent change in beneficial ownership will also require government approval.
- Press Note 3 (2020) was **enforced through Foreign Exchange Management (Non-Debt Instruments) Amendment Rules 2020.**
  - Press Note 3 is still enforceable as of January 2024.



FDI and FPI

Foreign Direct Investment (FDI)

- *About:*
  - Investment made by foreign entities/individuals in businesses and assets located in a different country
- *FDI Routes:*
  - Automatic Route:
    - No prior government approval required
    - Up to 100% allowed in non-critical sectors
  - Government Approval:
    - Necessary in certain sectors or for investments above specific thresholds
    - Administered by Department for Promotion of Industry and Internal Trade (DPIIT) and RBI
- *Examples of Approval via Auto and Govt Route:*
  - Banking (Private sector): up to 49% (auto) + above 49% and up to 74% (Govt)
  - Defence: up to 74% (auto) + above 74% (Govt)
  - Healthcare (Brownfield): up to 74% (auto) + above 74% (Govt)
  - Telecom Services: up to 49% (auto) + above 49% (Govt)
- *Foreign Investment Promotion Board (FIPB):*
  - Comes under Ministry of Finance
  - Responsible for processing FDI proposals - facilitated by Foreign Investment Facilitation Portal (FIFP)
  - Making recommendations for Government approval

Govt's prior approval is mandatory for FDIs from countries sharing land border with India (China, Bangladesh, Pakistan, Bhutan, Nepal, Myanmar and Afghanistan)

- *India's Top 5 FDI Sources (FY 2022-23):*
  - Mauritius
  - Singapore
  - USA
  - Netherland
  - Japan
- *India's Top Sectors Attracting FDI (FY 2022-23):*
  - Services Sector
  - Computer Software & Hardware
  - Trading
  - Telecommunications
  - Automobile Industry

Foreign Portfolio Investment (FPI)

- *About:*
  - Investments made by foreign individuals, institutions, or funds in financial assets
  - Known as Fly by Night or Hot Money
- *Imp Features:*
  - Purchase of financial assets occur without gaining ownership
  - Passive investment approach
  - Investors earn returns through dividends, interest, and capital appreciation
- Example:
  - Stocks, Bonds etc.
- Regulatory Body:
  - Securities and Exchange Board of India (SEBI)

Difference between FDI and FPI

Features	FDI	FPI
Nature of Investment	Long-term	Short-term
Objective	Long-term presence in a foreign country	Earning quick returns on investments
Control	Significant (over the invested entity)	No or limited control
Investments in	Tangible assets (e.g., factories, buildings)	Financial assets (e.g., stocks, bonds)
Returns	Profits, Dividends, and Capital appreciation	Dividends, Interest, and Capital appreciation
Policy Regulations	Govt policies and sector -specific regulations	Flexible regulations and easier entry/exit
Impact on Economy	Job creation, technology transfer, and economic growth	Short-term liquidity and impact on stock market performance

Drishti IAS

India's Geographical Indication Landscape

Why in News?

India's **Geographical Indication (GI) tags** journey of over two decades faces challenges, with limited outcomes indicating the **need for reforms in the registration processes.**

What is the Geographical Indication (GI)?

- **About:**
  - A geographical indication (GI) is a designation applied to products originating from a specific geographical area, indicating that the qualities or reputation of the products are inherently linked to that particular origin.
  - Article 22 (1) of **Trade-Related Aspects of Intellectual Property Rights (TRIPS)** defines **GIs as "indications which identify a good as originating in the territory** of a member, or a region or locality in that territory, where a given **quality, reputation or other characteristic** of the good is essentially attributable to its geographic origin".
    - In many EU nations, GI is classified in two basic categories **Protected GI (PGI)** and **Protected Destination of Origin (PDO)**. **India only has the PGI category.**
  - This certification is also extended to **non-agricultural products**, such as **handicrafts** based on human skills, materials and resources available in certain areas that make the product unique.
  - GI is a powerful tool for **protecting traditional knowledge,** culture and can boost socio-economic development.
- **Legal Framework and Governance:**
  - GI is governed under the **Agreement on TRIPS** at the **World Trade Organisation (WTO).**
  - The **Geographical Indications of Goods (Registration and Protection) Act, 1999** seeks to provide for the registration and better protection of geographical indications relating to goods in India.
  - **Paris Convention** emphasises **protecting industrial property and geographical indications in Articles 1(2) and 10.**
- **Status of GI Tags Registration:**
  - Compared to other nations, **India lags in GI registration**. Till December 2023, **Intellectual Property India** received just 1,167 applications, of which **only 547 products have been registered,** as per the GI Registry.
  - **Germany leads in GI registrations,** with 15,566 registered products, **followed by China (7,247),** as per 2020 data with the **World Intellectual Property Organization.**
  - **Globally, wines and spirits comprise 51.8% of registered GIs**, followed by agricultural products and foodstuffs at 29.9%.
    - **In India, handicraft (about 45%) and agriculture (about 30%)** comprise the majority of the GI products.

Funding Winter Impact on Start-ups

Why in News?

Bengaluru, often hailed as the **Silicon Valley of India,** has faced a significant setback in its vibrant **start-up ecosystem due to a funding crunch** triggered by global events. The aftermath of the **funding winter** has left many regional start-ups grappling with challenges ranging from layoffs to cautious investor sentiment.

What is Funding Winter?

- **About:**
  - Funding winter is a term used to describe a **period of reduced capital inflows to startups.**
  - During a funding winter, investors and lenders become more cautious and **selective in providing financial support,** leading to a decrease in the overall funding available in the market.
  - Funding winters can significantly **impact businesses and entrepreneurs,** particularly those in the early stages of development or those seeking to expand their operations.
- **Reasons for Funding Winter in India:**
  - **Fluctuations in Indian Start-up Funding:**
    - In 2021, Indian start-up funding surged to a **record USD 42 billion, creating 42 new unicorns**. However, **2022 witnessed a 40% funding drop,** marking a shift from pandemic-driven optimism.
  - **Global Macroeconomic Factors:**
    - Global events, including the Russia-Ukraine and Israel-Palestine conflicts, played a crucial role in triggering the funding winter.
  - **Return on Investments (ROI) Focus:**
    - Investors began scrutinizing the **sustainability and profitability of start-ups, leading to a correction in the market.**
  - **Absence of Domestic Capital:**
    - Lack of **domestic capital in the Indian start-up ecosystem** worsens the funding crisis.
    - **Domestic Pension Funds** are not investing in technology, venture, and start-ups, which is a missed opportunity for the country.
  - **Macro and Microeconomic Challenges:**
    - Both macroeconomic conditions and the failure of some start-up founders to adhere to fundamental business principles compounded the crisis.
    - The crisis was not only a result of external factors but also **internal decisions and strategies** within the start-up ecosystem.

Startup Ecosystem in India

- India has emerged as the **3rd largest ecosystem for startups globally** with over 1 Lakh Department for Promotion of Industry and Internal Trade (DPIIT)-recognized startups across 763 districts of the country as of 3rd October 2023.
- **India ranks 2nd in innovation quality** with **top positions in the quality of scientific publications** and the **quality of its universities among middle-income economies.**
  - The innovation in India is not just limited to certain sectors it spans in 56 diverse industrial sectors with 13% from IT services, 9% healthcare and life sciences, 7% education, 5% agriculture and 5% food & beverages.

States' Startup Ranking 2022

Why in News?

The results of the **4th edition of Ranking of States** on Support to **Startup Ecosystems** were released by the **Ministry of Commerce and Industry.**

- This edition's ranking exercise saw the **highest-ever participation** with 33 States and UTs participating.
  - A **'National Report'** encompassing the full exercise, along with a **'Compendium of Best Practices'** and individual **'State Report'** for all participating states was also launched, celebrating the spirit of entrepreneurship in India with a total of **31 States/ UTs** having formulated State Startup Policies.

What is States' Startup Ranking?

- **About:**
  - The Start-up India initiative of the Government of India envisages to build a robust Start-up ecosystem in the country for nurturing innovation and providing opportunities to budding entrepreneurs.
  - The Department for Promotion of Industry and Internal Trade (DPIIT) under the **Ministry of Commerce and Industry** has been **conducting the States' Start-up Ranking Exercise since 2018.**
    - The exercise plays a crucial role in **easing** the **business environment** for start-ups in the country.
- **Classification:** States and Union Territories are classified into **5 Categories:**

Note:

- Best Performers
- Top Performers
- Leaders
- Aspiring Leaders
- Emerging Start-up Ecosystems.
    - **Note:** The **'Beginner list'** was part of earlier rankings but has been **discontinued since 2019.**

What are the Findings of States' Startup Ranking 2022?

States and UTs were divided into two categories:

- **Category A (Population> 1 crore) and Category B (Population< 1 crore)**

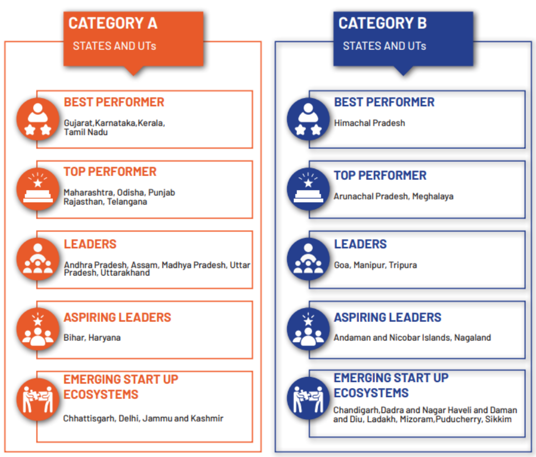


Figure 12 : Category Overview of Performance

- **Status of Indian Startup Ecosystem:**
    - The number of recognized Startups has grown at **120% (CAGR)** over the last **7 years** and stands at over **one lakh Startups** as of October 2023.
    - The coverage of Startups has **increased sixfold in the last seven years** with presence in close to 670+ districts across the country.
    - Close to 50% of the recognized Startups are based out of Tier 2 and Tier 3 cities.

What are the Initiatives Taken to Promote Startup?

- **Funds of Funds (FoF) Scheme:**
    - The FoF for Startups Scheme, established in June 2016 with a corpus of Rs. 10,000 Cr, aims to **boost the Indian Startup ecosystem** by spreading contributions over the **14th and 15th** Finance Commission cycles based on implementation progress, facilitating access to domestic capital.
- **Startup India Seed Fund Scheme (SISF):**
    - SISF, approved **for a four-year period from 2021-22** with a corpus of Rs. 945 Cr, **provides financial aid to Startups** for proof of concept, prototype development, product trials, market entry, and commercialisation.
- **Startup India Investor Connect:**
    - Startup India Investor Connect **facilitates AI-based matchmaking** to connect startups with investors, streamlining the process for entrepreneurs to pitch their ideas to multiple investors through a single application.
- **Startup India's Multilateral Engagements: Startup20:**
    - Startup20, established during G20 India Presidency 2023, is a dedicated global platform for startups, **mirroring B20 for large enterprises**. India's Startup20, now the **third-largest ecosystem globally**, boosts its standing as a startup hub.
    - As a **dialogue forum,** it engages with G20 leaders on macroeconomic issues, supported by G20 India Sherpa and the Startup20 secretariat.
- **Other Intervention Under the Startup India Initiative:**
    - **Startup India Innovation Week:**
        - DPIIT organises **Startup India Innovation week** around the National Startup Day, i.e., 16th January, with the primary **goal to bring together the country's key Startups, entrepreneurs, investors, incubators, funding entities, banks, policymakers,** and other national/international stakeholders to celebrate entrepreneurship and promote innovation.
    - **Handholding support under National Startup Awards (NSA):**
        - It is an initiative undertaken **by Startup India to recognize and reward Startups and ecosystem enablers** who are building innovative products and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact.
    - **MAARG Portal:**
        - **MAARG Portal by Startup India is a one-stop mentorship platform to facilitate mentorship for startups across diverse sectors,** functions, stages, geographies, and backgrounds.

What are the National Startup Awards 2023?

The National Startup Awards 2023 is one of the flag-ship initiatives undertaken **by Startup India to recognize and reward outstanding startups and enablers** that demonstrate exceptional capabilities.

- Consideration is also given to champion sectors identified by the Government with a focus on improving India's manufacturing capabilities towards the mission of an "Atma Nirbhar Bharat".
- **Key Facts:**
  - The **fourth edition** of the **National Startup Awards** has received over 2,000 applications, testifying to the **increasing acceptance** of the initiative among startup ecosystem stakeholders across the board.
  - NSA 2023 has actively engaged across **diverse sectors** of the economy and showcased a remarkable commitment to **inclusivity**.
  - A large number of **startup applications for NSA 2023 have women in the leadership positions** of their enterprises.
  - Additionally, many applications have also nominated themselves as sustainability **champions, focused on climate change, sustainability, waste management, renewables, or allied sectors.**

Market Monopoly and Laws in India

Why in News?

Recently, the Competition Commission of India (CCI) has dismissed a complaint against PVR, a leading multiplex chain, for allegedly abusing its Dominant Market Position, raising the Concern of **Market Monopoly.**

What were the Allegations and CCI's Verdict?

- It was alleged that PVR abused its dominance by giving special treatment to films of powerful and monetarily **affluent production houses,** thus creating entry barriers to films by independent filmmakers.

What is Market Monopoly?

- **About:**
  - Market monopoly **refers to a situation in which a single company or a group of companies dominates** and controls a significant share of a particular market or industry.
  - In a monopoly, there is **only one seller or producer that provides a specific product** or service, and there are no close substitutes available to consumers.
  - This gives the monopolistic entity substantial market power, allowing it to influence the market conditions, set prices, and control the supply of goods or services.
- **Features of Market Monopoly:**
  - **Single Seller or Producer**
  - **High Barriers to Entry**
  - **No Substitutes**
  - **Market Power and Pricing Control**
  - **Influence Over Supply**
  - **Lack of Competition**

Key Terms Related to Anti-Competitive Practices

- **Predatory Pricing:**
  - Predatory pricing occurs when **a company intentionally sets its prices below cost** in order to **drive competitors out** of the market. Once competitors are eliminated, the **company can raise prices** to recoup losses and enjoy a monopolistic position.
- **Cartels:**
  - Cartels **are associations of independent businesses or countries** formed to regulate production, pricing, and marketing of goods or services.
  - Cartels are **typically illegal and are known for fostering anti-competitive behaviour.**
- **Collusion:**
  - Collusion is an agreement **between two or more parties to limit competition** by misleading, deceiving, or defrauding others. It often involves **secret cooperation** to gain an unfair advantage.
- **Mergers:**
  - Mergers involve the **combination of two or more companies into a single entity.** While not all mergers are anti-competitive, some **may reduce competition in a particular market,** leading to regulatory scrutiny.
- **Price Discrimination:**
  - Price discrimination occurs when a seller charges different prices to different customers for the **same product or service.** While not always illegal, it can be considered **anti-competitive if it harms competition.**

Note:

- **Price Fixing Agreements:**
  - Price fixing involves an agreement between competitors to set **a specific price for their products or services.** This eliminates competition and artificially inflates prices, violating antitrust laws.

How does India Deal with the Practices of Market Monopoly?

- **Competition Act, 2002:**
  - The Competition Act, 2002, is the primary legislation in India addressing antitrust issues. It was enacted **to promote and sustain competition in markets**, prevent anti-competitive practices, and protect the interests of consumers.
    - The Act prohibits **anti-competitive agreements, abuse of dominant position** by enterprises, and regulates combinations that may have an appreciable adverse effect on competition within India.
  - **Competition Amendment Bill, 2022:**
    - The proposed amendment **aims to further strengthen the regulatory framework,** address emerging challenges, and enhance the effectiveness of competition law enforcement.
- **Competition Commission of India (CCI):**
  - CCI is the regulator of competition under the **Competition Act, 2002** in the Indian market, it is responsible for enforcing the **provisions of the Competition Act 2002.** It consists of a Chairperson and Members appointed by the Central Government.
  - The CCI investigates and **takes actions against anti-competitive practices**, abuse of dominant position, and anti-competitive agreements.
- **Competition Appellate Tribunal and NCLAT:**
  - The Competition Appellate Tribunal (COMPAT) was initially responsible for hearing appeals against CCI decisions.
  - However, in 2017, the government replaced COMPAT with the National Company Law Appellate Tribunal (NCLAT), which now handles appeals related to competition matters.

What are the International Initiatives to Curb Anti-Competitive Practices?

- **OECD Competition Committee:**
  - The OECD (Organisation for Economic Cooperation and Development) addresses anti-competitive practices through various initiatives, including the **OECD Competition Committee,** which facilitates discussions and cooperation among **member countries on competition-related issues.**
- **United Nations Conference on Trade and Development (UNCTAD):**
  - UNCTAD works to promote international trade and development. It provides guidance on competition policy and **law through its Intergovernmental Group of Experts on Competition Law and Policy,** supporting countries in implementing effective competition frameworks.
    - It also deals with the polices to **Protect consumers from abuse and Curb regulations that stifle competition**.
- **International Competition Network (ICN):**
  - The ICN is a network of competition authorities from around the world. It facilitates **communication and cooperation among member jurisdictions** to address global competition challenges. The ICN provides a platform for sharing best practices and **developing guidelines on various aspects of competition law.**
- **World Trade Organization (WTO):**
  - While primarily focused on trade issues, the WTO **addresses competition policy through its Working Group** on the Interaction between Trade and Competition Policy.
    - The aim is to **ensure that competition policies do not create unnecessary barriers to trade.**

Investment Under PLI Schemes

Why in News?

Recently, Production Linked Incentive (PLI) Schemes witnessed over **Rs. 1.03 lakh crore of investment** till November 2023.

- It has **led to production of Rs. 8.61 lakh crore and employment generation of over 6.78 lakhs.**

What are the Key Achievements of PLI Scheme?

- **PLI Schemes** have witnessed exports surpassing **Rs. 3.20 lakh crore**, with significant contributions from sectors such as **Large-Scale** Electronics Manufacturing, Pharmaceuticals, Food Processing, and Telecom & Networking products.

Note:

- 176 Micro, Small and Medium Enterprises (MSME) are among the PLI beneficiaries in sectors such as **Bulk Drugs, Medical Devices, Pharma, Telecom, White Goods, Food Processing, Textiles & Drones**.
- Incentive amount of around **Rs. 4,415 crore** disbursed under PLI Schemes for **8 Sectors** viz. **Large-Scale Electronics Manufacturing (LSEM), IT Hardware, Bulk Drugs, Medical Devices, Pharmaceuticals, Telecom & Networking Products, Food Processing and Drones & Drone Components**.

Infrastructure Push in Kerala

Why in News?

Recently, the Prime Minister **(PM)** inaugurated three projects in Kochi, Kerala which include the **New Dry Dock (NDD) at Cochin Shipyard Limited (CSL), the International Ship Repair Facility (ISRF) of CSL, and the LPG Import Terminal** of Indian Oil Corporation Limited (IOCL).

- These major infrastructure projects are in line with the Prime Minister's **vision to transform India's ports, shipping, and waterways sector,** and build capacity and self-sufficiency in it.

Major and Minor Ports:

- **Number of Major Ports:**
  - There are **12 major ports and 200 non-major ports** (minor ports) in the country.
  - **Major ports** include Deendayal (erstwhile Kandla), Mumbai, JNPT, Marmugao, New Mangalore, Cochin, Chennai, Kamarajar (earlier Ennore), V O Chidambaranar, Visakhapatnam, Paradip and Kolkata (including Haldia).
- **Major Ports vs Minor Ports:**
  - Ports in India are classified as Major and Minor Ports according to the jurisdiction of the Central and State government as defined under the Indian Ports Act, 1908.
  - All the **12 Major Ports are governed under the Major Port Trusts act, 1963 and are owned and managed by the Central Government.**
  - All the Minor Ports are governed under the Indian Port Act, 1908 and are owned and managed by the State Governments.
- **Recent Developments:**
  - Indian ports achieved double-digit annual growth in the last 10 years.
  - India has surpassed many developed nations when it comes to their turnaround time.
  - Timely changes to laws related to Indian seafarers have led to an increase in their numbers by 140%.

World Economic Forum

Why in News?

The World Economic Forum **(WEF)** is holding its Annual Meeting from 15th January to 19th January, 2024 in **Davos, Switzerland.**

What are the Major Points Related to the World Economic Forum (WEF)?

- **About:** WEF is the International Organization for Public-Private Cooperation. The Forum engages the foremost **political, business, cultural and other leaders of society** to shape global, regional and industry agendas.
  - It is headquartered in **Geneva, Switzerland.**
- **Foundation: Klaus Schwab**, a German professor with a background in mechanical engineering and a Master of Public Administration from **Harvard**, founded **WEF in 1971**, originally known as the **European Management Forum**.
  - He introduced the concept of **"stakeholder capitalism."**
  - According to Schwab, "It is a form of capitalism in which companies do not only optimize short-term profits for shareholders, but **seek long term value creation**, by taking into account the needs of all their stakeholders, and society at large."

Note: The European Management Forum was the first non-governmental institution to initiate a partnership with China's economic development commissions, spurring economic reform policies in China.

- **Funding:** Primarily supported by partnering corporations, typically with annual turnovers exceeding **USD 5 billion**.
- **Annual Meeting in Davos:** Davos brings together around **3,000 participants** (including paying members and select invitees): investors, business leaders, political leaders, economists, celebrities, and others to discuss global issues across 500 sessions

- **Key Diplomatic Moments at WEF:**
  - Korean Diplomacy: North and South Korea held first ministerial-level meetings in Davos.
  - German Reunification **(1989):** East German Prime Minister and German Chancellor met at WEF to discuss reunification.
  - **South African Milestone (1992):** South African President de Klerk, Nelson Mandela, and Zulu prince Mangosuthu Buthelezi made their inaugural joint appearance outside South Africa, marking a **significant milestone in the country's political transition.**
  - G20 **Genesis(1998):** WEF emphasized the need to involve major developing countries. Therefore, the **concept of G20 emerged**, initially limited to finance ministers.
    - G20, born from WEF discussions, evolved into a summit.
- **Major Reports**: WEF regularly publishes globally recognized reports, including the **Global Competitiveness Report and the Global Gender Gap Report, Energy Transition Index, Global Risk Report, Global Travel and Tourism Report**.

Shifts in Foreign Portfolio Investments In India

Why in News?

Foreign portfolio investments (FPIs) into India have witnessed a **significant reshuffling in the pecking order among regions**.

- This transformation is attributed to various factors, including **regulatory changes, geopolitical events, and strategic alliances.**

What are the Significant Changes in India's FPI Landscape?

- **Luxembourg's Ascendancy**:
  - Luxembourg has become the **third-largest region for FPIs in India,** surpassing Mauritius, with its **Assets Under Custody (AUC)** growing by 30% to ₹4.85 lakh crore.
    - Globally, its equity assets are now second only to the United States.
  - The surge is linked to **strengthened** India-Europe ties, resulting in three financial agreements.
    - Luxembourg hosts over **1,400 FPI accounts out of 3,000 in Europe (excluding the UK).**
    - Collaborations, notably with **GIFT City,** have further strengthened financial ties between India and Luxembourg.
- **France's Notable Gains:**
  - France has entered the top ten FPIs with a remarkable 74% growth in AUC, reaching ₹1.88 lakh crore.
  - This ascent is fueled by the **favourable tax provisions under the** Double Taxation Avoidance Agreement (DTAA) between India and France.
- **Other Players in the Reshuffled Landscape:**
  - **Ireland and Norway** have climbed one position each, now ranking **5th and 7th among FPI jurisdictions**.
    - Ireland's attractiveness stems from its tax efficiencies and global reach, offering regulated funds exemption from Irish tax on income and gains.
  - Also, despite a 19% year-on-year growth in AUC, **Canada dropped one place in the rankings.** The impact of the diplomatic tensions between India and Canada on investments remains uncertain.

> - **Assets Under Custody: AUC** refers to the total value of **financial assets that a custodian manages for their clients**. It can also refer to the closing market value of all equities held by FPIs.
> - **Pecking Order:** The pecking order in the context of FPIs refers to the **ranking or hierarchy of regions or countries** from which foreign investors channel their investments into a target country, in this case, **India**.

Countervailing Duties on Four Indian Products

Why in News?

The **United States and the European Union** have now imposed countervailing duties **(CVDs)** on four Indian products, as a retaliation against the Remission of Duties and Taxes on Export Products (RoDTEP) scheme introduced for outbound shipments in January 2021.

- Countervailing investigations concluded with CVD determinations for items like **paper file folders, common alloy aluminum sheet, and forged steel fluid end blocks by the U.S.,** while **specific graphite electrode systems were investigated by the European Commission**.

Note:

What is Countervailing Duty?

- **Countervailing Duty: CVD** are tariffs levied on imported goods to offset subsidies made to producers of these goods in the exporting country.
  - CVDs are **meant to level the playing field between domestic producers of a product and foreign producers of the same product** who can afford to sell it at a lower price because of the subsidy they receive from their government.
  - The World Trade Organization (WTO) permits the **imposition of countervailing duty by its member countries**.
- **WTO's SCM Agreement:** The WTO's Agreement on Subsidies and Countervailing Measures (SCM Agreement) addresses two main aspects: **multilateral regulations regarding subsidies** and the **use of countervailing measures** against injury from subsidized imports.
  - Multilateral disciplines set rules on subsidy provisions and are enforced through the WTO dispute settlement mechanism.
  - **Countervailing duties are imposed unilaterally by a member** after investigating and satisfying criteria under the SCM Agreement.
- **Defining Subsidies: "Subsidy" is defined in the SCM Agreement as a financial contribution by a government** conferring a benefit. Specificity determines whether a subsidy applies to a particular enterprise, industry, or region.
  - **Subsidies are categorized as prohibited (e.g., export subsidies, local content subsidies)** and **actionable (subject to challenge or countervailing measures)**.
  - Actionable subsidies can cause injury, prejudice, or nullification of benefits.
  - However, transition rules **provide exemptions or extended periods for developing countries and those transitioning to market economies** to phase out certain subsidies.

Who Imposes Countervailing Measures in India?

- **Directorate General of Trade Remedies (DGTR) under** Ministry of Commerce & Industry**,** is the single national authority for administering all trade remedial measures including **anti-dumping, countervailing duties and safeguard measures.**
  - The Directorate General of Anti-Dumping & Allied Duties (DGAD) which was formed in 1997 has been restructured as DGTR in May 2018 by restructuring and re-designing DGAD into DGTR by incorporating all the trade remedial functions i.e. **Anti-Dumping Duty (ADD), Countervailing Duty, Safeguards Duty (SGD), Safeguards Measures (QRs)** under a single window framework.
- It is a quasi-judicial body that **independently undertakes investigations before making its recommendations** to the Central Government.

What is the RoDTEP Scheme?

- The **RoDTEP (Remission of Duties or Taxes on Export Products)** Scheme aims to offset taxes and duties incurred on exported goods that are not refunded otherwise, ensuring competitiveness in global markets.
- This scheme provides rebates on hidden Central, State, and Local duties that were not refunded under other schemes**, encompassing both direct and prior-stage indirect taxes.**

FSB's Concerns About Crypto Asset Intermediaries

Why in News?

Recently, the **Financial Stability Board (FSB)'s** latest report on **crypto-asset intermediaries** sought measures to enhance **cross-border cooperation** and **information sharing** among local authorities. This is to effectively regulate and address gaps in **Multi-function Crypto-asset Intermediaries (MCIs)** operating globally.

What are Crypto Assets?

- Crypto assets are a digital representation of value that can transfer, store, or trade electronically. This also includes non-fungible tokens (NFTs)**.**
  - NFTs are blockchain-based tokens that each represent a unique asset like a piece of art, digital content, or media. An NFT can be thought of as an irrevocable digital certificate of ownership and authenticity for a given asset, whether digital or physical.
- Crypto assets are a subset of digital assets that use **cryptography** to protect digital data and distributed **ledger technology** to record transactions.

What are the Multi-function Crypto-asset Intermediaries (MCIs)?

- **MCIs** is an individual firm, or groups of affiliated firms that offer a range of **crypto-based services**, **products** and **functions** which primarily revolve around operating the trading platform.
  - **Examples** include Binance, Bitfinex and Coinbase.

What is Financial Stability Board (FSB)?

- The FSB is an **international body** that **monitors** and makes **recommendations** about the **global financial system.**
- **FSB** was established in **2009** under the aegis of G20.
- **India** is an active Member of the **FSB** having three seats in its **Plenary** represented by Secretary of Economic Affairs, Ministry of Finance, Deputy Governor of Reserve Bank of India (RBI), Chairperson of Securities and Exchange Board of India (SEBI).

Monetary Policy Committee Decisions: RBI

Why in News?

Recently, the Reserve Bank of India (RBI) in its bi-monthly Monetary Policy Committee (MPC) Meeting has retained benchmark interest rates unchanged for the **5th time in a row.**

- The key repo rate has been paused for **five consecutive reviews at 6.5%.**

What are the Key Highlights of the MPC Meeting?

- **Policy Rates:**
  - **Policy Repo Rate: 6.5%**
    - Repo rate is the rate at which the central bank of a country **(RBI)** lends money to commercial banks in the event of any shortfall of funds. Here, the central bank purchases the security.
  - **Standing Deposit Facility (SDF): 6.25 %**
    - The SDF is a liquidity window through which the RBI will give banks an option to park excess liquidity with it.
    - It is different from the reverse repo facility in that it does not require banks to provide collateral while parking funds.
  - **Marginal Standing Facility Rate: 6.75%**
    - MSF is a window for scheduled banks to borrow overnight from the RBI in an emergency situation when interbank liquidity dries up completely.
      - Under interbank lending, banks lend funds to one another for a specified term.
  - **Cash Reserve Ratio (CRR): 4.50%**
    - Under CRR, the commercial banks have to hold a certain minimum amount of deposit (NDTL) as reserves with the central bank.
  - **Statutory Liquidity Ratio (SLR): 18.00%**
    - SLR is the minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other securities.

What are Other Initiatives Taken by the RBI?

- **Hiked in UPI Limit for Health and Education:**
  - RBI has hiked the UPI limit for Health and Education transactions from **Rs 1 lakh to Rs 5 lakh** per transaction in order to yield substantial operational advantages for both healthcare institutions and patients, according to industry experts.
- **Recurring e-Payment Mandates:**
  - The RBI has expanded the limit on recurring e-payment mandates for credit card, insurance premia payments, and mutual fund investments to Rs 1 lakh from Rs 15,000 allows for more substantial periodic transactions.
- **Regulatory Framework for Web-Aggregation:**
  - RBI is planning to establish a regulatory framework for **web-aggregation of loan products** to improve customer-centricity and transparency in digital lending.
- **Partnerships with Fintechs:**
  - The RBI has sought to get a better grip on the growing incidence of banks and **non-banking finance companies (NBFCs)** partnering with Fintechs by proposing the creation of a **Fintech Repository by April 2024.**
  - FinTechs would be encouraged to provide relevant information voluntarily to this Repository.

Note:

Note:
- **Inflation:** It refers to the sustained increase in the general price level of goods and services in an economy over a period of time, leading to a decrease in the purchasing power of money.
  - **Headline Inflation:** It is the total inflation for the period, comprising a basket of commodities.
    - The food and fuel inflation form one of the components of headline inflation in India.
  - **Core Inflation:** It excludes volatile goods from the basket of commodities tracking Headline Inflation. These volatile commodities mainly comprise food and beverages (including vegetables) and fuel and light (crude oil).
    - Core inflation = Headline inflation – (Food and Fuel) inflation.
- **Inflation Targeting:** It is a monetary policy framework aimed at maintaining a specific target range for inflation.
  - The Urjit Patel Committee **recommended** CPI (Consumer Price Index) over WPI (Wholesale Price Index) as a measure for inflation targeting.
    - The current inflation target also aligns with the committee's recommendation to establish a target inflation rate of 4%, accompanied by an acceptable range of deviation of +/- 2%.
    - The central government, in consultation with the RBI, sets an inflation target, and an upper and lower tolerance level for retail inflation.
- **Liquidity** refers to the ease with which an asset or security can be quickly bought or sold in the market without significantly affecting its price.
  - It signifies the availability of cash or liquid assets to meet financial obligations or make investments. In simpler terms, liquidity is to get your money whenever you need it.

Critical Minerals

Why in News?

Recently, Government of India has made a significant move in the Mining Sector by launching the first-ever auction of critical minerals, offering 20 blocks for sale to Private Sectors.

What are the Key Features of the First Auction of Critical Minerals?

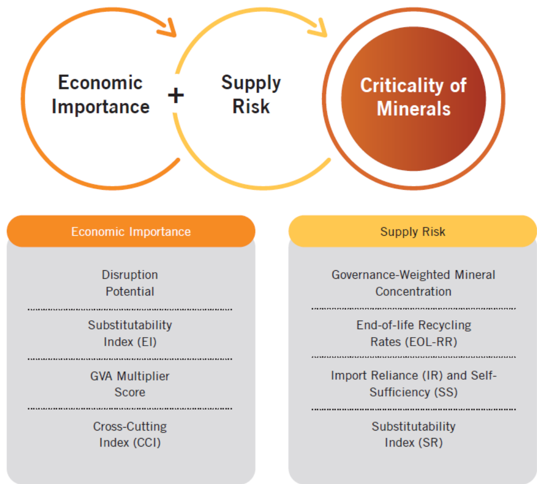
- This is the first time that rights related to the mining of lithium ore are being auctioned to private sectors. Other minerals in the blocks include nickel, copper, molybdenum, and rare earth elements (REEs).
- The mineral blocks are spread across **eight states, with Tamil Nadu having the most blocks (seven).** Rights for these blocks vary; four blocks are auctioned for Mining Licences (ML), enabling immediate mining operations, while the remaining 16 blocks are auctioned for Composite Licences (CL), allowing geological exploration before mining.

What is the Background of the First Auction of Critical Minerals?

- The ongoing auction follows the government's declaration of 30 minerals as "critical" and amendments to mining laws.
- In July 2023, the government identified 30 minerals as Critical Minerals by amending the Mines and Minerals (Development and Regulation) Act, 1957, through the MMDR Amendment Act, 2023, empowering the Central Government to auction blocks of these minerals.
  - The **30 critical minerals are** Antimony, Beryllium, Bismuth, Cobalt, Copper, Gallium, Germanium, Graphite, Hafnium, Indium, Lithium, Molybdenum, Niobium, Nickel, PGE, Phosphorous, Potash, REE, Rhenium, Silicon, Strontium, Tantalum, Tellurium, Tin, Titanium, Tungsten, Vanadium, Zirconium, Selenium and Cadmium.
- The bidding is based on the highest percentage of mineral dispatch value quoted by bidders. Post this auction, a second tranche of critical mineral block auctions is anticipated.
  - The Geological Survey of India (GSI) is actively exploring critical mineral reserves across the country.

What are Critical Minerals?

- **Critical Minerals:**
  - Critical minerals are those minerals that are **essential for economic development and national security**, the lack of availability of these minerals or concentration of extraction or processing in a few geographical locations may **lead to supply chain vulnerabilities and even disruption** of supplies.



- **Declaration of Critical Minerals:**
  - It is a dynamic process, and it can evolve **over time as new technologies**, market dynamics, and geopolitical considerations emerge.
  - Different countries may have their own unique lists of critical minerals based on their specific circumstances and priorities.
  - The US has declared **50 minerals critical in light of their role in national security or economic development**.
  - Japan has identified a set of 31 minerals as critical for their economy.
  - The UK considers 18 minerals critical, EU (34) and Canada (31).

Sl. No.	Critical Mineral	Percentage (2020)	Major Import Sources (2020)
1.	Lithium	100%	Chile, Russia, China, Ireland, Belgium
2.	Cobalt	100%	China, Belgium, Netherlands, US, Japan
3.	Nickel	100%	Sweden, China, Indonesia, Japan, Philippines
4.	Vanadium	100%	Kuwait, Germany, South Africa, Brazil, Thailand
5.	Niobium	100%	Brazil, Australia, Canada, South Africa, Indonesia
6.	Germanium	100%	China, South Africa, Australia, France, US
7.	Rhenium	100%	Russia, UK, Netherlands, South Africa, China
8.	Beryllium	100%	Russia, UK, Netherlands, South Africa, China
9.	Tantalum	100%	Australia, Indonesia, South Africa, Malaysia, US
10.	Strontium	100%	China, US, Russia, Estonia, Slovenia
11.	Zirconium(zircon)	80%	Australia, Indonesia, South Africa, Malaysia, US
12.	Graphite(natural)	60%	China, Madagascar, Mozambique, Vietnam, Tanzania
13.	Manganese	50%	South Africa, Gabon, Australia, Brazil, China
14.	Chromium	2.5%	South Africa, Mozambique, Oman, Switzerland, Turkey
15.	Silicon	<1%	China, Malaysia, Norway, Bhutan, Netherlands

Table.1 The net import reliance for critical minerals of India (2020) (Source: A report on 'Unlocking Australia-India Critical Minerals Partnership Potential' by Australian Trade and Investment Commission, July 2021)

Unemployment Rate in Urban Areas

Why in News?

The **Periodic Labour Force Survey (PLFS)**, conducted by the **National Sample Survey Office (NSSO)**, recently released data for **July-September 2023**, shedding light on India's **unemployment** rate in urban areas.

What are the Major Highlights of the Recent PLFS?

- **Urban Unemployment Rate:** The unemployment rate in urban areas showcased a decline from **7.2% (July–September 2022) to 6.6% (July–September 2023).**
  - **Male:** Decreased from 6.6% to 6% in the given time period.
  - **Female:** Witnessed a more positive trend, marking a decrease from **9.4% to 8.6%** in the given time period .
- **Worker-Population Ratio:** The **worker population ratio,** percentage of employed persons in the population, in urban areas increased from **44.5% in July-September, 2022 to 46% in July-September, 2023** for persons of age 15 years and above.
  - **Male**: Increased from 68.6% to 69.4% during the given time period.
  - **Female:** Increased from 19.7% to 21.9% during the given time period.
- **Labour Force Participation Rate:** The LFPR in urban areas increased from **47.9% in July-September, 2022 to 49.3% in July–September, 2023**
  - **Male**: Saw a marginal uptick from **73.4% to 73.8% during this period.**
  - **Female**: Exhibited a more **substantial increase from 21.7% to 24.0%.**

What is the Periodic Labour Force Survey?

- **About:**
  - Considering the importance of availability of labour force data at more frequent time intervals, **NSSO** launched **Periodic Labour Force Survey** in April 2017.
  - PLFS defines unemployment rate as the percentage of persons unemployed among the persons in the **labour force.**

Note:

- **Objective of PLFS:**
  - To estimate the **key employment and unemployment indicators** (viz. Worker Population Ratio, Labour Force Participation Rate, **Unemployment Rate**) in the short time interval of three months for the urban areas only in the **'Current Weekly Status' (CWS).**
  - To estimate employment and unemployment indicators in both **'Usual Status' and CWS** in **both rural and urban areas annually.**

What are the Related Key Terms?

- **Labour Force Participation Rate (LFPR):** It represents the **percentage of people aged 15 and above** who are either employed or unemployed but actively seeking work.
- **Worker Population Ratio (WPR)**: This measures the percentage of employed individuals within the total population.
- **Unemployment Rate (UR):** It indicates the percentage of unemployed persons among those in the labour force.
- **Regarding Activity Status:**
  - **Principal Activity Status (PS)**: The primary activity a person engaged in for a substantial period (during 365 days preceding the survey).
  - **Subsidiary Economic Activity Status (SS)**: Additional economic activities performed, apart from the usual primary activity, for at least 30 days in the 365-day period before the survey.
  - **Current Weekly Status (CWS):** This status reflects a person's activities during the immediate past 7 days before the survey date.

SEBI Board Approves Regulatory Framework

Why in News?

Securities & Exchange Board of India's (SEBI's) board approved a framework for Index Providers to **enhance transparency and accountability in governing and administering** financial benchmarks in the securities market.

What are the New Regulations Framed by SEBI?

- **Framework for Registration of Index Providers:**
  - SEBI announced the approval of regulations establishing a framework for the **registration of Index Providers.** This framework will be applicable specifically to **'Significant Indices,'** which SEBI will identify based on objective criteria.
    - The regulatory structure aligns with the International Organization of Securities Commissions (IOSCO) Principles **for Financial Benchmarks.**
- **Dematerialization Requirement for AIF Investments:**
  - SEBI introduced a requirement for Alternative Investment Funds (AIFs) to hold fresh investments made **after September 2024 in dematerialized form**.
    - However, existing investments are exempt, except in cases mandated by applicable law or when the AIF, **alone or with other SEBI-registered entities**, has control in the investee company.
  - The mandate for the appointment of custodians, previously applicable to specific AIF categories, **will now extend to all AIFs.**
- Amendments to SEBI (Real Estate Investment Trusts) Regulations:
  - The **SEBI board** approved amendments to the Real Estate Investment Trusts (REITs) Regulations, creating a regulatory framework for **Small & Medium REITs (SM REITs)** with an asset value of **at least ₹50 crore**.
  - SM REITs will be able to establish separate schemes for owning **real estate assets through special purpose vehicles (SPVs).**
- **Flexibility in Social Stock Exchange (SSE) Framework:**
  - SEBI provided flexibility in the framework for the Social Stock Exchange **(SSE)** to boost fundraising by Not-for-Profit Organizations (NPOs).
  - This includes a reduction in the minimum issue size and application size for public issuance of Zero Coupon Zero Principal Instruments (ZCZP) by NPOs on SSE, encouraging wider participation, including retail investors.
- **Nomenclature Change and Comfort Measures for NPOs:**
  - SEBI approved a change in the nomenclature from **"Social Auditor" to "Social Impact Assessor"** to convey a positive approach toward the social sector.
  - This measure is intended to **provide comfort to NPOs involved in the SSE** and reinforce SEBI's support for social impact initiatives.

Note:

Key Terminologies

- **Index Providers:** These are entities responsible for **creating, maintaining, and calculating the values of financial indices.** A financial index is a statistical measure of the performance of a specific segment of the financial markets.
- **Alternative Investment Fund (AIF):** AIF means any fund established in India which is a privately pooled investment vehicle **which collects funds from sophisticated investors, whether Indian or foreign,** for investing it in accordance with a defined investment policy for the benefit of its investors.
  - **Categories**
    - **Category I AIFs:** These generally **invest in start-ups or early stage ventures** which the government or regulators consider as socially or economically desirable.
      - e.g. venture capital funds, infrastructure funds.
    - **Category II AIFs:** These are AIFs which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the **SEBI (Alternative Investment Funds) Regulations, 2012.**
      - e.g. real estate funds, private equity funds.
    - **Categories III AIFs:** AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.
      - e.g. hedge funds, private investment in Public Equity Funds.
- **Real Estate Investment Trusts (REITs):** These are investment vehicles **that allow individuals to invest in large-scale, income-producing real estate** without having to directly manage or own the properties.
  - REITs **pool capital from multiple investors to invest in a diversified portfolio of real estate assets**, which may include residential or commercial properties, shopping centers, office buildings, hotels etc.
- **Social Stock Exchange (SSE):** The SSE would **function as a separate segment within the existing stock exchange** and help social enterprises raise funds from the public through its mechanism.
  - It would **serve as a medium for enterprises to seek finance for their social initiatives, acquire visibility and provide increased transparency** about fund mobilisation and utilisation.

What is SEBI?

- **About:**
  - SEBI is a **Statutory Body** (a Non-Constitutional body which is set up by a Parliament) established in 1992 in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992.**
  - The basic functions of SEBI is to **protect the interests of investors in securities** and to promote and regulate the securities market.
  - The headquarters of SEBI is situated in **Mumbai**. The regional offices of SEBI are located in **Ahmedabad, Kolkata, Chennai and Delhi.**
- **Background:**
  - Before SEBI came into existence, **Controller of Capital** Issues was the regulatory authority, it derived authority from the **Capital Issues (Control) Act, 1947.**
  - In 1988, the **SEBI was constituted as the regulator of capital markets** in India under a resolution of the Government of India.
  - Initially SEBI was a non statutory body without any statutory power but **became autonomous and given statutory powers by SEBI Act 1992.**
- **Structure:**
  - SEBI Board consists of a **Chairman and several other whole time and part time members.**
  - SEBI also appoints various committees, whenever required to look into the pressing issues of that time.
  - **Further, a Securities Appellate Tribunal (SAT)** has been constituted to protect the interest of entities that feel aggrieved by SEBI's decision.
    - **SAT** consists of a **Presiding Officer and two other Members**.
    - It has the same powers as vested in a **civil court.** Further, if any person feels aggrieved by SAT's decision or order can appeal to the **Supreme Court.**

What is IOSCO?

- **About:**
  - **Founded**: April 1983
  - **Headquarters**: Madrid, Spain
    - IOSCO Asia Pacific Hub is located in **Kuala Lumpur, Malaysia.**
  - It is the international organization that brings together the world's securities regulators, covering

Note:

more than 95% of the world's securities markets, and is the global standard setter for the securities sector.

- **Membership:**
  - IOSCO provides members the platform to **exchange information at the global level and regional level on areas of common interests.**
  - SEBI is an ordinary member of IOSCO.

Internationalisation of Indian Currency

Why in News?

Recently, India has made first-ever payment in rupees for crude oil purchased from the UAE, paving the way for the Internationalization of Indian Currency.

- In July 2023, an agreement with the UAE facilitated **Indian Oil Corporation's (IOC) rupee payment** for a million barrels of crude from ADNOC (Abu Dhabi National Oil Company). Similarly, some Russian oil imports were settled in rupees.

What is Internationalisation of Rupee?

- **About:**
  - Internationalization of rupees is a **process that involves increasing use of the local currency in cross-border transactions.**
  - It involves promoting the rupee for import and export trade and then other current account transactions followed by its use in capital account transactions.
- **Historical Context:**
  - In the 1950s, the Indian rupee was widely used as legal tender in the United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar.
  - However, the devaluation of India's currency by 1966 led to the introduction of sovereign currencies in these countries to reduce reliance on the Indian rupee.
- **Steps Towards Internationalisation:**
  - Developments in the GIFT City
  - **Asian Clearing Union (ACU):**
    - The ACU is a regional payment arrangement. It facilitates the settlement of trade transactions among its member countries on a multilateral basis. It was established in 1974 by ten central banks of Asia. The ACU currently has 13 member countries. India is a member of ACU.
  - In March 2023, the RBI put in place the mechanism for rupee trade settlement with as many as 18 countries.
    - Banks from these countries have been allowed to open Special Vostro Rupee Accounts (SVRAs) for settling payments in Indian Rupees.
  - In July 2022, the RBI issued a circular on "International Trade Settlement in Indian Rupees".
  - RBI enabled external commercial borrowings **in Rupees (especially Masala Bonds).**

T+0 and Instant Settlement Cycle

Why in News?

The Securities and Exchange Board of India (SEBI) has proposed a new system for settlement of funds and securities on **T+0 (same day)** and instant settlement cycle on an optional basis, supplementing the **existing T+1 (trade plus one day) settlement cycle** in the secondary markets for the equity cash segment.

- By embracing **popular instant payment methods such as** Unified Payment Interface, SEBI aims to adapt equity trading to modern investor preferences for enhanced flexibility.

What is the Settlement Cycle in the Securities Market?

- **T in Settlement Cycles:** The **"T" in settlement cycles** within financial markets refers to the day on which a transaction or trade takes place.
  - In this context, **"T" represents the transaction date.** The settlement cycle, denoted as **"T+n," specifies the number of days after the transaction date (T)** by which the settlement or completion of the trade occurs.
- **Evolution of Settlements Cycles :** SEBI has shortened the settlement cycle to **T+3 from T+5 in 2002** and subsequently to **T+2 in 2003.**
  - Presently, the **settlement of funds and securities occurs on the T+1 cycle in India**, which was phased in through **2021** and wholly implemented by **January 2023.**

Note:

- **SEBI's Proposed Phases for New Settlement Cycles:**
  - **Phase 1: T+0 Settlement Cycle**
    - An **optional T+0 settlement cycle** is envisioned for trades until 1:30 PM, aiming to settle funds and securities on the same trading day by 4:30 PM.
  - **Phase 2: Instant Settlement Cycle**
    - An optional **immediate trade-by-trade settlement,** including funds and securities, with trading until 3:30 PM.
  - SEBI has proposed the **initial rollout of the T+0 settlement for the top 500 listed equity shares** in three tranches (**200, 200,100**) based on market capitalization.
    - This initiative corresponds to the changing Indian securities market, marked by surging **volumes, values, and participants.**
- **Benefits:**
  - **Clients:** Enables **faster pay-outs of funds against securities** for sellers and vice versa, offering enhanced flexibility.
  - **Securities Market Ecosystem**: Accelerated pay-outs are expected to bolster the market ecosystem's efficiency and liquidity.

China Bans Export of Rare Earth Technologies

Why in News?

Recently, China has banned the export of technology to extract and separate the Rare Earth Metals, as it overhauled a list of technologies **deemed key to national security.**

- It also banned the export of **production technology for rare earth metals and alloy materials** as well as technology to prepare some rare earth magnets.
- The move comes as Europe and the US scramble to wean themselves off rare earths from **China, which accounts for 90% of global refined output.**

What are Rare Earth Metals?

- They are a set of seventeen metallic elements. These include the fifteen lanthanides on the periodic table in addition to scandium and yttrium that show similar physical and chemical properties to the lanthanides.
  - The 17 Rare Earths are cerium (Ce), dysprosium (Dy), erbium (Er), europium (Eu), gadolinium (Gd), holmium (Ho), lanthanum (La), lutetium (Lu), neodymium (Nd), praseodymium (Pr), promethium (Pm), samarium (Sm), scandium (Sc), terbium (Tb), thulium (Tm), ytterbium (Yb), and yttrium (Y).
- These minerals **have unique magnetic, luminescent, and electrochemical properties** and thus are used in many modern technologies, including consumer electronics, computers and networks, communications, health care, national defense, clean energy technologies etc.
- Even **futuristic technologies need these REEs.**
  - **For example,** high-temperature superconductivity, safe storage and transport of hydrogen for a post-hydrocarbon economy etc.
- They are called **'rare earth' because earlier it was difficult to extract** them from their oxides forms technologically.
- They occur in **many minerals but typically in low concentrations** to be refined in an economical manner.

Empowering States Fiscal Flexibility

Why In News?

Recently, The **Union Government** had allowed **22 States** to **raise additional borrowings** of almost **Rs. 61,000 crore** for **2023-24** on top of their **net borrowing ceilings** of **3% of Gross State Domestic Product (GSDP).**

- States may be able to tap about **Rs. 2.04 lakh crore** as **additional borrowings** over and above their **net borrowing limits** for the year.

What are the Borrowing Provisions for the States?

- States that fulfilled their **pension obligations** by contributing to the National Pension System (NPS), responsible for managing government employees' retirement savings since **2004**, were given an additional borrowing limit.
- States can have a **fiscal deficit of 3.5%** of their Gross State Domestic Product (GSDP).
  - States are eligible for **additional borrowing space** of **0.5%** of their **GSDP** as a reward for implementing **power sector reforms** that enhance operational and economic efficiency, following the Fifteenth Finance Commission's **recommendation.**

- Additionally, states will receive a **fifty-year interest-free loan**, and the entire loan must be used for **capital expenditure** in the **fiscal year 2023-24**.

What is the National Pension System?

- **About:**
  - The **Central Government** has introduced the **National Pension System (NPS)** with effect from **January 2004.**
  - In **2018** to streamline the **NPS** and make it more attractive, the **Union Cabinet** approved changes in the scheme to benefit central government employees covered under **NPS**.
  - NPS is being implemented and regulated by **Pension Fund Regulatory and Development Authority (PFRDA)** in the country.
  - **National Pension System Trust (NPST)** established by **PFRDA** is the registered owner of all assets under NPS.
- **Structure:**
  - **NPS is structured into two tiers:**
    - **Tier-I account:**
      - This is the non-withdrawable permanent retirement account into which the accumulations are deposited and invested as per the option of the subscriber.
    - **Tier-II account:**
      - This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber.
  - The withdrawals are permitted from this account as per the needs of the subscriber as and when claimed.
- **Beneficiaries:**
  - NPS was made available to all Citizens of India from May **2009**.
  - Any individual citizen of India (both resident and Non-resident) in the age group of **18-65 years** can join **NPS**.
  - However, **OCI (Overseas Citizens of India)** and **PIO (Person of Indian Origin)** card holders and **Hindu Undivided Family (HUFs)** are not eligible for opening of NPS accounts.

RBI Strengthens Norms for Lenders in AIFs

Why in News?

In a move aimed at curbing evergreening of stressed loans, the **Reserve Bank of India (RBI)** recently directed **Regulated entities (REs)** like **banks**, **non-banking financial companies (NBFCs) and other lenders** not to invest in any scheme of **alternative investment funds (AIFs)** which has downstream investments in a debtor company.

- **Regulated entities (REs)** make investments in units of AIFs as part of their regular investment operations. RBI, however, stated that certain transactions of REs involving AIFs**, raise regulatory concerns**.

> **Note**: **Downstream investments** refer to the **actual investments made by AIFs in companies** using raised funds from investors.

What is an Alternative Investment Fund?

- **About**: An AIF refers to a fund established or formed in India, serving as a **privately pooled investment mechanism**.
  - It gathers funds from sophisticated investors, **whether domestic or international,** with the aim of investing according to a specific investment policy, ultimately benefiting its investors.
  - These investment vehicles adhere to the **SEBI (Alternative Investment Funds) Regulations, 2012.**
    - As of **December, 2023**, 1,220 AIFs were registered with the **Securities and Exchange Board of India (SEBI).**
- **Types of AIFs in India:** SEBI has classified AIFs into three main categories:
  - **Category I:** AIFs that invest in **startups, early-stage ventures, social initiatives, SMEs, infrastructure,** or sectors deemed socially and economically beneficial by authorities.
    - This includes **venture capital**, **social venture funds**, **infrastructure funds,** and any other specified Alternative Investment Funds.
  - **Category II:** AIFs which **do not fall in Category I and III** and which do not undertake leverage or borrowing other than to **meet day-to-day operational requirements.**

- These include **real estate funds, private equity funds (PE funds), distressed asset funds,** and similar types.
  - **Category III:** AIFs which **employ diverse or complex trading strategies** and may employ leverage including through investment in listed or unlisted derivatives.
    - Various types of funds such as **hedge funds, PIPE (private investment in public equity) Funds, etc**. are registered as Category III AIFs.
- **Legal forms:** An AIF can be established in the form of a **trust or a company or a limited liability partnership** or a **body corporate**.
  - Most of the AIFs registered with SEBI are in **trust form.**

Unnati Becomes the First Entity to List on the Social Stock Exchange

Why in News?

Recently, **SGBS Unnati Foundation (SUF)** became the first entity to list on the **social stock exchanges (SSE).** The Unnati program of the foundation provides vocational training for the underprivileged and unemployed youth in the age group of 18 to 25 years.

- **SUF,** a **not-for-profit organization (NPO),** was incorporated in **2011.**
- A **Not-for-Profit organization** after registering with **Social Stock Exchange** may raise funds on SSE through issuance of **Zero Coupon Zero Principal Instruments.**

What is the Social Stock Exchange (SSEs)?

- The idea of the **Social stock exchanges** **(SSEs)** as a platform for listing social enterprise, voluntary and welfare organizations so that they can raise capital was mooted in the **Union Budget 2019-20**.
  - Social enterprise can be defined as a **non-loss; non-dividend paying company** created and designed to **address a social problem.**
- It works under the market regulator **Security and Exchange Board of India (SEBI)**.
  - The **aim** of the initiative is to help **social and voluntary organizations** which work for **social causes** to raise **capital** as **equity** **or** **debt** or a **unit of mutual fund**.
- It provides new and cheaper sources of financing for social welfare projects, while showcasing India's independence from foreign aid .
- **SEBI** had permitted social enterprises registered on **SSEs** to raise funds through **Zero Coupon Zero Principal Bonds (ZCZP).**

What is the Zero Coupon Zero Principal (ZCZP)?

- **About:**
  - The **ZCZP bonds** do not give any interest, and investors will not get any money back on the maturity of the bond.
  - The ZCZP bonds **issued by non-profit organisations** are listed on the SSE. They **are not available for trading in the secondary market**, but they can be transferred to legal heirs since they are issued in dematerialised form.
  - Similar ZCZP instruments issued by for-**profit organisations** can be listed on main board or SME platform of exchanges and **are available for trading in secondary market.**
- **Benefits:**
  - ZCZP is akin to a donation made to a charity. There is **greater transparency about the objective of the social enterprise.** The end use of the funds can also be monitored since the enterprises have to disclose details of money utilised and balance amount remaining to exchanges.
  - The listing provides visibility to the social enterprises and helps them **to approach the public at regular intervals if they can show good outcomes.**

Surat Diamond Bourse

Why in News?

Recently, the **Indian Prime Minister** inaugurated the **Surat Diamond Bourse (SDB)** in Gujarat, marking a significant development in the **diamond** and jewelry industry.

- The SDB stands as the **world's largest office complex.** It aims to relocate the diamond trading hub from Mumbai to Surat, **leveraging Surat's diamond cutting and polishing expertise**.

What is the Status of the Diamond Industry in India?

- **About Diamond**: A diamond is a rare, naturally occurring mineral made up of pure carbon. The word diamond comes from the Greek word Adamas, which means **indestructible.**
  - Diamond occurs in two types of deposits, **primarily in igneous rocks of basic or ultrabasic composition** and in alluvial deposits derived from the primary sources.
- **Major Diamond Producing Countries:** Russia, Botswana, Canada, South Africa, Democratic Republic of the Congo.
  - Russia is the world's largest producer of rough diamonds, mining nearly 42 million carats in 2022.

> **Note**: Recently, the G7 group of countries have announced direct import restrictions on Russian-origin diamonds from January 2024 and **diamonds processed by third countries like India from March 2024**, which has raised major concerns for the Indian gems and jewelry trade and diamond processing industry.
> - However, **Lab grown diamonds** are gaining traction for their eco-friendly nature.

- **Diamond Industry in India**: India is the world's largest cutting and polishing center for diamonds, accounting for over 90% of polished diamond manufacturing globally.
  - According to **Indian Minerals Yearbook 2019**, diamond fields of India are grouped into four regions:
    - **Central Indian tract of Madhya Pradesh**, comprising Panna belt.
    - **South Indian tract of Andhra Pradesh**, comprising parts of Anantapur, Kadapa, Guntur, Krishna, Mahabubnagar and Kurnool districts.
    - **Behradin-Kodavali area in Raipur district** and Tokapal, Dugapal, etc. areas in Bastar district of Chhattisgarh.
    - **Eastern Indian tract mostly of Odisha**, lying between Mahanadi and Godavari valleys.
  - In 2022, India ranks first among the top exporters in **cut & polished diamonds.**

Logistics Ease Across Different State 2023

Why in News?

Recently, the Ministry of Commerce & Industry has released the **5th edition** of **"Logistics Ease Across Different State (LEADS) 2023" report**, which **serves as a guide for stakeholders in the Logistics Sector** by providing strategic insights.

What is Logistics Ease Across Different States (LEADS)?

- **About:**
  - The LEADS is an **indigenous data-driven index** to assess logistics infrastructure, services, and human resources across all 36 States and UTs.
  - LEADS continues to act as a guiding & bridging mechanism for the identification of interventions enhancing logistics efficiency at State/UTs. It reflects positively on international indices, like the Logistics Performance Index.
    - LEADS was conceived on the lines of the **Logistics Performance Index of World Bank in 2018** and has evolved over time.
- **Evaluation Criteria:**
  - The report evaluates **logistics performance based on three key pillars,**
    - Logistics Infrastructure
    - Logistics Services
    - Operating and Regulatory Environment
- **Methodology:**
  - The report is based on a **pan-India primary survey conducted between May and July 2023,** incorporating over 7,300 responses across 36 states/UTs. Additionally, it includes insights from over 750 stakeholder consultations facilitated by various associations.

What are the Key Highlights of the LEADS 2023?

Groups / Categories	Achievers	Fast Movers	Aspirers
Coastal	Andhra Pradesh, Gujarat, Karnataka, Tamil Nadu	Kerala, Maharashtra	Goa, Odisha, West Bengal
Landlocked	Haryana, Punjab, Telangana, Uttar Pradesh	Madhya Pradesh, Rajasthan, Uttarakhand	Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand
North-East	Assam, Sikkim, Tripura	Arunachal Pradesh, Nagaland	Manipur, Meghalaya, Mizoram
Union Territories	Chandigarh, Delhi	Andaman & Nicobar, Lakshadweep, Puducherry	Daman & Diu/ Dadra & Nagar Haveli, Jammu & Kashmir, Ladakh

LEADS 2023: Performance Snapshot

* States/ Union Territories within the performance categories are listed in alphabetical order

What is the Logistics Performance Index?

- The **Logistics Performance Index (LPI),** developed by the World Bank Group, is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance.
- LPI is the **weighted average of the country's scores** on the **six key dimensions:**
  - Customs performance
  - Infrastructure quality
  - Ease of arranging shipments
  - Logistics services quality
  - Consignment tracking and tracing
  - Timeliness of shipments
- India ranked **38th out of 139 countries** in LPI 2023.

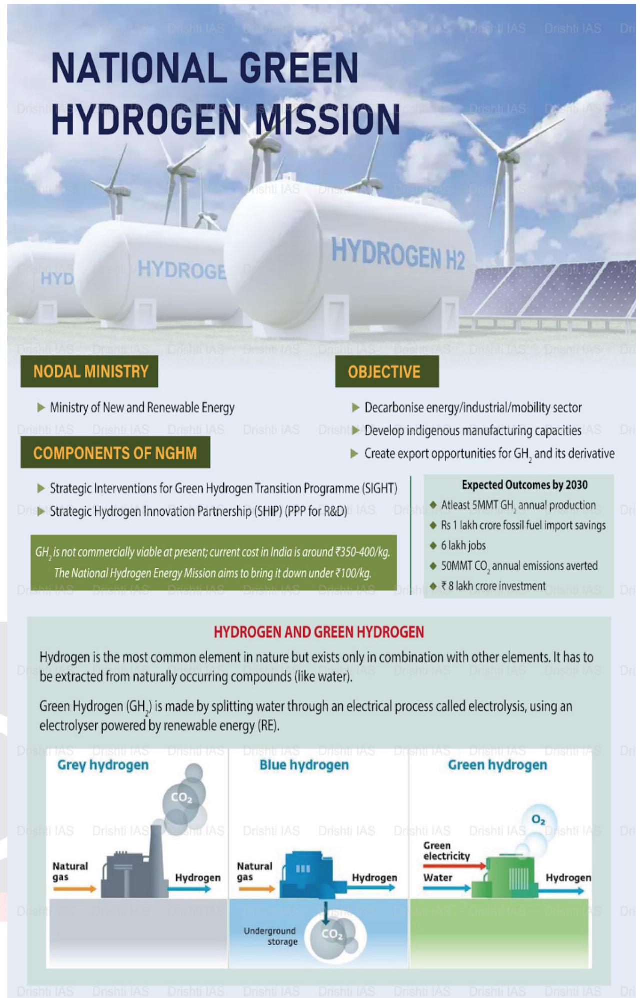
What are the Initiatives Related to Logistics?

- Multimodal Transportation of Goods Act, 1993.
- PM Gati Shakti Scheme
- Multi Modal Logistics Parks
- LEADS Report
- Dedicated Freight Corridor
- Sagarmala Projects
- Bharatmala Project

Green Hydrogen Projects and SEZs

Why in News?

The Indian government is considering amendments to current regulations that could pave the way for **significant fiscal benefits for renewable energy projects focused on producing** green hydrogen **within** Special Economic Zones (SEZs).



What is a Special Economic Zone?

- **About**: A **Special Economic Zone (SEZ)** is a geographical region that has economic laws that are **more liberal than a country's domestic economic laws.**
  - The category 'SEZ' covers a broad range of more specific zone types, including, but not limited to:
    - Free Trade Zones (FTZs)
    - Export Processing Zones (EPZs)
    - Free Zones (FZs)
    - Industrial Estates (IEs)
  - India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone model in promoting exports, with **Asia's first EPZ set up in Kandla, Gujarat in 1965.**

Note:

- **SEZs in India**: **Special Economic Zones Policy** in India was announced in April 2000 to enhance foreign investment, creation of employment opportunities and provide an internationally competitive and hassle-free environment for exports along with the **development of infrastructure facilities.**
  - All laws of India are applicable in SEZs **unless specifically exempted as per the SEZ Act/ Rules**.
    - Each Zone is headed by a Development Commissioner and is administered as per the **SEZ Act, 2005 and SEZ Rules, 2006**.
    - Units may be set up in the SEZ for manufacturing, trading or for service activity.

Shift From Physical to Digital Gold

Why in News?

In recent years, Gold Exchange-Traded Funds (ETFs), Gold Mutual Funds and Sovereign Gold Bonds have become very popular over Physical gold, which comes with its own challenges, especially regarding its storage and safety.

How is Gold Linked With Indian Households?

- **Weightage of Gold with Indian Households:**
  - As per **Jefferies report,** 15.5% of Total Indian Household Assets as of March 2023 are in Gold.
  - Gold's share is **second only to** Real Estate which accounts for 50.7%.
    - Bank deposits (14%), Insurance funds (5.9%), Provident & Pension funds (5.8%), Equities (4.7%) and Cash (3.4%) make up the rest.
  - With a Quantum Mutual Fund study concluding that a 10-15% portfolio allocation to gold is ideal from a risk-return perspective, it seems that Indians, with their affinity for gold, have got it right.
    - The 10-15% allocation allows **investors to lower risk without impacting overall portfolio returns.**

GOLD ACTS AS AN ASSET ALLOCATOR

Portfolio	100% Equity, 0% Gold	95% Equity, 5% Gold	90% Equity, 10% Gold	85% Equity, 15% Gold	80% Equity, 20% Gold	75% Equity, 25% Gold	70% Equity, 30% Gold
Returns (CAGR)	14.02%	14.04%	14.04%	14.01%	13.95%	13.87%	13.76%
Risk (Standard Deviation)	20.44%	19.40%	18.39%	17.42%	16.47%	15.57%	14.72%

Calculations based on domestic gold prices and Sensex data from Jan 1990 to Sep 2023
Source: Quantum Mutual Fund

moneycontrol

What are Digital Avenues for Gold Investment?

- **Gold ETF:**
  - **About:** Gold ETFs are units representing physical gold which may be in paper or dematerialised form.
    - One gold ETF unit is equal to 1 gram of gold and is backed by physical gold of very high purity.
    - They combine the flexibility of stock investment and the simplicity of gold investments.
- **Gold Mutual Funds:**
  - Gold mutual funds are **professionally managed funds** that function by pooling money from multiple investors to invest in a variety of gold-related assets, such as gold **mining stocks, bullion, and mining companies.**
  - Like Gold ETFs, they allow investors' exposure to the gold market without having to invest in physical gold.
- **Sovereign Gold Bonds:**
  - **About:** The first SGB scheme was launched by the Government in November 2015, under Gold Monetisation Scheme with an objective to reduce the demand for physical gold and shift a part of the domestic savings - used for the purchase of gold - into financial savings.

Note:

- **Key Details:**

Item	Details
Issuance	Issued by the Reserve Bank of India on behalf of the Government of India.
Eligibility	SGBs will be restricted for sale to resident individuals, HUFs (Hindu Undivided Family), Trusts, Universities and Charitable Institutions.
Tenor	The tenor of the SGB will be for a period of eight years with an option of premature redemption after 5th year.
Minimum size	Minimum permissible investment will be One gram of gold.
Maximum limit	The maximum limit of subscription shall be 4 Kg for individuals, 4 Kg for HUF and 20 Kg for trusts and similar entities per fiscal year (April-March) notified by the Government from time to time.
Joint holder	In case of joint holding, the investment limit of 4 Kg will be applied to the first applicant only.
Issue price	Price of SGB will be fixed in Indian Rupees on the basis of a simple average of the closing price of gold of 999 purity, published by the India Bullion and Jewellers Association Limited.
Interest rate	The investors will be compensated at a fixed rate of 2.50% per annum payable semi-annually on the nominal value (face value or stated value).
Collateral	The SGBs can be used as collateral for loans.
Tax treatment	The interest on SGBs shall be taxable as per the provision of the Income Tax Act, 1961. The capital gains tax arising on redemption of SGB to an individual is exempted.
Tradability	SGBs shall be eligible for trading.
SLR eligibility	SGBs obtained by banks through the pledge process will be considered as part of their **Statutory Liquidity Ratio** requirements.

Digital Gold:

- This is one of the types of Digital Gold investment where one can **buy gold in small denominations** online.
- It allows investors to own a portion of physical **gold that is stored in secure vaults.**
- This investment also allows an investor exposure to the gold market without having to **worry about the challenges that accompany physical gold investments.**
- Many digital payment platforms and investment **apps facilitate investments in Digital Gold.**

What is an Exchange Traded Fund (ETF)?

- An **Exchange-Traded Fund (ETF)** is a basket of securities that trade on an exchange, just like a stock.
- ETF reflects the composition of an Index, like BSE Sensex. Its trading value is based on the Net Asset Value (NAV) of the underlying stocks (such as shares) that it represents.
- ETF share prices fluctuate all day as it is bought and sold. This is different from **Mutual Funds** that only trade once a day after the market closes.
- An ETF can own hundreds or thousands of stocks across various industries, or it could be isolated to one particular industry or sector.

Note:

- **Bond ETFs are a type of ETFs** which may include government bonds, corporate bonds, and state and local bonds—called municipal bonds.
  - A bond is an instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).
- Besides being cost efficient, ETFs offer a diversified investment portfolio to investors.

CAFRAL Raises Concerns Over NBFC and Digital Lending Practices

Why in News?

The **Centre for Advanced Financial Research and Learning (CAFRAL),** a research body set up by the Reserve Bank of India (RBI), has highlighted a growing risk in **bank financing for** Non-Banking Finance Companies (NBFCs) and identifies potential dangers in the digital lending landscape.

- Also, CAFRAL also warned about **fake/illegitimate** lending apps gathering personal data, posing potential misuse and safety risks for users.

Note: Digital lending refers to the process of providing loans or credit to individuals or businesses through online platforms or digital channels without the need for traditional physical documentation or in-person interactions.

What are NBFCs?

- **About:**
  - An **NBFC, registered under the** Companies Act, 1956, engages in various financial activities such as loans, investments in securities, leasing, insurance.
  - It excludes institutions whose **primary business falls under agriculture, industry, goods trading, services, or immovable property trading**.
- **Criteria:**
  - When over **50% of a company's assets are financial assets** and **more than 50% of its income is derived from these financial assets,** it indicates the company's primary involvement in financial activities.
    - Companies meeting both criteria are registered as NBFCs by the RBI.
    - The **Reserve Bank has been given the powers under the RBI Act 1934** to register, lay down policy, issue directions, inspect, regulate, supervise and exercise surveillance over these NBFCs.

Note: Companies primarily engaged in areas like agriculture, industry, goods trading, services, or real estate would not be regulated by the RBI, even if they conduct some financial activities. This exclusion is determined using the '50-50 test'.

- **Difference in NBFC and Banks:**
  - **NBFCs are restricted from accepting** demand deposits from the public, unlike banks, which commonly accept these types of deposits that can be withdrawn on demand without prior notice.
  - Unlike banks, **NBFCs do not form part of the payment and settlement system.** They are unable to issue cheques drawn on themselves, a standard practice offered by banks.
  - Unlike banks, the **deposit insurance facility provided by institutions like the** Deposit Insurance and Credit Guarantee Corporation is **not available to depositors of NBFCs**.
    - In case of bank failures, this insurance offers protection to depositors, but it does not extend to NBFC depositors.
- **Funding:**
  - NBFCs primarily finance their operations through a **mix of market borrowing and bank loans**.

Direct Listing on Foreign Exchanges

Why in News?

The Indian government has permitted certain **Indian companies to directly list on** foreign stock exchanges to access global capital.

- This provision, effective since 30th October 2023, was introduced through the Companies (Amendment) Act, 2020.
- It allows certain classes of domestic public companies to list their securities on foreign stock exchanges, including the GIFT International Financial Services Centre

Note:

(IFSC) in Ahmedabad, Gujrat, with exemptions from certain procedural requirements (such as prospectus, share capital, beneficial ownership requirements, and failure to distribute dividends).

Note:
- An IFSC is a financial centre that caters to customers outside the jurisdiction of the domestic economy.
- The IFSC in India is regulated by the **International Financial Services Centres Authority (IFSCA),** a statutory authority that was established under the International Financial Services Centres Authority Act, 2019.
  - It is headquartered at GIFT City, Gandhinagar in Gujarat.
- At present, the GIFT IFSC is the maiden IFSC in India.
- In IFSC, all transactions must be in **foreign currency (except INR)**. However, administrative and statutory expenses can be conducted in INR.

What is Direct Listing?

- Direct listing is a process by which a company can **list its shares on a foreign stock exchange** without issuing new shares or raising capital from investors.
- Direct listing is different from the **traditional** initial public offering (IPO), where a company sells a portion of its shares to the public and raises funds from investors.
- Direct listing is also different from the **depository receipt (DR) route**, where a company issues its shares to a custodian bank, which then issues DRs to foreign investors.
  - DRs are negotiable certificates that represent the **underlying shares of the company and trade on a foreign exchange.**
- Direct listing allows a company to access a larger and more diverse pool of investors, enhance its visibility and brand value, and improve its corporate governance and compliance standards.

How do Indian Companies Currently List on Foreign Exchanges?

- Currently, Indian companies list on foreign bourses using depository receipts, including **American Depository Receipts (ADRs)** and **Global Depository Receipts (GDRs).**
  - To list on foreign stock exchanges, Indian companies entrust their shares to an **Indian custodian, who then issues depository receipts (DRs)** to foreign investors.
- Between **2008 and 2018, 109 companies raised over Rs 51,000 crore** through ADRs/GDRs.
- However, after 2018, no Indian companies pursued overseas listings through this route.

Note:
- ADR refers to a negotiable certificate issued by a **U.S. depositary bank** representing a specified number of shares, usually one share of a foreign company's stock.
- GDRs is a certificate issued by a depository bank that represents shares in a **foreign company** and deposits them in an account. GDRs are mostly traded on the European markets.

QCI hosts 3rd International Convention on Sustainable Trade and Standards

Why in News?

The Quality Council of India (QCI), an autonomous organization of the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry hosted the 3rd **International Convention on Sustainable Trade and Standards (ICSTS)** in New Delhi.

- ICSTS, a two-day event, has been organized by the **India National Platform on Private Sustainability Standards (India PSS Platform)** and hosted by QCI in collaboration with the **United Nations Forum on Sustainability Standards (UNFSS).**
- The ICSTS aims to raise awareness and foster dialogue on the challenges and opportunities of **voluntary sustainability standards (VSS),** which are tools to improve the environmental and social aspects of global value chains**.**

Key Terms

- **India National Platform on Private Sustainability Standards (INPPSS):**
  - It was initiated under the Secretarial oversight of the **QCI**. It is a first-of-its-kind initiative in the world for addressing **PSS issues** in a national context.
  - It aims to facilitate dialogue between core public and private stakeholders on how to maximize the sustainable development benefits and market access opportunities.
- **United Nations Forum on Sustainability Standards (UNFSS):**
  - UNFSS, is a platform that aims to promote the use of **voluntary sustainability standards (VSS)** for achieving **sustainable development goals (SDGs).**
  - UNFSS is coordinated by five UN agencies:
    - **Food and Agriculture Organization (FAO)**, **International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Environment Programme (UN Environment), United Nations Industrial Development Organization (UNIDO).**
    - UNFSS produces reports, organizes events, and provides technical assistance on VSS-related issues.
- **India Good Agricultural Practices (IndG.AP.):**
  - IndG.AP, is a **certification scheme developed by the QCI** to promote the production of safe and quality agricultural products in India.
  - IndG.AP. covers various aspects of farming such as soil, water, crop health, environmental protection, worker welfare, and food safety.
- **GLOBAL Good Agricultural Practices (GLOBALG.A.P.):**
  - It is an internationally recognized standard that ensures quality management, safety, and traceability in the field of growing plants, vegetables, tubers, fruits, poultry, cattle, and aquatic products.
- **National Technical Working Group (NTWG)**:
  - The NTWG is a group that bridges the **gap between global and local issues.** They identify adaptation and application challenges at a national level and develop national interpretation guidelines (NIGs). NIGs support cost-effective audit processes around the world.

What is the Quality Council of India (QCI)?

- **About:**
  - QCI is a **non-profit organization** registered under the **Societies Registration Act XXI of 1860.**
  - It was jointly established by the **Government of India** and the **Indian Industry** represented by the three premier industry associations, Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI) in 1997.
  - It is responsible for accreditation, certification, and quality promotion in India.
  - The **DPIIT, Ministry of Commerce and Industry** was designated as the **nodal point** for all matters connected with quality and QCI to structure and help implement the Cabinet decision.
- **Members:**
  - QCI is governed by a Council of **39 members including the Chairperson and Secretary General**.
    - Chairperson (Nominated by the Prime Minister of India).
  - The Council has an equal representation of Government, Industry and other Stakeholders.

India's Widening Tax Base

Why in News?

The recent release of **income tax returns statistics** by the **Income Tax Department**, spanning assessment years from **2019-20 to 2021-22**, offers insights into **changing tax compliance patterns**.

- The data unveils a transformation in the profile of taxpayers**, particularly a movement towards higher-income brackets**, while highlighting persistent challenges in **ensuring all eligible taxpayers file their returns.**

What is an Income Tax Return?

- **Income Tax:**
  - Income tax is a tax charged on the **annual income of an individual or business earned in a financial year.**
    - The Income Tax system in India is governed by **The Income Tax Act, 1961** and it is a direct tax.

Note:

- **Income Tax Return:**
  - It is a designated document used to **convey details about an individual's earnings in a financial year** and the **taxes paid on that income to the Income-tax Department.**
    - This form also facilitates the carrying forward of losses and **enables individuals to claim refunds from the income tax department.**

Note: The **assessment year** is the period during which the income earned in a particular financial year is assessed or evaluated for tax purposes. It is the **year immediately following the financial year** for which the income is being assessed.

What is the Central Board of Direct Taxes?

- The Central Board of Direct Taxes is a **statutory authority** functioning under the **Central Board of Revenue Act, 1963.**
  - It operates within the **Department of Revenue Ministry of Finance**.
- It plays a dual role by contributing **crucial insights for shaping direct tax policies and strategies in India,** while simultaneously overseeing the **implementation and execution of direct tax regulations via the Income Tax Department.**
  - It is led by a Chairman and consists of six members.

Minimum Wage Policy and Gig Workers

Why in News?

The **fifth annual study** conducted across **12** e-commerce platforms **by Fairwork India,** presents a grim picture of working conditions for India's gig workers.

- Fairwork is a **team of researchers part of International Institute of Information Technology,** Bangalore's Centre for IT and Public Policy.
- Five Fairwork principles such as Fair Pay, Fair Conditions, Fair Contracts, Fair Management and Fair Representation were examined in the study.

What is the Scenario of the Gig Economy in India?

- **Definition:**
  - The gig economy refers to a labor market characterized by the prevalence of **short-term contracts, freelance work, and temporary positions, as opposed to permanent employment.**
  - In the gig economy, individuals often **work on a project-by-project basis, taking on various "gigs" or tasks,** rather than being traditional full-time employees of a single company.
- **Growth Scenario:**
  - As per the Economic Survey 2020–21, India has emerged as one of the world's largest countries for flexi staffing, or gig workers.
  - As per Niti Aayog's report on **Gig Economy,** the latter employs **approximately 7.7 million workers,** with the number **expected to rise to 23.5 million by 2029-30,** comprising around **4% of overall livelihood** in the country.
  - Currently, about **31% of gig work is in low skilled jobs** such as cab driving and food delivery, **47% in medium-skilled jobs** such as plumbing and beauty services, and **22% in high skilled jobs such** as graphic design and tutoring.
- **Government's Initiatives:**
  - The Code on Social Security (2020) contains a separate section on 'gig economy' and **imposes an obligation on gig employers** to contribute to a Social Security Fund to be handled by a government-led board.
  - The Code on Wages, 2019, provides for universal minimum wage and floor wage across organized and unorganized sectors, including gig workers.

What is the Minimum Wage Policy of India?

- **Code of Wages Act 2019:**
  - The Code aims to transform the old and obsolete labour laws into more accountable and transparent ones and seeks to pave the way for the introduction of minimum wages and labour reforms in the country.
  - It universalizes the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling and seeks to ensure **"Right to Sustenance" for every worker** and intends to increase the legislative protection of minimum wage.
  - The Central Government is **empowered to fix the floor wages by taking into account the living standards of workers.** It may set different floor wages for different geographical areas.
    - The **minimum wages decided by the central or state governments must be higher than the floor wage.**

Note:

- **Fixation of Floor Wage:**
  - The **Code on Wages Rules, 2020** mentions the concept of a **floor wage,** which empowers the central government to fix floor wages taking into account the minimum living standards of workers.
    - The floor wage is a baseline wage below which minimum wages **cannot be fixed by state governments.**
    - The Wage Code permits the fixation of **different floor level wages for different geographical areas.** However, this has given rise to the fear of flight of capital from areas where the wage is higher to areas where the wage is lower.

QR Codes for Food Labels

Why in News?

Recently, **Food Safety and Standards Authority of India (FSSAI)** has recommended the inclusion **of QR codes on food products** for accessibility by visually impaired individuals stating that this will ensure **Access to Safe Food** for all.

- The FSSAI in 2019 proposed the **Front-of-Pack Labeling (FOPL)**, a key strategy to alert and educate consumers in making an informed choice.

What is QR Code?

- A **QR (Quick Response) code**, is a type of **two-dimensional matrix barcode** that can store various types of data, such as alphanumeric text, website URLs, contact information, and more.
- It was invented in **1994 by the Japanese company Denso Wave**, primarily for the purpose of **tracking and labeling automobile parts**.
- QR codes are characterized by their distinctive square shape and a pattern of black squares on a white background, which can be **scanned and interpreted using a QR code reader or a smartphone camera.**

Dollarisation and Economic Shifts

Why in News?

Argentina, plagued by **severe inflation and widespread poverty**, faces a pivotal moment. **Dollarisation** is seen as a **potential remedy for the country's economic challenges.**

- The recently elected President of Argentina promises to replace the **Argentine Peso with the dollar. However,** the immediate implementation of dollarisation seems unlikely due to the scarcity of dollar reserves in Argentina.
- **Dollarization** is the **use or adoption of the United States Dollar** as the primary currency in a country, **replacing or supplementing the local currency.**

Note: In 2022, the IMF observed that central banks around the globe **were not maintaining the same levels of reserves in the US dollar,** as they had done in the past.

What is De-dollarisation?

- **About: De-dollarisation** refers to a **deliberate or unintentional process** undertaken by a country or region to **reduce reliance on the US dollar** in its financial system or economy.
  - This can involve various measures aimed at decreasing the use of the dollar in **transactions, reserves, trade,** or as a standard for pricing goods and services.

Investor Risk Reduction Access Platform

Why in News?

Recently, the **Securities and Exchange Board of India (SEBI)**, has launched the **Investor Risk Reduction Access (IRRA)** in order to provide a 'safety net' for investors in case of technical glitches faced by **a trading member or a stock broker.**

- A **trading member or stock broker** is an individual or a firm **that is authorized and licensed to buy and sell securities** (stocks, bonds, commodities, etc.) on behalf of investors in financial markets. They act as intermediaries between buyers and sellers, facilitating transactions within the stock market or other financial exchanges.
- **Developed By:**
  - IRRA has been jointly developed by all the stock exchanges – **BSE (Bombay Stock Exchange), NSE (National Stock Exchange)**, **NCDEX (National Commodity and Derivatives Exchange), MCX (Multi Commodity Exchange)** and Metropolitan Stock Exchange of India (MSE).

International Container Transhipment Port in Great Nicobar Island

Why in News?

Recently, the Union Minister for Ports, Shipping and Waterways (MoPSW) visited the site of the proposed International Container Transhipment Port (ICTP) **at Galathea Bay in** Great Nicobar Island.

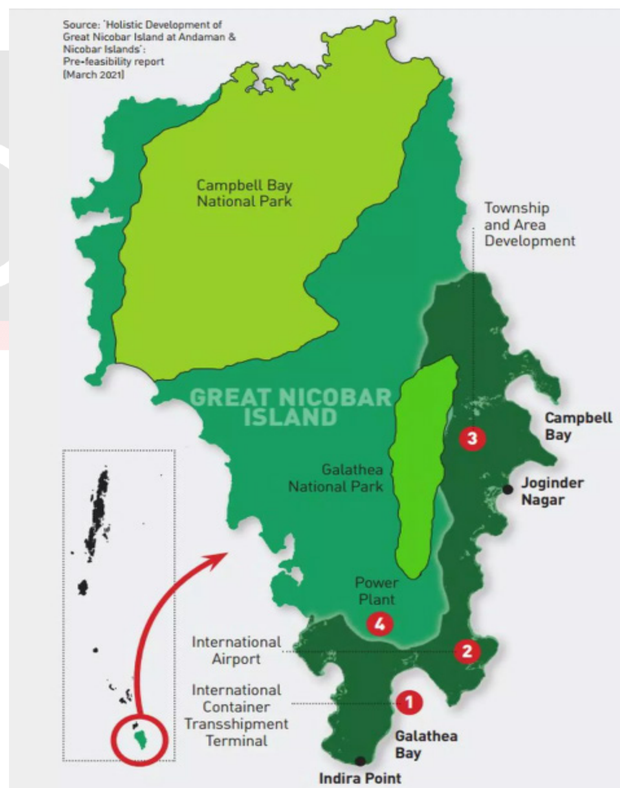
- ICTP is envisioned to be a transformative initiative aligning with the Maritime India vision 2030 as well as one of the key projects in the Amrit kaal Vision 2047.

What are the Key Facts About the ICTP Project?

- **About:**
  - The proposed ICTP at Galathea Bay, Great Nicobar Island, is strategically positioned just **40 nautical miles** from the International shipping trade route.
- **Significance:**
  - In India, nearly **75% of transshipped cargo** is handled at ports outside the country.
    - **Colombo, Singapore and Klang handle more than 85%** of this cargo with 45% of it handled at Colombo Port alone.
- **Status of the Project:**
  - The project has received **environmental clearance** from the Ministry of Environment, Forests & Climate Change (MoEF&CC).
    - Stage 1 forest clearance has also been obtained for the project.
  - The project is planned to be developed in four phases, with Phase 1 proposed to be commissioned in the year 2028 with a handling capacity of approximately **4 Million (twenty-foot equivalent units)TEUs**.
    - The handling capacity is expected to increase to **16 Million TEUs in the ultimate stage of development by 2058.**

Key Facts About Great Nicobar

- It is the southernmost island of the Nicobar Islands Archipelago.
  - The Indira Point is the southernmost point of India's territory at the Great Nicobar Island of Andaman and Nicobar Islands.
- It has tropical evergreen forest ecosystems. It is home to very rich ecosystems.
- The **Great Nicobar Biosphere Reserve** harbours a wide spectrum of ecosystems comprising tropical wet evergreen forests, **mountain ranges reaching a height of 642 m (Mt. Thullier)** above sea level, and coastal plains.
- The Nicobar Islands are home to two **'Mongoloid' tribes** they are the **Shompen and Nicobarese.**



India Grants Record Patents in 2023-24

Why in News?

Recently, the **Indian Patent Office (IPO)** has granted the **highest number of 41,010 patents** till November 2023.

Note:

- In 2013-14 fiscal year, 4,227 patents were granted. According to a World Intellectual Property Organization (WIPO) report, patent applications by Indians grew 31.6% in 2022, extending an 11-year run of growth unmatched by any other country among the top 10 filers.
- The surge in patent grants in India reflects the **country's progress in innovation, technology, and competitiveness**. It also impacts the society, economy, and the youth by addressing challenges, creating opportunities, and nurturing talent.

Note: The IPO, governed by the Office of Controller General of Patents, Designs and TradeMarks (CG-PDTM), Ministry of Commerce and Industry, is responsible for administering and regulating patents, designs, and geographical indications in India.

What is a Patent?

- **About:**
  - A Patent is a **statutory right for an invention granted for a limited period of time to the patentee** by the Government, in exchange of **full disclosure of his invention** for excluding others, from making, using, selling, importing the patented product or process for producing that product for those purposes without his consent.
  - The patent system in India is governed by the **Patents Act, 1970** as amended by the Patents (Amendment) Act, 2005 and the Patents Rules, 2003.
    - The Patent Rules are regularly amended in consonance with the changing **environment, most recent being Patents (Amendment) Rules, 2021.**
- **Term of a Patent:**
  - The term of every patent granted is 20 years from the date of filing of application.
  - However, for applications filed under the national phase under Patent Cooperation Treaty (PCT), the term of patent will be 20 years from the international filing date **accorded under PCT.**
    - PCT is an international treaty with more than 150 Contracting States, making it possible to seek **patent protection for an invention simultaneously in each of a large number of countries** by filing an international patent application.
    - Such an application may be filed by anyone who is a national or resident of a PCT Contracting State, and generally be filed with the national patent office of the Contracting State or at the applicant's option, with the International Bureau of WIPO in Geneva.
- **Criteria of Patentability:**
  - An invention is patentable **subject matter if it meets the following criteria,**
    - It should be novel.
    - It should have inventive steps or it must be non-obvious
    - It should be capable of Industrial application.
    - It should not attract the provisions of section 3 and 4 of the Patents Act 1970.
- **Scope of Patent Protection:**
  - Patent protection is a territorial right and therefore it is effective only within the territory of India. There is no concept of global patent.
  - However, filing an application in India enables the applicant to file a **corresponding application for the same invention** in convention countries or under PCT, within or before expiry of twelve months from the filing date in India.
- **Patents Act, 1970:**
  - This principal law for patenting system in India came into force in the year 1972. It replaced the Indian Patents and Designs Act 1911.
  - The Act was amended by the Patents (Amendment) Act, 2005, wherein product patent was extended to all fields of technology including food, drugs, chemicals and microorganisms.
  - After the amendment, the provisions relating to Exclusive Marketing Rights (EMRs) have been repealed, and a provision for enabling grant of compulsory license has been introduced.The provisions relating to pre-grant and post-grant opposition have also been introduced.

What are the Treaties and Conventions related to Patent and Intellectual Property Rights?

- **Global:**
  - India is a member of the World Trade Organisation and committed to the Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement).

Note:

- India is also a member of World Intellectual Property Organization (WIPO), a body responsible for the promotion of the protection of intellectual property rights throughout the world.
- India is also **a member of the following important WIPO-administered International Treaties** and Conventions relating to IPRs:
  - Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure
  - Paris Convention for the Protection of Industrial Property
  - Convention Establishing the World Intellectual Property Organization
  - Berne Convention for the Protection of Literary and Artistic Works
  - Patent Cooperation Treaty
- **National:**.
  - **National Intellectual Property Rights (IPR) Policy 2016:**
    - The National Intellectual Property Rights (IPR) Policy 2016 was adopted in May 2016 as a vision document to guide future development of IPRs in the country.
    - Its clarion call is "Creative India; Innovative India".
    - It sets in place an institutional mechanism for implementation, monitoring and review.
    - It aims to incorporate and adapt global best practices to the Indian scenario.

RBI Tightens Capital Norms for Unsecured Loans

Why in News?

Recently, the **Reserve Bank of India (RBI)** has increased **Risk Weight on Bank Exposure** to check on **Unsecured Loans**, like Personal Loans, Credit Card Receivables etc.

- The RBI's move to increase the risk weight on unsecured loans is a way of increasing the **Capital to Risk-Weighted Assets Ratio (CRAR)** requirement for banks that lend to these categories.
- An Unsecured Loan is a loan that **does not require one to provide any collateral to avail them**. It is issued by the lender on one's creditworthiness as a borrower. And hence, having an excellent credit score is a **prerequisite for the approval of an Unsecured Loan.**

What is Capital Adequacy Ratio (CAR)?

- The CAR is a **measure of a bank's available capital expressed** as a percentage of a bank's risk-weighted credit exposures.
- The Capital Adequacy Ratio, also known as Capital-to-Risk Weighted assets ratio (CRAR), is used to protect **depositors and promote the stability and efficiency of financial systems** around the world.

Cyprus as a Tax Haven

Why in News?

The recent **Cyprus Confidential investigation** has brought to light a complex web of financial activities involving offshore entities in **Cyprus** and their connection to wealthy individuals in India.

- This global offshore investigation, conducted in collaboration with the **International Consortium of Investigative Journalists (ICIJ)**, exposes the use of **Cyprus as a tax haven** by the rich and powerful from around the world.

Note:

- A tax haven is generally an **offshore country** that offers foreign individuals and businesses **little or no tax liability** in a politically and economically static environment.
- An offshore company is incorporated in a jurisdiction other than its home country.
  - The main purpose of setting up an offshore company is to take advantage of the **favourable tax laws or economic environment** in a foreign country.

Note:

- A DTAA is a tax treaty signed **between two or more countries.** Its key objective is that tax-payers in these countries **can avoid being taxed twice for the same income.**
  - A DTAA applies in cases where a taxpayer **resides in one country and earns income in another.**

Note:

- DTAAs can either be comprehensive to cover all sources of income or be limited to certain areas such as taxing income from shipping, air transport, inheritance, etc.

Key Facts About Cyprus

- Cyprus is an island country in the **Eastern Mediterranean Sea**, with an area of about 9,251 square kilometers.
- It is the **third-largest and third-most populous island in the Mediterranean,** with a population of about 1.2 million people.
- **Capital:** Nicosia
- Cyprus has been a member of the **European Union** since 2004.
- Cyprus has a pleasant Mediterranean climate, with hot summers and mild winters.
- Cyprus is physically divided with the **southern part ruled by the internationally-recognised government** and the **northern part controlled by Turkey**.

Wholesale Prices in Deflation Zone

Why in News?

In October 2023, **India's Wholesale Price Index (WPI)** recorded an **annual inflation rate of -0.52%, down from -0.26% in September 2023**.

- The **negative inflation is due to price declines** in sectors such as chemicals, electricity, textiles, basic metals, food products, and paper compared to October 2022.
- This deflationary trend is influenced by a **high base effect from October 2022** when wholesale price inflation was 8.4%.

Note: In terms of food prices, the **Wholesale Food Index** increased by 1.07% compared to the 2022. Within the food basket, there were divergent trends, notably a substantial 21% decrease in vegetable prices, while inflation in paddy and cereals experienced an acceleration.

What is the Wholesale Price Index?

- WPI represents the **price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations** instead of consumers.
  - Whereas, **Consumer Price Index (CPI)** captures changes in prices levels at the consumer level.
  - WPI does not capture changes in the prices of services, which CPI does.
- In India, WPI is published by the **Office of Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT)**, under the Ministry of Commerce and Industry.
  - It is used as an **important measure of inflation in India.**
- Base year of WPI is **2011-2012.**
- Weightage of Commodities in WPI:

All Commodities/Major Groups	Weight (%)
All Commodities	100.0
I. Primary Articles	22.62
II. Fuel & Power	13.15
III. Manufactured Products	64.23
Food Index	24.38

Key Terms

- **Inflation Rate:**
  - In the context of WPI, Inflation rate is the **difference between WPI calculated at the beginning and the end of a year.**
  - The percentage increase in WPI over a year gives the rate of inflation for that year.
- **Deflation:**
  - Deflation is a decrease in the general price level of goods and services. It occurs when the inflation rate falls below 0%, which is known as **negative inflation.**
- **Base Effect:**
  - Base effect is the **impact of inflation in the previous year on the current year's price levels**.
  - For instance, if the prior year had low inflation, even marginal price hikes in the current period could **yield disproportionately high inflation rates.**

Periodic Labour Force Survey Annual Report 2022-2023

Why in News?

Recently, the National Statistical Office (NSO) released the **Periodic Labour Force Survey (PLFS) Annual Report 2022-2023** on the basis of Periodic Labour Force Survey conducted during July 2022-June 2023.

What are the Key Findings of the Report?

- **Estimates of Key Labor Market Indicators in Usual Status:**

Indicator	2017-18	2022-23	Trend
Labour Force Participation Rate (LFPR)			
- Total LFPR	49.8%	57.9%	Increased
- LFPR in Rural Areas	50.7%	60.8%	Increased
- LFPR in Urban Areas	47.6%	50.4%	Increased
- Male LFPR	75.8%	78.5%	Increased
- Female LFPR	23.3%	37.0%	Increased
Worker Population Ratio (WPR)			
- Total WPR	46.8%	56.0%	Increased
- WPR in Rural Areas	48.1%	59.4%	Increased
- WPR in Urban Areas	43.9%	47.7%	Increased
- Male WPR	71.2%	76.0%	Increased
- Female WPR	22.0%	35.9%	Increased
Unemployment Rate (UR)			
- Total UR	6.0%	3.2%	Decreased
- UR in Rural Areas	5.3%	2.4%	Decreased
- UR in Urban Areas	7.7%	5.4%	Decreased
- Male UR	6.1%	3.3%	Decreased
- Female UR	5.6%	2.9%	Decreased

- **Estimates of Key Labor Market Indicators Current Weekly Status (CWS):**

Indicator	2017-18	2022-23	Trend
Labor Force Participation Rate (LFPR)			
- Rural Areas	48.9%	56.7%	Increasing
- Urban Areas	47.1%	49.4%	Increasing
- Male	75.1%	77.4%	Increasing
- Female	21.1%	31.6%	Increasing
Total LFPR	48.4%	54.6%	Increasing
Workforce Participation Rate (WPR)			
- Rural Areas	44.8%	54.2%	Increasing
- Urban Areas	42.6%	46.0%	Increasing
- Male	68.6%	73.5%	Increasing
- Female	19.2%	30.0%	Increasing
Total WPR	44.1%	51.8%	Increasing
Unemployment Rate (UR)			
- Rural Areas	8.4%	4.4%	Decreasing
- Urban Areas	9.5%	7.0%	Decreasing
- Male	8.7%	5.1%	Decreasing
- Female	9.0%	5.1%	Decreasing
Total UR	8.7%	5.1%	Decreasing

Key Terms

- **Labour Force Participation Rate (LFPR):**
  - LFPR is the percentage of the working-age population **(aged 15 years and above)** that is either employed or unemployed, but willing and looking for employment.
- **Worker Population Ratio (WPR):**
  - WPR is defined as the **percentage of employed persons in the population.**
- **Unemployment Rate (UR):**
  - UR is defined as the **percentage of persons unemployed among the persons in the labour force.**
- **Activity Status**
  - The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. When the activity status is determined on the basis of the reference period of the last 365 days preceding the date of the survey, it is known as the usual activity status of the person.
  - **Types of Activity Status:**
    - **Principal Activity Status (PS):**
      - The activity status on which a person spent a relatively long time (major time criterion) during 365 days preceding the date of the survey, was considered the usual principal activity status of the person.
    - **Subsidiary Economic Activity Status (SS):**
      - The activity status in which a person in addition to his/her usual principal status, performs some economic activity for 30 days or more for the reference period of 365 days preceding the date of survey, was considered the subsidiary economic activity status of the person.
    - **Current Weekly Status (CWS):**
      - The activity status determined on the basis of a reference period of the last 7 days preceding the date of the survey is known as the current weekly status (CWS) of the person.

What is the Periodic Labour Force Survey?

- **About:**
  - It is a survey conducted by the **NSO** under the **Ministry of Statistics and Programme Implementation (MoSPI)** to measure the **employment and unemployment situation in India.**
  - The **NSO** launched the PLFS in April 2017.

Note:

- **Objective of PLFS**:
  - To estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, Unemployment Rate) in the short time interval of three months for the urban areas only in the 'Current Weekly Status' (CWS).
  - To estimate employment and unemployment indicators in both 'Usual Status' and CWS in both rural and urban areas annually.

What are the Government's Initiatives Related to Employment?

- Support for Marginalized Individuals for Livelihood and Enterprise (SMILE)
- PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Start Up India Scheme
- Rozgar Mela

What are the Types of Unemployment?

Type of Unemployment	Description
Disguised Unemployment	More people are employed than needed, primarily found in the agricultural and unorganized sectors.
Seasonal Unemployment	Occurs during specific seasons of the year, often affecting agricultural laborers who do not work year-round.
Structural Unemployment	Arises from a mismatch between available jobs and the skills of workers.
Cyclical Unemployment	Linked to economic cycles, with unemployment rising during recessions and declining in periods of growth.
Technological Unemployment	Job losses due to technological changes. India has seen a significant impact from automation.
Frictional Unemployment	Involves a time lag when individuals search for or switch between jobs, often voluntary and not due to job shortages.
Vulnerable Employment	Informal, contract-less work without legal protection, often leading to unrecorded employment.

World Economic Outlook: IMF

Why in News?

Recently, the International Monetary Fund (IMF) has released its World Economic Outlook 2023 titled- Navigating Global Divergence, which stated that the **Indian Economy** will grow **faster than previously estimated**.

What are the Key Highlights of the World Economic Outlook?

- **Global Growth Forecasts:**
  - The IMF expects **global** GDP (Gross Domestic Product) **growth to be 3% in 2023**, which is the same as its July 2023 forecast.
  - Global GDP growth for 2024, however, has seen a reduction of 1**0 basis points from the July forecast to 2.9%.**
  - The IMF's 2023-24 growth forecast for India is **now the same as what the** World Bank (WB**)** had projected in its India Development Update.
- India's 2024-25 GDP growth forecast has been left unchanged at **6.3%**.

What is the IMF?

- The IMF is an **international organization th**at promotes global economic growth and financial stability, encourages international trade, and reduces poverty.
  - It was set up in **1945 out of the Bretton Woods conference.**

Note:

- Originally, the primary goal of the IMF was to bring about international economic coordination to prevent competing currency devaluation by countries trying to promote their own exports.
  - Eventually, it evolved to be a lender of last resort to governments of countries that had to deal **with severe currency crises.**
- **Reports by IMF:**
  - Global Financial Stability Report.
  - World Economic Outlook.
    - It is usually published twice a year in the months of April and October.

Food Inflation in India

Why in News?

In recent times, **Consumer food prices were 9.9% higher** year-on-year, with food inflation now largely limited to cereals and pulses, and the government is required to start addressing concerns of both producers and consumers in equal measure.

What is the Recent Scenario of Food Price Inflation and Disinflation in India?

- **Inflation in Cereals and Pulses:**
  - Estimates show food inflation is being increasingly driven by two items: **Cereals (11.9%) and pulses (13%)** in the preceding months of July and August respectively.
    - Annual retail price rise in vegetables was even higher, **at 37.4% and 26.1%**.
      - The best indicator is **tomato,** the retail inflation for which stood at 202.1 % and 180.3% during the same period.
- **Disinflation in Essential Commodities due to Government's Strategy:**
  - Most governments naturally tend to privilege consumers over producers due to political reasons, which favours numerical strength.
  - In the current scenario, **the government must prioritize listening to producers,** particularly in regard to two agricultural/food commodities, among other concerns.

What is Consumer Food Price Inflation (CFPI)?

- Consumer Food Price Inflation, (CFPI) , is a specific measure of inflation that focuses exclusively on the price changes of food items in a consumer's basket of goods and services.
  - It calculates the rate at which the prices of food products consumed by the average household are increasing over time.
  - CFPI is a sub-component of the broader Consumer Price Index (CPI), where the Reserve Bank Of India (RBI) uses CPI-Combined (CPI-C) for this purpose.
  - CFPI tracks the price changes of a specific basket of food items that are commonly consumed by households, **such as cereals, vegetables, fruits, dairy products, meat, and other food staples.**

Consumer Price Index (CPI):

- CPI inflation, also known as retail inflation, is the rate at which the prices of goods and services that consumers buy for personal use increase over time.
- It measures the change in the cost of a basket of goods and services that are typically purchased by households, including food, clothing, housing, transportation, and medical care.
- **Four types of CPI** are as follows:
  - CPI for Industrial Workers (IW).
  - CPI for Agricultural Labourer (AL).
  - CPI for Rural Labourer (RL).
  - CPI for Urban Non-Manual Employees (UNME).
    - Of these, **the first three are compiled by the Labour Bureau** in the Ministry of Labour and Employment. **Fourth is compiled by the** National Statistical Office (NSO) in the Ministry of Statistics and Programme Implementation.

2023 Nobel Prize in Economic Sciences

Why in News?

Recently, the Nobel Prize in Economics for 2023 has been awarded to **Claudia Goldin**, a Harvard University professor, for research that has **advanced the understanding of the** Gender Gap in the Labor Market.

- Goldin is **only the third woman** to win this honor. In **2009, Elinor Ostrom** got the award along with **Oliver E Williamson**, while in **2019, Esther Duflo** shared it with Abhijit Banerjee and Michael Kremer.

What is the Nobel Prize in Economic Sciences?

- The Nobel Prize in Economic Sciences was **established in 1968 by the Sveriges Riksbank (the central bank of Sweden)** in memory of Alfred Nobel, the inventor of dynamite and the founder of the Nobel Prizes.
  - It is officially called the **Sveriges Riksbank Prize in Economic Sciences** in Memory of Alfred Nobel.
- Unlike the original Nobel Prizes in fields like **physics, chemistry, medicine, literature, and peace**, which were established by Nobel's will, the Nobel Prize in Economic Sciences is **not one of the original Nobel Prizes.**
- The prize was established later to honor outstanding **contributions to the field of economics.**
- The Prize recognizes individuals or organizations for their **exceptional research, discoveries, or contributions** that have advanced the understanding of **economics and its application to real-world problems.**

Why has Claudia been Chosen for the Nobel Prize in Economic Sciences?

- **Claudia Goldin:**
  - Goldin has been a **pioneer in studying the role of women in the economy** and has written several books on the topic, such as **Understanding the Gender Gap: An Economic History of American Women (Oxford, 1990**), and **Career & Family: Women's Century-Long Journey toward Equity** (Princeton University Press, 2021).
- **Claudia's Work:**
  - Goldin had provided **"the first comprehensive account of women's earnings and labour market participatio**n through the centuries.
  - Her research reveals the **causes of change**, as well as the main sources of the remaining gender gap.
  - Goldin's path breaking work has shed light on the **participation of women in the labour market over the past 200 years**, and why the pay gap between men and women refuses to close even as many women are **likely to be better educated than men in high-income countries.**
  - While her research focused on the US, her findings are applicable to many other countries.

India's Aviation Industry

Why in News?

India's aviation industry has witnessed remarkable growth in recent years. However, this rapid expansion has also highlighted critical issues including **severe shortage of experienced pilots.**

What is the Status of the Aviation Industry in India?

- **About**: India's aviation industry is a collective sector encompassing all aspects of civil aviation within the country.
  - It includes various components, such as **airlines, airports, aircraft manufacturing, aviation services, and regulatory authorities**.
- **Status:**
  - India has become the **third-largest domestic aviation market** in the world. India's airport capacity is expected to handle 1 billion trips annually by 2023.
  - According to the data released by the **Department for Promotion of Industry and Internal Trade (DPIIT)**, FDI inflow in India's air transport sector (including air freight) reached **USD 3.73 billion** between **April 2000-December 2022.**
- **Related Government Initiatives:**
  - Goods and Services Tax (GST) rate reduced to 5% from 18% for domestic Maintenance, Repair and Overhaul (MRO) services.
  - RCS-UDAN was launched t**o promote air connectivity to unserved and underserved airports in Tier-II and Tier-III cities** to stimulate regional growth and provide affordable air travel to the citizens.
  - National Civil Aviation Policy 2016

Illicit Trade in India

Why in News?

As per **a report released by FICCI CASCADE** titled 'Hidden Streams: Linkages Between Illicit Markets, Financial Flows, Organised Crime and Terrorism', **the illegal economy in India has an overall score of 6.3 in India** on a scale of 1-10, which is **higher than the average score of 5 of other 122 countries** indicating a substantial illegal Economy.

What is FICCI CASCADE?

- FICCI CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying Economy), is an initiative by the **Federation of Indian Chambers of Commerce and Industry (FICCI)**.
- It was established on **18th January, 2011** in order **to address the pressing issue of illicit trade** in counterfeits, pass-offs, and smuggled goods in India and globally.

What is Illicit Trade?

- Illicit trade refers to the illegal exchange of goods, services, or commodities that circumvent established laws, regulations, or controls set by governments or international bodies.
- These activitie**s occur outside the legal framework and often involve various form**s of contraband, counterfeiting, piracy, smuggling, tax evasion, Money Laundering, and other illicit activities.

What are the Government Initiatives to Tackle Illicit Trade in India?

- Terror Funding and Fake Currency (TFFC) Cell
- The Narcotic Drugs and Psychotropic Substances Act, (NDPS) 1985
- National Action Plan for Drug Demand Reduction
- National Fund for Control of Drug Abuse
- Prevention of Money-Laundering Act, 2002 (PMLA)
- PMLA (Amendment) Act, 2012
- The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976
- The Fugitive Economic Offenders Act, 2018
- The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Complex Landscape of E-Commerce

Why in News?

In a recent meeting at the World Trade Organization (WTO) in Geneva, **India raised concerns about the lack of a clear definition for** e-commerce trade in goods and services.

- The absence of a **precise delineation has led to contrasting views between developed and developing member countries,** particularly regarding the imposition of customs duties.

What are the Primary Points of Dispute Concerning E-commerce?

- Interpretational Divergence in E-commerce: Goods vs. Services
  - Developed **and developing nations** differ in their interpretation of e-commerce, particularly in the context of goods and services.
    - This challenge is exemplified in the case of streaming services like **Netflix, where content (a product) is delivered via a service membership.**
  - This variance complicates the establishment of clear policies within the WTO framework.
- **Uncertainties Surrounding Customs Duties:**
  - **WTO members** have **been extending the Moratorium regarding imposition of customs duties on** electronic transmissions since **1998**. And, the last extension came during the 12th ministerial conference**.**
  - But the **absence of a defined framework for e-commerce** trade in services **creates uncertainties,** raising concerns about maintaining a level playing field.
  - India emphasizes the necessity of a **clear definition, particularly highlighting the need for differentiation between digital goods and services** due to **existing customs duties on goods but not on services.**

Note: Developed nations advocate for a **duty-free environment**, whereas developing countries seek policy space to **impose duties**, aiming to safeguard domestic industries and **support** MSME (Micro, Small, and Medium Enterprises) growth**.**

- **Cryptocurrencies: E-commerce Disruption:**
  - The **Global Trade Research Initiative (GTRI)** highlighted that the **growth of** cryptocurrencies poses a challenge to the current WTO e-commerce framework, prompting an immediate need for discussions on classifying them as electronic transmissions.

What is E-Commerce?

- **About:**
  - The **World Trade Organization** defines e-commerce as the **electronic production, distribution, sale, or delivery of goods and services**.

- This includes products like **books, music, and videos transmitted digitally.**

What are the Indian Government Initiatives Related to E-Commerce?

- Unified Payment Interface (UPI)
- Government e-Marketplace
- BharatNet project
- Open Network for Digital Commerce (ONDC)1
- National E-Commerce Policy
- Consumer Protection (E-Commerce) Rules, 2020

Goan Cashew Gets GI Tag

Why in News?

Recently, **Goan cashew (kernel)** got the Geographical Indication (GI) tag where recognition is hailed as a great opportunity for the cashew industry in the state and "a milestone towards Swayampurna Goa mission".

What is Goan Cashew?

- Cashew was native to northeast Brazil in Latin America and **Goan Cashew** was introduced to Goa by the **Portuguese in the 16th century (1570).**
- Initially used for **afforestation and soil conservation**, its economic value became known a century later.
- Cashew production grew from a **cottage industry to a major contributor to Goa's economy**, mainly due to its demand in the US.

What are the Key Facts of Cashew?

- **About:**
  - Cashew is one of the most important plantation crops in India as it brings in considerable foreign exchange earnings. **In the state of Goa, it occupies the largest area** among horticultural crops.
- **Soil and climate:**
  - **Well-drained deep sandy loam soils** are the best for growing cashew. Heavy clay soils are not suitable, as cashew does not withstand water logging.
  - In general, **all soils from sandy to laterite are well suited for this crop**.
- **Rainfall:**
  - Cashew is very well adapted to Indian coastal areas under conditions with relative humidity in the range of 60 to 95 % and annual precipitation in the **range of 2000 to 3500 mm.**
- **Temperature:**
  - Hot humid conditions with temperature in the range of 20 to 38^0 C are suitable for cashew cultivation. **Extreme low temperature and frost are not conducive** to raise cashew plantations.
- **Major Producing States:**
  - As per **National Horticulture Board, Maharashtra is the leading producer of cashew nuts followed by** Andhra Pradesh, Orissa, Tamil Nadu, Karnataka, Kerala, Chhattisgarh, West Bengal, Meghalaya, Gujarat in 2021-2022.

Vizhinjam International Seaport Project

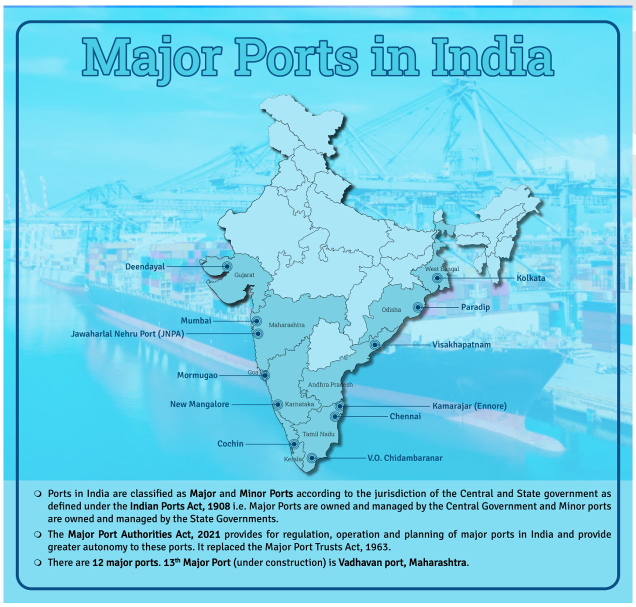
Why in News?

The Vizhinjam International Seaport Project, India's first deepwater transshipment port, has gained attention recently as the **first cargo ship arrived at the port.**

Note:
- A transshipment deepwater seaport is a port that can handle large ships that carry cargo from one place to another.
- It has a **deep water channel and a large berth area** for loading and unloading goods. It also allows the transfer of cargo from one ship to another at the port.

What is the Vizhinjam International Seaport Project?

- The Vizhinjam International Transhipment Deepwater Multipurpose Seaport is an ambitious project taken up by the **Government of Kerala.**
  - It is designed to primarily cater to the **transshipment and gateway container business** with provision for a cruise terminal, liquid bulk berth and facilities for additional terminals.
- The port is currently being developed with a **Public Private Partnership** , with **Adani Ports Private Limited** with a component structured on a **design, build, finance, operate, and transfer ("DBFOT") basis.**
- It is strategically situated near **Thiruvananthapuram, Kerala**. Its location along the southern coast of India provides easy access to **international shipping routes.**
  - It is positioned to compete with global transshipment hubs like **Colombo, Singapore, and Dubai,** reducing the **cost of container movement** to and from foreign destinations.



India-Japan Chip Supply Chain Partnership

Why in News?

Recently, the Union Cabinet has approved a **Memorandum of Cooperation (MoC)** between India and Japan on developing a semiconductor supply chain partnership.

- In recent times, India is looking to establish itself as a reliable presence in the **semiconductor supply chain**, especially at a time when companies are looking to diversify from China, which has been the hub of electronics manufacturing.

What are Semiconductors?

- Any of a class of crystalline solids **intermediate in electrical conductivity between a conductor and an insulator.**
- Semiconductors are employed in the **manufacture of various kinds of electronic devices, including diodes, transistors, and integrated circuits.**
- Such devices have found wide application because of their **compactness, reliability, power efficiency, and low cost.**
- As discrete components, they have found use in **power devices, optical sensors, and light emitters, including solid-state lasers.**

What is the India Semiconductor Mission (ISM)?

- **About:**
  - The ISM was **launched in 2021** with a **total financial outlay of Rs 76,000 crore** under the aegis of the **Ministry of Electronics and IT (MeitY).**
  - It is part of the **comprehensive program for the development of sustainable semiconductor and display ecosystems** in the country.
  - The programme aims to **provide financial support to companies investing in semiconductors,** display manufacturing and design ecosystem.
- **Components:**
  - **Scheme for setting up of Semiconductor Fabs in India:**
    - It provides **fiscal support to eligible applicants for setting up of Semiconductor Fabs** which is aimed at attracting large investments for setting up semiconductor wafer fabrication facilities in the country.
  - **Scheme for setting up of Display Fabs in India:**
    - It provides fiscal support to eligible applicants for setting up of Display Fabs which is aimed at attracting large investments for **setting up TFT LCD / AMOLED based display fabrication facilities** in the country.

Note:

- **Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India:**
  - The Scheme **provides a fiscal support of 30% of the Capital Expenditure** to the eligible applicants for setting up of Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fab and Semiconductor ATMP / OSAT(Outsourced Semiconductor Assembly and Test) facilities in India.
- **Design Linked Incentive (DLI) Scheme:**
  - DLI scheme offers **financial incentives, design infrastructure support across various stages of development and deployment of semiconductor design** for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design.

India's Food Export Rejections in the United States

Why in News?

The **United States Food and Drug Administration (FDA)** has recently disclosed data on food imports over the past four years. Among the nations engaged in food exports to the US, **India, Mexico, and China** have experienced the **highest incidence of refusals.**

- The data highlights the **hurdles faced by Indian food exporters in the American market**. High refusal rates continue to be a pressing issue.

What is the International Measure Backing the Food Import Refusal By the United States?

- **About**:
  - The World Trade Organization (WTO)'s **Sanitary and Phytosanitary (SPS) Agreement** ensures that **traded products between WTO members do not spread pests and diseases**, and that **food products do not contain harmful substances or pathogens.**
  - **The "SPS Agreement"** entered into force with the establishment of the WTO **on 1 January 1995.**
    - WTO has 164 member nations (including **India and the United States**).
    -
- **Major Provisions:**
  - Members have the **right to implement sanitary and phytosanitary measures for the protection of human, animal, or plant life and health,** provided such measures align with this Agreement.
  - Measures should be based on scientific principles and supported by scientific evidence, except as provided in **Article 5(7) of the Agreement.**
  - Measures should also n**ot discriminate unfairly between Members** and should not serve as a disguised restriction on international trade.
  - Members must **accept equivalent sanitary and phytosanitary measures from other Members, even if they differ.**
    - The exporting Member must prove that its measures meet the importing Member's required level of protection.
    - Access for inspection and testing should be provided upon request.

Global Tax Evasion Report 2024

Why in News?

Recently, the **European Union Tax Observatory** has released **'Global Tax Evasion Report 2024'** highlighting several critical issues related to tax evasion, the Global Minimum Tax (GMT) on billionaires, and measures to combat tax evasion.

- The report investigates the **effects of international reforms adopted over the past 10 years**, such as the automatic international exchange of bank information, and the international agreement on a **global minimum tax for MNCs,** among other issues.

What is Tax Evasion?

- Tax evasion is the **illegal act of not paying taxes** that one owes to the government by underreporting income, inflating deductions, hiding money in offshore accounts, or using other fraudulent means to reduce one's tax liability.
- It is a **deliberate and unlawful attempt to reduce tax obligations** by misrepresenting or concealing financial information.

What are the International Reforms to Combat Tax Evasion?

- **Global Minimum Tax (GMT):**
  - A GMT applies a standard minimum tax rate to **a defined corporate income base worldwide.**
  - The Organization for Economic Cooperation and Development (OECD) **developed a proposal featuring a corporate minimum tax** of 15% on foreign profits of large multinationals, which would give countries new annual tax revenues of USD 150 billion.
  - In October 2021, a group of 136 countries, including India, set a minimum global tax rate of 15% for MNCs and sought to make it harder for them to avoid taxation.
  - The framework of GMT aims to discourage nations from tax competition through lower tax rates that result in corporate profit shifting and tax base erosion.
- **Automatic Exchange of Information:**
  - The automatic exchange of information was introduced in 2017 **to fight offshore tax evasion by wealthy individuals.**

What is the Difference Between Income and Wealth Taxes?

- Wealth taxes are **assessed on the wealth stock**, or the total amount of net wealth owned by a taxpayer, whereas income taxes are levied on the flow from the wealth stock.
- **Example of a wealth tax:** Estate taxes, gift taxes, and inheritance taxes are examples of one-time or infrequently assessed wealth taxes.

What are the Government Measures to Curb Tax Evasion?

- E-Invoicing
- The Fugitive Economic Offenders Act, 2018
- The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
- Prevention of Money Laundering Act, 2002.

Supreme Court's Ruling Imposes Capital Taxation on Telecos

Why in News?

Recently, the Supreme Court (SC) has held that payment of **entry fee as well as variable annual license fee made by** telcos will be considered **capital expenditure** and **not** revenue expenditure, and taxed accordingly.

What are the Impacts of the SC's Ruling over Telecom Licence Fee?

- **Ruling:**
  - The **SC's** judgment stipulates that the payments made by telecom companies to the Department of Telecommunication as entry fees and annual license fees under the **(New Telecom) Policy of 1999** are now categorized as **capital expenditures** and may be **amortised** in accordance with **Section 35ABB of the (Income Tax) Act.**
    - This means that **instead of deducting the entire expenditure all at once,** the company will need to deduct a portion of the total fee over each year for tax purposes.

What is Amortization?

- It is an **accounting process** used to spread the cost of an **intangible asset or a capital expense** over its useful life.
  - This gradual allocation of expenses helps match the cost of the asset with the revenue it generates over time.
- In simpler terms, it **means dividing a large expense into smaller portions and recognizing those portions as expenses** on financial statements over a specific period.
  - This practice ensures a **more accurate representation of the asset's impact on a company's financial statements** and tax liability over time.

Note:

What is the Difference Between Capital and Revenue Expenditure?

Aspect	Capital Expenditure	Revenue Expenditure
Nature of Expenses	Expenses related to **acquiring, improving, or extending long-term asset**s or investments expected to benefit for more than one financial year.	**Day-to-day operational expenses** incurred for maintaining and supporting existing assets or services.
Accounting Treatment	**Capitalized on the balance sheet** and recognized over time through amortization or depreciation.	Fully **recognized as expenses** in the year incurred on the income statement.
Tax Treatment	Subject to **depreciation or amortization,** leading to a delayed tax impact and often lower taxable income in the year of purchase.	Immediately **deductible from taxable income**, providing an immediate reduction in tax liability.
Impact on Profitability	Generally **does not significantly impact short-term profitability** as costs are spread over several years.	Has an **immediate impact on profitability**, as expenses are fully recognized in the year incurred.
Examples	Acquiring a **new manufacturing facility,** research and development for a new product, long-term license or franchise.	**Routine machinery maintenance**, employee salaries, advertising costs, utility bills.

China To Curb Exports Of Graphite Material

Why in News?

Recently, China, **the world's top graphite producer (around 65%) and exporter,** has decided to curb exports of key battery material.

- The curbs are similar to those in place since 1st August, 2023 for two chip-making metals, **gallium and germanium** which pushed up prices outside of the country.

What is China's Decision To Curb Exports of Graphite And Its Impacts?

- **Significance:**
  - This move is aimed at **protecting China's national security and controlling supplies of critical minerals** in response to challenges over its global manufacturing dominance.
    - Graphite, Cobalt, Nickel etc are important critical minerals as reflected in **Mineral Security Partnership** which India is not part of.
  - It also becomes important for major **Electric vehicles (EVs)** manufacturers across the world and also India due to its **National Electric Mobility Mission Plan (NEMMP)** where Graphite is a key component.

What is Graphite?

- **About:**
  - Graphite is a naturally occurring mineral composed of carbon. It is **one of the three crystalline forms of carbon**, with the other two being diamond and amorphous carbon (such as charcoal or carbon black).
- **Structure:**
  - Graphite has a hexagonal crystal structure in which carbon atoms are arranged in layers or sheets. These layers are weakly bonded together, **allowing them to easily slide past each other, giving graphite its lubricating properties.**
- **Properties:**
  - Graphite is a **good conductor of both electricity and heat.** It is used in the production of electrodes for batteries and in the electronics industry.
- **Global Reserves:**
  - China produces two-thirds of the world's graphite, but compared to global reserves, the Asian country is not the only option.
  - According to the United States Geological Survey, **Turkey (27.3%) and Brazil (22.4%) together own half of the world's natural graphite resources. China comes third,** sitting on 16%, followed by Madagascar (7.9%).

Proposed Reforms For Multilateral Development Banks

Why in the News ?

Recently, a G20 expert panel has recommended that Multilateral Development Banks (MDBs), should shift their approach from funding individual projects to focusing on sector-specific programs and long-term transformation plans as outlined by national governments.

What are Multilateral Development Banks?

- MDBs are international institutions comprising developed and developing countries.
- They offer financing and technical assistance for various projects in areas like transportation, energy, urban infrastructure, and waste management.
- Developed countries contribute to MDB lending, while developing nations typically borrow from them for development projects.
- MDBs have been instrumental in supporting the development of both low-income and middle-income countries (LICs and MICs) by addressing issues such as poverty reduction, infrastructure development, human capital formation, etc.
- MDBs include the World Bank Group, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, etc.

- The African Development Bank (AfDB)
- The Asian Development Bank (ADB)
- The European Bank for Reconstruction and Development (EBRD)
- The European Investment Bank (EIB)
- The Inter-American Development Bank (IADB)
- The Islamic Development Bank (IsDB)
- The World Bank Group (WBG)

How have MDBs Traditionally Lent in India?

- .**World Bank's Commitment to India:**
  - The **World Bank**, established in 1944, has committed USD 97.6 billion in lending to India, encompassing both active and closed projects.
  - Out of the total commitments,19% has been dedicated to projects in the public administration sector, 15% to agriculture, fishing, and forestry, and 11% to the transport sector.
- **Asian Development Bank's (ADB) Involvement:**
  - The **ADB, based in Manila** and established in 1969, has committed USD 59.7 billion in assistance to India, covering both project and technical assistance.
  - Of the total assistance, 34% has been allocated to the transport sector, 25% to the energy sector, and 10% to urban infrastructure.
- **Asian Infrastructure Investment Bank's (AIIB) Contribution:**
  - The **AIIB**, **headquartered in Beijing** and founded in 2016, has approved USD 9.9 billion in financing for India.
  - Of this amount, 42% has been designated for the transport sector, 14% for the energy sector, and 12.6% for economic resilience.

CBDT Directives on Angel Tax

Why in News?

The Central Board of Direct Taxes (CBDT) has issued a directive aimed at ensuring that Department for Promotion of Industry and Internal Trade (DPIIT) **recognized** start-ups are not burdened with **unnecessary scrutiny under the revised angel tax provisions** in the Finance Act, 2023**.**

What are the New Tax Directives Related to Start-ups?

- The CBDT has directed its officers to **refrain from scrutinizing the angel tax provisions for start-ups that have received recognition from the DPIIT**.
  - This directive comes in response to concerns raised by **many start-ups regarding scrutiny notices for angel tax.**
- The CBDT has outlined two scenarios regarding recognized start-ups under scrutiny:
  - **Single-Issue Scrutiny:** In cases where scrutiny is initiated solely to determine the applicability of **Section 56 (2) (viib) of the Income-tax Act, Assessing Officers will not conduct any verification during the assessment proceedings**.
    - Instead, the contention of the recognized start-up regarding the issue will be summarily accepted.
  - **Multiple-Issue Scrutiny:**When a recognized start-up is under scrutiny for multiple issues, including the

Note:

one under Section 56 (2) (viib) of the Income-tax Act, the **applicability of the angel tax provision will not be pursued during the assessment proceedings.**

What is Angel Tax?

- Angel tax is an **income tax levied at the rate of 30.6%** when an **unlisted company issues shares to an investor** at a price higher than its fair market value.
  - **Fair market value** is the price of an asset when buyer and seller have reasonable knowledge of it and are willing to trade without pressure.
- Initially, angel tax was applicable only to investments made by resident investors. The **Finance Act, 2023** extended this provision to include foreign investors as well.
  - This means that when a start-up raises funding from a foreign investor, it will also be counted as income and subjected to taxation.
    - However, DPIIT-recognized start-ups are now **excluded from the angel tax levy.**

Note: In May 2023, the Finance Ministry exempted **investors from 21 countries**, such as the **US, UK, and France, from the angel tax levy for non-resident investments** in Indian start-ups.

What are the Other Major Government's Initiatives Related to Startups?

- National Initiative for Developing and Harnessing Innovations (NIDHI)
- Startup India Action Plan (SIAP)
- Ranking of States on Support to Startup Ecosystems (RSSSE)
- Startup India Seed Fund Scheme (SISFS)

What is the Central Board of Direct Taxes?

- It operates as a statutory authority established by the **Central Board of Revenue Act, 1963.**
  - It forms an integral component of the **Department of Revenue within the Ministry of Finance.**
- It contributes to the **formulation of policies and planning related to direct taxation in India** and oversees the enforcement of direct tax laws through the Income Tax Department.
  - Direct taxes encompass **income tax, corporation tax,** and similar categories.

Foreign Contribution Regulation Act

Why in News?

Recent data from the Ministry of Home Affairs has revealed a concerning trend related to the **registration of** non-governmental organizations (NGOs) under the Foreign Contribution (Regulation) Act (FCRA), 2010 in India.

- The data suggests that **NGOs are not accurately depicting their operational areas** in their FCRA registrations and are involved in activities that **deviate from their stated objectives.**

What is the Foreign Contribution Regulation Act?

- **About:**
  - The **FCRA was enacted in 1976 during the** Emergency **period** due to concerns about **foreign interference in India's affairs** through financial support to independent organizations.
  - FCRA was **designed to regulate foreign donations** to individuals and associations, ensuring that they operate in a manner consistent with the values of a sovereign democratic republic.
- **Amendments to FCRA:**
  - **2010 Amendment:**
    - Enacted to consolidate the law to regulate the **acceptance and utilization of foreign contribution** by certain individuals or associations and **to prohibit acceptance and utilization** of foreign contribution for any **activities detrimental to the national interest**.
  - **2020 Amendment:**
    - **Prohibiting the transfer of foreign contribution** to any other person or organization.
    - Reducing the limit of usage of foreign **contribution for administrative expenses from 50% to 20%.**
- **FCRA Registration:**
  - Registration under the FCRA is essential for receiving foreign donations in India.
    - It's granted to individuals or associations engaged in **various areas of work,** including **cultural, economic, educational, religious, or social programs**, among others.

Note:

- The FCRA regulates foreign contributions in **these defined areas to ensure transparency** and compliance with the law.
- Entities can register under **multiple categories based on their programs, allowing for diverse activities.**
- Applicants need to open a bank account for the receipt of the foreign funds at a specified branch of State Bank of India in New Delhi.

- **Prohibitions of Activities Under FCRA Registration:**
  - The applicant must not represent **fictitious entities.**
  - The applicant should not have been involved in **religious conversion activities, either directly or indirectly.**
  - The applicant should not have a history of prosecutions related to communal tension or disharmony.
  - The applicant must not be engaged in activities related to **sedition.**
  - The FCRA prohibits candidates, journalists, media companies, judges, government servants, politicians, and political organizations from receiving foreign funds.
- **Validity and Renewal:**
  - FCRA registration is **valid for five years,** and NGOs are required to apply for **renewal within six months of the registration's expiry.**
  - The government has the authority to cancel an NGO's FCRA registration for various reasons, including violations of the Act or a lack of reasonable activity in their chosen field for two consecutive years.
    - Once canceled, an **NGO is ineligible for re-registration for three years**.
- **FCRA 2022 Rules:**
  - In July 2022, the MHA introduced changes to FCRA rules. These changes included increasing the number of compoundable offences from 7 to 12.
  - The rules also raised the limit for contributions from relatives abroad that do not require government intimation from **Rs 1 lakh to Rs 10 lakh and extended the time limit for intimation of the opening of bank accounts.**

Gresham's Law and Currency Exchange Rate

Why in News?

Gresham's law, attributed to **English financier Thomas Gresham,** was a significant factor in the **2022 economic crisis in Sri Lanka**. The crisis was characterized by the Central Bank of Sri Lanka's implementation of a **fixed exchange rate** between the **Sri Lankan Rupee and the U.S. Dollar.**

What is Gresham's Law?

- **Gresham's law** is a monetary principle that states that "**bad money drives out good". Bad money** is a currency with equal or less value than its face value. **Good money** has the potential for a greater value than its face value.
  - This means that if there are two types of **money in circulation**, one with a **higher intrinsic value and one with a lower intrinsic value,** people will tend to hoard the more valuable money and spend the less valuable money.
    - As a result, the **less valuable money will dominate the market**, while the more valuable money will disappear from circulation.
  - This law comes into play when the **government fixes the exchange rate between two currencies**, creating a disparity between the official rate and the market rate.
    - It applies not just to **paper currencies but also to commodity currencies** and other goods.
- **Contrast to Gresham's Law:**
  - In contrast to **Gresham's Law**, **Thiers' Law** highlights a phenomenon where **"good money drives out bad."** In a free exchange rate environment, **people tend to favor higher-quality currencies** and **gradually discard those they perceive as inferior.**
    - The **rise of private cryptocurrencies (Good Money)** in recent years is often cited as an example of **how well-regarded, private money producers can displace government-issued currencies (Bad Money).**

Note:

What is a Fixed Exchange Rate?

- **About:**
  - A fixed exchange rate, also **called pegged exchange rate,** is a regime applied by a government or central bank that **ties the country's official currency exchange rate to another country's currency** or the price of gold.
    - The purpose of a fixed exchange rate system is to **keep a currency's value within a narrow band.**

What are Alternatives to Fixed Exchange Rates?

- **Floating Exchange Rate:**A floating exchange rate, also known as a flexible exchange rate, is a system where a **currency's value is determined by supply and demand in the foreign exchange market.**
  - In this system, exchange rates can fluctuate continuously and are not officially pegged or fixed to any other currency or commodity.
  - Floating exchange rates allow currencies to adjust freely to **economic conditions, trade imbalances, and market forces.**
    - **Example**: Canada and Australia.
- **Managed float**: A managed float exchange rate, also referred to as a **dirty float,** is a system where a **country's central bank or government occasionally intervenes in the foreign exchange market** to influence its currency's value.
  - While the exchange rate is allowed to float to some extent, **authorities may buy or sell their own currency to stabilize or manage its value** in response to certain economic goals or to prevent excessive volatility.
  - **Example:** India and China.

RBI to Discontinue I-CRR

Why in News?

Recently, the Reserve Bank of India (RBI) announced that it would discontinue the Incremental Cash Reserve Ratio (I-CRR) in a phased manner.

- The central bank will release the amount that banks have maintained under I-CRR in stages.

How Will the RBI Implement Discontinuation of I-CRR?

- The discontinuation of the I-CRR will be **implemented in stages** to ensure a smooth transition and **prevent sudden shocks to the system's liquidity.**
  - In the first and second stages of the I-CRR reversal, 25 % of each of the Banks' impounded funds will be released. The remaining 50% of the balance will be released in the third stage.
- This measured approach aims to ensure that **banks have sufficient liquidity to meet increased credit demand** during the **upcoming festival season.**

What is I-CRR?

- **Background:**
  - On 10th August 2023, following the announcement of the monetary policy and the demonetization of Rs 2000 notes, the RBI declared that banks would be required to maintain an Incremental Cash Reserve Ratio (I-CRR) of 10% on the increase in their Net Demand and Time Liabilities (NDTL).
    - **NDTL** is the **difference** between the **sum of demand and time liabilities** (deposits) of a bank (with the public or the other bank) and the deposits in the form of **assets held by the other banks.**
  - Stated that it would review it in September 2023, or earlier.
- **Purpose of Introducing I-CRR:**
  - The RBI introduced the I-CRR as a temporary measure to **manage excess Liquidity** in the banking system.
    - Several **factors contributed** to the Surplus Liquidity, including the demonetisation of Rs 2,000 banknotes.
  - RBI's surplus transfer to the government, increased **government spending, and capital inflows.**
  - This liquidity surge had the **potential to disrupt price stability and financial stability**, necessitating efficient liquidity management.
- **Impact of I-CRR on Liquidity Conditions:**
  - The I-CRR measure would absorb over **Rs 1 lakh crore of excess liquidity** from the banking system.
  - As a result of the I-CRR mandate, the banking system's **liquidity temporarily turned into a deficit on 21st August 2023**, exacerbated by **outflows related to Goods and Services Tax (GST)** and central bank intervention to stabilize the rupee.

Note:

- However, liquidity conditions returned to Liquidity from the system.

What is the Cash Reserve Ratio (CRR)?

- **About:**
  - The percentage of cash required to be kept in reserves as against the bank's total deposits, is called CRR.
  - All banks in India, except Regional Rural Banks (RRBs) and Local Area Banks (LABs), have to deposit the CRR money to RBI.
    - RRBs and LABs are exempted from maintaining CRR with RBI, **as per the RBI Act, 1934**. However, they have to maintain CRR with themselves in the form of **cash or gold or unencumbered approved securities**.
  - Banks can't lend the CRR money to **corporates or individual borrowers**, banks can't use that money for investment purposes, and **Banks don't earn any interest on that money.**

What are the Monetary Policy Instruments Available to the RBI?

- **Qualitative:**
  - **Moral Suasion:** This is a **non-binding technique where the RBI uses persuasion and communication** to influence banks' lending and investment behavior.
  - **Direct Credit Controls:** These are measures that involve **regulating the flow of credit to specific sectors or industries**. The RBI can issue directives on lending to certain sectors or set credit limits to achieve policy objectives.
  - **Selective Credit Controls:** These are **more specific than direct credit controls and target particular types of loans, such as consumer credit**, to control demand in specific areas of the economy.
- **Quantitative:**
  - **Cash Reserve Ratio (CRR):** CRR is the proportion of a **bank's deposits that it must keep as reserves with the RBI** in the form of cash. By adjusting the CRR, the RBI can control the amount of funds available for lending by banks.
  - **Repo Rate:** The repo rate is the **interest rate at which the RBI lends money to commercial banks for the short term**. A change in the repo rate can influence banks' borrowing costs and, subsequently, their lending rates.
  - **Reverse Repo Rate:** The reverse **repo rate is the interest rate at which banks can park their excess funds with the RBI**. It provides a floor for short-term interest rates and helps manage liquidity.
  - **Bank Rate:** The bank rate is the rate at which the **RBI provides long-term funds to banks and financial institutions**. It influences interest rates in the long-term money market.
  - **Open Market Operations (OMOs):** OMOs involve the **buying or selling of government securities by the RBI in the open market.** This action affects the money supply and liquidity in the banking system.
  - **Liquidity Adjustment Facility (LAF):** The LAF includes the repo rate and the reverse repo rate and is used by banks for their short-term liquidity needs. It **helps the RBI manage daily liquidity conditions**.
  - **Marginal Standing Facility (MSF):** MSF is the rate at which **banks can borrow overnight funds from the RBI against the collateral of government securities.** It serves as a secondary source of funding for banks.
  - **Statutory Liquidity Ratio (SLR):** SLR is the percentage of a bank's net demand and time liabilities (NDTL) that it must maintain in the form of approved securities.

Economic Insights Beyond GDP: ICOR

Why in News?

India's latest Gross Domestic Product (GDP) data is making headlines with a remarkable **7.8% growth during the April to June quarter of 2023,** solidifying its position as one of the **world's fastest-growing major economies.**

- However, India's economic narrative extends beyond the numerical figures. Incremental Capital Output Ratio (ICOR) is also gaining traction, offering insights into **capital efficiency and** resource allocation**.**

What is GDP and ICOR?

- **GDP** is one of the most widely used indicators of **economic performance and development.** It measures the **total value of goods and services produced within a country in a given period of time**.

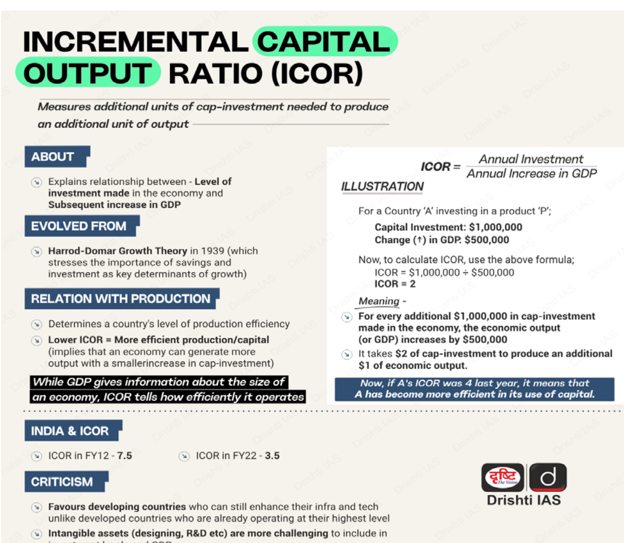
Note:

- While GDP has its merits, it **does not offer a complete view of economic well-being**. It overlooks factors like **efficiency, income distribution, and institutional quality,** which are essential for sustainable growth.
- Merely increasing investment may inflate GDP, but true sustainable growth **relies on productivity enhancements.**
- Therefore, economists and policymakers often use other complementary indicators to assess the **efficiency, sustainability, and quality of economic growth.**

➢ One such indicator is the **ICOR**; it has evolved from the **Harrod-Domar Growth Theory** and examines the **relationship between fresh investments and economic growth**, indicating how much additional capital is required to generate a **1% higher output**.

- **A lower ICOR signifies greater efficiency** and productive use of capital.
- According to an **SBI report,** India is experiencing an upward trend in savings and investments, which is accompanied by a simultaneous **decrease in the ICOR.**
  - The **current ICOR in India stands at 4.4,** indicating a reasonably efficient use of capital.

> **Note**: The **Harrod-Domar model,** created by economists **Roy Harrod and Evsey Domar**, asserts that **economic growth relies on the availability of capital for investment,** and the rate of capital accumulation is directly linked to the rate of savings.



Measurement of Unemployment In India

Why in News?

In 2021-22, India's Unemployment rate dropped to 4.1% according to Periodic Labour Force Survey (PLFS) of 2021-22, but higher than the US (Fluctuating between 3.5% and 3.7%), highlighting the contrasting economic landscapes between the two countries and thus are differing methods to measure unemployment.

What is Unemployment?

➢ **ILO's Definition:**
- Unemployment, as per the International Labour Organization (ILO), involves being out of a job, being available for work, and actively seeking employment.
- A crucial aspect is that those **not actively searching for work are not considered unemployed.**

➢ **The Labour Force:**
- It comprises the **employed and the unemployed.** Those not in these categories (e.g., students, unpaid domestic workers) are categorized as **out of the labour force.**
- The unemployment rate is calculated as the **ratio of the unemployed to the labour force.**
  - The unemployment rate could also fall if an economy is not generating enough jobs, or if people decide not to search for work.

How is Unemployment Measured in India?

➢ **NSSO Classification Methods:**
- **Usual Principal and Subsidiary Status (UPSS):** Principal status is determined based on the activity one spent the most time on in the previous year.
  - Subsidiary roles lasting at least 30 days are also **considered employment.** This method tends to **lower unemployment rates.**
- **Current Weekly Status (CWS):**
  - A shorter reference period of a week is adopted. Individuals are counted as employed if they have worked **for at least one hour on at least one day in the preceding seven days**.
    - CWS often results in **higher unemployment rates than UPSS** due to the shorter reference period.

Note: The National Sample Survey Office (NSSO) is merged with the Central Statistical Office to form the National Statistical Office (NSO) in 2019.

The unemployment rates as per the Periodic Labour Force Survey

	UPSS			CWS		
	Rural	Urban	Aggregate	Rural	Urban	Aggregate
2017-18	5.3%	7.8%	6.1%	8.5%	9.6%	8.9%
2018-19	5%	7.7%	5.8%	8.4%	9.5%	8.8%
2019-20	4%	7%	4.8%	7.9%	11%	8.8%
2020-21	3.3%	6.7%	4.2%	6.5%	10%	7.5%
2021-22	3.3%	6.3%	4.1%	6%	8.3%	6.6%

Safeguarding the Global Financial Ecosystem

Why in News?

Recently, the Union Finance & Corporate Affairs Minister addressed the **Global Fintech Fest 2023** in Mumbai.

- The importance of **global cooperation in addressing threats to the Global Financial Ecosystem** is highlighted.
- India Under the G20 Presidency has sought for global cooperation and collaboration in the areas where we have continued challenges.

What is Global Fintech Fest (GFF)?

- It is the **largest fintech conference**, jointly organized by the National Payments Corporation of India (NPCI), the **Payments Council of India (PCI)**, and the **Fintech Convergence Council (FCC).**
- Aim is to provide a **singular platform for fintech leaders to foster collaborations** and develop a blueprint for the future of the industry.
- GFF is a platform where policymakers, regulators, industry leaders, academics, and all major FinTech ecosystem stakeholders converge once a year to exchange ideas, share insights, and drive innovation.
- **GFF'23 Theme:**
  - Global Collaboration for a Responsible Financial Ecosystem.
    - The theme of GFF 2023 highlights the critical need for global collaboration to build a financial ecosystem that is **inclusive, resilient, and sustainable.**

Note:

- **Payments Council of India (PCI)**: PCI is a body representing **over 85% of the non-Bank companies in the Payments ecosystem** and was formed to effectively cater to the needs of the digital payments industry.
  - PCI comprises the following sub-committees:
    - Payment Aggregators / Payment Gateways
    - Prepaid Payments Issuers (PPI)
    - Payments Networks
    - Payments Bank
    - Bharat Bill Payments Operating Units Committee (BBPOU)
    - United Payment Interface (UPI)
    - International Remittances and Trade Committee
    - Technology Enablers
- **Fintech Convergence Council (FCC):** Setup in 2017 as a fintech committee, **FCC** was later converted into an independent council with an independent governing board, with over 70 members.
  - The FCC represents various players in the fintech, banking, financial services, and technology space.

Central Bank Digital Currency

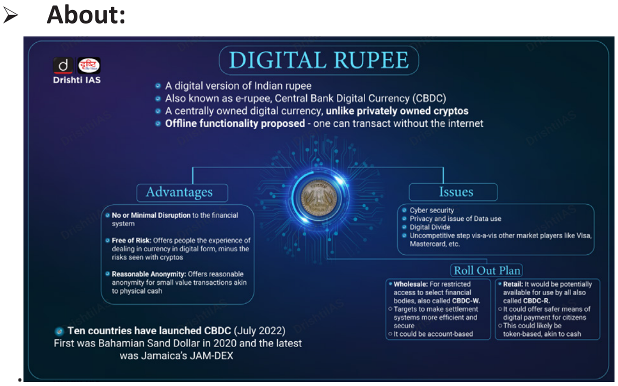
Why in News?

Recently, the Reserve Bank of India (RBI) Governor has highlighted the potential of Central Bank Digital Currency (CBDC) or **E-rupee** in improving cross-border payments' efficiency.

- RBI is gradually expanding its CBDC pilots to include more banks, cities, diverse use cases, and a broader audience.
- The RBI launched pilots for the **digital rupee in the wholesale in November 2022** and in the retail segment in December 2022.

What is Central Bank Digital Currency (CBDC)?

- **About:**



- **Global Trends:**
  - Bahamas has been the first economy to launch its nationwide CBDC — Sand Dollar in 2020.
  - Nigeria is another country to have roll out eNaira in 2020.
  - China became the world's first major economy to pilot a digital currency e-CNY in April 2020.

Indian Economy and Impossible Trinity

Why in News?

The Reserve Bank of India(RBI) and Indian investors are facing a challenge in overcoming the **"impossible trinity".**

What is the Impossible Trinity?

- **About:**
  - The impossible trinity, or the trilemma, refers to the idea that an economy cannot pursue **independent** monetary policy**, maintain a fixed exchange rate, and allow the free flow of capital across its borders** all at the same time.
    - In a fixed exchange rate regime, the domestic currency is tied to another foreign currency such as the U.S. dollar, Euro, the Pound Sterling or a basket of currencies.
  - An able policymaker can, at best, **achieve two of these three objectives at any given time.**
  - The idea was proposed independently by **Canadian economist Robert Mundell and British economist Marcus Fleming in the early 1960s.**
  - The Impossible Trinity is a **fundamental concept in international economics and monetary policy.**
  - It describes the inherent challenges countries face when trying to simultaneously achieve three specific policy objectives related to their exchange rate and capital flows.

Governance in Urban Cooperative Banks

Why in News?

Recently, the Governor of the Reserve Bank of India (RBI) addressed concerns regarding Urban Cooperative Banks (UCBs) and emphasized the need to bolster their governance.

- While the UCB sector has shown overall financial improvement, **individual entities face vulnerabilities** that must be addressed to ensure the sector's stability.

What are the RBI's Recommendations for UCBs?

- The RBI directed the directors of UCBs to strengthen their governance practices, especially the three supporting pillars of **compliance, risk management, and internal audit.**
- The RBI urged the boards to be more proactive in **Asset Liability Management** and the necessity of managing liquidity risk in a more systematic manner.
- On the functioning of the boards, the RBI emphasised five aspects - **adequate skills and expertise of directors**, **the constitution of a professional board of management**, **diversity, and tenure of board members**, **transparent and participatory nature of board discussions**, and **effective functioning of board-level Committees.**
- The RBI cautioned them **against using innovative accounting practices** to camouflage their actual financial position.
  - The RBI encouraged them to adopt appropriate business strategies and explore **suitable technology solutions to sustain and grow their business and serve their customers.**

What are Urban Cooperative Banks (UCBs)?

- Co-operative Banks, which are distinct from commercial banks, were born out of the concept of **co-operative credit societies where members from a community group together to extend loans to each other, at favorable terms.**
- Co-operative Banks are broadly classified into **Urban and Rural co-operative banks based on their region of operation.**
- UCBs are regulated and supervised by **State Registrars of Co-operative Societies (RCS) in case of single-state co-operative banks** and **Central Registrar of Co-operative Societies (CRCS) in case of multi-state co-operative banks** and by the RBI.
  - But in 2020, **all UCBs and multi-state cooperatives were brought under the supervision of RBI.**
- In 2021 RBI appointed a committee that suggested a 4-tier **structure for the UCBs.**

Note:

- Tier 1 with all unit UCBs and salary earner's UCBs (irrespective of deposit size) and all other UCBs having deposits up to Rs 100 crore.
- **Tier 2** with UCBs of deposits between Rs 100 crore and Rs 1,000 crore,
- **Tier 3** with UCBs of deposits between Rs 1,000 crore and Rs 10,000 crore, and
- **Tier 4** with UCBs of deposits more than Rs 10,000 crore.

- As of **March 2021, there are about 1,539 UCBs in India**. The deposit base of UCBs stood at Rs 5 lakh crore as of March 2020 and advances over Rs 3 Lakh crore.
  - Despite their large numbers, **UCBs' market share in the banking sector was low and declining at around 3%.** They accounted for **3.24% of deposits and 2.69% of advances.**

International Organization of Legal Metrology

Why in News?

Recently, India has become the 13th country that can issue OIML (International Organization of Legal Metrology) Certificates.

- The Legal Metrology Division, Department of Consumer Affairs, is now **authorised to issue OIML certificates.**

What is Legal Metrology?

- Legal Metrology **refers to a branch of metrology** that focuses on the regulation and legislation **concerning measurements and measuring instruments** to ensure accuracy, consistency, and fairness in commercial transactions and other areas where measurements play a critical role.
  - Metrology is the **science of measurement** and its application.
- The primary objective of legal metrology is to protect the interests of both consumers and producers by establishing clear and uniform standards for measurements.

Note:
- The CSIR-**National Physical Laboratory (NPL-India)** is India's **National Metrology Institute' (NMI)** that maintains **standards of SI units in India and calibrates** the national standards of weights and measures.

What is the International Organization of Legal Metrology (OIML)?

- **About:**
  - The OIML was established in **1955 and headquartered in Paris**.
  - It is an **international standard-setting body** that develops model regulations, standards and related documents for use by legal metrology authorities and industry.
- **India's Membership:**
  - India became a member of the OIML in 1956. In the same year, **India signed the Metric Convention.**
    - The **Metric Convention of 1875**, more formally known as the Metre Convention or Treaty of the Metre, is an international treaty that was signed on 20th May, 1875, in Paris, France.
      - World Metrology Day is celebrated on this day.
    - It established the International System of Units (SI), which is the modern form of the metric system.
- **OIML Certificate:**
  - The OIML-CS is a system for **issuing, registering and using OIML** certificates, and their associated OIML type evaluation/test reports, for instruments like **digital balance, clinical thermometers**, etc.
  - To **sell a weight or measure** in the international market an **OIML Pattern Approval certificate is mandatory.** It is a single certificate accepted worldwide.
  - With the addition of India, the number of countries **authorised to issue OIML certificates has increased to 13.**

Surety Bonds

Why in News?

Recently, some of the leading general insurers like New India Assurance, SBI General Insurance etc. have announced their plans to issue Surety Bonds, but nobody has been able to do so due to lack of supporting elements.

- **The Ministry of Finance** and the **Ministry of Road Transport and Highways** are putting pressure on the Insurance Regulatory and Development Authority of India (IRDAI) to push the insurance industry to launch surety Bond Products.

What is Surety Bond?

- **About:**
  - A surety bond can be defined in its simplest form as a **written agreement to guarantee compliance, payment, or performance of an act.**
  - It is a unique type of insurance because it involves a **three-party agreement.** The three parties in a surety agreement are:
    - **Principal** – The party that purchases the bond and undertakes an obligation to perform an act as promised.
    - **Surety –** The insurance company or surety company that guarantees the obligation will be performed. If the principal fails to perform the act as promised, the surety is contractually liable for losses sustained.
    - **Obligee** - The party who requires, and often receives the benefit of the surety bond. For most surety bonds, the obligee is a local, state or federal government organization.
  - Surety bond is **provided by the insurance company** on behalf of the contractor to the entity that is awarding the project.
  - It will help contractors to have financial closure of their projects **without depending upon only bank guarantees.**

Global Debt Trends and Implications

Why in News?

According to the **Institute of International Finance (IIF),** Global Debt rose to an all-time high of USD 307 trillion in the second quarter 2023.

- Global debt has risen by about USD 100 trillion over the last decade. Further, global debt as a share of Gross Domestic Product (GDP) has started to increase once again to hit 336% after dropping quite steeply for seven consecutive quarters.

What is Global Debt?

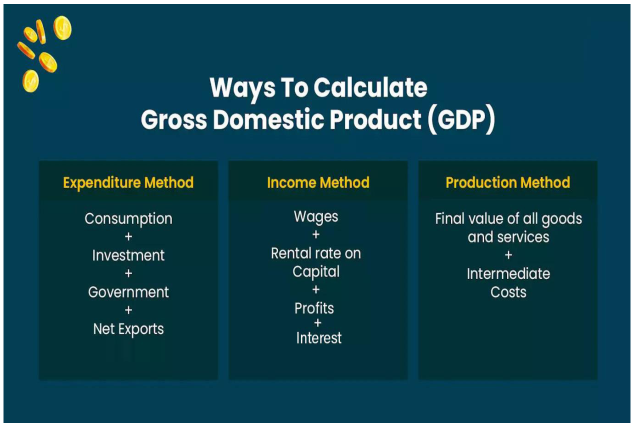
- **About:**
  - Global debt **refers to the borrowings of governments** as well as private businesses and individuals.
  - Governments **borrow to meet various expenditures** that they are unable to meet through tax and other revenues.
  - Governments may also borrow to **pay interest on the money** that they have already borrowed to fund past expenditures.
  - The private sector borrows predominantly to make investments.
- **Regional Contributors to Debt Growth:**
  - In the first half of 2023, advanced economies, including the US, U.K, **Japan, and France, accounted for over 80% of the rise** in global debt.
  - Emerging market economies like China, India, and Brazil also witnessed **substantial debt growth** during this period.
- **Reasons Behind Rising Global Debt:**
  - Economic growth, population expansion, and **increased government spending drive the need** for borrowing. During economic downturns, governments intensify borrowing to stimulate economic activity and provide financial support.
  - During the first half of 2023, total global debt rose by USD10 trillion. This has happened amid rising interest rates, which was **expected to adversely affect demand for loans**.
  - But a rise in debt levels over time is to be expected since the **total money supply usually steadily rises** each year in countries across the globe.

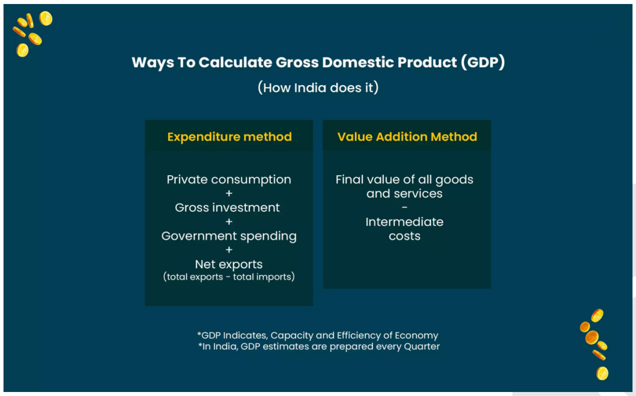
Concerns Related to India's GDP Data

Why in the News?

Recently, the Ministry of Finance has **addressed concerns regarding the credibility of Indian GDP (Gross Domestic Product) data**, particularly in light of a 7.8% increase in the first quarter of FY 2023-24.

- Several experts have pointed out **discrepancy in India's GDP statistics**, which present a positive image of economic growth on billboards, while underlying issues such as **rising inequalities, job scarcity, and a decline in manufacturing jobs** persist.





India's Inclusion in JPMorgan GBI-EM Index

Why in News?

Recently, JPMorgan Chase & Co. will include India in its **Government Bond Index-Emerging Markets (GBI-EM) index from June 2024**, anticipating significant inflows to India. This move is expected to widen the investor base and **potentially lead to the appreciation of the Rupee.**

What is the JPMorgan Government Bond Index-Emerging Markets (GBI-EM) index?

- **About:**
  - The JP Morgan GBI-EM is a widely followed and influential **benchmark index that tracks the performance of local-currency-denominated Sovereign Bonds** issued by emerging market countries.
  - It is designed to provide investors with a **representative measure of the fixed income market** within emerging market economies.
  - It Includes government bonds issued by various emerging market countries.
  - The composition may change over time based on eligibility criteria.
- **India's Inclusion:**
  - JPMorgan has identified **23 Indian government bonds with a combined nominal value of USD 330 billion** as eligible for inclusion in the GBI-EM.
  - India's weight is expected to reach the maximum weight threshold of 10% in the GBI-EM Global Diversified, and approximately 8.7% in the GBI-EM Global index.
  - India's **local bonds will become part** of the GBI-EM index and its suite of indices, which serve as **benchmarks for approximately USD 236 billion in global funds**, as per JPMorgan.

State of Working India 2023

Why in News?

Recently, Azim Premji University's Centre for Sustainable Employment has released the Report titled- **"State of Working India 2023"** highlighting the State of Indian workforce.

- It covers unemployment rates, women's participation, intergenerational mobility, and caste-wise workforce dynamics.
- The report used various data sources like surveys conducted by the National Statistical Office including **Employment-Unemployment Surveys** and Periodic Labour Force Surveys along with the India Working Survey.

India's Outward and Inward Investment Trends

Why in News?

In the fiscal year 2023, India saw a significant increase in **Outward Direct Investment (ODI)** by Indian firms, as well as a surge in inward Foreign Direct Investment (FDI), according to a census conducted by the Reserve Bank of India (RBI).

What is Outward Direct Investment (ODI)?

- Employing ODI is a natural progression for firms if their domestic markets become saturated and better business opportunities are available abroad.
- American, European, and Japanese firms have long made extensive investments outside their domestic markets.
  - China has emerged as a large ODI player in recent years.

What are the Key Highlights of the Outward Direct Investment Trends?

- **Singapore Leads in ODI:**
  - Singapore emerged as the largest beneficiary of Indian ODI in FY2023, receiving Rs 2.03 lakh crore, representing 22.3% of the total ODI, indicating the **growing interest of Indian firms** in the Singaporean market.
    - Singapore serves as a crucial hub for Indian businesses expanding internationally.
  - **Singapore, the US, the UK**, and the **Netherlands** were **among the top destinations**, receiving 60% of the total Rs 9.1 lakh crore invested during FY23.
- **Overall ODI Growth:**
  - Indian firms' total ODI rose by an impressive 19.46%, reaching Rs 9.11 lakh crore in FY2023, compared to Rs 7.62 lakh crore in 2022.

OUTWARD DIRECT INVESTMENT FROM INDIA

COUNTRY	2022	2023	SHARE
Singapore	₹182,200 cr	₹203,233 cr	22.3%
USA	₹102,078 cr	₹124,123 cr	13.6%
UK	₹84,075 cr	₹116,398 cr	12.8%
Netherlands	₹97,723 cr	₹106,395 cr	11.7%
UAE	₹55,608 cr	₹87,459 cr	9.6%
Mauritius	₹70,392 cr	₹76,881 cr	8.4%
Switzerland	₹26,130 cr	₹28,228 cr	3.1%
Bermuda	₹11,515 cr	₹12,582 cr	1.4%
Jersey	₹13,198 cr	₹11,661 cr	1.3%
Cyprus	₹10,142 cr	₹9,985 cr	1.1%
Other Countries	₹1,09,591 cr	₹1,34,124 cr	14.7%
All Countries	₹7,62,652 cr	₹9,11,069 cr	100.0%

- **Tax Havens in the Mix:**
  - Bermuda, Jersey and Cyprus are **three jurisdictions known for tax benefits** and are in the **top ten countries** that received Indian ODI.
    - Bermuda, in particular, is renowned for its favourable tax policies, including no taxes on profits, income, dividends, or capital gains.

Business Responsibility and Sustainability Reporting Framework

Why in News?

Recently, Indian Institute of Corporate Affairs (IICA), organised a workshop on Business Responsibility and Sustainability Reporting in collaboration with United Nations Children's Fund (UNICEF) and National Stock Exchange(NSE) at the NSE premises in Mumbai.

What is Business Responsibility and Sustainability Reporting Framework?

- BRSR is a **mandatory disclosure mechanism for top 1000 listed companies or businesses** to report their performance on Environmental, social, and corporate governance (ESG) parameters and demonstrate their commitment to responsible business practices.
  - SEBI in 2021 replaced Business Responsibility Reports (BRR) with BRSR.
- BRSR is rooted in the nine principles outlined in the National Guidelines for Responsible Business Conduct (NGRBC).

What is Environmental, Social, and Corporate Governance?

- ESG represents a **set of guidelines that compel companies to adhere to improved standards in their operations,** encompassing **better governance, ethical conduct, environmentally sustainable practices, and social responsibility.**

- Since the introduction of the **United Nations Principles for Responsible Investing (UNPRI) in 2006,** the ESG framework has become an integral aspect of contemporary businesses, recognized as an inseparable component of modern corporate practices.

Note:

drishti

What is the Indian Institute of Corporate Affairs?

- The **Indian Institute of Corporate Affairs (IICA)** was registered as a society on September 12, 2008 under the **Societies Registration Act, 1860.**
  - The proposal to establish the IICA was approved by the Planning Commission **in February 2007.**
- It is an autonomous institute and works under the aegis of the Ministry of Corporate Affairs to deliver opportunities for research, education, and advocacy.
  - It is also a think tank that curates a **repository of data and knowledge for policy makers,** regulators as well as other stakeholders working in the **domain of corporate affairs.**

What is the United Nations Children's Fund?

- The **United Nations Children's Fund (UNICEF),** originally known as the **United Nations International Children's Emergency Fund,** was created by the United Nations General Assembly on **11 December 1946**, to provide emergency food and healthcare to children and mothers in countries that had been devastated by World War II**.**
- In 1950, **UNICEF's mandate was extended to address the long-term needs** of children and women in developing countries everywhere.
  - In **1953, it became a permanent part of the United Nations System.**

What is the National Stock Exchange?

- **National Stock Exchange (NSE)** is a **leading stock exchange market in India** which provides fully automated screen based trading in India.
  - NSE was incorporated in **1992**. It was recognised as a stock exchange by SEBI in April 1993 and **commenced operations in 1994** with the launch of the wholesale debt market.
- One of its more **popular offerings is the NIFTY 50 Index,** which tracks the largest assets in the Indian equity market.

AMC Repo Clearing Limited

Why in News?

Recently, the Ministry of Finance inaugurated the Limited Purpose Clearing Corporation (LPCC) called **AMC Repo Clearing Limited (ARCL)**.

What is AMC Repo Clearing Limited (ARCL)?

- **About:**
  - ARCL is a **Limited Purpose Clearing Corporation** that provides clearing and settlement services to all trades made in corporate debt securities on the National Stock Exchange (NSE) **and Bombay Stock Exchange (BSE).**
  - It received in-principle approval from the Securities and Exchange Board of India (SEBI) under the **Stock Exchanges and Clearing Corporations (SECC) Regulations, 2018.**
    - Also, ARCL has been granted **Certificate of Authorization by** RBI **under** Payment and Settlement Systems (PSS) Act, 2007 to offer **Central counterparty clearing house (CCP) services** for repo transactions in corporate debt securities.
- **Functions:**
  - ARCL offers tripartry repo services **and central counterparty services** to facilitate **repo transactions in corporate bonds,** which are short-term borrowings backed by **securities** as collateral.

Note:
- **Secondary Market:** The secondary market, also known as the **aftermarket,** refers to the financial market where **previously issued financial instruments**, such as stocks, bonds, derivatives, and other securities, **are bought and sold among investors.**
- **Corporate Bond:** Corporate bonds are debt securities issued by corporations to raise capital for various purposes, such as **expanding operations, funding projects, or refinancing existing debt.**
- **Triparty Repo Services:** Triparty repo services are financial transactions where a **third party, often a custodian or clearing agent,** acts as an intermediary between the two parties involved in a **repurchase agreement (repo).**

Self-Reliant India Fund for MSMEs

Why in News?

Recently, the **Minister of State for Micro Small and Medium Enterprises** provided valuable insights into the Self Reliant India **Fund** during a written reply in the Lok Sabha.

What is Self-Reliant India (SRI) Fund?

- **About**:
  - As part of the **Atmanirbhar Bharat package,** the Indian government announced the **allocation of Rs. 50,000 crores for equity infusion in MSMEs** through the **Self-Reliant India (SRI) Fund.**
  - SRI fund operates through a **mother-fund and daughter-fund structure** for equity or quasi-equity investments.
  - The **National Small Industries Corporation (NSIC) Venture Capital Fund Limited (NVCFL)** was designated as the **Mother Fund** for the implementation of the SRI Fund.
    - It was registered as a Category-II **Alternative Investment Fund (AIF)** with **SEBI**.

Composition of the SRI Fund:

- The Rs. 50,000 crore SRI Fund comprises:
  - Rs. 10,000 Crore from the Government of India to initiate **equity infusion in select MSMEs.**
  - Rs. 40,000 Crore sourced through **Private Equity (PE) and Venture Capital (VC) funds**, leveraging private sector expertise and investment.

> Note:
> - **Equity Infusion:** It refers to the process of **injecting fresh capital or funds into a company** by issuing additional shares to existing shareholders or new investors.
> - **Venture Capital Fund:** It is a type of investment fund that **provides capital to early-stage and startup companies** with high growth potential.
>   - The primary objective of a venture capital fund is to **identify promising startups and invest in them in exchange for equity** (ownership) in the company.
> - **SEBI:** It is a Statutory Body established on **12th April, 1992** in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992**.
>   - The basic functions of SEBI is to **protect the interests of investors in securities and to promote and regulate the securities market.**

Concerns of Over Deflation in China

Why in News?

Recently, China's National Bureau of Statistics reported that the **Consumer Price Index (CPI)** had declined in July 2023 by 0.3% compared to a year earlier, causing **Deflation** in the Country.

What is Deflation?

- **About:**
  - Deflation is the **opposite of Inflation.** It refers to a **sustained and general decrease** in the **overall price levels** of goods and services in the economy.
  - In a deflationary environment, **consumers can buy more goods** and services for the same amount of money over time.
  - However, **deflation can occur for various reasons**, such as reduced consumer demand, oversupply of goods, technological advancements that lower production costs, or tight monetary policies by central banks.
    - In China's case, reduced consumer demand and economic slowdown are the reasons.

Medium-Term Expenditure Framework

Why in News?

Recently, the Ministry of Finance has conveyed its inability to release the **Medium Term Expenditure Framework (MTEF) statement**, mandated by the **Fiscal Responsibility and Budget Management (FRBM) Act of 2003**.

- The ministry had cited "unprecedented global uncertainties that may adversely affect medium-term projections" to justify not placing fiscal projections for 2024-25 and 2025-26 in Parliament at the time of presenting the **Union Budget.**

What is Medium-Term Expenditure Framework (MTEF)?

- **About:**
  - The MTEF statement **sets a three-year rolling target** for expenditure indicators, along with **specifications of underpinning assumptions and risks.**
    - This statement is presented in Parliament under **Section 3 of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003**.
  - The statement provides an **estimate of expenditure for various sectors**, including education, health, rural development, energy, subsidies and pension, and so on.

- This statement is presented in the **session after the one in which the Budget is presented** — usually, that is the monsoon session.
- **Expenditure Commitments:**
  - Data such as expenditure commitments spread across the various central ministries on salaries and pensions, major programmes, grants-in-aid for creation of capital assets, defence expenditure, interest payment and major subsidies, etc, besides other commitments of the government are **considered while formulating this statement.**
- **Objective:**
  - The objective of MTEF is to **facilitate a closer integration between FRBM statements** and the **Union Budget.**

What is the Fiscal Reduction and Management Act (FRBM)?

- **About:**
  - The FRBM Act is an act of the Parliament which **was enacted in 2003 with the aim of ensuring fiscal discipline**, transparency and accountability in government spending.
  - The act requires the **government to ensure that the Fiscal Deficit** is reduced **over a period of time** and to eliminate revenue deficit, which is the excess of government's total expenditure over its total revenue.
    - It limited the fiscal deficit to 3% of the GDP.
- **Provisions:**
  - **Fiscal Deficit Targets:** The act requires the government to reduce its fiscal deficit to a specified target over a period of time. The fiscal deficit would be brought down to below 4.5 per cent by 2025-26.
  - **Elimination of Revenue Deficit:** The act requires the government to eliminate its revenue deficit, which is the excess of government's total expenditure over its total revenue.
  - **Medium-term Fiscal Strategy:** The act requires the government to formulate and implement a medium-term fiscal strategy, which outlines the government's plans for reducing its fiscal deficit over a period of three years.
  - **Annual Fiscal Reports:** The act requires the government to present an annual fiscal responsibility statement to Parliament, which outlines the government's progress in achieving its fiscal consolidation targets.
- **Statements:**
  - **Macro-Economic Framework Statement:** The Macro-Economic Framework Statement provides **a detailed outline of the macroeconomic assumptions** that form the basis of the budget estimates.
    - It includes **key economic indicators and projections** that influence revenue and expenditure decisions. These assumptions help in understanding the economic context within which the budget is framed.
  - **Medium-Term Fiscal Policy Statement:** This section outlines the government's medium-term fiscal policy objectives and the strategies to achieve them over a specific period (usually the next three years).
    - It highlights the **intended direction of fiscal policy**, the rationale behind fiscal targets, and how these targets align with broader economic goals.

State of Formal Employment In India

Why in News?

Employees Provident Fund's (EPF) data indicates **net increases in contributors**, but this contradicts **ground reports of Unemployment and Job Scarcity** in India.

- The Indian government has been using the EPF's data to measure **the Formal Employment** creation since 2017.

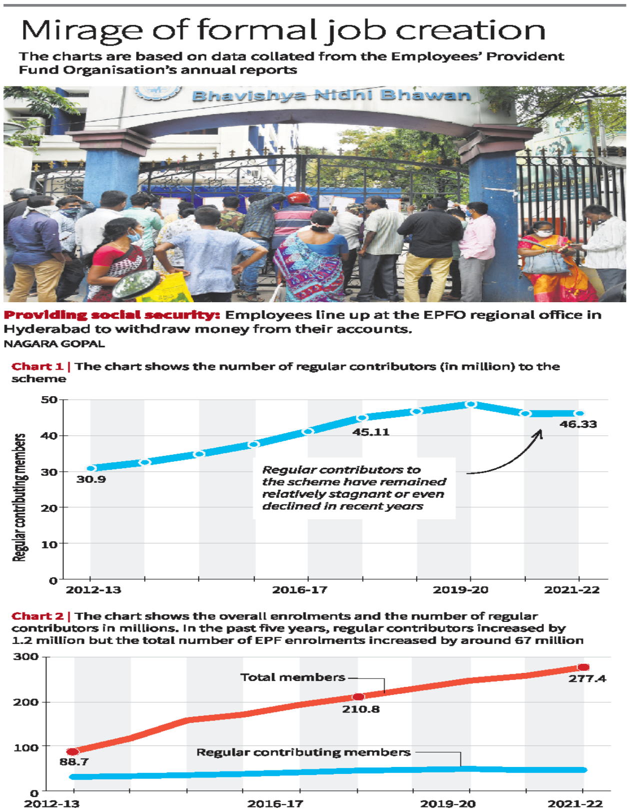
What is Formal Employment?

- **About:**
  - Formal employment refers to a type of employment where the terms and conditions of **work are regulated and protected by labor laws** and employment contracts.
  - It is characterized by **certain features that distinguish it from informal or casual employment.**
- **Informal Employment:**
  - Informal employment refers to work that is n**ot regulated or protected by labor laws,** lacks formal employment arrangements, and often operates outside the scope of government oversight.

- Informal employment can lead to **precarious working conditions** and hinder economic growth as it may result in lower productivity and higher income inequality.

What does the EPF Data Say about Formal Jobs?

- EPFO's annual reports **show a stagnant or declining number of regular contributors**, those with **consistent PF contributions,** in recent years.
  - Between 2012 and 2022, the number of regular contributors to the EPF increased from 30.9 million to 46.3 million.
  - Between 2017 and 2022, the **number of regular contributors increased only from 45.11 million to 46.33 million**, showing a slowdown in growth during this period.



Inflation and Current Outlook of Indian Economy

Why in News?

July 2023 witnessed a notable increase in Retail Inflation, reaching **7.44%,** creating **Goldilocks scenario** for India, making investors and savers **uncertain about the economic situation.**

- A Goldilocks Scenario describes an **ideal state for an economy** whereby the economy is not expanding or contracting by too much. A Goldilocks economy has steady economic growth, preventing a recession, **but not so much growth** that inflation rises by too much.

What is the Current Economic Scenario of India and Projections?

- **GDP Projection:**
  - The projected GDP (Gross Domestic Product) growth for 2023-24 is 6.5%, while the benchmark Sensex index **stands currently at 65,000 points.**
    - However, if inflation remains high, it could affect **returns on stock market investments**.
  - Gold and bank deposit rates, on the other hand, are **expected to remain stable in the coming months.**
- **Inflation Projection:**
  - The Reserve Bank of India (RBI) anticipates inflation to stay above 5% until the first quarter of 2024-25, potentially reaching 6.2% in the current quarter (July-Sept) 2023, exceeding the RBI's comfort level of 4%.
- **Food Price Pressures:**
  - Food prices are expected to remain elevated for a few more months. July's data reveals a **surge in vegetable prices (37.3%)**, along with inflation in cereals, pulses (both 13%), spices (21.6%), and milk (8.3%).
  - It is expected that government interventions and fresh crop arrivals will eventually ease this pressure.
- **Interest Rates and Monetary Policy:**
  - Due to the higher inflation projections, the **possibility of a rate cut has been postponed** to the next **Fiscal Year (2024-25).**
  - The Monetary Policy Committee (MPC) is likely to maintain policy rates in the upcoming meeting, with the **first rate cut potentially occurring** in the following fiscal year.
- **Market Outlook:**
  - Despite inflation and high interest rates, India's market has performed well.
  - Supported by strong earnings prospects and **stable macro conditions**, India has outperformed other markets.

Floating Rate Loans

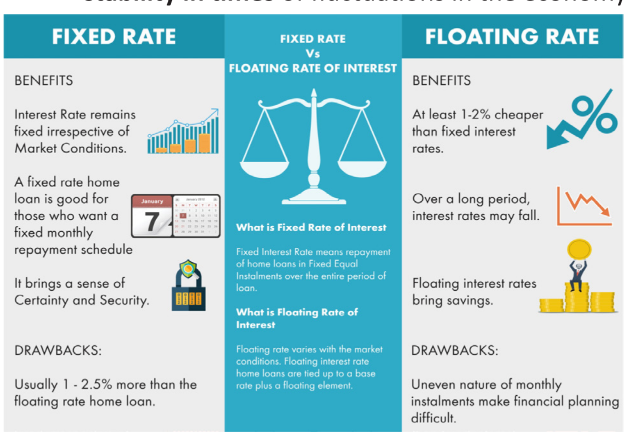
Why in News?

Recently, the Reserve Bank of India (RBI) will introduce a comprehensive framework to enhance transparency and establish proper rules for resetting Equated Monthly Installments (EMIs) for floating rate loans.

- This move aims to address **borrower concerns and ensure fair practices by financial institutions.**

What are Floating Rate Loans?

- Floating rate loans are **loans that have an interest rate that changes periodically, depending on a** benchmark rate or the base rate.
  - This base rate, such as the repo rate - rate at which RBI lends money to financial institutions - is influenced by market forces.
- Floating-rate loans are also **known as variable or adjustable-rate loans,** as they can vary over the term of the loan.
- Floating rate loans are **common for credit cards, mortgages, and other consumer loans.**
- Floating rate loans **are beneficial to borrowers when interest rates are expected to drop in the future.**
  - In contrast, **a fixed interest rate loan** requires a borrower to pay set installments during the loan tenure**.** It offers a **greater sense of security and stability in times** of fluctuations in the economy.



What are the Features of the Framework Proposed by RBI?

- Lenders should **communicate clearly with borrowers** on **resetting the tenor and/or EMI**.
- RBI has asked lenders to **offer borrowers an option to switch to fixed-rate home loans** or foreclosure of loans whenever they want.
- Banks would also need to **disclose various charges incidental to the exercise of these options beforehand to borrowers** and properly communicate key information to borrowers**.**
  - This would result in **borrowers taking a more informed and calculated decision while repaying their home loans.**
- Lenders should **not engage in unethical or coercive loan recovery practices,** such as harassment, intimidation, or violation of privacy.

Public Tech Platform for Frictionless Credit

Why in News?

The Reserve Bank of India (RBI) has initiated a pilot programme aimed at evaluating the feasibility of a **'Public Tech Platform for Frictionless Credit',** seeking to facilitate **seamless and efficient credit delivery** by lenders for Credit Appraisal, and therefore boosting **Financial Inclusion** in India.

- The initiative comes as part of RBI's developmental and regulatory policies and was introduced following the Monetary Policy Committee (MPC) meeting in August 2023.

> **Note:** Frictionless credit is a **borrowing approach** that seeks to streamline the **lending process for consumers.** Unlike the traditional credit systems, where individuals need to go through extensive paperwork, **credit checks, and lengthy approval procedures, frictionless credit promises a smoother** and faster experience.

What is the Public Tech Platform for Frictionless Credit?

- **About:**
  - Developed by the Reserve Bank Innovation Hub (RBIH), It is an end-to-end digital platform that will have **an open architecture, open Application Programming Interfaces (APIs)**, and standards to which all banks can connect in a **"Plug and Play" Model.**

- The public tech platform seeks to make this **process seamless by providing all the required information** in one place to facilitate credit.
- **Process:**
  - The process of delivering credit through digital means involves **Credit Appraisal**, which evaluates the **borrower's ability to repay the loan** and adhere to the credit agreement.
  - This process rests on three pillars:
    - Adverse selection (information asymmetry between borrowers and lenders)
    - Exposure risk measurement
    - Default risk assessment.
- **Key Data Sources:**
  - The platform would integrate data from **central and state governments,** Account Aggregators (AA), banks, credit information companies, and digital identity authorities.
  - This consolidation would eliminate **hindrances and streamline rule-based lending processes.**
- **Scope and Coverage:**
  - **Diverse Loan Types:** The platform's scope **encompasses digital loans beyond** KCC (Kisan Credit Card), including dairy loans, MSME loans without collateral, personal loans, and home loans.
  - **Data Integration:** It will link with various services like Aadhar e-KYC, Aadhar e-signing, land records, satellite data, PAN validation, transliteration, account aggregation by account aggregators (AAs), and more.

Advisory Board on Banking and Financial Frauds

Why in News?

The Central Vigilance Commission (CVC) has reconstituted the Advisory Board on Banking and Financial Frauds (ABBFF) to fortify the examination of bank fraud cases.

What is the Advisory Board on Banking and Financial Frauds (ABBFF)?

- **About:**
  - ABBFF serves as the **first-level examination body for bank fraud cases** before they are referred to **investigative agencies like the** Central Bureau of Investigation (CBI).
    - ABBFF is empowered to **conduct periodic fraud analysis within the financial system.**
  - It offers insights and policy recommendations related to fraud prevention and management to regulatory bodies like the Reserve Bank of India (RBI) **and CVC.**
- **Composition and Tenure:**
  - The reconstituted ABBFF board includes the **Chairman and four other members, each contributing their expertise to fraud-related matters.**
  - The Chairman and Members of ABBFF hold their positions for a **tenure of two years.**
- **Mandatory Referrals and Advisory Role:**
  - All public sector banks, insurance companies, and financial institutions are required to refer **fraud cases exceeding Rs. 3 crore to ABBFF before initiating criminal investigations.**
  - The advice provided by ABBFF regarding criminality and malafide (acting in **bad faith or with dishonest intentions)** involvement of officials must be considered by the competent authority.
  - ABBFF's purview extends to providing advisory support for cases referred by the CVC or the CBI.
- **Omission of "Sun Set Clause":**
  - Notably, the concept of a **"sunset clause,"** which could have **limited actions against bankers for credit decisions after a specified period**, has not been included in ABBFF's functioning.

What is the Central Vigilance Commission (CVC)?

- **About:**
  - The Central Vigilance Commission was **set up by the Government in 1964 on the recommendations of the Committee on Prevention of Corruption, headed by Shri K. Santhanam**, to advise and guide Central Government agencies in the field of vigilance.
  - The Parliament enacted the **Central Vigilance Commission Act, 2003 (CVC Act) conferring statutory status on the CVC.**

- **Members:**
  - **Central Vigilance Commissioner and not more than two Vigilance Commissioners**, who are **appointed by the President** on the recommendation of a committee consisting of the **Prime Minister, the Home Minister and the Leader of the Opposition in Lok Sabha.**
    - They hold office for a **term of four years or until they attain the age of 65 years, whichever is earlier.**
- **Functions:**
  - The CVC **receives complaints on corruption or misuse of office** and recommends **appropriate action.**
    - Following institutions, bodies, or a person can approach CVC:
- The central government, Lokpal, Whistle blowers.
- **It is not an investigating agency.** The CVC either gets the investigation done through the **CBI** or through chief vigilance officers (CVO) in government offices.
- It is empowered to inquire into **offences** alleged to have been committed under the **Prevention of Corruption Act, 1988** by specific categories of public servants.

AYUSH Sector's Growth

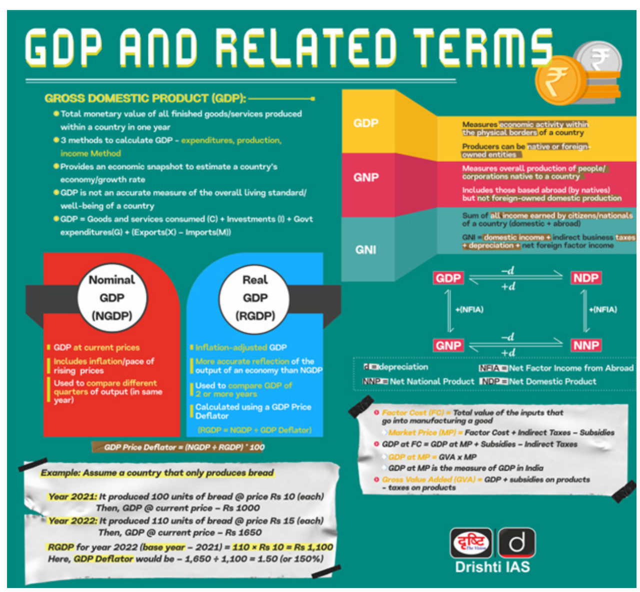
Why in News?

The **Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy (AYUSH)** **sector** is witnessing a remarkable growth trajectory. This growth is poised to continue, with projections indicating a leap to **24 billion USD by the end of 2023.**

- Amidst this promising landscape, the Ayush sector is set to take centre stage at the **World Health Organization (WHO) Global Traditional Medicine Summit.**

What is the AYUSH Sector?

- **About:**
  - The AYUSH sector represents India's traditional healthcare systems.
  - Indian systems of medicine are **diverse, accessible, and affordable, with broad public acceptance,** making them vital healthcare providers. Their economic value is growing, offering crucial services to a significant population.
- **Diverse Disciplines Under AYUSH:**
  - **Ayurveda:** Ancient system emphasizing holistic well-being.
  - **Yoga:** Union of body, mind, and spirit through physical postures and meditation.
  - **Naturopathy:** Natural healing using elements like water, air, and diet.
  - **Unani:** Balance restoration through herbal medicines and humoral theory.
  - **Siddha:** Traditional Tamil medicine with roots in five elements and humors.
  - **Homeopathy:** Highly diluted remedies stimulating self-healing responses.
- **Growth of AYUSH Sector:**
  - **Exponential Financial Surge:**
    - Production of AYUSH medicines and supplements has seen exponential growth.
    - Revenue surged from 3 billion USD (2014) to 18 billion USD (2020).
    - Anticipated growth to **24 billion USD in 2023 showcases its financial impact.**
  - **Integration in Healthcare:**
    - AYUSH-based health and wellness centres garner significant response.
    - 7,000 operational centers; 8.42 crore patients availed services (2022).
    - Increasing integration in modern healthcare systems.



Note:

50th Meeting of GST Council

Why in News?

At its 50th meeting, the Goods and Services Tax (GST) Council made changes to tax rates on various items and resolved the **tax treatment for online gaming, casinos, and horse racing.**

- The Council decided to levy a **uniform 28% tax on the full face value of bets placed for online gaming, casinos and horse-racing**.

What are the Major Highlights of the Meet?

- **Changes in Tax Rates:** The GST Council made the following revisions to the tax rates:
  - **Uncooked or Unfried Snack pellets and Fish Soluble Paste**: The tax rate was reduced from **18% to 5%.**
  - **Imitation Zari Threads or Yarn**: The tax rate was reduced from **12% to 5%.**
  - **Food and Beverages Consumed Inside Cinema Halls**: The tax rate was set at **5% without input tax credits,** as opposed to the previous **18% on cinema services.**
- **Tax Treatment of Online Gaming, Casinos, and Horse Racing:**
  - Regardless of whether they involve skill, chance, or a combination thereof (or neither), bets and wagers made on online gaming, casinos, and horse racing activities **will now attract a 28% GST levy.**
    - The GST laws will be amended to explicitly include online gaming within the tax framework.
- **Exemption from GST:**
  - GST Council exempts cancer-related drugs, **medicines for rare diseases,** and food products for special medical purposes from **GST**
- **Establishment of GST Appellate Tribunals:**
  - The Council examined proposals from states to establish **50 Benches of the** GST Appellate Tribunals **in the country.**
  - The initial Benches will be set up in state capitals and locations where High Courts have Benches.
- **Concerns Raised on GST Network and PMLA:**
  - Some states expressed criticism regarding the recent decision to bring the **GST Network (GSTN) under the purview of the** Prevention of Money Laundering Act (PMLA), administered by the Enforcement Directorate (ED).
  - The Revenue Secretary assured the Council that it was in line with the requirements of the Financial Action Task Force.
    - It was clarified that the **ED will neither receive nor provide information from the GSTN,** and the notification is aimed at **empowering tax authorities to combat tax evasion and money laundering.**

What is the GST Council?

- **About:**
  - The GST Council is a **constitutional body** responsible for making recommendations on issues related to the **implementation of the Goods and Services Tax (GST) in India.**
  - As per **Article 279A (1)** of the amended Constitution, the GST Council was constituted by the **President.**

> **Note:**
> - GST is a **value-added tax system** that is levied on the **supply of goods and services in India.** It is a comprehensive indirect tax that was introduced in India on 1st July 2017, through the 101st Constitution Amendment Act, 2016, with the slogan of **'One Nation One Tax'.**

- **Members:**
  - The members of the Council include the **Union Finance Minister (chairperson),** the **Union Minister of State (Finance)** from the Centre.
  - Each state can nominate a **minister in-charge of finance or taxation or any other minister** as a member.
- **Functions:**
  - Under **Article 279A (4)**, the Council makes recommendations to the Union and the States on important issues related to GST, like the **goods and services that may be subjected or exempted from GST**, model GST Laws, principles that govern place of supply, **threshold limits, GST rates including the floor rates with bands,** special rates for raising additional resources during natural calamities/disasters, **special provisions for certain States**, etc.

Social Entrepreneurship

Why in News?

The Union Minister of Skill Development & Entrepreneurship, while addressing a Social Enterprise Conclave organized by **Institute of Rural Management**, **Anand** (IRMA) in partnership with LIC Housing Finance Limited has launched the **2nd edition of the Social Trailblazer Program,** aiming to boost the **Social Entrepreneurship Ecosystem** in India.

What is the Social Trailblazer Programme?

- **About:**
  - It is a programme for **Social Enterprises and Entrepreneurs Development,** which nurtures early-stage **rural, social, and collective enterprises.**
  - The program aims to nurture the **evolving ecosystem of Indian Social Enterprises.**
- **Objective:**
  - The goal is to promote the **Social Enterprise programme** so as to promote the development of social enterprise and social investment to help address entrenched social and environmental problems.
- **Focus Areas:**
  - Agriculture
  - Green Technology
  - Finance Technology
  - Education
  - Renewable Energy
  - Healthcare & Life sciences
  - Human Resources
  - Marketing
  - Social Impact
  - Waste Management
- **Key Incentives:** A financial award Upto **INR 25,00,000 in the form of Equity Funding** and upto **INR 5,00,000 in the form of Grant Funding** top 10-12 selected startups
  - 1 year of personalized incubation and acceleration support at IRMA ISEED Foundation
  - **Top-up Incentives:** Upto INR 50,00,000 follow-on investment from IRMA ISEED'S Networks.
    - Upto USD 1000 worth of AWS (Amazon Web Services) credits and technology support.

What is Social Entrepreneurship?

- **About:**
  - **Social Entrepreneurship** is the **practice** of using business models **to address social and environmental problems.**
  - Social entrepreneurs, also known as **social innovators, bring about positive change** through innovative ideas. They aim to **create social impact while also generating revenue and profits**.
  - They identify **problems and create solutions to make a difference.** Social entrepreneurship aligns with trends like **Socially Responsible Investment** and **Environment, Social and Governance (ESG)** investing.
    - **Examples:** Educational programs or providing banking services in underserved areas and helping children orphaned by epidemic disease.

Internationalisation of Indian Rupee

Why in News?

A **Reserve Bank of India**-appointed working group recommended **inclusion of the rupee in the Special Drawing Rights (SDR) basket** and **recalibration of the foreign portfolio investor (FPI) regime** to accelerate the pace of **internationalisation of the rupee.**

What is Internationalisation of Rupees?

- **About:**
  - Internationalisation of rupees is a **process that involves increasing use of the local currency in cross-border transactions**.
  - It involves **promoting the rupee for import and export trade** and then other current account transactions followed by its use in **capital account transactions.**
- **Historical Context:**
  - In the 1950s, the Indian rupee was widely used as **legal tender** in the **United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar.**
  - However, the devaluation of India's currency by 1966 led to the introduction of sovereign currencies in these countries to reliance on the Indian rupee.
- **Benefits of Internationalisation of Rupee:**
  - **Appreciate Currency Value:** It will improve the demand for the rupee in international trade.
    - This can lead to **increased convenience and reduced transaction costs** for businesses and individuals dealing with India.

- **Reduced Exchange Rate Volatility:** When a currency is internationalized, its exchange rate tends to stabilize.
  - The **increased demand for the currency in global markets can help reduce volatility**, making it more **predictable and reliable for international transactions.**
- **Geopolitical Advantages:** Internationalizing the Rupee can enhance India's geopolitical influence.
  - It **can strengthen economic ties with other countries**, facilitate bilateral trade agreements, and promote diplomatic relations.

Small Finance Banks

Why in News?

The **Reserve Bank of India (RBI)** has recently announced its decision to **reject three applications for setting up Small Finance Banks** as these applications were found not suitable for granting of in-principle approval to set up SFBs.

- RBI received approximately a dozen applications under the guidelines for **'on-tap' Licensing of Universal Banks and SFBs.**

What are Small Finance Banks?

- **About**:
  - SFBs in India are a category of banks **established to provide basic banking services and credit facilities** to underserved sections of the population, including **small business owners, micro and small industries, farmers, and the unorganized sector.**
    - They are regulated by the RBI.
    - Example: **Capital Small Finance Bank, Ujjivan, Utkarsh** etc.
  - All prudential norms and regulations of the RBI as applicable to **existing commercial banks**, including the requirement of maintenance of **CRR and SLR** are also applicable to SFBs.
  - Also, according to RBI, if an **SFB aspires to transit into a universal bank,** it has to have **a satisfactory track record of performance for a minimum period of 5 years.**

> **Note:**
> - **On-Tap Licencing:** It means that the window for obtaining a bank licence from the RBI is open all year, or that the RBI will accept applications and issue licences to banks at any time.
> - **CRR and SLR:** CRR stands for **Cash Reserve Ratio, and SLR stands for Statutory Liquidity Ratio.**
>   - Both CRR and SLR are **monetary policy tools** used by central banks to regulate and control the availability of credit in the economy.
>   - Under CRR, the **commercial banks have to hold a certain minimum amount of deposit (NDTL)** as reserves with the central bank.
>   - SLR is the minimum percentage of deposits that **a commercial bank has to maintain in the form of cash, gold or other securities.**

- **Eligibility:**
  - **Resident individuals/ professionals (Indian citizens),** singly or jointly, each having at least **10 years of experience in banking and finance at a senior level.**
  - **Companies and societies** owned and controlled by residents.
  - Entities such as **microfinance institutions**, **non-banking financial companies (NBFCs)**, **local area banks and payment banks** that are controlled by residents can also convert into Small Finance Banks.
    - Also, **Urban Cooperative Banks(UCBs)** desirous of converting to SFB may convert to SFB after ensuring compliance with the guidelines.
- **Paid Up Capital Requirement:**
  - The **minimum paid-up voting equity capital for small finance banks shall be Rs.200 crore**, except for such small finance banks which are converted from UCBs.

- **Mandate:**
  - **Priority Sector Lending**: Small Finance Banks have to allocate **75% of their total net credit to priority sector lending**, as per the RBI guidelines.
    - They will also have to ensure that **50% of their loan portfolio constitutes advances up to Rs 25 lakh.**
    - The maximum loan size and investment limit exposure to single/ group obligor will be restricted to **10% and 15% of its capita funds**, respectively.
  - **Branch Network:** SFBs are required to set up a network of branches in unbanked and underbanked areas, with a particular emphasis on rural and semi-urban regions.
    - Initially, **they need to have at least 25% of their branches in unbanked rural areas.**
- **Regulation:**
  - Small Finance Banks are registered as **public limited company** under **Companies Act 2013**, and are licensed under **section 22 of the Banking Regulation,1949**.
  - They are primarily governed by **Banking Regulation Act,1949 and RBI Act,1934 and other relevant statutes.**

Corporate Debt Market Development Fund

Why in News?

Recently, the government of India has approved the **Guarantee Scheme for Corporate Debt (GSCD)** to provide a guarantee cover for the debt raised by the **Corporate Debt Market Development Fund (CDMDF)** that aims to **stabilize the corporate bond market** during times of stress.

- The **Securities and Exchange Board of India (SEBI)** has issued guidelines for the operation and management of the scheme and the fund.

What is the Guarantee Scheme for Corporate Debt (GSCD)?

- The GSCD provides a complete guarantee cover for debt raised by the CDMDF.
- The primary objective of GSCD is to **enhance investor confidence and provide stability** to the corporate debt market.
- GSCD is managed by the **Guarantee Fund for Corporate Debt (GFCD).**
  - The GFCD is a trust fund formed by the **Department of Economic Affairs (DEA)** and managed by the **National Credit Guarantee Trustee Company Ltd,** which is a **wholly owned company** of the **Department of Financial Services** under the Ministry of Finance.
- The scheme is designed to support the purchase of **investment-grade corporate debt securities** by CDMDF during market dislocation.
  - Investment-grade corporate debt securities are **bonds or notes issued by companies that have a low risk of default** and a good credit rating.

What is Corporate Debt Market Development Fund (CDMDF)?

- The CDMDF is an **alternative investment fund** established to address the needs of the corporate debt market in India and it will be launched as a **close-ended scheme.**
- CDMDF serves as a **backstop facility for investment-grade corporate debt securities,** providing stability and enhancing investor confidence in the market.
- CDMDF provides a backstop facility of **Rs 33,000 crore** has been established for Mutual Funds. The **government will contribute Rs 30,000 crore**, and the **Asset Management Companies will provide the remaining Rs 3,000 crore.**

White Label ATMs

Why in News?

The **Reserve Bank of India (RBI)** has taken significant steps to **promote ATM penetration,** especially in **Tier III to VI centres,** by permitting **non-bank companies to set up, own and operate White Label ATMs (WLAs).**

- These WLAs provide various banking services to customers based on cards issued by banks, and the RBI has implemented measures to improve their viability and functioning.
- As of now, four authorised non-bank entities are operating White Label ATMs in the country.

What are White Label ATMs (WLAs)?

- **About:**
  - ATMs **set up, owned and operated by non-banks** are called WLAs.

- Non-bank ATM operators are authorised under the Payment & Settlement Systems Act, 2007 by the RBI.
- They provide banking services to customers using debit/credit/prepaid cards issued by banks.
- Besides dispensing cash, WLAs offer services like **account information, cash deposit, bill payment, mini statements, PIN change, and cheque book requests.**

What are the Different types of ATMs?

Type of ATM	Description
Brown Label ATM	ATMs where the **hardware and the lease of the machine are owned by a service provider**, but the **cash management and connectivity** to banking networks are provided **by a sponsor bank**. They have the **branding of the bank.**
Orange Label ATM	ATMs provided for **share transactions.** They are mainly used by **investors and traders** for buying and selling stocks and securities.
Yellow Label ATM	ATMs are set up for the purpose of **e-commerce.** They are mainly used by **online shoppers** and merchants for making payments and purchases.
Pink Label ATM	ATMs monitored by guards who ensure that only **women access** these ATMs. They are set up to provide safety and convenience to women customers.
Green Label ATM	ATMs are provided for **agricultural transactions.** They are mainly used by farmers and rural customers for various banking needs.

Full-Reserve Banking V/s Fractional-Reserve Banking

Why in News?

Economists are engaged in a debate regarding **Full-Reserve Banking (100% reserve banking) versus Fractional-Reserve Banking.**

- While both systems have their **proponents and critics**, understanding the key differences between them is crucial in assessing their potential impact on **economic growth** and **financial stability**.

What is Full-Reserve Banking V/s Fractional-Reserve Banking?

- **Full-Reserve Banking: Safeguarding Deposits**
  - Under full-reserve banking**, banks are strictly prohibited from lending out demand deposits** received from customers reducing the risk of bank runs.
  - Instead, they must always hold 100% of these deposits in their vaults, acting merely as custodians.
  - Banks serve as **safekeepers of depositors' money**, charging fees for this service.
    - Banks can only lend money received as **time deposits**.
- **Fractional-Reserve Banking: Expanding Credit and Risk**
  - Fractional-reserve banking system, currently in practice, **allows banks to lend more money than the cash they hold** in their vaults.
    - This system relies **heavily on electronic money for lending.**
  - **Bank runs** are a potential risk if many depositors simultaneously demand cash.
    - However, central banks can provide emergency cash to avert immediate crises.

What is the Difference Between Demand Deposits and Time Deposits?

- **Demand Deposits:**
  - Demand deposits refer to funds held in a bank account that can be **withdrawn at any time** without any notice or penalty.
    - These are also known as **"current accounts."**
  - It **provides high liquidity** and flexibility for everyday transactions and payments.
    - Since customers can withdraw funds on demand, **banks typically pay little to no interest on these accounts.**
- **Time Deposits:**
  - Time deposits are funds held in a bank account for a **fixed period,** commonly known as a **"term" or "tenure."**

Note:

- The account holder agrees not to withdraw the funds until the term expires.
- In return for locking in their money, **the bank rewards the account holder with a higher interest rate** compared to demand deposits
  - However, withdrawing the funds before the **maturity date typically incurs a penalty.**

What is Bank Run?

A bank run refers to a situation **where a large number of depositors simultaneously withdraw their funds from a bank,** often due to concerns about the bank's solvency or stability.

Note:

In India, the Deposit Insurance and Credit Guarantee Corporation (DICGC) provides deposit insurance for bank deposits up to a **certain limit (currently ₹5 lakh per depositor per bank)**. However, in the event of a bank failure, depositors with funds exceeding this limit may face losses.

Ethanol

Why in News?

Recently, the Indian Prime Minister announced at the G20 **Energy Ministers'** meeting that India has rolled out 20% ethanol-blended petrol **in 2023** and aims to cover the entire **country by 2025.**

- India's ethanol production has **diversified from cane molasses to various feedstocks** like rice, maize, and other grains.
- This move is part of India's commitment to reducing dependence on fossil fuels and promoting **sustainable energy solutions.**

What is Ethanol?

- **About:**
  - Ethanol, also known as **ethyl alcohol**, is a biofuel produced from various sources such as sugarcane, corn, rice, wheat, and biomass.
  - The production process involves the **fermentation of sugars by yeasts** or via **petrochemical processes such as ethylene hydration.**
  - **Ethanol is 99.9% pure alcohol** that can be **blended with petrol** to create a cleaner fuel alternative.
  - Apart from being a fuel additive, ethanol production yields valuable byproducts like **Distillers' Dried Grain with Solubles, and Potash from Incineration Boiler Ash** that find applications across various industries.
- **Byproducts of Ethanol Production:**
  - **Distillers' Dried Grain with Solubles (DDGS):**
    - DDGS is a byproduct of **grain-based ethanol production.**
    - It is the residue left after the **starch in grains is fermented and ethanol is extracted.**
    - DDGS is a valuable **animal feed with high protein content** and is used to supplement livestock diets.
  - **Potash from Incineration Boiler Ash:**
  - The ash remaining after Ethanol Production in the boiler contains up to **28% potash.**
  - This ash is a rich source of potash and **can be utilized as a fertilizer.**
- **Applications of Ethanol as Fuel:**
  - Ethanol is used as a renewable and sustainable biofuel alternative to gasoline in the transportation sector.
  - It can be blended with petrol in various proportions, such as **E10 (10% ethanol, 90% petrol) and E20 (20% ethanol, 80% petrol).**
  - The Indian government has implemented the Ethanol Blending Programme to promote the use of ethanol as a renewable fuel.
    - The program aims to **blend ethanol with petrol to reduce the country's dependence on imported crude oil**, cut carbon emissions, and boost farmers' incomes.
  - Ethanol blends help reduce greenhouse gas emissions and air pollutants, contributing to cleaner air and mitigating climate change.

How has India Diversified its Feedstocks?

- **Feedstock Diversification:**
  - Ethanol production in India was mainly **based on 'C-heavy' molasses,** with a **sugar content of 40-45%, yielding 220–225 liters of ethanol per tonne**.
  - India explored **direct sugarcane juice for ethanol production**, increasing yield and efficiency.

- The country diversified its feedstocks by **including rice, damaged grains, maize, jowar, bajra, and millets.**
- Ethanol yields from **grains are higher compared to molasses,** with rice producing **450-480 liters and other grains 380-460 liters per tonne.**
- Sugar mills diversified to use rice, damaged grains, maize, and millet as feedstocks.
- Leading sugar companies **installed distilleries that can operate on multiple feedstocks throughout the year.**
- The government's **differential pricing policy** played a crucial role in **incentivizing the use of alternative feedstocks.** By fixing higher prices for ethanol produced from certain feedstocks, mills were **compensated for reduced sugar production.**
  - From 2018-19, the Indian government **began fixing higher prices for ethanol produced from B-heavy molasses and whole sugarcane juice/syrup.**

Types of Molasses:

- **A Molasses (First Molasses):** An intermediate **by-product from initial sugar crystal** extraction, **containing 80-85% dry matter (DM).** Should be inverted to prevent crystallization if stored.
- **B Molasses (Second Molasses):** Similar DM content as A molasses but with **less sugar and no spontaneous crystallization.**
- **C Molasses (Final Molasses, Blackstrap Molasses, Treacle):** The end by-product of sugar processing, containing **significant amounts of sucrose (about 32 to 42%).** It does not crystallize and is used as a commercial feed ingredient in liquid or dried form.

UPU to Assess UPI for Cross-Border Remittances

Why in News?

The **Universal Postal Union (UPU)** has announced plans to **evaluate the integration of the Unified Payment Interface (UPI)** with **cross-border remittances** using the global postal network.

- This evaluation aims to explore the potential of UPI in facilitating secure and efficient international money transfers.

What are the Benefits of Integrating UPI with UPU?

- UPI offers a **secure, convenient, and real-time payment experience,** making it a promising platform for **cross-border remittances.**
- Leveraging the global postal network, which has **extensive reach and infrastructure,** can further **expand the reach of UPI-enabled remittances.**
- The integration of **UPI with postal channels can provide a reliable and accessible remittance** solution for individuals, particularly in **remote areas where traditional banking services may be limited.**
- This initiative aligns with **UPU's goal of promoting efficient and inclusive postal services globally.**

What is Universal Postal Union (UPU)?

- **About:**
  - The UPU is a **United Nations** specialized agency and the **postal sector's primary forum for international cooperation.**
  - **UPU is the second oldest international organization.**
- **Establishment and Structure:**
  - The **UPU was established in 1874 through the Treaty of Bern.**
  - UPU's headquarters are **located in Bern, Switzerland.**
  - The organization consists of four bodies: **Congress, the Council of Administration (CA), the Postal Operations Council (POC), and the International Bureau (IB).**
  - It also oversees the **Telematics and Express Mail Service (EMS) cooperatives.**
- **Membership:**
  - Any member country of the **United Nations can become a member of the UPU.**
  - Non-member countries of the United Nations **can join the UPU if approved by at least two-thirds of the member countries.**
  - The UPU has now **192 member countries.**
    - India joined the **UPU in 1876.**

National E-Commerce Policy

Why in News?

The Indian government is set to introduce a **national e-commerce policy** that aims to create a **favorable environment** for the development of the sector and drive exports.

- The **e-commerce policy was first proposed in 2018** and in 2019, a draft of the e-commerce policy **was released.**
- Department for Promotion of Industry and Internal Trade (DPIIT), **the Ministry of Commerce and Industry** emphasized the need for a streamlined regulatory framework, technological advancements, and efficient supply chain integration.

What are the Key Points About the Upcoming E-Commerce Policy?

- **Aim:**
  - The national e-commerce policy aims to establish a regulatory framework that facilitates ease of doing business in the sector.
- **Boosting Exports:**
  - The policy recognizes the significant export potential of India's e-commerce sector.
    - By 2030, India's e-commerce export potential is estimated to range **between 200 billion USD to 300 billion USD annually.**
    - With global cross-border e-commerce exports projected to reach **2 trillion USD by 2025,** India aims to capitalize on this growth opportunity.
- **Regulatory Body and FDI:**
  - The possibility of establishing a regulator for the e-commerce sector is being considered, but its implementation may take time.
  - **Local traders' associations** have been advocating for an empowered regulatory body to enforce e-commerce rules and curb violations.
  - While **100%** foreign direct investment (FDI) is allowed in the marketplace model, FDI is not permitted in the inventory-based model.
- **Addressing Trader Concerns:**
  - Traders have expressed concerns regarding the violation of e-commerce rules, such as **deep discounts and preferences given to select sellers.**
  - The policy intends to clarify these issues and provide greater transparency in the rules governing FDI in e-commerce.
  - The Consumer Protection (e-commerce) Rules 2020 and proposed amendments will be aligned with the e-commerce policy for consistency.
- **Comprehensive Framework:**
  - The e-commerce policy will serve as an overarching framework for the sector, ensuring coherence among various governing acts.
    - The sector is governed by the **FDI policy, the** Consumer Protection Act, of 2019, **the** Information Technology Act of 2000, **and** the Competition Act, of 2002.
  - The policy aims to streamline these regulations and create a conducive environment for the growth of the e-commerce industry.

What are the Other Related Indian Government's e-commerce Initiatives?

- **Launching the BharatNet project:**
  - Provide internet connectivity in local bodies in every Panchayat, which will increase the reach and access of e-commerce in rural areas.
- Open Network for Digital Commerce (ONDC):
  - A network that aims to provide equal opportunities for Micro, Small and Medium Enterprises (MSME) to thrive in digital commerce and democratize e-commerce
- **Digital India initiative:**
  - The Digital India initiative **has provided solid impetus to other government-led initiatives,** including Start Up India and Aatmanirbhar Bharat, which have great potential to translate into global success.

Bima Vahak: IRDAI

Why in News?

Recently, IRDAI (Insurance Regulatory and Development Authority of India) has issued a draft Guidelines for Bima Vahak, which is a dedicated distribution channel to reach out to rural areas with the aim to improve insurance penetration in the Hinterland.

What is Bima Vahak?

- **About:**
  - Bima Vahak Program is one of the components of IRDAI's "Insurance for all by 2047" goal, which aims to improve the accessibility and availability of insurance products throughout India.
  - It will serve as a **crucial last-mile connection for insurers by establishing a field force of both corporate and individual** representatives. These representatives, known as Bima Vahaks, are responsible for the **distribution and servicing of insurance products.**

The Bima Vahak scheme is closely aligned with the Lead Insurers concept introduced by IRDAI.

- Lead Insurers coordinate the deployment of resources to ensure maximum coverage of Gram Panchayats, which are Local Self-Governance units in India.

➢ **Objectives:**
- It focuses on onboarding **women as Bima Vahaks,** as they can gain the trust of locals and facilitate insurance penetration in various communities.
- By engaging with the local population, Bima Vahaks aim to enhance accessibility and awareness of insurance in every nook and corner of the country.

What is IRDAI?

➢ IRDAI, founded in 1999, is **a regulatory body created with the aim of protecting** the interests of insurance customers.
- It is a statutory body under the IRDA Act 1999 and is under the jurisdiction of the Ministry of Finance.

➢ It regulates and sees to the development of the insurance industry while monitoring insurance-related activities.

➢ The powers and functions of the Authority are laid down in the **IRDAI Act, 1999 and Insurance Act, 1938.**

Disinflation in India

Why in News?

The **Reserve Bank of India (RBI)** recently stated that **India's disinflation process is expected to be gradual and prolonged,** with the **4%** **inflation target** likely to be achieved **only over the medium term.**

What is Disinflation?

➢ **About:**
- Disinflation refers to a decrease in the rate of inflation, which means that prices are still rising but at a slower pace than before.
  - It is important to note that disinflation is **different from deflation, which refers to a sustained decrease in the overall price level.**
  - **A healthy amount of disinflation is necessary since it prevents the economy from overheating.**

➢ **Causes:**
- Disinflation can be **caused by various factors**, such as:
  - A slowdown in economic growth or demand
  - A **tight monetary policy** or higher interest rates
  - A fiscal consolidation or lower government spending
  - A stronger exchange rate.

Compromise Settlement for Wilful Defaulter: RBI

Why in News?

➢ Recently, **The Reserve Bank of India (RBI)** has introduced a circular allowing wilful defaulters and companies involved in fraud to opt for compromise settlements or technical write-offs.
- The circular provides guidelines for banks and finance companies in handling such cases.

What is a Non-Performing Asset?

➢ **About:**
- NPA **refers to a classification for loans or advances** that are in **default or are in arrears on scheduled payments** of **principal or interes**t.
  - In most cases, **debt is classified as non-performing, when the loan payments have not been made for a minimum period of 90 days**.
  - For agriculture, if principle and interest is not paid for two cropping seasons, the loan is classified as NPA.

➢ **Gross NPA:**
- Gross NPAs are **the sum of all the loans that have been defaulted by the individuals**

➢ **Net NPA:**
- Net NPAs are the **amount that is realised after provision amount has been deducted from the gross non-performing assets.**

Laws and provisions related to NPAs:

➢ **Bad Bank:**
- The bad bank in India is called **National Asset Reconstruction Ltd (NARC).**
  - This NARC will **work as an asset reconstruction company**.
  - It will buy bad loans from the banks, relieving them of the NPA. NARC will then attempt to sell the stressed loans to distressed debt buyers.

- The government has already set up India Debt Resolution Company Ltd (IDRCL) to sell these stressed assets in the market. Accordingly, IDRCL will attempt to sell them in the market.

- **The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002:**
  - The SARFAESI Act **allows banks and financial institutions** to take possession of collateral assets and sell them to recover outstanding dues without the intervention of the court.
  - It **provides provisions** for the **enforcement of security interests** and **allows banks to issue demand notices** to defaulting borrowers.
- **The Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993:**
  - The RDDBFI Act **establishes Debt Recovery Tribunals (DRTs)** for the expeditious adjudication and recovery of debts due to banks and financial institutions.
  - DRTs have the power to hear and decide cases related to the recovery of defaulted loans exceeding a specified threshold.
- **The Indian Contract Act, 1872:**
  - The Indian Contract Act **governs the contractual relationship between lenders and borrowers.**
  - It establishes the **legal framework for loan agreements, terms and conditions, default, and remedies** available to lenders in **case of non-payment.**

RBI's Regulation for UCBs

Why in News?

To strengthen 1,514 urban co-operative banks, the Reserve Bank India has notified four key measures, including giving them two years more to meet the priority sector lending targets.

What are the Key Measures taken by RBI?

- **Four Key Measures:**
  - Allowing **UCBs to open new branches without prior approval from RBI**, up to 10% (maximum 5 branches) of the number of branches in the previous financial year.
  - Allowing UCBs to do **One-Time Settlement at par with commercial banks.**
  - Extending the **timeline for UCBs to achieve Priority Sector Lending (PSL) targets by two years**, up to March 31, 2026.
    - The excess deposits, if any, after clearing the shortfall of PSL during FY 2022-23 will also be refunded to the UCB.
  - Notifying a nodal officer for closer coordination and focused interaction between RBI and the cooperative sector.
- **Possible Effects:**
  - These initiatives will **further strengthen the UCBs,** which work in urban areas and were facing hardships in achieving PSL targets.
  - The Ministry of Cooperation is committed to strengthening cooperatives and treating them at par with other forms of economic entities.

What is Cooperatives Banks in India?

- It is an institution **established on a cooperative basis to deal with the ordinary banking business.** Cooperative banks are **founded by collecting funds through shares, accepting deposits, and granting loans.**
- They are **Cooperative credit societies** where members from a community group together to extend loans to each other, at favorable terms.
- They are registered under the **Cooperative Societies Act of the State** concerned or the **Multi-State Cooperative Societies Act, 2002.**
- The Co-operative banks **are governed by the,**
- **Banking Regulations Act, 1949.**
- **Banking Laws (Co-operative Societies) Act, 1955.**
- They are broadly divided into **Urban and Rural cooperative banks.**

What are Urban Cooperative banks (UCB)?

- The term Urban Cooperative Banks (UCBs) is not formally defined but refers to primary cooperative banks **located in urban and semi-urban areas.**
- The Urban Cooperative Banks (UCBs), the **Primary Agricultural Credit Societies (PACS),** Regional Rural Banks (RRBs), and Local Area Banks (LABs) could be **considered as differentiated banks as they operate in localized areas.**
- Till 1996, these banks were allowed to lend money only for non-agricultural purposes. This distinction does not hold today.

Note:

- These banks were **traditionally centred on communities and local workgroups as they essentially lent to small borrowers and businesses.** Today, their scope of operations has widened considerably.

Surplus Liquidity

Why in News?

Recently, the **net liquidity in the banking system in India increased to Rs 2.59 lakh crore on June 4, 2023**. However, the surplus liquidity in the banking system is likely to decline to around Rs 1.5 lakh crore over the next few days from the current level of Rs 2.1 lakh crore.

- The net liquidity in the banking system is represented by the amount of money absorbed by the **Reserve Bank of India (RBI)** from the system.

What is Surplus Liquidity?

- **About:**
  - Surplus liquidity occurs where **cashflows into the banking system persistently exceed withdrawals of liquidity** from the market by the central bank.
    - Liquidity in the banking system refers to readily available cash that banks need to meet short-term business and financial needs.
- **Causes of Increased Liquidity:**
  - Advance tax and **goods and services tax (GST)** payments,
  - The deposit of withdrawn Rs 2,000 notes,
  - Redemption of government bonds,
  - Higher government spending,
  - The sale of dollars by the RBI to defend the rupee from depreciation.
- **Impact of Increased liquidity:**
  - It may lead to increased levels of **inflation**.
  - Interest rates in the market will remain low**.**
- **RBI's Measures:**
  - The RBI takes action if liquidity levels deviate from its comfort range.
  - The RBI, under its **Liquidity Adjustment Facility,** infuses liquidity in the banking system via repos and sucks it out using reverse repos after assessing liquidity conditions.
    - The RBI also uses a 14-day **variable rate repo and/or reverse repo operation.**

Evergreening of Loans

Why in News?

The **Governor of the Reserve Bank of India (RBI)**, recently addressed bank boards and expressed concerns about **banks adopting over-aggressive growth strategies and engaging in the evergreening of loans.**

- The governor emphasized the need for robust **corporate governance and highlighted instances of concealing the true status of stressed loans.**

What is the Evergreening of Loans?

- **About:**
  - Evergreening loans, a **form of zombie lending,** is a practice of **extending new or additional loans to a borrower who is unable to repay the existing loans**, thereby **concealing the true status of the non-performing assets (NPAs)** or bad loans.
- **Approaches Utilised for Evergreening Loans:**
  - **Selling and buying back loans or debt instruments** between two lenders to avoid classifying them as NPAs.
  - **Persuading good borrowers to enter into structured deals** with stressed borrowers to hide their default.
  - **Using internal or office accounts to adjust the repayment obligations** of borrowers.
  - **Renewing or disbursing new loans to stressed borrowers** or related entities closer to the repayment date of earlier loans.
- **Impact:**
  - Evergreening loans can create a **false impression of the asset quality and profitability of banks and** delay the recognition and resolution of stressed assets.
  - It can also **undermine the credit discipline and moral hazard among borrowers**, and erode the trust and confidence of depositors, investors and regulators.
- **Loan write-off Vs. Evergreening:**
  - **Loan write-offs** are a **process of removing bad loans** from the books of banks after making adequate provisions for them. **Loan write-offs do not mean that the borrowers are relieved of their repayment obligations** or that the banks stop

pursuing recovery from them. Loan write-offs are done to **clean up the balance sheet of banks and reflect their true financial position.**

- Evergreening of loans, on the other hand, is a practice of extending new or additional loans to a borrower who is unable to repay the existing loans, thereby **concealing the true status of the non-performing assets (NPAs) or bad loans.**

> **Note:** An **Asset Reconstruction Company is a specialised financial institution that specialises in acquiring and resolving non-performing assets (NPAs)** of banks and other financial institutions. ARCs were introduced in India in the late 1990s as a response to the **increasing problem of NPAs in the banking sector.**

Prepaid Payment Instrument

Why in News?

A committee reviewing customer service standards for RBI (Reserve Bank of India) regulated entities has recommended the extension of Deposit Insurance and Credit Guarantee Corporation (DICGC) to Prepaid Payment Instrument (PPI) to protect against fraud and unauthorized transactions.

- The committee has recommended that the RBI should examine the possibility of extending DICGC cover to PPI segment, including bank **PPIs and later non-bank PPIs.**
- The RBI should incentivize regulated entities to improve customer service and **strengthen overall customer protection efforts.**

What are Prepaid Payment Instruments?

- **About:**
  - PPIs are instruments **that facilitate the purchase of goods and services**, conduct of financial services and **enable** Remittance **facilities**, among others, against the money stored in them.
  - PPIs can be issued as cards or wallets.
  - There are **two types of PPIs,**
    - Small PPIs and full-KYC (know your customer) PPIs. Further, small PPIs are categorized as – PPIs up to Rs 10,000 (with cash loading facility) and PPIs up to Rs 10,000 (with no cash loading facility).
  - PPIs can be loaded/reloaded by cash, **debit to a bank account, or credit** and debit cards.
    - The cash loading of PPIs is limited to **Rs 50,000 per month subject** to the overall limit of the PPI.
- **Issuance:**
  - PPIs can be issued by banks and non-banks **after obtaining approval from the RBI.**
    - As of November 2022, over 58 banks have been permitted to issue and operate prepaid payment instruments.
    - There are **33 non-bank PPI issuer**s as of May 2023.

What is DICGC?

- **About:**
  - DICGC is a **wholly owned subsidiary of the RBI** and provides deposit insurance.
    - The deposit insurance system **plays an important role in maintaining the stability** of the financial system, particularly by **assuring the small depositors of the protection** of their deposits in the event of a bank failure.
  - The deposit insurance extended by DICGC covers all commercial banks including **Local Area Banks (LABs), Payments Banks (PBs)**, **Small Finance Banks (SFBs)**, Regional Rural Banks (RRBs) and co-operative banks, that are licensed by the RBI.
- **Coverage:**
  - DICGC insures all deposits such as savings, fixed, current and recurring including accrued interest.
  - Each depositor in a bank is **insured up to a maximum of Rs 5 lakh** for both principal and interest amount held by them as on the date of liquidation or failure of a bank.
    - The earlier insurance **cover provided by DICGC was Rs 1 lakh.** However, the limit of insurance cover for depositors in insured banks was raised to Rs 5 lakh in 2020.
- **DICGC does not cover,**
  - Deposits of foreign Governments.
  - Deposits of Central/State Governments.
  - Inter-bank deposits.
  - Deposits of the State Land Development Banks with the State co-operative banks.
  - Any amount due on account of any deposit received outside India.

- Any amount which has been specifically exempted by the corporation with the previous approval of the RBI.
- **Funds:**
  - The Corporation maintains the following funds:
    - **Deposit Insurance Fund**
    - **Credit Guarantee Fund**
- **General Fund**
  - The first two are funded respectively by the insurance premia and guarantee fees received and are utilised for settlement of the respective claims.
  - The General Fund is utilised for meeting the establishment and administrative expenses of the Corporation.

RBI's Planned 'Lightweight' Payments and Settlement System

Why in News?

The Reserve Bank of India (RBI) recently announced plans to introduce a **'Lightweight' Payment and Settlement System (LPSS) for emergencies which was** proposed in **RBI's annual report for 2022-23.**

- The lightweight system **aims to provide resilience and continuity of payment and settlement systems** while ensuring efficiency during emergencies.

What is RBI's Planned LPSS?

- LPSS is independent of conventional technologies and wired networks that underlie existing payment systems such as UPI, NEFT, and RTGS.
  - **Background:**
    - As a part of the **'**Utkarsh **2.0'** initiative, RBI will put in place a resilient framework for oversight of **Centralized Payment Systems — NEFT and RTGS**.
    - It will also look to upgrade the RTGS system, including improvements to the existing ones and the introduction of new functionalities.
  - **Enhancing Payment System Resilience:**
    - LPSS for emergencies ensures **resilience and continuity of payment and settlement systems** during extreme and volatile situations.
    - Conventional payment systems like UPI, NEFT, and RTGS are **vulnerable to disruptions** caused by **natural calamities or war** due to their dependence on complex wired networks and advanced IT infrastructure.
      - Disruptions in existing systems can **affect liquidity pipeline** and hamper essential payment services.
    - Lightweight system provides a **portable and easily activated solution** that can be **operated remotely with minimal resources.**
    - It serves as a **backup option for critical transactions,** maintaining stability and ensuring the availability of essential payment services.
  - **Working Procedure:**
    - **Minimal Staff:**
  - The system will have a **bare minimum of trained staff who will handle payment** and settlement operations securely and efficiently. They will also **coordinate with government agencies, financial institutions, market participants, and service providers.**
    - **Focus on Essential Transactions:**
      - The system will process only those transactions that are crucial for maintaining the stability of the economy, such as **government and market-related transactions**.
      - Retail or individual transactions that can be deferred or conducted through alternative modes **will not be handled.**
    - **Simplified Authentication and Verification:**
      - The system will employ a simplified mechanism to **ensure the integrity and validity of transactions.** It will also maintain **transaction records for reconciliation and audit purposes.**

Salt Cavern Based Oil Reserves: SPR

Why in News?

Government-owned engineering consultancy firm **Engineers India Ltd. (EIL)** is studying the prospects and feasibility of developing **Salt Cavern-Based Strategic oil Reserves** in Rajasthan.

The study is in line with the government's objective of **increasing the country's strategic oil storage capacity.**

What is Salt Cavern-based Reserves?

- **About:**
  - Salt caverns are underground spaces formed by **dissolving salt in water through a process** called solution mining.
  - This method involves **pumping water into areas with large salt deposits** to dissolve the salt and create caverns. Once the brine (water with dissolved salt) is removed, these caverns can be used to store crude oil.
- **Rock Based Cavern:**
  - Excavated rock-based caverns for oil reserves are underground spaces created by **manually excavating and removing rock materials** to form large storage cavities.
  - Excavated rock caverns are constructed by **drilling, blasting, and removing rock layers** to create the desired storage space. The rock walls and ceilings of these caverns serve as the natural **barriers for containing the stored oil.**
- **Significance of Salt Based-Cavern Over Rock Based Cavern:**
  - Salt cavern **development is simpler, faster, and less expensive**. Salt cavern-based oil storage facilities are **naturally well-sealed and designed for efficient oil** injection and extraction.
  - A report by MIT's Environmental Solutions Initiative suggests that storing oil in salt caverns is **more favorable than other geological formations.**
  - The salt lining **the caverns has very low oil absorbency**, creating a natural impermeable barrier against liquid and gaseous hydrocarbons. This characteristic makes salt caverns suitable for oil storage.
    - The **United States' Strategic Petroleum Reserve (SPR)**, the largest emergency oil storage globally, **relies exclusively on salt cavern-based facilities.**

What is India's Strategic Petroleum Reserves Programme?

- **About:**
  - The construction of the Strategic Crude Oil Storage facilities in India is being managed by **Indian Strategic Petroleum Reserves Limited (ISPRL)**.
    - ISPRL is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.
  - Strategic crude oil storages are at Mangalore (Karnataka), Visakhapatnam (Andhra Pradesh) and Padur (Karnataka) as per Phase I. They have fuel storage of **total 5. 33 MMT (Million Metric Tonnes).**
- **Additional Reserves under PPP:**
  - The government of India is planning to set up two more such caverns at Chandikhol (Odisha) and Udupi (Karnataka) as per phase II through **Public-Private Partnership.** This will give an additional 6.5 million tons of the oil reserves.
  - After the new facilities get functional, a total of 22 days (10+12) of oil consumption will be made available.
- **Capacity/Industrial Stock:**
  - With the strategic facilities, Indian refiners also maintain crude oil storage (industrial stock) of 65 days.
  - Thus, approximately a total of 87 days (22 by strategic reserves + 65 by Indian refiners) of oil consumption will be made available in India after completion of Phase II of the SPR programme.
    - This will be very close to the 90 days mandate by the IEA.
  - India became an associate member of the IEA in 2017 and recently, **IEA has invited India to become a full time member.**

Li-ion Battery Recycling Technology to Boost Circular Economy

Why in News?

The **Ministry of Electronics and Information Technology (MeitY)** in India has taken a significant step towards promoting a **circular economy by transferring a cost-effective Li-ion battery recycling technology** to nine recycling industries and start-ups.

- The technology was developed under the **"Centre of Excellence on E-waste management"** at the **Centre for Materials for Electronics Technology (C-MET)**, **Hyderabad**, in collaboration with the **Government of Telangana and industry partner M/s Greenko Energies Pvt. Ltd., Hyderabad**.

- This initiative is part of the Mission Lifestyle for the Environment (LiFE) **under the "Promote circularity campaign."**

What is the Recently Invented Recycling Technology?

- The recycling technology for Li-ion batteries is designed to efficiently process and recover valuable materials from discarded batteries.
- The process begins by **soaking the batteries in a solution** to **extract** the valuable metals.
  - The solution aids in the separation and extraction of metals such as Lithium (Li), Cobalt (Co), Manganese (Mn), and Nickel (Ni), enabling the recovery of over **95% of their contents in the form of corresponding oxides/carbonates with a purity of approximately 98%.**
  - These metals are then transformed into their pure forms, **ready to be reused in making new batteries or other useful applications.**
  - This technology ensures that **over 95% of these valuable metals are recovered from batteries.**
  - By recycling the batteries, we can reduce the need for mining new resources and contribute to a more sustainable environment.
  - The recycling technology for Li-ion batteries plays a crucial role in promoting a **circular economy.**

What is a Li-ion Battery?

- **About:**
  - A lithium-ion (Li-ion) battery is a type of **rechargeable battery**.
  - Li-ion batteries use an intercalated (Intercalation is the reversible inclusion or insertion of a molecule into materials with layered structures) lithium **compound as one electrode material, compared to the metallic lithium used in a non-rechargeable lithium battery.**
  - The battery consists of an **electrolyte, which allows for ionic movement,** and the two electrodes are the constituent components of a lithium-ion battery cell.
  - **Lithium ions** move from the **negative electrode** to the **positive electrode** during **discharge and back when charging.**

India's Renewable Energy Growth Praised by IRENA

Why in News?

- A recent report called 'Low-cost finance for energy transition,' released by the International Renewable Energy Agency (IRENA), has recognized and praised India's outstanding progress in expanding its renewable energy capacity.
  - The report describes India's achievements as "unprecedented".

What are the Key Highlights of the Report?

- **Unprecedented Growth in Renewable Energy Sector:**
  - **National Targets:**
    - India aims to **achieve 175 GW (100 GW from solar, 60 GW from wind)** of renewable energy capacity **by 2022** and **500 GW of non-fossil fuel capacity by 2030**.
    - **Net-zero Target:**
      - India aims to achieve **net-zero** greenhouse gas emissions **by 2070**, requiring an estimated $10 trillion of investment.
  - **Renewable Energy Attractive Index:**
    - **India ranked third on the index in 2021**, showcasing its commitment to renewable energy development.
  - **Solar and Wind Power Base:**
    - India possesses the **fourth-largest** solar **and** wind power base globally, experiencing rapid growth.
- **Praiseworthy role played by IREDA:**
  - **Financing Renewable Energy Projects:**
    - IREDA (Indian Renewable Energy Development Agency) has played a crucial role in commissioning approximately 20 GW of renewable energy capacity through financing to developers.
- **Mobilizing Private Sector Capital:**
  - Green bonds attract private sector investment, reducing the cost of capital for green projects.
  - Overall green bond issuance in India has reached $18.3 billion cumulatively, with a record issuance of $7 billion in 2021

Note:

- **Pioneering New Technologies:**
  - IREDA has promoted emerging technologies such as battery energy storage systems, green hydrogen **electrolysers**, e-mobility, and waste-to-energy through innovative financing policies.

What is IRENA?

- **About:**
  - It is an intergovernmental organisation, it was officially founded in Bonn, Germany, in January 2009.
  - Currently it has 167 members, India is the 77th Founding Member of IRENA.
  - It has its headquarters in Abu Dhabi, United Arab Emirates.

What is IREDA?

- Indian Renewable Energy Development Agency Limited (IREDA) is a Mini Ratna (Category – I) Government of India Enterprise under the administrative control of Ministry of New and Renewable Energy (MNRE).
- IREDA is a Public Limited Government Company established as a Non-Banking Financial Institution in 1987 engaged in promoting, developing and extending financial assistance for setting up projects relating to new and renewable sources of energy and energy efficiency/conservation
- The motto of the IREDA is "ENERGY FOR EVER".

Uttar Pradesh's 7 Products Receive GI Tags

Why in News?

Uttar Pradesh, known for its rich cultural heritage **and traditional crafts**, has recently seen **seven of its distinctive products being granted** Geographical Indication **(GI) tags by the Geographical Indications Registry in Chennai.**

Which Seven Products from Uttar Pradesh have Received the GI Tag?

- **Amroha Dholak: A Musical Marvel**
  - The Amroha Dholak is a **musical instrument crafted from natural wood.**
    - Preferred wood choices include **mango, jackfruit, and teakwood.**
  - **Animal skin, usually goatskin,** is meticulously fitted to create the drum's surface.
- **Baghpat Home Furnishings:**
  - **Baghpat and Meerut** are renowned for their **exclusive handloom home furnishing products.**
  - The **weaving process involves cotton yarn** and is predominantly done on frame looms.
- **Barabanki Handloom Product**:
  - Barabanki and its surrounding areas are home to **around 50,000 weavers and 20,000 looms.**
    - The annual turnover of the Barabanki cluster is estimated to be ₹150 crore.
- **Kalpi Handmade Paper:**
  - **Kalpi is recognized for handmade paper manufacturing**.
    - **Munnalal 'Khaddari,'** a Gandhian, introduced the craft in the 1940s, although its roots in Kalpi's history may extend further.
- **Mahoba Gaura Patthar Hastashlip**:
  - Mahoba Gaura Patthar Hastashlip represents the unique stone craft of Mahoba.
  - The **stone used, scientifically known as the 'Pyro Flight Stone**,' is a soft and radiant white-coloured stone predominantly found in the region.
- **Mainpuri Tarkashi:**
  - Mainpuri Tarkashi is a popular art form characterised by **brass wire inlay work on wood.**
  - Traditionally used for **khadaous (wooden sandals),** Mainpuri Tarkashi has been a household necessity.
    - Leather alternatives were sought due to cultural considerations regarding cleanliness.
- **Sambhal Horn Craft**:
  - Sambhal Horn Craft utilises **raw materials procured from deceased animals and** this craft form is entirely handmade.

Indian Startup Ecosystem

Why in News?

According to "slowdown in India's startup ecosystem" report, new additions in the coveted **unicorn list declined sharply in 2023**, indicating a slowdown in the Indian startup ecosystem.

Note:

- India added only three unicorns' startups having a valuation of over USD 1 billion in 2023 against 24 in the year-ago period, as per the ASK Private Wealth Hurun **Indian Future Unicorn Index 2023**.

What is the Scenario of the Startup Ecosystem in India?

- India has emerged as the 3rd **largest ecosystem** for startups globally as of 31st May 2023. India ranks 2nd **in innovation quality** with top positions in the quality of scientific publications and the quality of its universities among middle-income economies.
  - Indian Startup Ecosystem has seen exponential growth in past few years (2015-2022):
  - 15X increase in the total funding of startups
  - 9X increase in the number of investors
  - 7X increase in the number of incubators
- As of May 2023, India is home to **108 Unicorns with a total valuation of USD 340.80 Bn.**
  - Out of the total number of unicorns, 44 unicorns were born in 2021 and 21 unicorns were born in 2022.

What are the Terms Related to Startups?

- **Decacorn:** a current valuation of over USD 10 billion.
- **Unicorns:** Start-ups founded after the year 2000 with a valuation of USD 1 billion.
- **Gazelles**: Start-ups that are most likely to go Unicorn in the next three years.
- **Cheetahs:** Start-ups that could go Unicorn in the next five years.

Greedflation

Why in News?

Recently, there has been an increasing consensus in Europe and US that **Greedflation is driving the rising cost of living** rather than just Inflation.

- To understand greedflation it is important to know how inflation works.

What is Greedflation?

- **About:**
  - Greedflation refers to the situation where **corporate greed drives inflation.** Rather than a wage-price spiral, it is a **Profit-Price Spiral** where companies **exploit inflation by raising prices excessively**, going beyond covering their increased costs, and aiming to maximize their profit margins. These further fuels inflation.
    - There is a growing consensus in developed countries, like Europe and the US, that greedflation is the true culprit.
- **Scenario:**
  - During crises like natural disasters or pandemics, prices often surge as businesses raise **them due to increased input costs.**
  - However, in some cases, businesses exploit the situation by **making excessive profits through significantly higher** price mark-ups.
- **Impact:**
  - Greedflation disproportionately **impacts low-income and middle-class individuals,** reducing their consumption and lowering their standards of living.
    - While **it benefits the wealthy** by increasing the value of their assets, **widening the wealth gap** and exacerbating income inequality.

- Sharp price increases and speculation driven by greed can create **bubbles and unsustainable market conditions**. This makes financial markets more **susceptible to crashes and crises**, posing risks to overall economic stability.
- Inflationary pressures caused by greedflation can result in **divergent policies among countries.** Each nation may adopt different strategies to combat inflation, leading to conflicting approaches.
  - This can exacerbate **global imbalances, trade tensions,** and geopolitical conflicts as countries seek to protect their own interests and competitiveness.

Udyami Bharat-MSME Day 2023

Why in News?

On the occasion of International MSME Day,2023, the Ministry of Micro, Small & Medium Enterprises (MSME) organized the **'Udyami Bharat-MSME Day'** event, aimed at celebrating and promoting the growth and development of MSMEs.

- The event witnessed the launch of several initiatives by, the Union Minister for MSME, including the **'CHAMPIONS 2.0 Portal,' 'Mobile App for Geo-tagging of Cluster Projects and Technology Centers,'** and the announcement of **'MSME Idea Hackathon 3.0'** for women entrepreneurs.

What is International MSME Day?

- **About:**
  - International MSME Day is observed on **27th June annually** to recognize the **significance of MSMEs** and their contribution to the economy.
  - MSMEs are recognized as the backbone of the country's economy.
- **Theme of MSME Day 2023:**
  - In India, the theme for MSME Day 2023 is **"Future-ready MSMEs for India@100."**
  - The Global Council for the Promotion of International Trade celebrates with the theme **"Building a Stronger Future Together"** and launches the **#Brand10000MSMEs Network.**
    - **Global Council for the Promotion of International Trade** is an organisation based out of India, South Africa, USA, UAE, EU and the United Kingdom with board & council member representation across the world.

What are the Key Highlights of the Event?

- **Initiatives Launched:**
  - **CHAMPIONS 2.0 Portal:**
    - The Ministry introduced the 'CHAMPIONS 2.0 Portal' aimed at **supporting and promoting MSMEs**.
    - This platform will provide various services such as **mentoring, capacity building, access to markets, and grievance redressal** to MSMEs.
  - **Mobile App for Geo-tagging of Cluster Projects and Technology Centers:**
    - To enhance **efficiency and track the progress of cluster projects** and technology centers, the Ministry launched a mobile app for geo-tagging.
    - This app will facilitate **effective monitoring, evaluation, and reporting** of ongoing projects.
  - **MSME Idea Hackathon 3.0 for Women Entrepreneurs:**
  - Building on the success of the previous idea hackathon, the Ministry launched the 'MSME Idea Hackathon 3.0' specifically focused on women entrepreneurs.
  - This initiative aims to **foster innovation, encourage entrepreneurial ideas,** and provide a **platform for women to showcase their talent** and contribute to the MSME sector.
- **Memorandums of Understanding (MoUs) Signed:**
  - **Ministry of MSME and Small Industries Development Bank of India(SIDBI):**
    - To create a portal for **'PM Vishwakarma KAushal Samman' (PMVIKAS)** by SIDBI.
    - To identify the **local traditional artisans and craftsmen** who were not a part of any targeted interventions so far.
  - **Ministry of MSME and GeM:**
    - To share **Udyam Registration data** with Government e-Marketplace(GeM) for last mile registration of MSMEs in the Public Procurement eco-system.
  - **Ministry of MSME and the Industry Department, Government of Tripura:**
    - To share Udyam Registration data through API, easing policy making and targeted distribution of scheme benefits.
  - **Ministry of MSME and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):**

Note:

- To provide guarantee coverage to the beneficiaries of the MSME sector.
- **National Small Industries Corporation (NSIC) and National Scheduled Castes Finance and Development Corporation (NSFDC) & National Scheduled Tribes Finance and Development Corporation (NSTFDC):**
  - To promote mutual collaboration for **supporting SC/ ST entrepreneurs under National SC-ST Hub** and various schemes.

What is MSME?

- **About:**
  - MSMEs form the backbone of the Indian economy, contributing significantly to employment generation, **industrial production, and overall economic growth.** These enterprises are engaged in the production, manufacturing, processing, or preservation of goods and commodities.
- **Classification of MSMEs:**
  - MSMEs in India are classified based on their **investment in plant and machinery or equipment**, along with their **annual turnover.** The current classification is as follows:
    - **Micro Enterprises:** Investment up to Rs. 1 crore and turnover up to Rs. 5 crores.
    - **Small Enterprises:** Investment between Rs. 1 crore and Rs. 10 crores, and turnover between Rs. 5 crore and Rs. 50 crores.
    - **Medium Enterprises:** Investment between Rs. 10 crores and Rs. 50 crores, and turnover between Rs. 50 crore and Rs. 250 crores.

Manipur Invokes RBI's Riot Provisions

Why in News?

Recently, the Manipur governmentq invoked the Riot Provision of the Reserve Bank of India (RBI) in response to a Grave Situation in the State marked by riots and violence.

- The order acknowledged the **borrowers' inability to repay loans due to the crisis and sought relief measures** for the affected individuals.
- While typically applied in areas affected by natural calamities, this move **marks the first instance of its utilization** in response to a law-and-order situation.

What are the Provisions?

- **RBI Directions 2018:**
  - The Provisions are as per Chapter No. 7 of the **"Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2018."**
    - Whenever RBI advises the banks to extend rehabilitation assistance to riot/disturbance affected persons, the **aforesaid guidelines may broadly be followed by banks** for the purpose.
  - The Provisions specifically addresses **"Riots and Disturbances".**
  - The rules specify **several norms that must be followed for** Restructuring the Loans, providing fresh loans and other measures, including KYC norms.
  - According to the directions, all the short-term loans, except those overdue at the time of the occurrence of riots, will be eligible for restructuring.
- **Applicability:**
  - The provisions of these Directions shall apply to every Scheduled Commercial Bank (including Small Finance Banks (SFBs) and excluding Regional Rural Banks (RRBs) licensed to operate in India by RBI.
- **Crop Loans:**
  - In the case of crop loans, if the **loss ranges between 33% and 50%,** borrowers are eligible for a maximum repayment period of two years. If the crop loss exceeds 50%**, the repayment period can be extended up to a maximum of five years.**
  - Additionally, all restructured **loan accounts will have a moratorium period of at least one year**.
- **Long Term Agri Loan:**
  - If the crop is damaged without harm to productive assets, banks can **reschedule installment payments** for the affected year and extend the loan period by one year.
  - Additionally, banks have the **option to postpone interest payments by borrowers**. However, if productive assets are also damaged, a new loan may be required.
- **Fresh loans:**
  - Banks will evaluate borrowers' credit needs, **follow loan approval procedures**, and may offer collateral-free consumption **loans up to Rs 10,000** to existing borrowers without personal guarantees, even if the value of assets is lower than the loan amount.

- **Relaxation in KYC Norms:**
  - For the people who have lost their documents due to the calamity of riots, **the banks need to open new accounts for such people.**
  - This will be applicable where the balance in the account does not exceed Rs 50,000. The total credit in the account should not exceed Rs 1,00,000.

What is Loan Restructuring?

- **About:**
  - Loan restructuring allows **businesses, people, and governments to avoid bankruptcy** by **negotiating lower interest rates** on their debts. When a debtor has trouble paying their bills, loan **restructuring is less expensive than going bankrupt.** It can help both the **debtor and the creditor.**
  - Companies can avoid bankruptcy by renegotiating their debt commitments' terms to acquire flexibility quickly and manage their overall debt load.
- **Benefits:**
  - The main goal **of debt restructuring is to save and keep** the business going.
  - It protects the business from creditors through the law.
  - If the company doesn't go bankrupt, creditors get back more money. When it comes to people who want to borrow money, a debt-restructuring personal loan helps **creditors get better results.**

Remittance Inflow

Why in News?

According to the World Bank**'s latest Migration and Development Brief,** India, which saw a record-high of **USD 111 billion in** remittances **in 2022,** is expected to experience **minimal growth of just 0.2% in remittance inflows in 2023.**

- The main reasons for this are the slower growth in OECD economies, especially in the high-tech sector, and the **lower demand for** migrants **in the GCC countries.**
- Overall, remittance growth is projected to be slower globally, with **Latin America and the Caribbean showing the highest growth while South Asia lags behind.**

What are Remittances?

- **Remittances are money transfers that migrants send to their families** and friends in their home countries.
  - They are an **important source of income and** foreign exchange **for many developing countries,** especially those in South Asia.
- Remittances can help **reduce** poverty**, improve living standards, support education and health care,** and stimulate economic activity.
- The top five recipient countries for remittances in 2022 were **India, Mexico, China, the Philippines, and Pakistan.**

India Infrastructure Project Development Fund

Why in News?

To support the Digital India initiative, the Infrastructure Finance Secretariat (IFS), under the Ministry of Finance has launched the IIPDF (India Infrastructure Project Development Fund) **Portal.**

- This online platform allows the submission of applications **under the IIPDF Scheme, reducing processing time, paperwork,** and facilitating timely approvals.

What is IIPDF Scheme?

- **Background:**
  - **IIPDF was created in the Department of Economic Affairs (DEA),** Ministry of Finance, Government of India with an **initial corpus of Rs. 100 crore for supporting the development of Public Private Partnership (PPP)** projects that can be offered to the private sector.
- **About:**
  - DEA has restructured the existing fund **IIPDF as a Central Sector Scheme** with total outlay of Rs.150 Crore for a period of 3 years from 2022-23 to 2024-25.
  - It is available to the Sponsoring Authorities for **PPP projects for meeting the project development costs.**
    - It would be necessary for the Sponsoring Authority to create and empower a PPP Cell to undertake PPP project development activities and also address larger policy and regulatory issues.
- **Objective:**

- It is aimed at providing **financial support for quality project development** activities.
- **Significance:**
  - The Sponsoring Authority will be able to source funding to cover a portion of the PPP transaction costs, thereby reducing the impact of costs related to procurement on their budgets.
- **Financial Outlay:**
  - The IIPDF contributes **upto 75% of the project development expenses** to the Sponsoring Authority as an interest free loan. The balance of 25% will be co-funded by the Sponsoring Authority.
  - On successful completion of the bidding process, the project development expenditure would be recovered from the successful bidder.
    - However, in the case of failure of the bid, the loan would be converted into grant.
  - In case the **Sponsoring Authority does not conclude the bidding process** for some reason, the entire amount contributed would be refunded to the IIPDF.
- **Approval Committee (AC):**
  - The IIPDF scheme shall be administered by the AC. The composition of the AC is as under:
    - Joint secretory, DEA- Chairperson
    - Representative of NITI Aayog
    - Deputy Secretory/Private Investment Unit, DEA- Member Secretary

CBIC Releases National Time Release Study (NTRS) 2023 Report

Why in News?

Recently, the Central Board of Indirect Taxes and Customs (CBIC) has released the National Time Release Study (NTRS) 2023 report, which measures the **cargo release time** at various ports in India.

- The report aims to assess the progress made towards the **National Trade Facilitation Action Plan (NTFAP) targets,** identify the impact of various trade facilitation initiatives, and identify the challenges to more expeditious reduction in release time.
- The study was conducted based on a **sample period of January 1-7, 2023,** comparing the performance with the corresponding periods of 2021 and 2022.
- The ports included in the study represent **seaports, air cargo complexes (ACCs), inland container depots (ICDs), and integrated check posts (ICPs).** These account for approximately 80% of bills of entry and 70% of shipping bills filed in the country.

What is the Cargo Release Time?

- Cargo release time is defined as the **time taken from the arrival of the cargo** at the **Customs station** to its **out-of-charge for domestic clearance in case of imports** and **arrival of the cargo at the Customs station to the eventual departure of the carrier in case of exports.**
- Cargo release time is a key indicator of **trade efficiency and ease of doing business,** as it reflects the effectiveness of customs procedures and other regulatory processes involved in cross-border trade.
- Cargo release time is measured using **Time Release Study (TRS),** a performance measurement tool recommended by the World Customs Organization (WCO).

Central Board of Indirect Taxes and Customs

- It is a **part of the Department of Revenue under the Ministry of Finance.**
- The Central Board of Excise and Customs (CBEC) was **renamed as the CBIC in 2018 after the roll out of the GST.**
- It deals with the tasks of formulation of policy concerning levy and collection of customs, central excise duties, Central GST (CGST) and Integrated GST (IGST).
  - **GST Law** comprising (i) Central Goods and Services Tax Act, 2017 (ii) State Goods and Services Tax Act, 2017 (iii) Union Territory Goods and Services Tax Act, 2017, (iv) Integrated Goods and Services Tax Act, 2017 (v) Goods and Services Tax (Compensation to States) Act, 2017.

Global Wind Day

Why in News?

Global Wind Day is celebrated on 15th Jun June 2023 by the Ministry of New and Renewable Energy (MNRE) with the theme of **"Pawan - Urja: Powering the Future of India".**

- MNRE has **set the target of 500 GW renewable energy** capacity **by 2030** and **Wind Atlas at 150 meter above ground level** was also launched by **National Institute of Wind Energy (NIWE**), estimating the **onshore wind potential at 1,164 GW**.

What is Global Wind Day?

- Global Wind Day has been an annual event since 2007 to promote wind energy as a clean and renewable source of power.
- It was started by the European Wind Energy Association (EWEA) and later joined by the **Global Wind Energy Council (GWEC).**
    - GWEC is a member-based organisation that represents the entire wind energy sector.

What is Wind Energy?

- **About:**
    - Wind energy is **a form of renewable energy** that **uses the kinetic energy of the air to generate electricity.**
- **Mechanism:**
    - Wind energy is **created using wind turbines, which are devices that have blades that rotate** when the wind blows.
    - The rotation of the blades drives a generator that produces electricity.
        - **Wind energy can be generated on land or offshore**, where there are stronger and more consistent winds.
- **Emission of Gases:**
    - Wind energy is a **clean and renewable source of power** that **does not emit greenhouse gases** or other pollutants.
- **Uses:**
    - Wind energy **can be used for homes, businesses, farms,** and other applications. Wind energy is one of the **fastest-growing renewable energy** sources in the world.
- **Some Facts About Wind Energy**:
    - **Global:**
        - The **largest wind power market in the world is China**, with a **capacity of over 237 GW** of wind power installed followed by U.S and Germany.
        - China also **has the world's largest onshore wind farm** in Gansu Province, built out of the Gobi Desert.
    - **India Specific:**
        - India ranks **fourth in wind power capacity** (with 42.8 GW as of April 2023) in the world and has a huge potential for both onshore and offshore wind energy production.
        - Wind energy is vital for India's transition to a low-carbon economy and achieving its goals of 50% non-fossil fuel-based energy by 2030 and **Net Zero by 2070.**
        - **Tamil Nadu installs highest wind power capacity** till June 2022 followed by Gujrat and Karnataka.

Sovereign Gold Bond Scheme 2023-24

Why in News?

Recently, the Government of India, in consultation with the **Reserve Bank of India**, has decided to issue **Sovereign Gold Bonds** (SGBs) in tranches for 2023-24.

- The first SGB scheme was launched by the Government in November 2015, **under Gold Monetisation Scheme** with an objective **to reduce the demand for physical gold** and shift a part of the domestic savings - used for the purchase of gold - into financial savings.

What are the Key Details of the Scheme?

Item	Details
Issuance	Issued by the Reserve Bank of India on behalf of the Government of India.
Eligibility	SGBs will be **restricted for sale to resident individuals, HUFs (Hindu Undivided Family), Trusts, Universities and Charitable Institution**s.
Tenor	The tenor of the SGB will be **for a period of eight years** with an option of **premature redemption after 5th year.**
Minimum size	Minimum permissible investment will be **One gram of gold**.
Maximum limit	The maximum limit of subscription **shall be 4 Kg for individuals**, **4 Kg for HUF** and **20 Kg for trusts** and similar entities per fiscal year (April-March) notified by the Government from time to time.
Joint holder	In case of joint holding, the **investment limit of 4 Kg** will be applied to the first applicant only.
Issue price	Price of SGB will be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity, published by the India Bullion and Jewellers Association Limited.
Sales channel	SGBs will be sold through Scheduled Commercial banks (**except Small Finance Banks**, **Payment Banks** **and** **Regional Rural Banks**), Stock Holding Corporation of India Limited, **Clearing Corporation of India Limited**, designated post offices and National Stock Exchange of India Limited and Bombay Stock Exchange Limited, either directly or through agents.
Interest rate	The investors will be compensated **at a fixed rate of 2.50% per annum payable semi-annually** on the nominal value (face value or stated value).
Collateral	The SGBs can be used as collateral for loans.
Tax treatment	The interest on SGBs shall be taxable as per the provision of the Income Tax Act, 1961. The **capital gains tax** arising on redemption of SGB to an individual is **exempted**.
Tradability	SGBs shall be eligible for trading.
SLR eligibility	SGBs obtained by banks through the pledge process will be considered as part of their Statutory Liquidity Ratio requirements**.**

Adoption of E20 Fuel and Green Hydrogen Production

Why in News?

In a recent announcement, the Union Minister of Petroleum and Natural Gas highlighted that **petrol blended with 20% ethanol, known as E20,** will soon be available at **1,000 outlets of oil marketing companies (OMCs) nationwide.**

- The National Green Hydrogen Mission aim to achieve a production capacity of **5 Million Metric Tonnes (MMT) per annum by 2030**, was also highlighted.

What is Ethanol Blending and E20 Fuel?

- **About:**
  - **Ethanol is an agricultural by-product which is mainly obtained from the processing of sugar from sugarcane**, but also from other sources such as rice husk or maize.
    - **Blending ethanol with petrol to burn less fossil fuel while running vehicles** is called Ethanol Blending**.**
    - **E20 fuel is a blend of 20% ethanol and 80% petrol.** The E20 was launched by the **Prime Minister of India in February 2023 in Bengaluru.** This pilot covers at least 15 cities and will be rolled out across the country in a phased manner.

Note:

- India has been increasing **its ethanol blending in petrol from 1.53% in 2013-14 to 10.17% in 2022.**
  - The government has advanced its target to achieve 20% ethanol blending in petrol **from 2030 to 2025.**
  - During our G20 presidency, the government has also proposed to launch a **global biofuel alliance with countries like Brazil** to promote biofuels internationally.

What is Green Hydrogen?

- **About:**
  - Green hydrogen is hydrogen produced by **electrolysis of water using renewable or green energy.**
  - It is considered the **cleanest form of energy, as it does not emit any greenhouse gases when used.**
    - India has the potential to become a leader and a superpower in green hydrogen production, **according to the** International Energy Agency (IEA).
      - India has abundant renewable capacity, especially solar power, which can be used to produce green hydrogen at low cost.
    - India has also set a target of producing **5 million metric tonnes of green hydrogen per annum by 2025-26 under its National Hydrogen Mission.**
    - The **private sector is also actively engaged in pursuing green hydrogen production** and has attracted significant investment from international sources.

E-Invoicing and Curbing Tax Evasion

Why in News?

Recently, the Government has lowered the threshold for businesses to generate **e-Invoice for Business-to-Business (B2B) transactions**, from Rs 10 crore to Rs 5 crore with the aim to curb Tax Evasion and increase compliance under the Goods and Services Tax (GST) **Regime.**

- The government has also rolled out the **Automated Return Scrutiny Module (ARSM)** for GST returns in a backend application for central tax officers.

What is the Automated Return Scrutiny Module?

- The ARSM is a part of the ACES (Automation of Central Excise and Service Tax)-GST backend application **that uses data analytics to identify risks and discrepancies in GST returns.**
- This helps tax officers to scrutinize the GST returns of Centre Administered Taxpayers who are **selected based on the risks identified by the system.**
- The module also generates alerts if any non-compliance is detected.
  - The automated return scrutiny module has already commenced with the scrutiny of GST returns for **FY 2019-20**, with the requisite data already with the tax officers.

What is e-Invoicing Under GST?

- **About:**
  - e-Invoicing is a system where B2B (Business to Business) invoices and some other documents are **electronically authenticated by the GSTN (Goods and Service Tax Network)** for further use on the GST portal.
  - e-Invoicing involves submitting **already generated standard invoices on a common e-invoice portal,** automating reporting with a one-time input of invoice details.
  - An identification number is issued **against every invoice by the Invoice Registration Portal (IRP)**, which transfers the invoice information in real-time to the GST portal and the e-Way Bill portal.
    - **E-Way Bill** is a **compliance mechanism wherein by way of a digital interface** the person causing the movement of goods uploads the relevant information prior to the **commencement of movement of goods and generates an e-way bill** on the GST portal, and therefore facilitating faster movement of Goods.
  - This eliminates manual data entry **while filing returns and generating e-way bills.**
- **Objectives:**
  - The GST Council in its 37th meeting in September 2019 had approved the **standard of e-invoice with the primary objective to enable interoperability** across the entire GST ecosystem.

Note:

Carbon Border Adjustment Mechanism

Why in News?

The **European Union (EU)** has announced that its **Carbon Border Adjustment Mechanism (CBAM)** will be introduced in its transitional phase from October 2023, which will levy a carbon tax on imports of products made from the **processes which are not Environmentally sustainable or non-Green.**

- CBAM will translate into a 20-35 % tax on select imports into the EU starting 1st January 2026.

What is CBAM?

- **About:**
  - CBAM is part of the **"Fit for 55 in 2030 package"**, which is the EU's plan to reduce greenhouse gas emissions **by at least 55% by 2030** compared to 1990 levels in line with the **European Climate Law.**
  - The CBAM is a policy tool aimed at reducing **Carbon Emissions** by ensuring that imported goods are subject to the same carbon costs as products produced within the EU.
  - **Implementation:**
  - The CBAM will be implemented by **requiring importers to declare the quantity of goods imported into the EU** and their embedded Greenhouse Gas (GHG) emissions on an annual basis.
  - To offset these emissions, importers **will need to surrender a corresponding number of CBAM certificates**, the price of which will be based on the weekly average auction price of **EU Emission Trading System (ETS)** allowances in **€/tonne of CO2 emitted.**
- **Objectives:**
  - CBAM will ensure its **climate objectives are not undermined by carbon-intensive imports** and spur cleaner production in the rest of the world.
- **Significance:**
  - It can encourage **non-EU countries to adopt more stringent environmental regulations**, which would reduce global carbon emissions.
  - It can prevent carbon leakage by discouraging companies from relocating to countries with weaker environmental regulations.
  - The revenue generated from CBAM will be **used to support EU climate policies, which** can be learned by other countries to support **Green Energy.**

Multimodal Logistics Park in Assam

Why in News?

Recently, the **Union Minister of Ports, Shipping & Waterways and Ayush,** visited the construction site of **India's first International Multi-Modal Logistics park(MMLP) in Jogighopa, Assam,** to review the progress made so far.

- Multi Modal Logistics Park is likely to **Boost Connectivity** in the **Northeast.**

What is the Scope of this Project?

- The park is being developed under the ambitious **Bharatmala Pariyojana of the Government.**
- This park is **being made by National Highways & Infrastructure Development Corporation Limited (NHIDCL)**.
- The park will be **connected to road, rail, air, and waterways.**
- It is being developed in 317-acre land along the **Brahmaputra.**
- Project is likely to unlock huge potential for the region along with neighboring countries like **Bhutan and Bangladesh.**

What is MMLP?

- **About:**
  - A **MMLP is a transportation hub** that **combines different modes of transport** in one location to enable efficient movement of goods.
  - These logistics parks are typically located **near major transportation nodes, such as ports, airports, and highways.**
  - They are designed to handle a large volume of goods, with facilities for **warehousing, distribution**, and value-added services such as **packaging and labeling.**
- **Status of MMLP in India:**
  - The Cabinet Committee on Economic Affairs (CCEA) authorized the Ministry of Road Transport and

Note:

Highways (MoRTH) to develop 35 MMLP under the Bharatmala Pariyojana.

- Bangalore, Chennai, Guwahati, and Nagpur MMLPs under implementation.

- The MMLPs are to be developed under Public Private Partnership (PPP) on **Design, Build, Finance, Operate and Transfer (DBFOT) mode.**
- The **National Highways and Logistics Management (NHLML),** a **special purpose vehicle (SPV)** fully owned by the National Highways Authority of India (NHAI), plans to construct the majority of the proposed MMLPs in PPP mode.

Report on Currency and Finance 2022–23

Why in News?

The cumulative total expenditure for India's adaptation to climate change could reach 85.6 lakh crore by 2030, according to an estimate made by Reserve Bank of India(RBI) in its Report on Currency and Finance **2022–23.**

What is Report on Currency and Finance?

- **About:**
  - It is an **annual publication of the RBI**.
  - The report covers various aspects of the **Indian economy and financial system**.
- **Theme:**
  - The theme of Report on Currency and Finance 2022–23 is '**Towards a Greener Cleaner India**'.
    - It focuses on the **challenges and opportunities of climate change** for India and the **role of the financial sector in achieving a low-carbon and climate-resilient development path.**
- **Aim:**
  - It aims to **provide analytical insights into the macroeconomic** and **financial developments in India and their policy implications.**
- **Dimensions:**
  - The report covers **four major dimensions of climate change** to assess future challenges to sustainable high growth in India, the **unprecedented scale** and **pace of climate change**; **its macroeconomic effects**; **implications for financial stability**; and **policy options to mitigate climate risks**.

Central Counterparties

Why in News?

The **European Securities and Markets Authority (ESMA)**, the European Union's financial markets regulator, has **derecognized six Indian Central Counterparties (CCPs)** from April 30, 2023, in accordance with the **European Market Infrastructure Regulation (EMIR).**

- These **six CCPs are** the Clearing Corporation of India (CCIL), Indian Clearing Corporation Ltd (ICCL), NSE Clearing Ltd (NSCCL), Multi Commodity Exchange Clearing (MCXCCL), India International Clearing Corporation (IFSC) Ltd (IICC) and NSE IFSC Clearing Corporation Ltd (NICCL).

What is CCP?

- **About:**
  - CCP is a financial institution that acts as an **intermediary between buyers and sellers in various derivatives and equities markets.** CCPs are structures that help facilitate the **clearing and settlement process** in financial markets.
  - The primary goal of CCPs is to increase efficiency and stability in financial markets.
  - CCPs reduce risks associated with **counterparty, operational, settlement, market, legal, and default issues**
  - CCPs act as a counterparty to both buyers and sellers in a trade, collecting money from each party involved and guaranteeing the terms of the trade
- **Functions:**
  - **Clearing and settlement** are the two main functions of a CCP.
  - Clearing involves **validating the details of the trade** and ensuring that both **parties have sufficient funds to complete the transaction.**
  - Settlement involves the **transfer of ownership of the asse**t or security being traded from the seller to the buyer.
- **Regulators in India:**
- The Reserve Bank of India (RBI) for CCPs clearing money market instruments and foreign exchange derivatives.
  - A CCP is authorized by the RBI to operate in India under the Payment and Settlement Systems Act, 2007.

- The **Securities and Exchange Board of India (SEBI)** for CCPs clearing securities and commodity derivatives.

Why has ESMA Derecognized Indian CCPs?

- **Reason:**
  - The ESMA derecognized Indian CCPs due to their failure to meet all EMIR requirements.
  - The decision came due to '**no cooperation arrangements' between ESMA and Indian regulators** – the RBI, the SEBI and the **International Financial Services Centres Authority (IFSCA).**

What is ESMA?

- **ESMA is an independent EU authority.**
- ESMA enhances the **protection of investors and promotes stable** and orderly financial markets.
- ESMA is the direct supervisor of specific financial entities such as credit rating agencies, securitization repositories, and trade repositories

What is EMIR?

- EMIR is an EU regulation adopted in August 2012
- It aims to **reduce systemic, counterparty, and operational risk in the OTC derivatives market**
- **It sets higher prudential standards for CCPs and trade repositories**
- EMIR enhances risk mitigation techniques for non-cleared derivatives
- It establishes a framework for the recognition and supervision of third-country CCPs.

IRDAI Vision 2047

Why in News?

The **Insurance Regulatory and Development Authority of India (IRDAI)**, as part of its Vision **Insurance for all' by 2047**, has allotted states and union territories to every insurer to increase **insurance penetration in India.**

- **IRDAI** is also planning to launch **Bima Trinity** - Bima Sugam, Bima Vistar, Bima Vaahaks – in collaboration with general and life insurance firms to make insurance activities hassle free.

What is IRDAI Vision 2047?

- **Objective:**
  - Insurance for All by 2047 aims that every citizen has an appropriate **life, health and property insurance cover** and every enterprise is **supported by appropriate insurance solutions.**
  - It also aims to make the **Indian insurance sector globally attractive**
- **Pillars:**
  - Insurance customers (Policyholders)
  - Insurance providers (insurers)
  - Insurance distributors (intermediaries)

What is Bima Trinity?

- **Bima Sugam:**
  - It is a unified platform that **combines insurers and distributors.** It simplifies policy purchases, service requests, and claims settlement for customers in one convenient portal.
- **Bima Vistar:**
  - It is a comprehensive bundled policy that covers life, health, property, and accidents. It provides **defined benefits for each risk category**, ensuring quick claim payouts without surveyors.
- **Bima Vaahaks:**
  - It is a **women-centric workforce operating** at the Gram Sabha level. They will educate and convince women about the **benefits of comprehensive insurance, particularly Bima Vistar**. By addressing concerns and emphasizing advantages, Bima Vaahaks empower women and enhance their financial security.

What is the State of Insurance Sector in India?

- According to the Economic Survey 2022-23, life insurance density in the country increased from USD 11.1 in 2001 to USD 91 in 2021. Total global insurance premiums in 2021 **increased 3.4% in real terms, with the non-life insurance sector registering 2.6% growth,** driven by rate hardening in commercial lines in developed markets.
- According to the **Economic Survey 2022-23**, India's insurance market is poised to emerge as one of the fastest-growing markets globally in the coming decade.

Note:

- As per the IRDAI, insurance penetration in India **increased from 3.76% in 2019-20 to 4.20%in 2020-21, registering a growth of 11.70%.**
  - Also, the insurance density increased from USD 78 in 2020-21 to USD 91 in 2021-22.
- **Life insurance penetration in 2021 was 3.2%,** almost twice as high as the emerging markets and slightly above the global average.
- India is at **present the 10th biggest market in the world** it is projected to be 6th biggest by 2032.

London Interbank Offered Rate (LIBOR)

Why in News?

The **Reserve Bank of India (RBI)** has advised banks and other Regulated Entities to move away from the **London Interbank Offered Rate (LIBOR)** and transition to Alternative Reference Rates (ARR).

- The transition away from LIBOR is aimed at reducing reliance on a benchmark that is susceptible to manipulation and ensuring the financial system's stability and integrity.

What is LIBOR?

- **About:**
  - LIBOR is a **widely used global benchmark interest rate.** It represents the **average interest rate at which banks estimate they can borrow from each other** in the London interbank market for specific time periods.
  - LIBOR is important because it is used **as a reference rate for settling trades in various financial instruments** such as futures, options, swaps, and other **Derivatives.**
- **Calculation:**
  - To calculate LIBOR, a group of banks submits their **estimated borrowing** rates to Thomson Reuters, a news and financial data company, every business day.
  - The extreme rates are removed, and the **remaining rates are averaged to determine the LIBOR rate**, which aims to represent the median borrowing rate.
    - Previously, LIBOR was calculated for five major currencies and seven different time periods, resulting in 35 rates published each day.
    - However, the UK Financial Conduct Authority phased out most of these rates, and after 31st December, 2021, only **U.S. dollar LIBOR rates were allowed** to be published.

RBI Surplus Transfer

Why in News?

The **Reserve Bank of India (RBI)** has approved a significant **transfer of surplus funds** to the Union Government, providing a major boost to the fiscal position.

- The surplus transfer for the accounting **year 2022-23 amounts to Rs 87,416 crore,** a **188% increase compared to the previous year.**

What Factors Contributed and Implications to the Surge in Surplus Transfer?

- **Factors Contributed:**
  - **Higher dividends** from public sector banks and oil marketing companies.
  - Increased earnings on investments, **valuation changes on dollar holdings, revaluation of forex assets** and adjustments in reserves as per the **Bimal Jalan Committee** recommendations and currency printing fees.
- **Implications due to Surplus Transfer:**
  - **Fiscal relief for the government,** particularly in managing fiscal numbers amid uncertainties in the divestment program.
  - Helps **compensate for potential shortfalls in tax buoyancy** and other revenue sources.
    - When a tax is buoyant, its revenue increases without increasing the tax rate.
      - Provides a **fiscal buffer to support the budget targets.**
- **Implications for Liquidity and Monetary Policy:**
  - **Frictional liquidity is expected to ease** in the near term due to dividend inflows and seasonal moderation in currency demand.
  - **Tight liquidity conditions may persist in the future,** requiring the RBI to conduct open market operations worth Rs 1.5 lakh crore in the second half of FY24.

How does RBI Generate Surplus?

- **RBI's Income:**
  - Interest on holdings of domestic and foreign securities.
  - Fees and commissions from its services.
  - Profits from foreign exchange transactions.
  - Returns from subsidiaries and associates.
- **Expenditure of RBI:**
  - Printing of currency notes.
  - Payment of interest on deposits and borrowings.
  - Salaries and pensions of staff.
  - Operational expenses of offices and branches.
  - Provisions for contingencies and depreciation.
- **Surplus:**
  - The difference between RBI's income and expenditure is Surplus.
  - **RBI transfers the surplus to the government** after making provisions for reserves and retained earnings**.**
  - RBI transfers the surplus, in accordance with **Section 47** (Allocation of Surplus Profits) of the **Reserve Bank of India Act, 1934.**
    - A technical Committee of the **RBI Board headed** by **Y H Malegam (2013),** which reviewed the adequacy of reserves and surplus distribution policy, recommended a higher transfer to the government.

RBI to Withdraw Rs 2,000 Notes from Circulation

Why in News?

On May 19, 2023, the Reserve Bank of India (RBI) announced **that it will withdraw the Rs 2000 denomination banknotes from circulation**.

- While the **existing notes will remain legal tender**. The RBI has provided a generous timeframe, **allowing individuals to deposit or exchange the notes until September 30, 2023.**
- This move is part of the **RBI's Clean Note Policy,** which aims to provide the **public with high-quality currency notes** and coins with improved security features.

Why did the RBI Withdraw the 2000 Rupees Notes?

- **Withdrawal of 2000 Rupee Note:**
  - The RBI said that the withdrawal of the 2000 rupees notes is part of its **currency management operations.**
  - The Rs 2000 banknotes were introduced in **2016 to meet the immediate currency requirements** after the withdrawal of Rs 500 and Rs 1000 notes during the demonetization exercise**.**
    - With an adequate supply of other denominations available, the **printing of Rs 2000 notes was stopped in 2018-19**, as the initial objective of expediting the currency requirement was achieved.
  - As of **March 31, 2023**, the value of Rs 2000 banknotes in circulation **has decreased to Rs 3.62 lakh crore, constituting only 10.8% of the total notes in circulation.**
    - The last time India **demonetised currency** was in **November 2016** when the government **withdrew 500 and 1000 rupees notes in an effort to remove forgeries from circulation**.
    - The move took away **86% of the economy's currency in circulation by value overnight**.

What is Demonetization in India?

- **About:**
  - Demonetization is the act of **stripping a currency unit of its status as legal tender.** The current form or forms of money is **pulled from circulation and retired, often to be replaced with new notes or coins.**
- **Legality in India:**
  - The legal basis for demonetization in India is **Section 26(2) of the Reserve Bank of India Act, 1934,** which empowers the **central government to declare any series of banknotes** as ceasing to be legal tender by notification in the Official Gazette, **on the recommendation of RBI.**
  - The **legality of demonetization was challenged** in several petitions filed in various courts across India.
    - However, the **Supreme Court** upheld the demonetisation as valid and stated that **demonetisation of currency notes of Rs 500 and Rs 1,000 satisfied the** test of proportionality**.**

Note:

- The **test of proportionality refers to whether the benefits of demonetisation outweigh the costs.**
- To satisfy the test of proportionality, the **benefits of demonetisation must be significant enough to justify the costs and disruptions that it may cause.**

What is Legal Tender in India?

- **About:**
  - A legal tender is a form of currency that is **recognised by law as an acceptable means for settling debts or obligations** .
    - **RBI is responsible for** determining which **forms of currency are considered valid for transactions.**
  - It consists of **coins issued by the Government of India under Section 6 of The Coinage Act, 2011**, and banknotes issued by the Reserve Bank of India under **Section 26 of the RBI Act, 1934.**
    - Govt **issues all coins upto ₹ 1,000, and 1 Rupee Note.**
    - RBI issues **currency notes other than ₹ 1 Note.**
- **Types:**
  - Legal tender can be **limited or unlimited in character.**
    - In India, coins function as **limited legal tender. Coins with denominations equal to or higher than one rupee can be used as legal tender** for amounts up to **one thousand rupees.**
      - Additionally, **fifty paise (half a rupee) coins** can be used as legal tender for **amounts up to ten rupees.**
    - Banknotes function as **unlimited legal tender** for any amount stated on them.
  - However, A **new Section 269ST** was added to the Income Tax Act as a result of the measures taken by the Finance Act 2017 **to curb black money**.
  - A cash transaction was restricted by **Section 269ST** and was **only allowed to be worth up to Rs. 2 Lakh per day.**

ECL Based Loan Loss Provisioning Framework

Why in News?

Lenders in India have approached the Reserve Bank of India (RBI) seeking a **one-year extension** for the implementation of the **Expected Credit Loss (ECL)-based loan loss provisioning framework**.

- Earlier in January 2023, the RBI came out with a draft guidelines proposing adoption of expected credit loss approach for credit impairment.

What is ECL-based Loan Loss Provisioning Framework?

- **Background:**
  - The **RBI had previously proposed the adoption of the ECL approach for credit impairment,** and banks were given a **one-year period for implementation** once the final guidelines are released.
    - While the final guidelines are yet to be announced, it is expected that they may be notified by **FY2024 for implementation starting from April 1, 2025.**
  - The Indian Banks Association (IBA) has requested the **RBI to grant an additional year for lenders to prepare for the implementation of the ECL norms**.
- **About ECL Framework:**
  - In the expected credit loss framework, **banks are mandated to forecast anticipated credit losses through forward-looking estimations**, rather than **waiting for credit losses to materialise before making corresponding provisions for those losses.**
    - Banks will be required to classify financial assets (**primarily loans, including irrevocable loan commitments, and investments classified as held-to-maturity or available-for-sale)** into three categories: **Stage 1, Stage 2, and Stage 3,** based on the **assessed credit losses at the time of recognition and subsequent reporting dates.**
      - Provisioning will be made accordingly for each category.
- **ECL vs IL Model:**
  - This new approach replaces the **current "incurred loss (IL)" model,** which **delays loan loss provisioning, potentially increasing credit risk for banks.**

Note:

- A key drawback in the IL model was that **usually banks made provisions with a significant delay after the borrower may have started facing financial difficulties**, thereby increasing their credit risk. This led to systemic issues.
- Furthermore, the delayed recognition of loan losses resulted in an **overstatement of banks' income, combined with dividend payouts, which further eroded their capital base.**

- **Transitional Arrangement:**
  - To prevent a capital shock, the **RBI has proposed a transitional arrangement for the introduction of ECL norms.**
    - This phased implementation will **help banks absorb any additional provisions** without adversely impacting their profitability.

What is Loan Loss Provisioning?

- It is a regulatory requirement enforced by the **RBI,** to ensure the financial stability of banks and protect the interests of depositors.
- It refers to the **practice followed by banks and financial institutions to set aside a portion of their earnings** as a provision to cover **potential losses arising from** non-performing assets (NPAs) **or bad loans**.
  - RBI defines **NPAs in India as any advance or loan that is overdue for more than 90 days.**
- It helps banks to **accurately reflect the true value of their loan portfolios and assess their overall risk exposure**.
  - Adequate provisioning also enhances the **transparency of a bank's financial statements** and provides a **more accurate picture of its financial health to stakeholders.**

International Credit Card Spending Outside India under LRS

Why in News?

Recently, the Finance Ministry of India, in consultation with the Reserve Bank of India (RBI), has made significant amendments to the Foreign Exchange Management Act (FEMA), bringing **international** credit card **spending outside India under the** Liberalised Remittance Scheme (LRS).

- This comes in the backdrop of a surge in spending in overseas travel. Indians spent **12.51 billion USD** on overseas travel between **April-February of fiscal 2022-23**, a **rise of 104%** compared to the same period of the last year.
- The inclusion enables the levy of the higher **rate of** Tax Collected at Source (TCS) **as announced in the Budget for 2022-23** effective from 1st July 2023.

What are the Key Details and Implications?

- **Inclusion of International Credit Card Spend in LRS:**
  - The amendment is expected to facilitate the **monitoring of high-value overseas transactions** but does not apply to **payments for purchasing foreign goods/services from India.**
- **Omission of Rule 7 and Expansion of LRS:**
  - Previously, the usage of international credit cards for expenses during trips abroad was not covered under LRS.
  - Rule 7 of the **Foreign Exchange Management (Current Account Transaction)** Rules, 2000, which excluded such spendings from LRS, has been omitted.
    - This amendment allows international credit card transactions to be included in determining the overall **LRS limit of 250,000 USD per person per financial year.**
- **Impact on Compliance and Refunds:**
  - Banks and financial institutions may experience **an increased compliance burden due to these changes.**
  - **Taxpayers can claim refunds on the TCS levy while filing tax returns**, which could result in locked funds until refunds are initiated by the tax department.

What is Tax Collected at Source?

- TCS is the tax payable by a seller, which he collects from the buyer at the time of sale of certain goods or services.
- TCS is governed by **Section 206C of the** Income-tax Act**,** which specifies the goods or services on which TCS is applicable and the rates of TCS.

Note:

- Some of the goods or services on which TCS is applicable are liquor, timber, tendu leaves, scrap, minerals, motor vehicles, parking lot, toll plaza, mining and quarrying, **foreign remittance under LRS,** etc.

➢ The seller must have a **Tax Collection Account Number (TAN)** to collect and deposit TCS with the tax authorities.
- The seller must issue a **TCS certificate to the buyer within a specified time limit,** showing the amount of tax collected and deposited.
- The buyer can claim credit for the amount of TCS deducted from his income while filing his income tax return.

Wholesale Price Index

Why in News?

The latest data released by the **Ministry of Commerce and Industry** reveals that the **Wholesale Price Index (WPI) in India fell to a near three-year low** with **deflation rate** of **(-) 0.92% in April,** marking its entry into **negative territory** after 33 months.

➢ The decline in the rate of inflation in April 2023 is **primarily contributed by fall in prices of basic metals, food products, mineral oils, textiles, non-food articles**, chemical & chemical products, rubber & plastic products, and paper & paper products.

What is the Wholesale Price Index?

➢ **About:**
- It measures the changes in the **prices of goods sold and traded in bulk by wholesale businesses to other businesses.**
- Published by the Office of **Economic Adviser, Ministry of Commerce and Industry.**
- It is the most widely used **inflation indicator** in India.
- Major criticism for this index is that the **general public does not buy products at wholesale price.**
- The **base year of All-India WPI** has been revised from **2004-05 to 2011-12 in 2017.**

➢ **Weightage of WPI:**

All Commodities/Major Groups	Weightage (%)	Articles
All Commodities	100	
I. Primary Articles	22.6	**Food Articles:** Cereals, Paddey, wheat, Pulses, Vegetables, Potato Onion, Fruits, Milk, Eggs, Meat & Fish **Non-Food Articles:** Oil Seeds **Minerals** **Crude Petroleum**
II. Fuel & Power	13.2	LPG, Petrol, High Speed Diesel
III. Manufactured Products	64.2	**Mf/o Food Products:** Vegetable And Animal Oils and Fats. **Mf/o of Beverages.** Mf/o of Tobacco Products, Wearing Apparel, Pharmaceuticals, Medicinal Chemical and Botanical Products, and other Non-Metallic Mineral Products etc.
Food Index	24.4	The Food Index consists of **'Food Articles' from Primary Articles group and** 'Food Products' **from Manufactured Products** group.

➢ **Factors Influencing WPI Inflation:**
- **High Base Effect:**
  - Experts suggest that WPI inflation is expected to remain moderate due to the high base effect.
- **Easing Global Commodity Prices:**
  - The decline in global commodity prices is anticipated to help keep inflation of manufactured products at a lower level.
- **Food Inflation and Monsoon Prospects:**
  - The prices of wheat, affected by market conditions, need to be monitored.
  - Additionally, the monsoon's impact on the inflation of Kharif crops is a concern.

Note:

What is the Difference Between WPI and CPI?

- WPI tracks **inflation at the producer level** and Consumer Price Index (CPI) captures changes in **prices levels at the consumer level.**
  - Both baskets **measure inflationary trends (the movement of price signals) within the broader economy,** the two indices differ in which weightages are assigned to food, fuel and manufactured items.
  - WPI does not capture changes in the **prices of services,** which CPI does.
  - **In WPI, more weightage is given to manufactured goods,** while in **CPI,** more weightage is given **to food items**.
  - Base year of WPI is 2011-2012 while for CPI is 2012.

CBDT Signs 95 Advance Pricing Agreements

Why in News?

The Central Board of Direct Taxes (CBDT) has entered into a record **95** Advance Pricing Agreements (APAs) in FY 2022-23 with **Indian taxpayers**.

- This includes **63 Unilateral APAs (UAPAs) and 32 Bilateral APAs (BAPAs).**
  - This is the maximum number of BAPAs that CBDT has signed in any **financial year** till date.
- **Mutual Agreements** with India's treaty partners namely **Finland, the UK, the US, Denmark, Singapore, and Japan** led to the signing of the BAPAs.

What is an Advance Pricing Agreement (APA)?

- **About:**
  - The **Advance Pricing Agreement (APA)** programme in India was launched in **2012** vide the **Finance Act, 2012** through the insertion of **Sections 92CC and 92CD in the** Income-tax Act, 1961.
  - APA is an **agreement between a taxpayer and tax authority determining the transfer pricing methodology,** for pricing the taxpayer's international transactions for future years.
    - Once the APA is sealed, the **methodology is to be applied for a certain period of time** based on the fulfilment of certain terms and conditions.

Dabba Trading: An Unregulated and Illegal Practice

Why in News?

Recently, National Stock Exchange (NSE) issued a string of notices naming **entities** involved in **"dabba trading".**

What is Dabba Trading?

- **About:**
  - **Dabba trading** is a form of **informal trading** that takes place outside the purview of the **stock exchanges**.
  - In this practice, **traders bet on** stock price movements **without incurring a real transaction** to take physical ownership of a particular stock as is done in an exchange.
  - This results in **gambling centred around stock price movements,** which is illegal and unregulated.
    - For example**, an investor places a bet on a stock at a price point, say ₹1,000**. If the price point rose to ₹1,500, he/she would make a gain of ₹500. However, if the price point falls to ₹900, the investor would have to pay the difference to the dabba broker.
    - Thus, it could be concluded that the **broker's profit equates the investor's loss and vice-versa.** The equations are particularly consequential during bull runs or bear market.

  Legality:
  - It is recognised as an **offence under Section 23(1) of the** Securities Contracts (Regulation) Act (SCRA), 1956 and upon conviction, can invite imprisonment for a term extending up to 10 years or a fine up to ₹25 crore, or both.

Nifty Reits & InvITs Index

Why in News?

Recently, India's first-ever **Real Estate Investment Trusts (Reits)** and Infrastructure Investment Trusts (InvITs) **Index was launched by National Stock Exchange Indices Ltd, a subsidiary of the** National Stock Exchange of India.

Note:

What is the Nifty Reits & InvITs Index?

- **About:**
  - The **index aims to track the performance of Reits and InvITs that are publicly listed and traded on the NSE.**
  - The weights of securities within the index are based on their **free-float market capitalization**, subject to a security cap of 33% each and an aggregate weight of top-3 securities capped at 72%.
  - The index has a **base date of 1 July 2019 and a base value of 1,000.**
  - The index will be **reviewed and rebalanced on a quarterly basis**.

What is Infrastructure Investment Trust?

- An **InvITs is a collective Investment Scheme** similar to a mutual fund, which enables **direct investment of money from individual and institutional investors in infrastructure projects** to earn a small portion of the income as a return.
- InvITs are listed on exchanges just like stocks — through Initial Public Offering (IPO).
- InvITs are regulated by the Securities and Exchange Board of India (SEBI) **(Infrastructure Investment Trusts) Regulations, 2014.**

What is a Real estate Investment Trust?

- REIT refers to **an entity created with the sole purpose of channeling investible funds** into operating, owning or financing income-producing real estate.
- **REITs are modeled on the lines of mutual funds** and provide investors with an extremely liquid way to get a stake in real estate.
- It is a **type of security that provides all types of investors, big or small, with an outlet for regular income, portfolio diversification, and long-term capital appreciation**. Like any other security, REITs can enlist themselves on a stock exchange.
- In India, the **REIT were introduced by the SEBI in 2007**.

What is SEBI?

- The SEBI was **established on 12th April, 1992** in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992.**
- Major Function:
  - To protect the interests of investors in securities.
  - To regulate the securities market.

Foreign Trade Policy 2023

Why in News?

Recently, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles **launched the Foreign Trade Policy (FTP) 2023** which comes into effect from April 1, 2023.

- FTP 2023 is a policy document which is based on continuity of time-tested schemes facilitating exports as well as a document which is nimble and responsive to the requirements of trade.

What are Details of FTP 2023?

- **About:**
  - The policy is **based on the principles of trust and partnership** with exporters and **aims at process re-engineering and automation** to facilitate ease of doing business for exporters.
- **The Key Approach is based on Four Pillars:**
  - **Incentive to Remission**,
  - Export promotion through collaboration - **Exporters, States, Districts, Indian Missions,**
  - **Ease of doing business**, reduction in transaction cost and e-initiatives, and
  - **Emerging Areas** – E-Commerce Developing Districts as Export Hubs and streamlining **Special Chemicals, Organisms, Materials, Equipment, and Technologies (SCOMET) policy.**
- **Goals and Targets:**
  - The government aims to increase India's overall exports to **USD 2 trillion by 2030**, with equal contributions from the merchandise and services sectors.
  - The government also intends to encourage the use of the Indian currency in cross-border trade, aided by a new payment settlement framework introduced **by the RBI in July 2022.**
  - This could be particularly advantageous in the case of countries with which India enjoys a trade surplus.

What About Previous Trade Policy?

- The previous foreign trade policy for **2015-2020** had **targeted exports of USD 900 billion by 2020;**
- This **target was extended** along with the policy **for three years till March 2023.**

Note:

- India is, however, likely to end 2022-23 with total exports of USD 760-770 billion as against USD 676 billion in 2021-22.

India and Malaysia Agree to Settle Trade in Indian Rupees

Why in News?

India and Malaysia have agreed to settle trade in Indian rupees. This mechanism is expected to enhance India-Malaysia bilateral trade which touched **USD 19.4 billion during 2021-22.**

- Malaysia is the **third largest trading partner of India in the ASEAN region**, after Singapore and Indonesia that account for **USD 30.1 billion and USD 26.1 billion bilateral trade with India respectively.**

What is the Significance of India's Move to Settle Trade in Indian Rupee?

- **About:**
  - In **July 2022**, the Reserve Bank of India (RBI) allowed the settlement of international trade in Indian rupees.
  - In **December 2022**, India saw its first settlement of foreign trade in rupee with Russia – as part of the '**International Settlement of Trade in Indian Rupee'** mechanism initiated by the RBI.
  - In **March 2023**, banks from **18 countries were allowed by the RBI to open** Special Rupee Vostro Accounts (SRVAs) to settle payments in Indian rupees.
  - It includes: **Botswana, Fiji, Germany, Guyana, Israel, Kenya, Malaysia, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Sri Lanka, Tanzania, Uganda, and the United Kingdom.**

What is a Vostro Account?

- It is an account that **domestic banks hold for foreign banks** in the **former's domestic currency,** in this case, **the rupee.**
- Domestic banks use it to provide international banking services to their clients who have **global banking needs.**
- The bank holding the Vostro account acts as a **custodian of the foreign bank's funds** and provides various services such as **currency conversion, payment processing, and account reconciliation.**

Common Reporting Standard: OECD

Why in News?

India is pushing to widen the scope of the **Common Reporting Standard (CRS)** at the G20 grouping to include Non-Financial Assets like real estate properties under the Automatic Exchange of Information (AEOI) among OECD (Organisation for Economic Cooperation and Development) countries.

- India currently has AEOI with 108 jurisdictions for receiving financial information and with 79 jurisdictions for sending information automatically.
- AEOI provides for the exchange of non-resident financial account information with the tax authorities in the account holder's country of residence. It **reduces the possibility of** tax evasion.

What is the Common Reporting Standard (CRS)?

- **About:**
  - The CRS was developed in response to the G20 request and approved by the OECD Council on 15th July 2014.
  - It calls on **jurisdictions to obtain information from their financial institutions** and automatically exchange that information with **other jurisdictions on an annual basis.**
  - It **sets out the financial account information to be exchanged**, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as **common due diligence procedures** to be followed by financial institutions.
- **Current Framework:**
  - Presently, the OECD's Automatic Exchange of Information (AEOI) framework provides for sharing of financial account details among signatory countries with an aim to check tax evasion.
    - In August 2022, the OECD also approved the **Crypto-Asset Reporting Framework (CARF)** which provides for the reporting of tax information on transactions in Crypto-Assets in a standardized manner, with a view to automatically exchanging such information.

Small Savings Instruments

Why in News?

Despite successive hikes in interest rates on several small savings instruments (SSIs) in the last three quarters, the returns on **some of such schemes are still significantly lower** than what they should have fetched (as per calculations released by the Reserve Bank of India (RBI)).

What are Small Savings Instruments?

- **About:**
  - Small savings instruments **help individuals achieve their financial goals over a particular period.**
  - They are the **major source of household savings** in India.
  - Collections from all small savings instruments are credited to the National Small Savings Fund (NSSF).
- **Classification:**
  - The small savings instrument basket **comprises 12 instruments** which can be classified into three categories:
    - **Postal Deposits:** (comprising savings account, recurring deposits, time deposits of varying maturities and monthly income scheme).
    - **Savings Certificates:** National Small Savings Certificate (NSC) and Kisan Vikas Patra (KVP).
    - **Social Security Schemes:** Sukanya Samriddhi Scheme, Public Provident Fund (PPF) and Senior Citizens 'Savings Scheme (SCSS).
- **Rates of Small Saving Instruments:**
  - The rates for small saving instruments are **announced quarterly.**
  - Theoretically, it **is based on yields of** G-Secs **of corresponding maturity** but political factors also influence the rate change.
  - The **Shyamala Gopinath panel (2010)** constituted on the Small Saving (SS) Scheme had suggested a market-linked interest rate system for SS Schemes.
- **Formula for Small Savings Rates:**
  - It is **used to calculate the interest rates for various SSIs** in India and is based on the **average quarterly yields on G-Secs** in the first 3 of the preceding 4 months.
    - The formula is used to **decide how much interest to pay to savers who invest in SS schemes.**

EU Introduces MiCA for Crypto Regulation

Why in News?

Recently, the **European Parliament has approved the Markets in Crypto Assets (MiCA)** regulation, the world's first comprehensive set of rules that aims to bring largely **unregulated** cryptocurrency **markets under government regulation.**

- The regulation will **come into force after formal approval by member states.**
- The European Parliament is the legislative body of the European Union

What is MiCA?

- **About:**
  - MiCA will bring **governance practices to crypto firms.** By regulating the crypto industry, MiCA can prevent financial sector-like routs and contagions that could affect the wider economy.
    - "Rout" means when **people sell cryptocurrency in a panic,** causing **prices to fall sharply.**
    - "Contagion" means the **danger of a collapse in one market affecting other markets**, financial institutions, and the overall economy.
  - The **regulation prescribes different sets of requirements for crypto asset service providers (CASPs) depending on the type of** crypto assets.

WTO Panel Rules Against India

Why in News?

Recently, a World Trade Organization (WTO) Panel has ruled against India in a dispute over **information technology (IT) tariffs** with the European Union (EU) and other countries.

What are the Key Highlights?

- **Background:**
  - India has been **looking to promote domestic IT manufacturing and reduce its dependence on imports,** but this approach has been challenged by the **EU** and other countries, who argue that **such measures are** Protectionist and violate Global Trade Rules.

- In 2019, the EU challenged India's introduction of **import duties of between 7.5% and 20% for a wide range of IT products**, such as mobile phones and components, as well as integrated circuits, saying they exceeded the maximum rate.
- Japan and Taiwan also complained the same.

Ruling:

- The panel found that **India's tariffs on certain IT products violated global trading rules**, as they were inconsistent with the terms of the Information Technology Agreement (ITA).
  - The ITA is a global trade agreement that aims to eliminate tariffs on a wide range of IT products. India is signatory to the 1996 ITA.
- The ruling has highlighted the **need for India to align its trade policies with global norms** and obligations.
- It also underscores the challenges that developing countries like India face in balancing their domestic policy objectives with their i**nternational trade commitments.**

➢ **India's Argument:**

- India argued that at the time of signing the ITA, products such as smartphones **did not exist and hence, it was not bound to eliminate tariffs** on such items.

Har Payment Digital Mission

Why in News?

At the launch of the **'Har Payment Digital' mission during the Digital Payments Awareness Week (DPAW) 2023**, the Reserve Bank of India (RBI) has launched a programme **to adopt 75 villages and convert them into digital payment enabled villages in observance of** 75 years of independence.

What is this Initiative?

➢ **About & Aim:**

- Under the initiative, Payment System Operators (PSOs) will adopt these villages across the country and conduct camps in each of these villages **with an aim to improve awareness and onboard merchants for digital payments**.
  - PSOs are **entities authorised by RBI to set up and operate a payment system**.
  - As of February 2023, **there are 67 PSOs under various categories such as retail payments organisations**, card payment networks, ATM networks, prepaid payment instruments, etc.

Significance:

- The **Har Payment Digital campaign by RBI aims at reinforcing the ease and convenience of digital payments** and facilitate onboarding of new consumers into the digital fold.
- Various campaigns highlighting the digital payment channels available are being planned by the banks and non-bank payment system operators.
  - This will further **encourage and support the adoption of digital payments in the country**.

Social Stock Exchange

Why in News?

National Stock Exchange of India received final approval from SEBI to set up the **Social Stock Exchange (SSE).**

What is a Social Stock Exchange?

➢ **About:**

- The **SSE would function as a separate segment within the existing stock exchange** and help social enterprises raise funds from the public through its mechanism.
- It would serve as a **medium for enterprises to seek finance for their social initiatives, acquire visibility** and provide increased transparency about fund mobilisation and utilisation.
- Retail investors can only invest in securities offered by for-profit social enterprises (SEs) **under the Main Board.**
  - In all other cases, **only institutional investors and non-institutional investors** can invest in securities issued by SEs.

➢ **Eligibility:**

- Any **non-profit organisation (NPO)** or **for-profit social enterprise (FPSEs)** that establishes the primacy of social intent would be recognised as a **SE,** which will make it eligible to be **registered or listed on the SSE.**

Note:

- 17 plausible criteria under SEBI's ICDR Regulations, 2018 include **serving to eradicate hunger, poverty, malnutrition, promoting education, employability,** equality, and environmental sustainability among others
- **Ineligibility:**
  - Corporate foundations, political or religious organisations, professional or trade associations, infrastructure and housing companies (except affordable housing) would not be identified as SE
  - NPOs would be deemed **ineligible if dependent on corporates** for **more than 50% of its funding.**
- **NPO Money Raising:**
  - NPOs can raise money either through issuance of Zero Coupon Zero Principal (ZCZP) Instruments from private placement or public issue, or **donations from mutual funds.**
    - ZCZP bonds differ from conventional bonds in the sense that it entails zero coupon and **no principal payment at maturity.**
    - For ZCZP issuance, the minimum issue size is presently prescribed as **Rs 1 crore and minimum application size for subscription at Rs 2 lakhs**.
  - Also, **Development Impact Bonds** are available upon completion of a project and delivered on pre-agreed social metrics at pre-agreed costs/rates.
- **FPSE Money Raising:**
  - FPEs **need not register with SSE** before raising funds through SSE.
  - It can raise money through issue of equity shares or issuing equity shares to an **Alternative Investment Fund including Social Impact Fund** or issue of debt instruments.

MSME Competitive (LEAN) Scheme

Why in News?

Recently, Ministry of MSMEs launched the MSME Competitive (LEAN) Scheme to provide a **roadmap to global competitiveness** for the MSMEs of India.

- The idea is to **improve quality, productivity, performance and capability** to change the mind-sets of manufacturers and **transform them into world class manufacturers**.

What is Lean Manufacturing?

- **About:** Lean Manufacturing or Lean Production, known simply as LEAN, is a **production practice that considers the expenditure of resources for any goal, other than the creation of value for the end customer, to be wasteful** and hence should be eliminated.
- **Lean Principles:** Lean manufacturing includes a set of principles that lean thinkers use to achieve improvements in productivity, quality, and lead-time by **eliminating waste through kaizen. Principles of Lean Manufacturing are:**
  - **Identify Value, Map the Value Stream, Create Flow, Implement Pull, Strive for Perfection**.

> Note:
> - Kaizen is a Japanese word that essentially means **"change for the better"** or "good change."
> - The goal is to provide the customer with a **defect free product or service when it is needed** and, in **quantity, it is needed**.

What are the Key Points of the Scheme?

- **Objective:**
  - Through the LEAN journey, MSMEs can **reduce wastage** substantially, **increase productivity, improve quality, work safely, expand their markets**, and finally **become competitive and profitable**.
- **Tools:**
  - Under the scheme, MSMEs will implement **LEAN manufacturing tools like 5S, Kaizen, KANBAN, Visual workplace, Poka Yoka** etc under the able guidance of trained and competent LEAN Consultants to attain **LEAN levels like Basic, Intermediate and Advanced.**
- **Government Support:**
  - The government will contribute **90% of implementation cost** for handholding and consultancy fees.
  - There will be an **additional contribution of 5%** for the MSMEs which are part of SFURTI **clusters, owned by Women/SC/ST and located in Northeast region.**
  - There will be an **additional contribution of 5% for MSMEs** which are **registering through Industry Associations/ Overall Equipment Manufacturing (OEM) organizations** after completing all levels.
    - This is a unique feature to encourage Industry Associations and OEMs for motivating their supply chain vendors to participate in this scheme.

PM MITRA Scheme and Textile Sector

Why in News?

The Centre has selected sites in Tamil Nadu, Telangana, Karnataka, Maharashtra, Gujarat, Madhya Pradesh and Uttar Pradesh to set up new textile parks under the **PM Mega Integrated Textile Regions and Apparel (PM MITRA) scheme**.

- The parks will be set up by 2026-27. The total outlay for the project is Rs 4,445 crore, though the initial allocation in the 2023-24 Budget is only Rs 200 crore.

What is the PM MITRA Scheme?

- **About:**
  - PM MITRA Park will be developed by a **Special Purpose Vehicle** which will be owned by the Central and State Government and in a **Public Private Partnership (PPP) Mode.**
  - Each MITRA Park will have an **incubation centre, common processing house and a common effluent treatment plant** and other textile related facilities such as design centres and testing centres.
- **Implementation:**
  - **Special Purpose Vehicle:** An SPV owned by the Centre and State Government will be set up for each park **which will oversee the implementation** of the project.
  - **Development Capital Support:** The Ministry of Textiles will provide financial support in the form of **Development Capital Support upto Rs 500 crore** per park to the park SPV.
  - **Competitive Incentive Support (CIS):** A **CIS** upto Rs 300 crore per park to the units in PM MITRA Park shall also be **provided to incentivise speedy implementation.**
  - **Convergence with other Schemes:** Convergence with other Government of India schemes shall also be facilitated in **order to ensure additional incentives to the Master Developer** and investor units.

IBC Reform: Distribution of Proceeds

Why in News?

The **Ministry of Corporate Affairs** has proposed several changes to the **Insolvency & Bankruptcy Code (IBC), 2016.**

What are the Suggested Changes in IBC?

- The Ministry recognizes that **some creditors are worried about not receiving a fair share of the money** when a company's debts are resolved.
  - To address this, it suggests creating a **fair system for dividing the money among creditors**.
- This would involve using a **specific formula to divide the money based on the size of each creditor's claim.**
  - Any surplus over the liquidation value shall be pro-rated amongst all the creditors in ratio of their unsatisfied claim.

What is Insolvency & Bankruptcy Code, 2016?

- The **Government implemented the IBC, 2016** to **consolidate all laws related to insolvency and bankruptcy and to tackle Non-Performing Assets (NPA)**, a problem that has been pulling the Indian economy down for years.
  - **Insolvency** is a situation where **individuals or companies are unable to repay their outstanding debt.**
  - **Bankruptcy**, on the other hand, is a situation whereby a court of competent jurisdiction has **declared a person or other entity insolvent, having passed appropriate orders to resolve it and protect the rights of the creditors**. It is a legal declaration of one's inability to pay off debts.
- The IBC Covers all **individuals, companies, Limited Liability Partnerships (LLPs)** and partnership firms.
  - **Adjudicating authority:**
    - **National Company Law Tribunal (NCLT)** for companies and LLPs.
    - **Debt Recovery Tribunal (DRT)** for individuals and partnership firms.

How are Proceeds Distributed Among Creditors Under the IBC?

- A company has various creditors — **public sector banks, private lenders, non-banking financial companies, trade creditors, vendors**, workmen, employees, governments, etc.
  - The Code puts these creditors into different categories based on the nature of debt.
- **Banks, bond issuers, and lenders** are classified as financial creditors. Financial creditors are further **categorised as secured and unsecured creditors,** based on the security furnished by the borrower company.
- **Section 53 of** the Code prescribes an order of priority in which proceeds will be distributed to **the creditors based on the liquidation value**.
- As per this waterfall mechanism, secured financial creditors rank the highest in the order of priority. They are **followed by unsecured financial creditors, government dues and, finally, operational creditors.**
  - Hence, financial creditors like banks have the first claim until exhaustion. **Proceeds may be extinguished at the level of financial creditors itself,** leaving almost nothing for other creditors in the waterfall mechanism.

Inter-State Variations in Central Tax Distribution

Why in News?

Critics argue that the 15th Finance Commission formula is skewed in favour of some states, resulting in wide **inter-state variations.**

- **Tamil Nadu gets back only 29 paise for every one rupee it gives to the Centre,** while **Uttar Pradesh gets ₹2.73** and **Bihar gets back ₹7.06.**

How Taxes are Distributed Among States?

- **About:**
  - The **Centre collects taxes from states and distributes it among them based** on the **Finance Commission's (XVFC) formula**.
- **XVFC Formula:**
  - The **XVFC** formula is based on each state's needs (**population, area and forest and ecology),** equity (per capita income **difference),** and performance (**own tax revenue and lower fertility rate).**
- **Weightage:**
  - Needs are given **40% weightage, equity 45%, and performance 15%.**
  - The XVFC introduced the **fertility rate component to reward states** that have reduced fertility levels, but this has a **lower weightage than equity and needs.**
- **Arguments:**
  - Critics argue that this formula **favours some northern states,** as the population is given higher weightage.
    - The southern states' share has **consistently declined in successive Finance Commissions.**
  - Some argue that transfers enable a state to provide comparable levels of services and ensure horizontal equity.
    - However, others contend that the **formula should not adversely impact a state's efficiency and progress.**

What is the 15th Finance Commission?

- **About:**
  - The **Finance Commission (FC)** is a constitutional body that determines the **method and formula for distributing the tax proceeds between the Centre and states,** and among the states as per the constitutional arrangement and present requirements.
- **Constitutionality:**
  - Under Article 280 of the Constitution, the President of India is required to constitute a **Finance Commission** at an interval of five years or earlier.
- **15th Finance Commission**
  - The **15th Finance Commission** was constituted by the President of India in **November 2017,** under the chairmanship of **NK Singh.**
  - Its recommendations will cover a period of five years from the year **2021-22 to 2025-26.**
    - The government accepted the **15th Finance Commission's recommendation** to **maintain the States' share in the divisible pool of taxes to 41%** for the **five-year period starting 2021-22.**

Lab-Grown Diamonds

Why in News?

The Ministry of Finance (MoF) in its 2023-24 Union Budget has put special emphasis on **Laboratory-Grown Diamonds (LGD).**

- Scientists working at a General Electric research laboratory in New York are credited with the creation of the **world's first-ever LGD in 1954.**

What are Laboratory-Grown Diamonds?

- **About:**
  - LGD are manufactured in laboratories, as opposed to naturally occurring diamonds. However, the **chemical composition and other physical and optical properties** of the two **are the same**.
  - Naturally occurring diamonds take millions of years to form; they are created when carbon deposits buried **within the earth are exposed to extreme heat and pressure.**
- **Manufacturing:**
  - They are mostly manufactured through two processes, **High Pressure,High Temperature (HPHT**) method or **Chemical Vapour Deposition (CVD)** method.
  - Both HPHT and CVD methods of growing diamonds artificially begin with a seed, **a slice of another diamond**.
    - **In the HPHT method**, the seed, along with pure graphite carbon, is exposed to temperatures around 1,500 degrees Celsius and extremely high pressure.
    - **In the CVD method**, the seed is heated to around 800 degrees Celsius inside a sealed chamber filled with a carbon-rich gas. The gas sticks to the seed, gradually building the diamond.
- **Applications:**
  - They are used for industrial purposes in **machines and tools and their hardness and extra strength** make them ideal for use as cutters.
  - Pure synthetic diamonds are used in electronics as a heat spreader for high-power laser diodes, **laser arrays and high-power transistors.**
- **Significance:**
  - The **environmental footprint** of a diamond grown in a laboratory is **much lesser than** that of a naturally occurring diamond.
  - According to a report by Diamond Foundry, an environmentally conscious LGD manufacturer, it takes **ten times more energy to extract a natural diamond** from the earth than it takes to create one above the ground.
  - Open-pit mining, one of the most common methods of mining naturally occurring diamonds, involves **moving tonnes of earth and rock to extract these precious stones.**

Stock Market Regulation

Why in News?

Recently, the **Supreme Court** asked the **Securities and Exchange Board of India (SEBI)** and the government to produce the existing regulatory framework in place to protect investors from Stock Market **volatility.**

What is the Stock Market?

- **About:**
  - Stock markets are venues where **buyers and sellers meet to exchange equity shares** of public corporations.
  - Stock markets are components of a **Free-Market economy because they enable democratized access to investor trading** and exchange of capital.
    - A free-market economy is an economic system in which **the prices of goods and services are determined by supply and demand,** without interference from government regulation.
  - India has two stock exchanges – the **Bombay Stock Exchange (BSE)** and the National Stock Exchange (NSE).
  - SEBI is **the regulator of the securities market in India**. They set the legal framework and regulate all entities interested in operating in the market.
    - The **SCRA (Securities Contracts Regulation Act)** has empowered SEBI to recognise and regulate stock exchanges and later commodity exchanges in India; this was earlier done by the Union government.

Note:

- **Laws for Regulation:**
  - **Securities and Exchange Board of India Act, 1992 (SEBI Act):**
    - The SEBI Act empowers **SEBI to protect the interests of investors and to promote the development of the capital/securities market,** besides regulating it.
    - It sets out the functions and **powers of SEBI and establishes its structure and management.**
  - **Securities Contracts (Regulation) Act, 1956 (SCRA):**
    - This law provides the **legal framework for the regulation of securities contracts in India.**
    - It covers the **listing and trading of securities, the registration and regulation of stockbrokers** and sub-brokers, and the prohibition of insider trading.
  - **Companies Act, 2013:**
    - This law regulates the **incorporation, management, and governance of companies in India.**
    - It also sets out the rules for the issue and transfer of securities by companies.
  - **Depositories Act, 1996:**
    - This law provides for the regulation and supervision of depositories in India. It sets out the procedures for the dematerialization and transfer of securities held in electronic form.
  - **Insider Trading Regulations, 2015:**
    - These regulations prohibit insider trading in securities listed on Indian stock exchanges. They prescribe the code of conduct for insiders, the procedures for disclosures, and the penalties for violations.

Vostro Accounts

Why in News?

20 Russian banks have opened Special Rupee Vostro Accounts (SRVA) with partner banks in India for the settlement of payments in rupee for trade between India and Russia.

- Also, all major domestic banks have listed their nodal officers to sort out issues faced by exporters under the arrangement.

What is the Background?

- In July 2022, the RBI had unveiled a mechanism to settle international transactions in rupee **to promote the growth of global trade,** with emphasis on exports from India, as well as **pushing rupee as an international currency**.
  - It is also expected to enable trade with sanction-hit nations such as Russia.
- According to the mechanism finalized by the RBI, **banks of partner countries can approach authorized dealer banks in India for opening special rupee vostro accounts**. The authorized dealer bank will then have to seek **approval from the central bank** with details of such an arrangement.

What is SRVA arrangement?

- **About:**
  - A vostro account is an **account that domestic banks hold for foreign banks in the former's domestic currency**, in this case, the rupee.
    - Domestic banks use it to provide international banking services to their clients who have global banking needs.
  - The SRVA is an **additional arrangement to the existing system that uses Freely convertible currencies** and works as a complimentary system.
    - The existing systems require maintaining balances and position in such currencies like US dollar and pound to facilitate trade.

What is a Nostro Account?

- A Nostro account is an account held by a bank in another bank. It allows the customers to deposit money in the bank's account in another bank. It is often used if **a bank has no branches in a foreign country.** Nostro is a Latin word that means "ours".
  - Let's presume bank "A" does not have any branches in the Russia, but bank "B" does. Now, to receive the deposits in the Russia, **"A" will open a Nostro account with "B".**
  - Now, if any customers in the Russia want to send money to "A", they can deposit it **into A's account in "B".** "B" will transfer the money to "A".
- The main difference between a deposit account and a Nostro account is that the former is held by individual depositors while **foreign institutions hold the latter.**

Sagar Parikrama

Why in News?

The Sagar Parikrama **Phase III**, a program by the **Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying and National Fisheries Development Board**, was started on **19th Feb 2023** from Surat, Gujarat.

What are the Major Highlights of the Program?

- The main objectives of the program are to **disseminate information about various** fisheries **related schemes and programs**, promoting **responsible fisheries** with a focus on sustainable balance, and protection of marine ecosystems.
- The Phase-I of the program started in **March 2022 from Mandvi and ended on 6th March 2022** at **Porbandar, Gujarat**.
- Kisan Credit Card (KCC) **cards were distributed to fishers and fish farmers.**
- It was also declared that the **Satpati Fish Market** would be inaugurated according to the **state-of-the-art standards.**

What is Sagar Parikrama?

- **About:**
  - It is a **navigation journey** to be conducted in all **coastal states/UTs** through a pre-decided sea route to demonstrate solidarity with all **fisherfolk, fish farmers** and concerned stakeholders.
- **Significance:**
  - It will focus on **sustainable balance between the utilisation of marine fisheries** resources for food security of the nation and livelihoods of coastal fisher communities and protection of marine ecosystems.

What is the Status of the Fisheries Sector in India?

- **About:**
  - India is the **second major producer of fish** through aquaculture in the world.
  - India is the **4th largest exporter of fish in the world** as it contributes 7.7% to the global fish production.
    - **Also, India ranks 1st** in inland capture fish production and **3rd in overall fish production** in the world.
  - Currently, this sector provides livelihood to more than **2.8 crore people within the country.**

Payment Aggregators

Why in News?

Recently, the Reserve Bank of India (RBI) has given in-principle approval to 32 firms to operate as **Online Payment Aggregators (PA),** under the Payment and Settlement Systems Act, 2007 (PSS Act).

- The PSS Act, 2007 provides for the regulation and supervision of payment systems in India and designates the RBI as the authority for that purpose and all related matters.

Note:
- **In principle approval** means that an approval has been granted **based on certain conditions or assumptions,** but that additional information or steps may be required before final approval is given.

What is a Payment Aggregator?

- **About:**
  - Online payment aggregators are companies **that facilitate online payments by acting as intermediaries between the customer and the merchant.**
    - The RBI introduced Guidelines for Regulating PAs and Payment Gateway **in March 2020.**
- **Functions:**
  - They typically provide **a range of payment options to customers**, including credit and debit cards, bank transfers, and e-wallets.
  - Payment aggregators collect and process payment information, **ensuring that transactions are secure and reliable.**
  - By using a payment aggregator, **businesses can avoid the need to set up and manage their own payment processing systems**, which can be complex and expensive.
    - Some examples of payment aggregators include **PayPal, Stripe, Square, and Amazon Pay.**

- **Types:**
  - **Bank Payment Aggregators:**
    - They involve **high setup costs and are difficult to integrate**.
    - They lack many of the popular payment options along with detailed reporting features. Because of the **high cost, bank payment aggregators are not suitable for small businesses** and startups.
    - e.g.; Razorpay and CCAvenue.
  - **Third-Party Payment Aggregators:**
    - Third-party PAs offer **innovative payment solutions to businesses and have become** more popular these days.
    - Their user-friendly features include **a comprehensive dashboard,** easy merchant onboarding, and quick customer support.
    - e.g.; PayPal, Stripe and Google Pay.
- **RBI's Criteria for Approving an Entity as Payment Aggregator:**
  - Under the payment aggregator framework, only firms approved by the RBI can acquire and offer payment services to merchants.
  - A company applying for aggregator authorisation **must have a minimum net worth of Rs 15 crore in the first year of application,** and at least Rs 25 crore by the second year.
  - It must also be compliant with **global payment security standards**.

How is the Payment Aggregator different from Payment Gateway?

- A payment gateway is **a software application that connects an online store or merchant to a payment processor**, allowing the merchant to accept payment from a customer.
  - Payment aggregators, on the other hand, are **intermediaries that provide a single platform to connect multiple merchants** to different payment processors.
- The main difference between a payment aggregator and payment gateway is that the **former handles funds while the latter provides technology.**
- Payment aggregators can offer a payment gateway, **but vice versa is not true.**

Singareni Thermal Power Plant

Why in News?

Singareni Thermal Power Plant (STPP) in Telangana is set to become the **first public sector** **coal-based power generating station** in the South and **first among the State PSUs** in the country to have a **flu gas desulphurization (FGD)** **plant.**

- With **100% utilisation of the fly ash generated,** the STPP has won the best fly ash utilisation award twice already

What are the Key Facts Related to FGD Plant?

- **About:**
  - The **FGD plant would process the sulphur and other gases (nitrogen oxides)** generated in firing the coal for power generation.
    - The **FGD plant removes Sulphur Dioxide from the flue gas** before it is released into the atmosphere and hence reduces its impact on the environment.

What is the Status of the Thermal Power Sector in India?

- **About:**
  - The **thermal power sector** has been a major source of electricity generation in India, accounting for around **75% of the country's total installed power capacity.**
  - As of May 2022, India has a **total Thermal installed capacity of 236.1 GW** of which **58.6% of the thermal power is obtained from coal** and the rest from **Lignite, Diesel, and Gas.**

Purchasing Managers Index

Why in News?

As per the S&P Global India Manufacturing **Purchasing Managers' Index (PMI),** the manufacturing sector in India had its most significant production growth in 13 months in December 2022.

- For the **October to December quarter**, the **PMI averaged 56.3**, the highest in a year. It indicates that the manufacturing sector is performing well and may be contributing to job creation.

Note:

What is Purchasing Managers Index?

- It is **a survey-based measure** that asks the respondents about changes in their perception about key business variables as compared with the previous month.
- The **purpose** of the **PMI** is to provide information about current and future business conditions to company decision makers, analysts, and investors.
- It is **calculated** separately for the **manufacturing and services sectors** and then a composite index is also constructed.
- The **PMI** is a number from **0 to 100.**
  - A print above **50** means expansion, while a score below that denotes contraction.
  - A reading at **50** indicates no change.
- PMI is compiled by **IHS Markit for more than 40 economies worldwide.**
  - IHS Markit is a global leader in information, analytics and solutions for the major industries and markets that drive economies worldwide.
  - IHS Markit is **part of S&P Global.**

Currency in Circulation

Why in News?

Nearly six years and two months after the government announced **demonetisation** in 2016, currency with the public is at a new high (74% increase from the days before demonetisation was announced).

- Currency with the public is arrived at after **deducting cash with banks from total Currency in Circulation.**
- Cash in the system has been steadily rising, even though the government and the **Reserve Bank of India (RBI)** pushed for a "less cash society", digitisation of payments and slapped restrictions on the use of cash in various transactions.

What is Currency in Circulation?

- Currency in circulation **refers to cash or currency within a country that is physically used to conduct transactions** between consumers and businesses.
- Currency in circulation is an important component of a country's **money supply.**
- Monetary authorities of **central banks pay attention to the amount of physical currency** in circulation because it represents one of the most liquid asset classes.
- Currency in Circulation includes **notes in circulation, rupee coins and small coins.**
- The RBI has the **sole right to issue currency notes.** The Government of India is the issuing authority of coins and supplies coins to the Reserve Bank on demand.

What is Money Supply?

- The **total stock of money in circulation** among the public at a particular point of time is called money supply.
  - It **needs to be noted that total stock of money is different from total supply of money.**
  - Supply of money is **only that part of total stock of money** which is held by the public at a particular point of time.
- The **circulating money involves the currency, printed notes, money in the deposit accounts and in the form of other liquid assets.**
- RBI publishes figures for four alternative measures of money supply, viz. M1, M2, M3 and M4.
  - M1 = CU + DD
  - M2 = M1 + Savings deposits with Post Office savings banks
  - M3 = M1 + Net time deposits of commercial banks
  - M4 = M3 + Total deposits with Post Office savings organisations (excluding National Savings Certificates)
- CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks.
- The word 'net' implies that only deposits of the public held by the banks are to be included in money supply.
  - The interbank deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of money supply.
- **M1 and M2** are known as **narrow money**. **M3 and M4 are known as broad money**.
- These gradations are in decreasing order of liquidity.
  - M1 is most liquid and easiest for transactions whereas M4 is least liquid of all.
  - M3 is the most commonly used measure of money supply. It is also known as aggregate monetary resources.

Ganga Vilas Cruise

Why in News?

Recently, the Prime Minister of India **flagged off the world's longest river cruise, MV Ganga Vilas in Varanasi**.

- During the event, the Prime Minister **also inaugurated Tent City in Varanasi and laid the foundation stones for several other inland waterways projects**.

Ganga Vilas Cruise: What You Need to Know?

- **About:**
  - The cruise will be **managed by private operators, the Inland Waterways Authority of India (IWAI)**, under the Ministry of Shipping, Ports and Waterways (MoPSW) has supported the project.
  - It will **explore forty historic sites** on the banks of the river Ganga including, **Mahabodhi temple**, Hazarduari Palace, Katra Masjid, Bodh Gaya, Chandanagar church, Char Bangla Temple and more.
  - Besides connecting **National Waterway 1 (NW-1) which includes Ganga and National Waterway 2 (NW-2) on Brahmaputra**, the cruise will cross 27 river systems.
    - The Ganga - Bhagirathi-Hooghly River system between Haldia (Sagar) and Allahabad (1620 km) **was declared as NW-1 in 1986**.
  - The **51 days cruise is planned with visits to 50 tourist spots** including **World Heritage Sites**, **National Parks**, River Ghats, **and major cities** like Patna in Bihar, Sahibganj in Jharkhand, Kolkata in West Bengal, Dhaka in Bangladesh and Guwahati in Assam.

What is the Inland Waterways Authority of India?

- It **came into existence on 27th October 1986** for the development and regulation of inland waterways for shipping and navigation.
- It primarily **undertakes projects for development and maintenance of IWT infrastructure on national waterways** through grants received from the Ministry of Shipping.
- It is **headquartered in Noida** with regional offices at Patna (Bihar), Kolkata (West Bengal), Guwahati (Assam) and Kochi (Kerala) and **sub-offices at other places throughout India**.

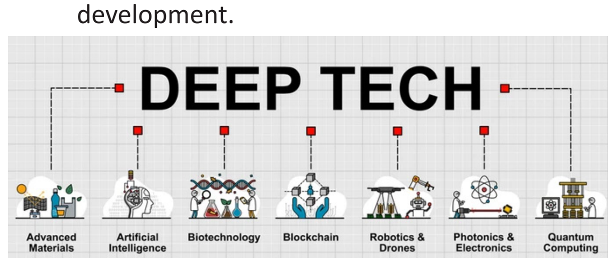
Deep Tech Startups

Why in News?

Government will launch the **Digital India Innovation Fund** to support **deep tech startups.**

What is Deep Tech?

- **About:**
  - Deep tech or deep technology refers to a **class of startup businesses that develop new offerings based on tangible engineering innovation** or scientific discoveries and advances.
  - Usually, such startups operate on, but are not limited to, agriculture, life sciences, chemistry, aerospace and green energy.
  - Deep tech fields like **Artificial Intelligence**, advanced materials, **blockchain**, **biotechnology**, robotics, **drones**, photonics, and **quantum computing** are moving more and more quickly from early research to market applications.
- **Characteristics of Deep Tech:**
  - **Impact:** The deep tech innovations are **very radical and disrupt an existing market or develop a new one.** Innovations based on deep tech often change lives, economies, and societies.
  - **Time & Scale:** The time required for deep technology to develop the technology and reach the market-ready maturity is way more than shallow technology development (like mobile apps and websites). It took decades for artificial intelligence to develop and it is still not perfect.
  - **Capital:** Deep tech often requires a lot of early-stage funding for research and development, prototyping, validating hypothesis, and technology development.



Note:

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What is the State of India's Deep Tech Startups?

- India had over 3,000 deep-tech start-ups, dabbling in new-age technologies like **Artificial Intelligence**, **Machine Learning (ML)**, Internet of Things, Big Data, **quantum computing**, robotics, etc., at the end of 2021.
- According to NASSCOM, deep-tech start-ups in India raised USD 2.7 billion in venture funding in 2021, and now account for over 12% of the country's overall startup ecosystem.
- In the last decade **India's deep tech ecosystem has grown 53%** and is at par with that in developed markets like the US, China, Israel, and Europe.
  - Bengaluru accounts for 25-30% of India's deep-tech start-ups, followed by Delhi-NCR (15-20%) and Mumbai (10-12%).
- Deep-tech start-ups are making their **presence felt across sectors like drone delivery and cold chain management** to climate action and clean energy.

What are the Challenges Faced by Deep Tech?

- For deep-tech startups, **funding is one of the biggest challenges**. Less than 20% of startups receive financing.
  - Government funds are underutilized, and domestic capital is lacking for such startups.
- **Talent and market access, research guidance, investors' understanding of deep-tech,** customer acquisition and cost for talent are the major challenges faced by them.

What are the Related Initiatives?

- The Atal New India Challenge has been launched under the **Atal Innovation Mission (AIM) of the** Niti Aayog**,** with an objective to serve as a platform for the promotion of Innovation Hubs, Grand Challenges, startup businesses, and other self-employment activities, particularly in technology-driven areas.
- Launched in 2021, **NASSCOM's Deep Tech Club (DTC) 2.0** is aimed at scaling the impact to over 1,000 firms that are leveraging technologies such as AI, ML, Internet of Things, robotics, and blockchain.