

# EC N MY

**CLASSROOM STUDY MATERIAL**

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# ECONOMY

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**NOTE:**

Dear Students,

PT 365 documents comprehensively covers the important current affairs of last 1 year (365days) in a consolidated manner to aid Prelims preparation.

In our endeavour to further enhance the document in the interest of the aspirants, following additions have been incorporated:



**Summarised Infographics:**

- ◆ Accumulated developments of broad sectors
- ◆ Key concepts and processes related to economy

have been summarised and added in form of interactive infographics to improve ease of understanding, provide for smoother learning experience and ensure enhanced retention of the content.



**Organization infographics:** Prelims oriented information for key organizations have been consolidated in alongside the respective articles for quick revision.



**Know the term:** They have been added to clarify important concepts and terms.



**Quiz:** QR based Smart quiz has been added to test the aspirant's learnings and understanding.



**SMART QUIZ**

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# 1. GROWTH, DEVELOPMENT AND POVERTY ALLEVIATION

## 1.1. GROWTH AND DEVELOPMENT

### 1.1.1. GDP-GVA GAP

#### Why in News?

Recently, the gap between Gross Domestic Product (GDP) and Gross Value Added (GVA) of India increased.

### Difference between GDP-GVA and their Utility

Parameter	Gross Domestic Product (GDP)	Gross Value Added (GVA)
<b>Definition</b>	GDP is the <b>market value of all final goods and services</b> produced within the territorial boundaries of a country for a given period.	GVA is the <b>total value of goods and services produced</b> within a country after deducting the cost of inputs and raw materials.
<b>Measurement</b>	It is measured by the <b>output, income, and expenditure approaches</b> .	It is measured by <b>output reach</b> and used as a <b>proxy</b> for GDP.
<b>Technical Relationship (difference) between GDP and GVA:</b> $\text{GDP} = \Sigma \text{GVA} + \text{Net taxes on Products} - \text{Net Subsidies on Products.}$		
<b>Purpose</b>	GDP is an <b>internationally accepted measure of overall economic growth</b> in a country	GVA is used to <b>measure sector-wise details of economic activity</b> from the production side. <span style="float: right;">★</span>

#### GVA in India

- **GVA at basic prices (base year 2011-12) became the primary measure of output (in 2015) across the economy's various sectors in India.**
  - It was done to conform to the **UN System of National Accounts (SNA), 2008.**
  - SNA is the latest version of the **international statistical standard for the national accounts adopted by United Nation Statistical Commission (UNSC).**
- The **quarterly and annual estimates of GVA are given by National Statistical Office (NSO) under eight broad sectors-** covering goods and services in India (see image).

#### Reasons behind GDP-GVA Gap

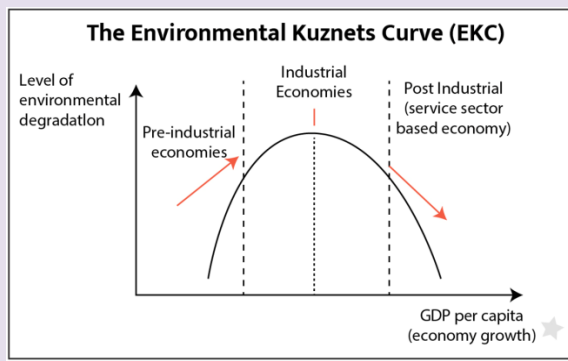
- **Basic difference:** GDP is calculated at **market prices** while GVA is calculated at **basic prices.**
- **Other Reason:** GDP growth **lags** GVA growth when **subsidies** are high and **taxes** are low. Similarly, when **tax collection is high** and **subsidies** are low, GDP growth is **higher** than GVA. ★





### Utility of GDP and GVA under different circumstances

GDP	GVA
<ul style="list-style-type: none"> <li>Identify <b>Health of an Economy</b>, i.e., <b>growing</b> or it is experiencing <b>recession</b>.</li> <li>Identify <b>standard of living of people</b> via <b>income</b> and <b>private consumption</b> data.</li> <li>Make <b>cross-country analysis</b> on various parameters like investments, government spending and net exports.</li> </ul>	<ul style="list-style-type: none"> <li>Get real picture on <b>State of Economic Activity</b>, i.e., amount of goods and services produced as GDP growth can happen because of <b>better tax compliance</b> as well.</li> <li><b>Sector-wise</b> and <b>region-wise</b> breakdown of value added to identify sectors requiring <b>incentives</b> or <b>stimulus</b>.</li> <li>Identify <b>productivity</b> of a sector based on global data standards, helping investors in investment decisions.</li> </ul>
<b>Related News</b> <b>Green GDP</b> <ul style="list-style-type: none"> <li>As per a recent RBI paper, <b>India's Green GDP is growing faster than traditional GDP</b>, after an <b>opposite trend for past three decades</b>.</li> <li><b>Green GDP</b>: First proposed by UN in 1993, <b>Green GDP</b> is calculated by taking into account the estimates of <b>environmental degradation, depletion of natural resources, and savings of resources</b> and environment into the national income accounts.</li> </ul> <b>India's attempts to measure Green GDP</b> <ul style="list-style-type: none"> <li>Ministry of Statistics and Programme Implementation initiated <b>compilation of environmental accounting under Natural Capital Accounting and Valuation of Ecosystem Services (NCAVES)</b>.                             <ul style="list-style-type: none"> <li>NCAVES project was launched in 2017 by UN and European Union to <b>enhance knowledge and accounting process for ecosystem accounting</b>.</li> </ul> </li> <li><b>Green Accounting for Indian States &amp; Union Territories Project (GAISP)</b> to build a framework for environmentally adjusted national income accounts.</li> <li><b>1<sup>st</sup> state in India to measure Gross Environment Product: Uttarakhand</b>.</li> </ul> <b>Related information: Environmental Kuznets Curve (EKC)</b> <ul style="list-style-type: none"> <li>EKC argues that in initial phases of economic development, there <b>seems to be a positive relationship between pollution level and per capita income</b>.</li> </ul>	



## 1.1.2. HUMAN DEVELOPMENT REPORT (HDR)

### Why in news?

United Nations Development Programme (UNDP) released the 2021/22 HDR report - 'Uncertain times, unsettled lives: Shaping our Future in a Transforming World'.

### More on news

- Human development is **defined as the process of enlarging people's freedoms and opportunities and improving their well-being**.
- HDR report, **first released in 1990**, measure achievements in **three key dimensions of human development**:
  - Long and healthy life (Life expectancy)**,
  - Access to knowledge (expected and mean years of schooling), and**
  - Decent standard of living (GNI per capita)**.

### Set of indices under the HDI report

**Inequality-adjusted HDI**- Looks at how the average achievements of a country in longevity, education and income are distributed among its residents.

**Gender Development Index- Estimates HDI values for women and men.**

**Gender Inequality Index**- Looks at the issue of gender inequality using three dimensions - **reproductive health, empowerment and labour market**

**Multidimensional Poverty Index** - Captures the multiple deprivations that people in developing countries face in their health, education and standard of living.


### Key Findings of the 2021/22 report

- Decline in global HDI for two consecutive years in a row (2020 and 2021, reversing 5 years of progress).**
- India is ranked **132 out of 191 countries**, in comparison to Sri Lanka (73), China (79), Bangladesh (129) and Bhutan (127) fared better than India.
  - India is bridging human development gap** between men and women **faster than the world**.




### Reasons behind HDI Decline

- **Global:** A combination of the **COVID-19 pandemic, Russia's invasion of Ukraine and climate crises** dragged down the human development score.
  - Globally, **life expectancy dipped to in 2021** from 2019.
- **Domestic:** India's human development value **fell in 2021-22 from 2020**, placing the country in **medium human development category**, due to the following reasons:
  - **Life expectancy drop.**
  - Expected years of schooling at **11.9 years**, and the mean years of schooling are at **6.7 years**.
  - India's **per capita income in terms of purchasing power parity has gone down by 5%** during 2019 and 2021-22.



## United Nations Development Programme




**Genesis:** Established in **1965** by merging of the **United Nations Expanded Programme of Technical Assistance** (created in **1949**), and the **United Nations Special Fund** (established in **1958**).

**Mandate:** UNDP's mandate is to **end poverty, build democratic governance, rule of law, and inclusive institutions**.

**Countries of Work:** It works in **170 countries and territories**

**Other key information:**

- It is the United Nations **lead agency on international development**.
- It advocates for change, and connects countries to knowledge, experience and resources to help people build a better life.
- It focuses on **three main areas: Sustainable development; Democratic governance and peacebuilding; and Climate and disaster resilience**.
- The annual Human Development Report (HDR) is UNDP's flagship independent publication.**



Yes

## 1.2. POVERTY ALLEVIATION

### 1.2.1. POVERTY ESTIMATES

#### Why in News?

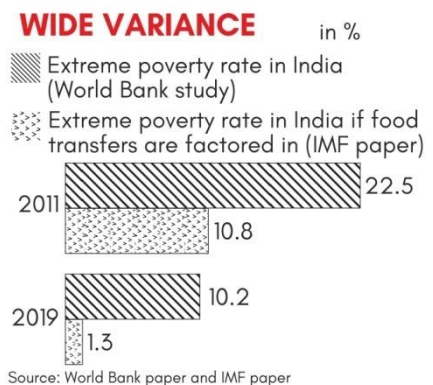
The authors affiliated with the International Monetary Fund (IMF) and World Bank (WB) published two different estimates of poverty and inequality in India (see **image**).

#### More on News

- Economic Advisory Council to Prime Minister (EAC-PM) has also released the **State of Inequality in India** report.

#### Different Poverty Measures

- **Poverty is usually measured as either absolute or relative poverty**, based on a poverty threshold or poverty line, with people falling under this threshold/line being considered poor.
  - **Absolute poverty**, or **extreme poverty**, represents the lack of sufficient resources to secure basic life necessities, such as safe drinking water, food, or sanitation.



- E.g., People earning less than **\$1.9** on **purchasing power parity (PPP)** basis a **day** are considered extremely poor by the World Bank.
- **Relative Poverty** represents the worse income and resource status of a person or a household than what is thought to be adequate or socially acceptable in the society in which they live.
- But poverty has many faces, changing with time and place, leading to different poverty measures like:

Approach	Dimensions/Indicators
<p><b>Well-being Approach</b></p>	<p>▶ Given by <b>Erik Allard</b>, it includes three dimensions as:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Having (Material)</p> </div> <div style="text-align: center;"> <p>Loving (Social)</p> </div> <div style="text-align: center;"> <p>Being (Spiritual-emotional)</p> </div> </div>
<p><b>Capabilities Approach</b></p>	<p>▶ Given by <b>Amartya Sen</b>, as an alternative to income and consumption approach, <b>OECD</b> has developed multidimensional capabilities framework with <b>five capabilities</b> as:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Economic Capabilities</p> </div> <div style="text-align: center;"> <p>Human Capabilities</p> </div> <div style="text-align: center;"> <p>Political Capabilities</p> </div> <div style="text-align: center;"> <p>Socio-Cultural Capabilities</p> </div> <div style="text-align: center;"> <p>Security Capabilities</p> </div> </div>
<p><b>Multidimensional Poverty Index (MPI)</b></p>	<p>▶ Launched in 2010, it was given by <b>UNDP, Oxford Poverty and Human Development Initiative (OPHI)</b> for measuring and describing household-level poverty based on <b>3 dimensions (10 indicators)</b> as:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p><b>Education</b> (Years of Schooling and School Attendance)</p> </div> <div style="text-align: center;"> <p><b>Health</b> (Child Mortality and Nutrition)</p> </div> <div style="text-align: center;"> <p><b>Standard of Living</b> (Electricity, Drinking Water, Sanitation, Flooring, Cooking Fuel and Assets)</p> </div> </div>

Poverty Estimation in India	
<b>Tendulkar Committee, 2009</b>	<ul style="list-style-type: none"> <li>• <b>Methodology:</b> Based on <b>Monthly Per Capita Consumption Expenditure (MPCE)</b> computed on the basis of data from the National Sample Survey Organisation (NSSO).</li> <li>• <b>Findings:</b> <b>21.9% of total population</b> was below poverty line in 2011-12.</li> </ul>
<b>Rangarajan Committee, 2014</b>	<ul style="list-style-type: none"> <li>• <b>Methodology:</b> Based on an independent large survey of households by Center for Monitoring Indian Economy (CMIE).</li> <li>• <b>Findings:</b> <b>29.5% of total population</b> was below poverty line in 2011-12.</li> </ul>
<b>NITI Aayog's National MPI: Baseline Report</b>	<ul style="list-style-type: none"> <li>• It is developed by <b>NITI Aayog</b> in collaboration with <b>UNDP</b> and <b>Oxford Poverty and Human Development Initiative (OPHI)</b> <ul style="list-style-type: none"> <li>○ It is based on <b>12 parameters</b> (10 indicators of MPI and two new indicators <b>antenatal care</b> and <b>bank account</b> under Health and Standard of Living).</li> </ul> </li> <li>• <b>Findings:</b> <b>25.01% of India's population</b> as multidimensionally poor.</li> </ul>
<b>Other committees</b>	<ul style="list-style-type: none"> <li>• <b>Alagh Committee (1979), Lakdawala Committee (1993)</b></li> </ul>

Other inequality measurements for India	
<p><b>'Poverty and Shared Prosperity 2022: Correcting Courses'</b></p> <ul style="list-style-type: none"> <li>• It is a <b>biennial report</b> from <b>World Bank (WB)</b> on global estimates and trends in poverty and shared prosperity.</li> <li>• It has raised the <b>extreme poverty line</b> of <b>\$1.90</b> to <b>\$2.15 per person per day</b>, based on <b>2017 purchasing power parities (PPPs)</b>. <ul style="list-style-type: none"> <li>○ The <b>poverty line</b> is of living on less than <b>\$6.85 per person per day</b>.</li> </ul> </li> </ul>	<p><b>Commitment to Reducing Inequality (CRI) Index</b></p> <ul style="list-style-type: none"> <li>• <b>India Ranked</b> at <b>123</b> for reducing inequality, improving by 6 places from previous ranking.</li> <li>• The <b>2022 CRI Index</b> looks at government policies and actions in 161 countries to fight inequality during the first two years of the COVID-19 pandemic.</li> <li>• Index is prepared by <b>Oxfam International and Development Finance</b>.</li> </ul>

### 1.2.2. DEVELOPMENTS ON FINANCIAL INCLUSION

Global Findex Database 2021	<ul style="list-style-type: none"> <li>World Bank has released 'Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19', surveying how <b>people in 123 economies use formal and informal financial services.</b></li> <li>According to it, India is <b>among seven countries home to half the world's 1.4 billion adults</b> without access to formal banking.</li> </ul>
Fincluvation	<ul style="list-style-type: none"> <li>Launched by India Post Payments Bank (IPPB), it is a <b>joint initiative to collaborate with Fintech Startup</b> community to <b>co-create and innovate solutions for financial inclusion.</b> <ul style="list-style-type: none"> <li>It will be a <b>permanent platform of IPPB</b> to co-create financial solutions with start-ups.</li> </ul> </li> <li>IPPB (launched in <b>2018</b>) was established under the Department of Posts, Ministry of Communication with <b>100% equity owned by Government of India.</b></li> </ul>
Financial inclusion index (FI-Index)	<ul style="list-style-type: none"> <li>It is released by RBI to capture the <b>extent of financial inclusion across India</b> by covering details of <b>banking, investments, insurance, postal as well as the pension sector.</b> <ul style="list-style-type: none"> <li>It comprises of <b>3 parameters (access, usage and quality)</b> with <b>97 indicators.</b></li> <li>Index has been constructed <b>without any base year</b> and reflects cumulative efforts of all stakeholders over the years towards financial inclusion.</li> </ul> </li> <li>The index for the FY 21-22 <b>improved to 56.4 from 53.9 in 2020-2021, with growth seen across all its sub-indices.</b></li> </ul>

### 1.3. KEY CONCEPTS AND INFORMATION ON GROWTH, DEVELOPMENT AND POVERTY ALLEVIATION

Glass cliff	<ul style="list-style-type: none"> <li>It refers to a situation in <b>which women are promoted to higher positions during times of crisis, or during a recession when the chance of failure is more likely.</b></li> <li>Promoting women to leadership position gives companies <b>someone to blame if she fails to pull the company out of its downward spiral.</b></li> <li>This phenomenon <b>reinforces stereotypes</b> about women not being ideal in leadership positions.</li> <li>The term also applies to the <b>challenges faced by minorities/marginalized</b> groups when promoted to leadership roles.</li> </ul>
Technical Recession	<ul style="list-style-type: none"> <li>A technical recession is a term used to <b>describe two consecutive quarters of decline in output.</b> <ul style="list-style-type: none"> <li>Representing <b>back-to-back contractions in real GDP</b> of a nation's economy, it is most often caused by a <b>one-off event</b> (say COVID-19 pandemic and lockdowns imposed) and is <b>generally shorter in duration.</b></li> </ul> </li> <li>It is <b>mainly used to capture trend in GDP</b> while a '<b>recession</b>' encompasses more broad-based <b>decline in economic activity</b> that covers several economic variables including employment, household, and corporate incomes etc.</li> </ul>
Doom Loop	<ul style="list-style-type: none"> <li>According to economists, <b>Europe is headed for doom loop.</b></li> <li>Doom loop is the <b>circle of vulnerability</b> where a country's banking system can be severely hurt by volatility in the price of the sovereign bonds, they hold for reserves resulting in a contraction in lending provided by the banks.</li> <li>It is a phenomenon <b>whereby a shock to one part of its economic system is amplified by its effect on another.</b></li> </ul>
Creative Economy (CE)	<ul style="list-style-type: none"> <li>As per UN Commission on Trade and Development (UNCTD), CE is an <b>emerging concept dealing with interface between creativity, culture, economics and technology</b> in a contemporary world dominated by images, sounds, texts and symbols.</li> <li>UN marks 2021 as <b>International Year of Creative Economy for Sustainable Development.</b></li> <li><b>Creative economy</b> comprising the arts and crafts, audio and video arts and design, among others, <b>accounted for exports of goods and services worth \$121 billion in 2019 in India.</b></li> </ul>
Twin City Development (TCD)	<ul style="list-style-type: none"> <li>Prime Minister lays foundation stone for multiple projects including Twin City Development.</li> <li>TCD involves <b>transforming existing cities and developing new genre of satellite/ theme townships which are safe, efficient, clean and green</b> and offer high quality of life.</li> <li>Under this, Cities are in close proximity and are interdependent on economic, functional, and urban infrastructure needs.</li> </ul>
Urban-20 (U20)	<ul style="list-style-type: none"> <li>U20 provides a platform for G20 countries cities <b>to discuss on various important issues of urban development</b> including climate change, social inclusion etc. <b>and propose collective solutions.</b></li> <li>It <b>facilitates a productive dialogue between the national and local governments</b> and helps promote the importance of urban development issues in the G20 agenda.</li> </ul>



<p><b>Twin Transition</b></p>	<ul style="list-style-type: none"> <li>A twin transition approach recognizes that there is a huge and largely untapped opportunity for technology and data to drive sustainability goals.             <ul style="list-style-type: none"> <li>Need for Twin transition arises in the backdrop of Fourth Industrial Revolution or Industry 4.0</li> </ul> </li> <li>Rather than treating digital and sustainability in isolation, it combines them to unlock huge benefits in terms of efficiency and productivity.             <ul style="list-style-type: none"> <li>By adopting this approach, leaders can bring the digital and sustainability agendas together to future-proof their organizations.</li> </ul> </li> </ul>
<p><b>Cost of living index, 2022</b></p>	<ul style="list-style-type: none"> <li>Worldwide Cost of Living Index, 2022 released by Economist Intelligence Unit (EIU).             <ul style="list-style-type: none"> <li>It compares the prices of more than 200 goods and services in 172 cities worldwide.</li> <li>New York (USA) topped the list followed by Singapore as the most expensive cities in world.</li> </ul> </li> <li>EIU are research and analysis division of The Economist Group, sister company to The Economist newspaper. It was created in 1946.</li> </ul>
<p><b>Developed Country through PanchPran</b></p>	<ul style="list-style-type: none"> <li>On Independence Day, Prime Minister asked Indians to embrace “PanchPran” for India to become a developed country in next 25 years.</li> <li>UN classifies countries into three broad categories: developed economies, economies in transition, and developing economies.</li> <li>India is currently in ‘Lower Middle Income’ category with respect to Gross National Income (GNI) per capita.             <ul style="list-style-type: none"> <li>India’s current Human Development Index score (0.64) is much lower.</li> <li>On absolute level of gross domestic product and purchasing power parity (PPP), India is one of biggest economies of world.</li> </ul> </li> </ul> <div data-bbox="861 589 1436 996" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;"><b>Panch Pran of Amrit Kaal</b></p> <ul style="list-style-type: none"> <li> <b>First Pran</b> - Goal of Developed India</li> <li> <b>Second Pran</b> - Remove any trace of colonial mindset</li> <li> <b>Third Pran</b> - Take pride in our roots</li> <li> <b>Fourth Pran</b> - Unity</li> <li> <b>Fifth Pran</b> - Sense of duty among the citizens</li> </ul> </div>
<p><b>Financial Intermediary Fund (FIF)</b></p>	<ul style="list-style-type: none"> <li>A new FIF for pandemic prevention, preparedness, and response (PPR) has been established internationally, with financial commitments from multiple countries including India.</li> <li>Hosted by World Bank and with technical support from WHO, FIF will:             <ul style="list-style-type: none"> <li>Provide long-term financing to strengthen PPR capabilities in low- and middle-income countries.</li> <li>Address critical gaps at national, regional, and global levels.</li> </ul> </li> <li>FIF will help in strengthening PPR capacity in areas such as zoonotic disease surveillance, laboratories, emergency communication, critical health workforce capacities etc.</li> </ul>


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# FOUNDATION COURSE

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**DELHI**

**31 MAR, 9 AM | 17 MAR, 1 PM | 21 FEB, 9 AM | 24 JAN, 1 PM**

AHMEDABAD: 16<sup>th</sup> Feb, 8:30 AM | CHANDIGARH: 19<sup>th</sup> Jan, 5 PM | PUNE: 21<sup>st</sup> Jan, 8 AM  
 JAIPUR: 15<sup>th</sup> Feb, 7:30 AM & 5 PM | LUCKNOW: 18<sup>th</sup> Jan, 5 PM | HYDERABAD: 6<sup>th</sup> Feb, 8 AM

## 2. FISCAL POLICY

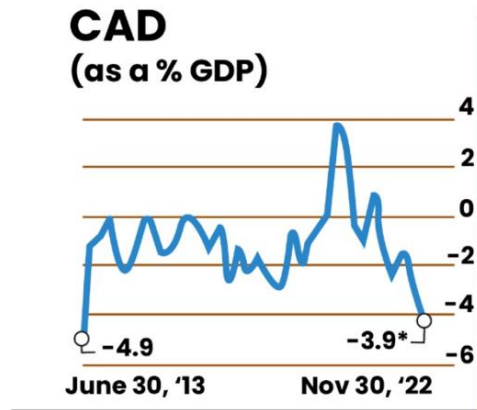
### 2.1. STATUS OF GOVERNMENT FINANCES

#### 2.1.1. CURRENT ACCOUNT DEFICIT (CAD)

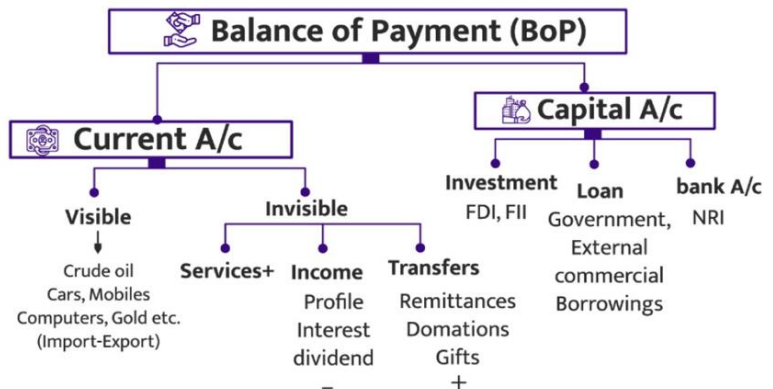
### Current Account Deficit (CAD)

#### What is it?

CAD records exports and imports in goods and services and transfer payments of a country.



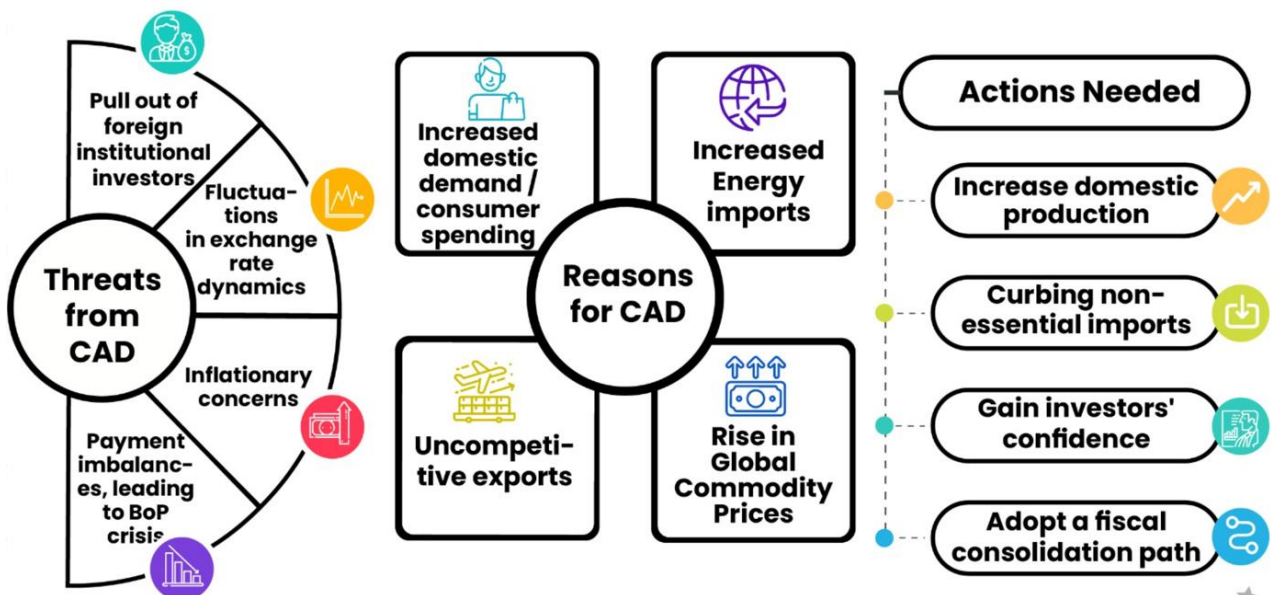
#### CAD - A part of Balance of Payments



#### Key facts about India's CAD

<p><b>Trade deficit in Merchandise Goods (US\$ 192 Billion in FY2021-22) is main reason behind India's CAD.</b></p>	<p><b>India has trade surplus in services (US\$ 105 Billion in FY2021-22).</b></p>	<p><b>India is the world's largest recipient of remittances (US\$ 87 billion).</b></p>	<p><b>In the last few years, few isolated quarters of Current Account surplus are also recorded.</b></p>
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### CAD: Impact-Cause-Effort-Relationship





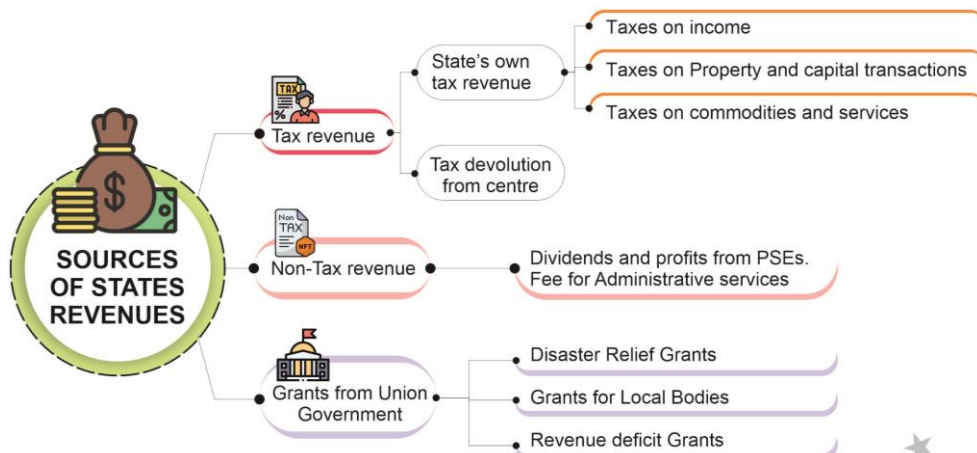
## 2.1.2. STRENGTHENING STATE FINANCES

### Why in News?

The Central government has raised alarm on the mounting debt burden and the deteriorating fiscal situation in some States due to excessive doling out of freebies.

### State Finances

State finances include states own tax and non-tax revenues as well as the Tax Devolution and grants from Centre (see image), provided by the Constitution of India:



- **Post Devolution Revenue Deficit** from union government to states under **Article 275** to meet the gap in Revenue Accounts of the States post devolution.
- **Discretionary Grants** under **Article 282**.
- **Net divisible pool** distribution based on the **Finance Commission** recommendations (**Article 280**) etc.

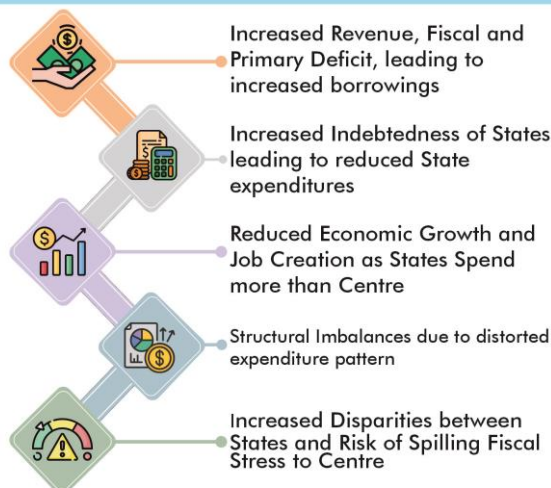
### Initiatives taken to Support State Finance

- **Reduced Borrowing Limits** for states from **5% of gross state domestic product (GSDP)** during Covid-19 to **3.5%** for FY 2022-23.
- **Inclusion of Off-Budget Borrowings** as borrowings made by the State itself.
- **Lowering of Ways and Means Advances (WMA)** limit for States and Union Territories by RBI.
- **Maximum number of Overdraft (OD) Facility** days for State Governments/Union Territories (UTs) is reverted to **36 days in a quarter from 50 days by RBI**.
- Scheme for “**Special Assistance to states for Capital Investment**”, providing ₹1,00,000 crore interest free loan for 50-years.
- **Reform-linked additional borrowing** space to state government, allowing additional borrowing of 1% of their GSDP to implement four critical reforms, i.e. Implementation of One Nation One Ration Card System; Ease of doing business reform; Urban Local body/ utility reforms; and Power Sector reforms.

### KNOW THE TERM

- **Contingent liabilities** are the guarantees which can become a liability in case of defaults by borrowers for whom the guarantees have been extended.

### NEGATIVE IMPACTS OF POOR STATE FINANCES



### About Ways and Means Advances (WMAs)

- Introduced in 1997, WMAs are **temporary advances given by RBI (under the RBI Act 1934) to Centre and States** to tide over any mismatch in receipts and payments.
  - Such advances are **repayable within three months** from the date of making that advance. **Interest is charged at existing repo rate** (rate at which RBI lends short-term money to banks).
- WMA is **not part of the Fiscal Responsibility and Budget Management Act (FRBM)** because they get paid within the year itself.
- **Two types of WMA** –special and normal
  - **Special WMA or Special Drawing Facility** is provided against the **collateral of the government securities** held by the state. After the state has exhausted the limit of SDF, it gets normal WMA.
  - The interest rate for **SDF is one percentage point less than the repo rate**.
- There is a **State-wise limit for the funds that can be availed via WMA**. Decided by the government and RBI mutually, these limits depend on factors such as total expenditure, revenue deficit and fiscal position of the State.



**2.1.2.1. STATE'S FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (FRBM)**

**Why in news?**

Ministry of Finance informed the states that **borrowing by state-owned companies, special purpose vehicles or agencies borrow from the markets, will be considered under the states' FRBM limit.**

**More on news**

- As this borrowing has an impact on **Revenue deficit and Fiscal Deficit** of these borrowing needs the **consent of the Union Government** under **Article 293(3) of the Constitution.**
  - Revenue deficit** occurs when the actual amount of revenue and/or the actual amount of expenditures do not correspond with budgeted revenue and expenditures.
- Article 293(3) provides state** may not, without the consent of the Government of India, raise any loan if there is still an outstanding part of a loan.
- All States have **enacted their FRBM Act** as per the **12<sup>th</sup> Finance Commission (FC) recommendation** and its' **compliance is monitored by the respective State Legislatures.**
  - The normal **Net Borrowing Ceiling (NBC) of each State** is fixed by the Union Government in the beginning of each financial year.
  - NBC of the state FY 2022-23** has been determined at 3.5% of Gross State Domestic Product (GSDP) based 15<sup>th</sup> FC recommendation.

**THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT (FRBM ACT), 2003**

<p><b>Purpose</b> To establish a financial discipline and introduce transparency in India's fiscal management systems</p>	<p>It set targets to reduce government <b>fiscal deficit, revenue deficit and debt-to-GDP ratio.</b></p>
<p><b>Long-term objective</b> To achieve fiscal stability And to give the rbi Flexibility to deal with Inflation in india</p>	<p>All States have Also enacted Their FRBM Act</p>
<p><b>Documents mandated by FRBM Act</b></p> <ul style="list-style-type: none"> <li>Fiscal Policy Strategy Statement;</li> <li>Macroeconomic Framework Statement;</li> <li>Medium-term Fiscal Policy Statement; and</li> <li>Medium-term Expenditure Framework</li> </ul>	<p><b>FRBM Targets set by FRBM Review Committee, under N K Singh are:</b></p> <ul style="list-style-type: none"> <li><b>Fiscal Deficit:</b> 2.5% of GDP by March 31, 2023.</li> <li><b>Revenue Deficit</b> 0.8% of GDP by March 31, 2023.</li> <li><b>Debt to GDP ratio:</b> 60% (40% limit for centre and 20% limit for states).</li> </ul>

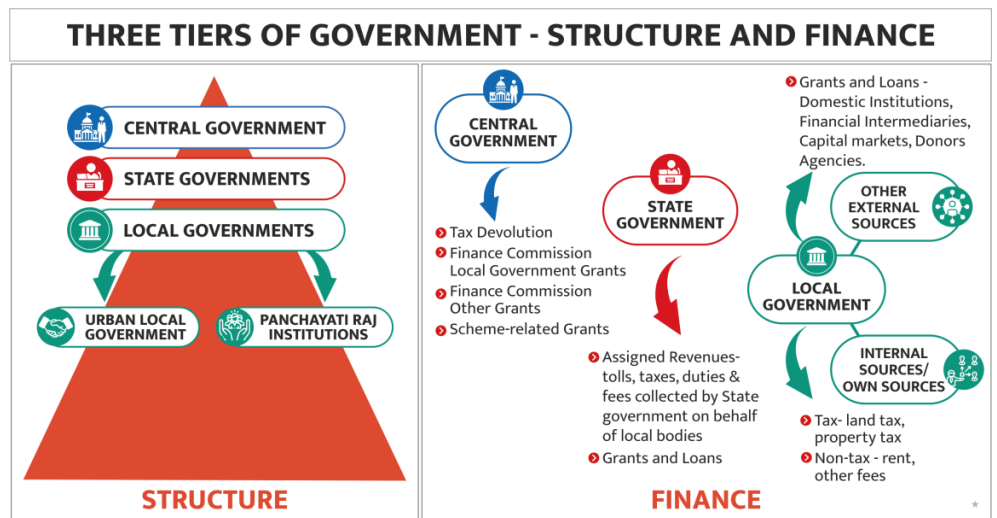
**2.1.2.2. MUNICIPAL FINANCING**

**Why in news?**

RBI released a **first ever comprehensive analysis of Municipal finances** and covers 201 municipal corporations (MCs) across all States.

**About Finance of Municipalities**

- The **74th Amendment Act 1992**, through the 12th Schedule institutionalized the urban local bodies (ULBs) as the third tier of the government to promote grassroots level democracy (refer to the **infographics**).
- However, it doesn't **provide for a corresponding 'municipal finance list'** in the Constitution and it has been completely left to the discretion of the State Governments.



## 2.2. TAXATION

### 2.2.1. GOODS AND SERVICES TAX (GST)



## Goods and Services Tax (GST)

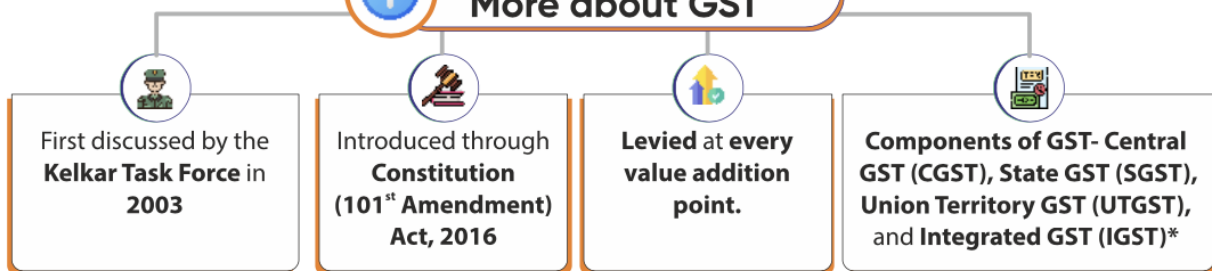


### What is it?

GST is a **comprehensive, multi-stage, destination based single domestic tax** on the consumption of goods and services.



### More about GST



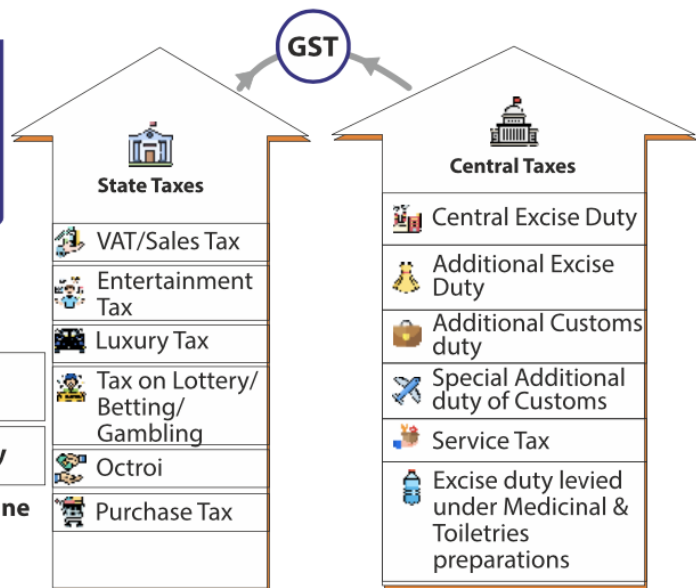
### Concerning Law

**Article 246A**- Parliament and Legislature of every State has power to make laws with respect to **goods and services tax** imposed by the Union or by such State.



### Some key taxes out of GST's ambit

Excise Duty on <b>Alcohol</b>	Stamp Duty and <b>Property Tax</b>
Electricity Duty	<b>Basic Custom Duty</b>
<b>Petroleum crude, Diesel, Petrol, Aviation Turbine Fuel and Natural Gas</b>	



### GST Council

GST Council will be a joint forum of the Centre and the States for **recommendation of the GST rates**



**Constitutional body (101<sup>st</sup> Constitutional Amendment) under Article 279A.**



**Unequal Representation of States in GST Council** in terms of the total weightage of votes.



### Members

- Union Finance Minister - Chairperson
- The Union Minister of State, in-charge of Revenue of finance - Member
- The Minister In-charge of finance or taxation or any other Minister nominated by each State Government - Members

\*IGST is governed by the Centre and divided between respective states.

Other key terms in context of GST		
Sin goods	Circular Trading	Input tax credit
<b>Sin goods</b> are the goods on which the government imposes <b>sin tax</b> - a <b>special tax</b> placed on <b>goods and services</b> that are seen to be <b>socially detrimental</b> .	<b>Circular trading</b> refers to <b>fraudulently availing input tax credit (ITC) by traders by issuing of invoices</b> without availing any real goods or service.	Input tax credit means that at the time of paying tax on output, one can <b>reduce tax that has already been paid on inputs</b> and pay balance amount. ITC can be claimed only for business purposes.

#### GST compensation Cess

- As per Goods and Services Tax (Period of Levy and Collection of Cess) Rules, 2022, **compensation cess will continue to be levied** from July 1, 2022, to March 31, 2026.
  - Levy of cess was to end on June 30, 2022**, but GST Council (chaired by Union Finance Minister) decided to **extend it to repay borrowings that were done earlier** to compensate States for GST revenue loss.
  - However, **whether States would be compensated till that period is not decided** yet.
- GST Compensation Cess** is collected **on supply of select goods or services or both**.
  - This includes luxury, demerit and sin goods. E.g., pan Masala, various tobacco products etc.
- It is used to compensate states **for loss of any revenue arising on account of implementation of GST** as per provisions of GST (Compensation to States) Act, 2017 **for a period of five years**.
  - It was paid **bi-monthly**.

#### GST Applicability on Pre-Packaged and Labelled Goods

- Under GST, **single packages of food items like cereals, pulses and flour weighing up to 25 kg** will be considered as **'pre-packaged and labelled'**, liable to 5% GST.
- However, **sales to customers by retail shopkeeper in loose quantity** from the item bought from a manufacturer/distributor in a 25-kg pack, **will not attract GST**.

#### Anti-profiteering

- Recently, the Central Board of Indirect Taxes and Customs empowered **Competition Commission of India to decide on anti-profiteering** issues.
- Under **Section 171 of the Central Goods and Services Act, 2017**, **Profiteering** is defined as the **willful action of goods and services suppliers to not pass the benefit of any tax rate reduction or the input tax credit to the recipients**.
- NAA is a **statutory mechanism under GST law** to check these **unfair profiteering activities** by the registered suppliers.
- Under the sunset clause, the tenure of **NAA was 2 years**, but the **GST Council** can extend it.

## 2.2.2. DIGITAL TAX

### Why in news?

Recently, the **G24 grouping objected** to the proposal of **making sovereign commitments to not introduce any future digital services tax** like equalization levy, potentially delaying implementation of the global tax deal.

### More on News

- Digital Services tax is part of the **OECD's two-pillar plan** of 2021 agreed by **138 countries** (as of 16 December 2022), including **India**, to
  - Reform global taxation rules.**
  - Address the tax challenges** arising from digitalization of the economy (Refer box).

### OCED's Inclusive framework on BEPS

- Base Erosion and Profit Shifting (BEPS)** refers to **tax planning strategies used by multinational enterprises (MNEs)** that exploit gaps and mismatches in tax rules to avoid paying tax.
- To address tax avoidance, the OCED's framework is based on **two pillars**:
  - Pillar One** i.e., **Reallocation of taxing rights**: Applied to about 100 biggest **MNEs with global turnover above 20 billion euros and profitability above 10%**.
  - Pillar Two** i.e., **Global anti-base erosion mechanism**: Setting **'global minimum corporation tax' of 15% from 2023** to large MNEs with **revenues above EUR 750 million globally**.
- Global Minimum Tax, also known as Global Minimum Corporate Tax Rate (GMCTR)**, is a part of the **inclusive framework on BEPS** to:
  - Prevent multinationals from paying low taxes** (or no tax) by booking their profits in tax havens, and
  - Make them pay taxes wherever they operate/conduct business in**, even if they do not have physical presence in the country.

### About Digital Tax in India

- Digital Tax** is tax levied on **digital goods/services/digital business** activities. It is a form of **Direct tax**.
- India introduced 6% equalization levy** (a Digital tax on non-resident digital companies like Google). It was limited to online advertisement services.
  - In 2020, the **Indian Income-tax Act** expanded the scope of **Equalisation Levy** (commonly referred to as **'Equalisation Levy 2.0 or EL 2.0'**) as part of the **Finance Act 2020**.



- EL 2.0 was made **effective** on **April 1, 2020**.
  - ✓ **It is set to stay beyond 2023**, as a global tax deal which was to replace such levies by individual nations by then faces implementation challenges.
- The new levy now includes **2 percent Digital Service Tax (DST) or EL on trade and services of foreign e-commerce companies** such as Amazon and Walmart-owned Flipkart and others having an annual turnover of ₹2 crore or more.
- DST is aimed at ensuring that **non-resident, digital service providers pay their fair share of tax** on revenues generated in the Indian digital market.

**Implementation challenges:**

- **Divergent interests:** European countries had prioritized the question of digital taxation, while US had prioritized the global minimum rate.
- **Legislators in both U.S. and Europe are now struggling to pass the laws** needed to implement the deal. E.g., Hungary has recently withdrawn support for minimum corporate tax in EU.

## Group 24 (G24)

**About**

It is an **intergovernmental Group on International Monetary Affairs and Development**, established in 1971 by Group of 77 (G-77).  
It was **formally created in 1972**.

**Purpose**

To coordinate the position of developing countries on **monetary and development issues** in the deliberations and decisions of the **Bretton Woods Institutions (BWI)**.

**HQ**

Washington, USA

**Members**

- 29 members
- India is a member of G24. ★

PT 365 - Economy



## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



**Genesis:** It is an international organization which superseded the Organisation for Economic Co-operation (OEEC) in 1961.

- OEEC was established in 1948 to help administer the **Marshall Plan for European reconstruction**.



**Objective:**

- Having motto of '**better policies for better lives**', it shapes policies that foster prosperity, equality, opportunity and well-being for all.

**Not a member.**  
But India is among  
OECD's key partners



**Other Key Information:**

- It **works with member nations and other nations** to share evidence and experiences, find to **common economic, social and environmental challenges**, identify best practices and develop evidence-based international standards.
- **Flagship Publications/Indices: International Migration Outlook, OECD Better Life Index.** ★

### 2.2.3. TAXATION OF VIRTUAL DIGITAL ASSETS (VDAS)

**Why in News?**

Central Board of Direct Taxes (CBDT) has amended income tax rules to **specify ways to comply with the new TDS provision** on virtual digital assets (VDAs).

### More on News

- Under the rules:
  - **TDS of 1% will be levied on payments towards VDAs** or cryptocurrencies **beyond ₹10,000** in a year.
  - The threshold limit for TDS would be **₹50,000 a year for specified persons**, which include individuals/HUFs who are required to get their accounts audited under the I-T Act.

### About VDAs

- Finance Bill 2022 defined VDAs under **IT Act, 1961** as **'any information or code or number or token generated through cryptographic means or otherwise** and which can be transferred, stored or traded electronically'.
  - It includes the **non-fungible tokens (NFTs), cryptos** etc.
- It is a **digital representation of value** that is exchanged with or without consideration.
- It **includes cryptocurrencies, NFTs, Dematerialized Shares, Promotional currencies, E-books** etc.
  - RBI highlighted **cryptocurrencies risk** like **dollarization of the economy** and would be **against India's sovereign interest**.
  - Promoted as **decentralized international virtual currency**, they are allowed as **legal tender** or made **official currency** by some nations like El Salvador and the Central African Republic.

### Concerns over VDA

- **Highly risky assets and largely unregulated**; leaving **no regulatory recourse** for any loss from such transactions.
- Threat to the **financial system stability** and **risk of dollarization** of a part of the **Indian economy**; going against the country's sovereign interest and undermining RBI Monetary policy influence.
  - Dollarization means **use of the US Dollar in addition to or instead of the domestic currency** of the country.
- **Risk of anonymous use** for making it liable to be misused for **terror financing, money laundering and drug trafficking**.

### KNOW THE TERM



- **De-dollarization:** It describes a move away from a dollar-dominant world order to one where nations sell their US Treasuries to hold reserves in other currencies, or gold, and seek to use their own currencies for transactions between their most important trade partners.



### Taxation of VDAs

- Income from the **transfer of VDAs** will be taxable at a **flat rate of 30%**, without the **ability to offset it against any other losses**.
  - **No deductions** will be allowed and only the **cost of acquisition will be allowed** as deduction while computing income.
  - A **gift of VDAs** will be taxable at the **hands of the recipient**.

### Regulation of VDA Advertising

- **By Consumer Protection Act 2019:** It lays down **penalties** for **endorsers** in case of misleading advertisement and if they have done no due diligence.
- **By Advertising Standards Council of India (ASCI):** ASCI issued **guidelines for the promotion and advertisement of crypto, and NFTs**; mandating **all VDA products and services to carry the disclaimer** regarding Crypto products and NFTs.
  - ASCI is a **voluntary self-regulatory organization**, established in **1985**, to protect Indian consumers' interests through self-regulation in advertising.
  - It issues **non-legally binding advertisement codes and guidelines**.
  - **Cable Television Networks (Amendment) Rules, 2006** make it mandatory for all advertisements carried by cable services to be compliant with the ASCI code.

## 2.3. NON-TAX REVENUES

### NON-TAX REVENUES

**What is it?**

Non-tax revenue is the recurring income earned by the government from sources other than taxes.

---

**Major Sources**

<b>Interest receipts</b> from loans to states, railways etc. 	Dividend and profits from <b>public sector enterprises (PSEs)</b> 	<b>Asset Monetisation, Disinvestment and Privatization</b> 
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**Steps for Asset Monetization**

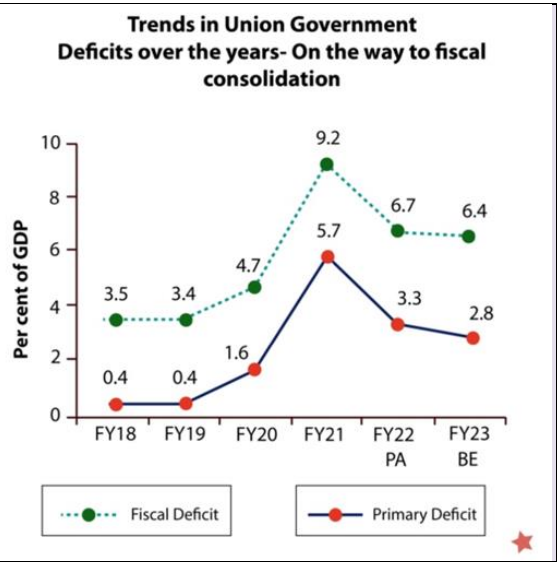
<b>National Land Monetisation Corporation (NLMC)</b> A <b>wholly government company, to aggregate land from all PSUs</b> that are either being wound up or being sold. 	<b>National Monetisation Pipeline (NMP)</b> It aims for <b>asset monetization</b> worth <b>₹6 lakh crore</b> . ( <b>NITI Aayog</b> has been <b>entrusted</b> with the mandate to develop it.) 
<b>Alternative Mechanism (AM) on strategic disinvestment</b> The <b>AM was created in 2019 to decide on strategic disinvestment</b> of Central PSEs. ( <b>Members:</b> Finance Minister, Minister for Road Transport and Highways and minister representing respective administrative department.) 	<b>State Public Sector Enterprises (SPSEs) Privatization</b> To incentivize SPSEs Privatization, the centre has promised to provide 100% of the realized amount to states from such <b>strategic disinvestments</b> in <b>FY23</b> . 

\***Strategic disinvestment** implies the sale of substantial portion of the Government shareholding of a PSE (up to 50%, or such higher percentage) along with transfer of management control. ★

## 2.4. KEY CONCEPTS AND INFORMATION ON FISCAL POLICY

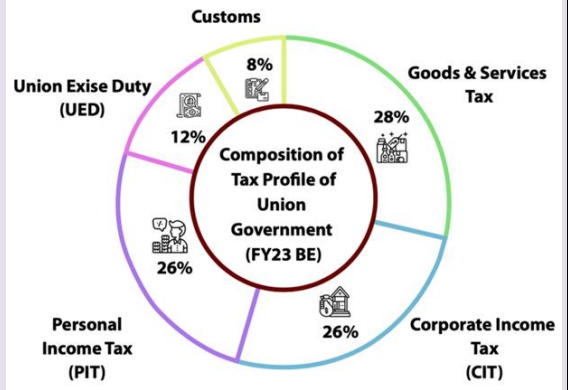
**Twin Deficit problem**

- Ministry of Finance in its **Monthly Economic Review** cautioned the **re-emergence of the twin deficit problem in the economy**, with higher commodity prices and rising subsidy burden.
- Twin deficit** refers to a nation's **current account deficit** and a **simultaneous fiscal deficit**.
  - Fiscal Deficit is the **shortfall between total revenue and total expenditure** of government in a given financial year.





<p><b>Single Nodal Agency (SNA) dashboard</b></p>	<ul style="list-style-type: none"> <li>Ministry of Finance launched the <b>Single Nodal Agency (SNA) dashboard</b> of the <b>Public Financial Management System (PFMS)</b> to ensure effective leveraging of technology in public finance.</li> <li>The initiative is a part of forms part of <b>PFMS reform</b> that was initiated in <b>2021</b> with regards to how <b>funds for Centrally Sponsored Schemes (CSS)</b> are released, disbursed, and monitored.             <ul style="list-style-type: none"> <li>PFMS is a web-based <b>online software application developed and implemented by the Office of Controller General of Accounts</b> to facilitate a sound public financial management system for the government.</li> </ul> </li> <li><b>SNA model:</b> The SNA model requires <b>the states to notify an SNA</b> for each CSS which will open a <b>unique bank account at a commercial bank</b> responsible for all transactions related to the implementation of the particular CSS.</li> </ul>						
<p><b>Status Report on India's External Debt 2021-22</b></p>	<ul style="list-style-type: none"> <li>Released by the <b>Department of Economic Affairs</b>; the report highlights <b>8.2% rise in India's external debt</b> to stand at <b>\$620.7 billion</b> on March 31, 2022.</li> <li>External debt refers to 'money borrowed from outside the country and has to be paid back in currency in which it is borrowed'.             <ul style="list-style-type: none"> <li><b>U.S. dollar-denominated debt</b> remained the <b>largest component</b> of India's external debt.</li> </ul> </li> </ul>						
	<p><b>Proportion of external liability in public debt (FY22)</b></p> <table border="1"> <thead> <tr> <th>Liability Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Internal liability</td> <td>95.1%</td> </tr> <tr> <td>External liability</td> <td>4.9%</td> </tr> </tbody> </table>	Liability Type	Percentage	Internal liability	95.1%	External liability	4.9%
Liability Type	Percentage						
Internal liability	95.1%						
External liability	4.9%						
<p><b>Tobin Tax</b></p>	<ul style="list-style-type: none"> <li>Tobin tax is a <b>tax levied on spot currency conversions</b>, with the intention of <b>disincentivizing short-term currency speculation</b>.</li> <li>It <b>generates a revenue stream for countries</b> that see great deal of currency movement.</li> </ul>						
<p><b>Windfall Tax</b></p>	<ul style="list-style-type: none"> <li>Centre has cut windfall tax on crude producers, scraps petrol exports levy.</li> <li>Windfall tax is a <b>one-off tax imposed by a government on a company</b>.             <ul style="list-style-type: none"> <li>It is levied on an <b>unforeseen or unexpectedly large profit</b>, especially unfairly obtained.</li> <li>It is only <b>levied in public interest</b>.</li> <li>It was announced to <b>control rising domestic oil price and to meet domestic need for petrol</b>.</li> </ul> </li> </ul>						
<p><b>GAAR (General Anti-Avoidance Rule)</b></p>	<ul style="list-style-type: none"> <li>GAAR is an <b>anti-abuse provision invoked by tax authorities</b> to strike down unacceptable tax avoidance practices. Used by most of the mature economies, in India it was <b>first introduced in 2012</b>.             <ul style="list-style-type: none"> <li>Under <b>Income Tax Act, 1961</b> it came into <b>effect on 1st April, 2017</b> and its <b>effective implementation started this year</b>.</li> </ul> </li> <li>It is a <b>provision of last resort</b> and used to <b>strike down those lawful practices which undermine intention of tax laws</b>, i.e. misuse or abuse of law.             <ul style="list-style-type: none"> <li>Before introduction of GAAR in India, such transactions were <b>dealt with by the implementation of judicial decisions and Specific Anti-Avoidance Rules (SAAR)</b>, including Transfer Pricing regulations.</li> </ul> </li> </ul>						
<p><b>Central Board of Direct Taxes (CBDT) guidelines on TDS</b></p>	<ul style="list-style-type: none"> <li>The guidelines are related to applicability of new tax deducted at source (TDS) provision regarding <b>benefits received in a business or profession</b>.</li> <li><b>Budget 2022-23</b> had brought a new section in the Income Tax Act i.e., <b>194R</b> which requires deduction of TDS at the <b>rate of 10%</b> by any person providing any <b>benefit or perquisite</b>, exceeding ₹20,000 in a year to a resident.             <ul style="list-style-type: none"> <li>CBDT clarified that section 194R would apply on <b>distribution of free samples to the hospital</b> for doctors receiving free samples of medicines while employed in a hospital.</li> </ul> </li> </ul>						
<p><b>Double Taxation Avoidance Agreement (DTAA)</b></p>	<ul style="list-style-type: none"> <li>Income Tax Appellate Authority (ITAT) ruled that Google India's payment to Ireland unit was not <b>royalty</b>; therefore, it is <b>not subject to withholding tax</b>.             <ul style="list-style-type: none"> <li>Royalty refers to <b>payment that is made to the owner of an asset or property for usage</b>.</li> <li><b>Income earned from royalties is subject to tax in India</b>.</li> <li>Withholding tax (also known as <b>Retention tax</b>) is the <b>taxpayer's obligation to withhold tax</b> when paying rent, commission, or payment for professional services.</li> <li>As per <b>Income Tax (IT) Act</b>, it is obligatory for person responsible to make a payment to <b>deduct tax while making payment in Non-Resident Individual account</b>.</li> </ul> </li> </ul>						



	<ul style="list-style-type: none"> <li>○ Rate of tax applicable to such payments is determined by Double Taxation Avoidance Agreement (DTAA).</li> <li>• DTAA is a tax treaty signed between India and another country so that taxpayers can avoid paying double taxes on their income earned from source as well as residence country.</li> <li>• India has DTAA with more than 80 countries and it covers withholding tax on payments such as Dividend, Interest, Royalty etc.</li> </ul>
<b>RNOR (Resident but Not Ordinarily Resident)</b>	<ul style="list-style-type: none"> <li>• It is a class of residential status under the Income-tax law. RNOR represents a person who does not qualify as an ordinary resident.</li> <li>• It includes person who- <ul style="list-style-type: none"> <li>○ Spends over 120 but less than 182 days, and</li> <li>○ Earns ₹15 lakh or more from assets in India.</li> <li>○ EPCG authorization holder can export either directly or through third party.</li> </ul> </li> </ul>
<b>Automatic exchange of information (AEOI)</b>	<ul style="list-style-type: none"> <li>• As per annual data from Switzerland's central bank, funds parked by Indian individuals and firms in Swiss banks jumped to a 14-year-high in 2021. <ul style="list-style-type: none"> <li>○ To fight tax fraud and evasion, an automatic exchange of information (AEOI) in tax matters between Switzerland and India has been in force since 2018.</li> </ul> </li> <li>• AEOI provides for the automatic exchange of a predefined set of information between tax authorities. <ul style="list-style-type: none"> <li>○ Under this framework, detailed financial information on all Indian residents having accounts with Swiss financial institutions is provided every year.</li> </ul> </li> </ul>



# फाउंडेशन कोर्स

## सामान्य अध्ययन

### प्रारंभिक एवं मुख्य परीक्षा 2024

#### इनोवेटिव क्लासरूम प्रोग्राम

• प्रारंभिक परीक्षा, मुख्य परीक्षा और निबंध के लिए महत्वपूर्ण सभी टॉपिक का विस्तृत कवरेज

• मौलिक अवधारणाओं की समझ के विकास एवं विश्लेषणात्मक क्षमता निर्माण पर विशेष ध्यान

• एनीमेशन, पॉवर प्वाइंट, वीडियो जैसी तकनीकी सुविधाओं का प्रयोग

• अंतर - विषयक समझ विकसित करने का प्रयास

• योजनाबद्ध तैयारी हेतु करेंट और इंटेड अप्रोच

• नियमित क्लास टेस्ट एवं व्यक्तिगत मूल्यांकन

• सीसेट कक्षाएं

• PT 365 कक्षाएं

• MAINS 365 कक्षाएं

• PT टेस्ट सीरीज

• मुख्य परीक्षा टेस्ट सीरीज

• निबंध टेस्ट सीरीज

• सीसेट टेस्ट सीरीज

• निबंध लेखन - शैली की कक्षाएं

• करेंट अफेयर्स मैगजीन

**DELHI: 15 MAR, 1 PM | 10 JAN, 9 AM**

**JAIPUR: 15 FEB, 4 PM**

लाइव/ऑनलाइन कक्षाएं भी उपलब्ध

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# 3. BANKING, ASSET QUALITY, RESTRUCTURING AND MONETARY POLICY

## 3.1. BANKING

### 3.1.1. URBAN CO-OPERATIVE BANKS (UCBS)

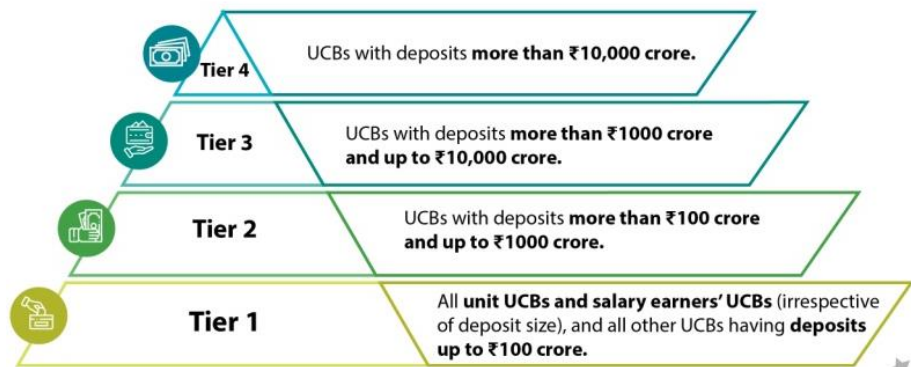
#### Why in News?

RBI has revised the UCBS regulatory framework based on the **recommendations of Expert Committee on Urban Co-operative Banks (N S Vishwanathan panel)** for strengthening the financial soundness of the UCBS.

#### Key highlights of revised norms

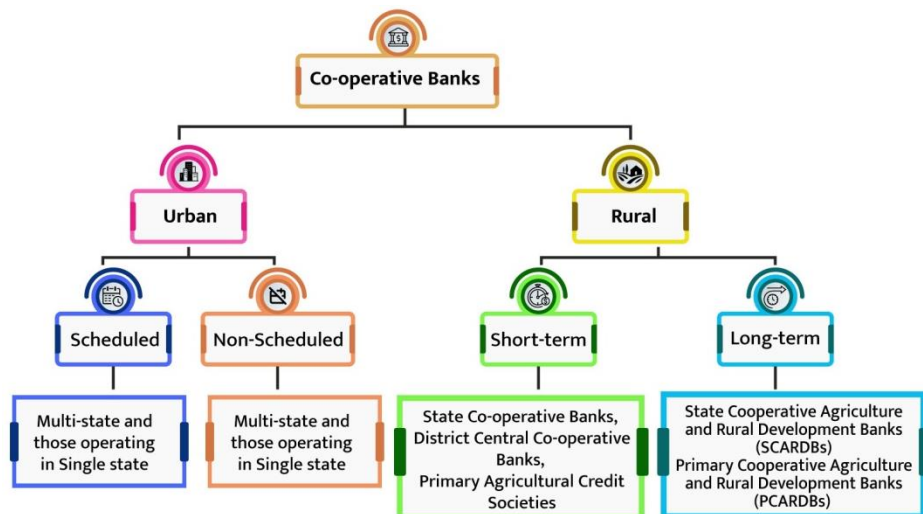
- Replaces current **two-tier regulatory framework** by a **Four-tiered regulatory framework** with differentiated regulatory prescriptions to **strengthen the financial soundness** of the existing UCBS (see image).
- Minimum net worth of ₹2 crore for Tier 1 UCBS and ₹5 crore for others** to strengthen the financial resilience of the banks.
  - UCBS which don't meet the minimum net worth requirement, shall achieve it in a phased manner.
- Capital to Risk Weighted Assets Ratio (CRAR):**
  - Tier 1 UCBS** shall maintain, as hitherto, a **minimum CRAR of 9 percent of Risk Weighted Assets (RWAs) on an ongoing basis.**
  - Tier 2 to 4 UCBS** shall maintain a **minimum CRAR of 12 percent of RWAs on an ongoing basis.**
  - UCBS in Tier 2 to 4, which don't meet the revised CRAR, shall achieve the same in a phased manner.
- Financially Sound and Well Managed (FSWM):** The revised criteria for determining the FSWM status is:
  - Net NPA of not more than 3%.**
  - No default in the maintenance of CRR / SLR** during the preceding financial year.
  - Sound internal control system** with at least two professional directors on the Board.
  - Core Banking Solution (CBS)** fully implemented.
- Applicability:** Framework is applicable to **all Primary (Urban) Co-operative Banks.**

#### CATEGORIZATION OF UCBS



#### About Cooperative Banks

- Co-operative banks are **financial entities established on a co-operative basis and belonging to their members.** This means that the **customers of a co-operative bank are also its owners.**
- Registration:** UCBS are primarily registered as cooperative societies under the provisions of either the **State Cooperative Societies Act** of the State concerned or the **Multi State Cooperative Societies Act, 2002** if the area of operation extends beyond one state boundary.





- **Regulation of UCBs:** It is split between RBI and Centre/State Governments, while that of smaller co-operative banks is divided between NABARD and State governments.
  - They come under the regulatory ambit of the Reserve Bank of India (RBI) under two laws, namely, the **Banking Regulations Act, 1949** and the **Banking Laws (Co-operative Societies) Act, 1955**.
  - **Urban and Multi State Cooperative Banks** are under the direct supervision of RBI.

But, Regulatory Frameworks for UCBs, Universal Banks (UNBs), Small Finance Banks (SFBs) and Regional Rural Banks (RRBs) varies.

Comparison of Regulatory Frameworks for UCBs, UNBs, SFBs and RRBs				
Regulatory Approval	UCBs	UNBs	SFBs	RRBs
Capital Adequacy	Under <b>Basel I</b> norms, capital to be maintained only on credit risk.	Under <b>Basel III</b> norms, Capital to be maintained on credit, market risk and operational.	Under <b>Basel II</b> norms, but capital to be maintained only on credit risk.	Under <b>Basel I</b>
Opening of Branches, Extension Counter	UCBs which meet the <b>Financially Sound and Well Managed (FSWM)</b> criteria are allowed under <b>automatic route</b> .	Under <b>automatic approval route</b> , subject to conditions.	Under <b>automatic approval route</b> , subject to conditions.	Under <b>automatic approval route</b> , subject to conditions.
Extension of area of operation	Under <b>prior approval route</b>	<b>Not applicable.</b> Area of operation extends to the entire country.	<b>Not applicable.</b> Area of operation extends to the entire country.	Area of operation of RRBs is fixed.
Priority Sector Lending targets	<b>75 per cent</b> of Adjusted Net Bank Credit (ANBC).	<b>40 per cent</b> of ANBC	<b>75 per cent</b> of ANBC	<b>75 per cent</b> of ANBC
Inclusion under Second Schedule to RBI Act, 1934	Prior approval route <b>UCBs fulfilling prescribed criteria</b> are eligible to apply.	Prior approval route <b>All new SCBs after commencement of operations</b> are eligible to apply.	Prior approval route <b>All new SFBs after commencement of operations</b> are eligible to apply.	Prior approval route Newly amalgamated RRBs are <b>Scheduled by RBI on the basis of certificate issued by NABARD.</b> ★

### 3.1.2. REGIONAL RURAL BANKS (RRB)

#### Why in News?

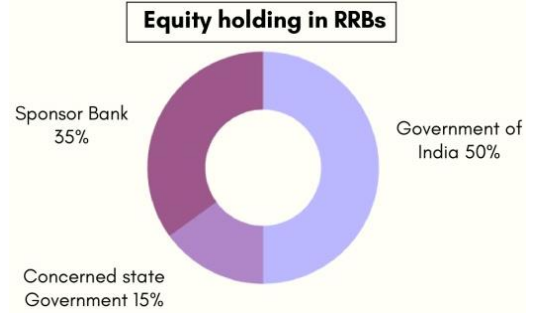
The Union Government had asked **Indian Banks Association (IBA)** to assist in the sustainability push to **RRBs**.

#### More on News

- For RRBs financially sustainable, government will infuse record **₹10,890 crore** into RRBs during **FY22 and FY23**.
  - ₹5,445 crore** will come from Centre while the remaining shareholders, i.e., **states** and **sponsor banks**.

#### About Regional Rural Banks (RRBs)

- RRBs were set up on the recommendations of the **Narasimha Working Group (1975)**, under the provisions of the **Ordinance promulgated in 1975** and **Regional Rural Banks Act, 1976**.
- Objectives of RRBs:** To provide sufficient banking and credit facilities in rural and semi-urban areas. They also provide-
  - Para-banking facilities** like locker facilities, debit and credit cards, mobile and internet banking, etc.
  - Carry out government operations** like disbursement of MGNREGA wages, distribution of pension etc.
- Features:** They are **region-based** and **rural-oriented** with features of a **cooperative bank in customer experience** and of **commercial banks** in mobilization of financial resources.



#### Significance of RRBs

With over **81% of loans to the priority sector** (against benchmark of 75%) and nearly **60% as agriculture advances** out of **total advances**, their role becomes significant in:

- Extending institutional credit** to the weaker section, especially small and marginal farmers.
- Financial Inclusion** by providing basic banking services in the rural areas.
- Increase trust of rural population** in banking services.
- Provide easy and direct finance** to co-operative societies and Self-Help Groups (SHGs).
- Create Employment** in rural India.

#### Problems faced by RRBs

- Financial Viability** due to **high operational cost** and poor **Return on Assets (RoA)**.
  - ROA is a **financial ratio that indicates how profitable a company is in relation to its total assets**. (Calculated by Return on Assets = Total Assets/Net Income).
- Non-fulfillment of 13% Capital Adequacy Ratio (CAR)**, also known as **Capital to Risk (Weighted) Assets Ratio (CRAR)**.

#### Priority Sector Lending (PSL)

The advances made to sectors which are considered important for the development of the basic needs of the country and are to be given priority over other sectors.

#### PSL CATEGORIES



Among these categories, Agriculture has the highest share followed by lending to weaker sections.

- CAR is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.
- **Regulatory discrepancies** as they are supervised by NABARD while their annual plans and financials are monitored by both the RBI and NABARD.
  - The Central Government and the sponsoring bank also have their own control.

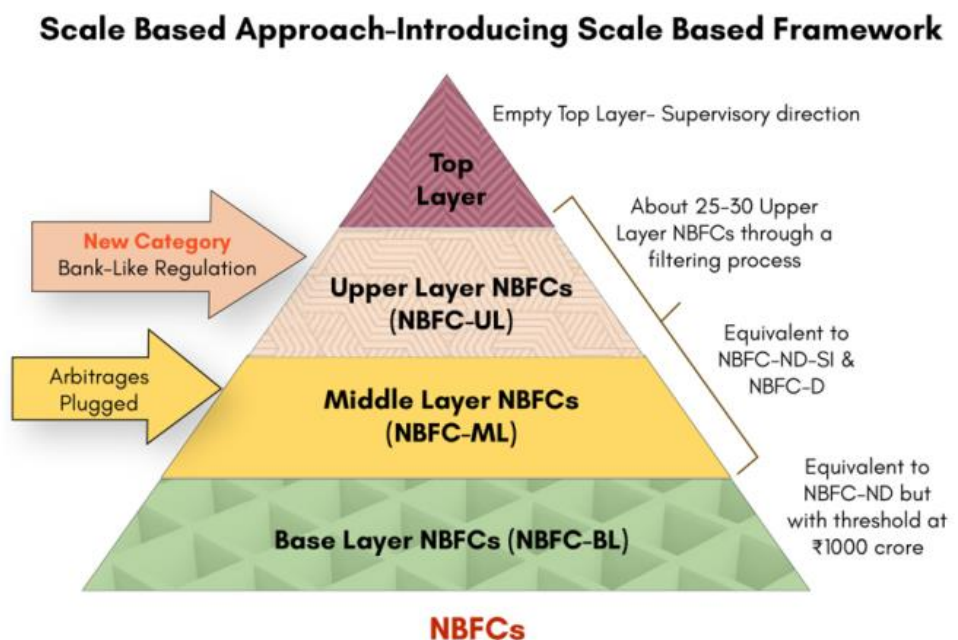
### 3.1.3. NON-BANKING FINANCIAL COMPANIES (NBFCs)

#### Why in News?

Recently, the SC held that state enactments will have no application to NBFCs and RBI Act, 1934 supersedes State enactments.

#### About NBFCs

- NBFCs are **registered entities under the Companies Act** providing bank-like financial services such as loans and advances, acquisition of shares, bonds etc. with no banking licence.
- Also, there are **few differences** between banks and NBFCs. E.g., NBFCs-
  - **Cannot accept demand deposits.**
  - **Do not form part of payment and settlement system** and cannot issue cheques drawn on itself.
  - **No deposit insurance facility is available** to depositors of NBFCs.
- Primarily, NBFCs are **regulated and governed by RBI.**
  - Some NBFCs are regulated by **SEBI, IRDAI, National Housing Bank** etc.
- Recently, RBI tightened NBFCs lending and disclosure guidelines through a **scale-based regulations** whereby NBFCs are **graded into 3 layers** (see diagram).



#### Key highlights of Guidelines

- Aggregate exposure of an upper layer NBFC to any entity must not be higher than 20% of its capital base (board can approve an additional 5%).
  - For **infrastructure finance companies**, it is **30% to a single entity**.
- **To a group of connected entities**, aggregate exposure will be limited to 25% of the capital base for all upper layer NBFCs (35% for infrastructure finance companies).
- Unless sanctioned by the board, **mid-layer and upper layer NBFCs shall not lend more than ₹5 crore to directors, CEO or relatives of directors.**
- **Loans to real estate sector can be provided after prior permission to borrowers from the government or other statutory authorities for the project.**

### 3.1.4. AMENDMENT TO NIDHI RULES, 2014

#### Why in News?

The Central Government has amended Nidhi Rules, 2014 in the light of **sharp rise in number of 'Nidhi' companies.**

#### Key amendments

Aimed at **improving their governance and safeguarding public interest**, under amended rules:



- A public company set up as a Nidhi with share capital of ₹10 lakhs needs to **first get itself declared as a Nidhi from Union government.**
  - Earlier, there was no such need for a company to get declaration.
- Promoters and Directors of company have to **meet the criteria laid down in rules.**

#### About Nidhi company

- Nidhi company (similar to an NBFC) is formed to **borrow and lend money to its members.**
- It inculcates **saving habits among its members** and works on the principle of mutual benefit.
- They don't need **RBI license** but need approval under the Companies Act.
- The **Ministry of Corporate Affairs regulates its operational matters** and RBI has the power to issue directions for its deposit-taking activities.
- **Can't deal with chit funds, hire-purchase finance, leasing finance, insurance, or securities business.** It is strictly **prohibited from accepting deposits** from or lending funds to, any other person **except members.**
- **Only individual members are allowed** in Nidhi companies.

### 3.1.5. FINANCIAL SERVICES INSTITUTION BUREAU (FSIB)

#### Why in News?

Appointments Committee of the Cabinet (ACC) has approved a **government resolution for establishing the Financial Services Institutions Bureau (FSIB) in place of the Banks Board Bureau (BBB).**

#### About Financial Services Institutions Bureau (FSIB)

- It is set up **under the Department of Financial Services (DFS), Ministry of Finance**, to:
  - **Recommend persons for appointment as whole-time directors and non-executive chairpersons** on the Boards of financial services institutions (including public sector banks (PSBs), public sector insurers (PSIs) and financial institutions (FIs)).
  - **Advise on certain other matters relating to personnel management** in these institutions.
  - **Promote excellence in Corporate Governance** in Public Sector Financial Institutions.
- **Other major functions of FSIB include:**
  - To advise the Government on **matters relating to appointments, transfer or extension of term of office** and termination of services of the said directors.
  - To **advise the Government on the desired management structure** at the Board level for PSBs, FIs and PSIs.
  - To build a **databank containing data related to the performance** of PSBs, FIs and PSIs.
  - To advise the Government on **formulation and enforcement of a code of conduct and ethics** for whole-time directors in PSBs, FIs and PSIs.
  - To **help PSBs, FIs and PSIs in terms of developing business strategies** and capital raising plan etc.



## Bank Board Bureau



**Formation:** In 2016 as an autonomous recommendatory body through amendment to the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1980, that provided a legal framework for the composition and functions of the BBB.

◦ It was **recommended by P.J. Nayak committee** set up to prescribe ways to resolve issues plaguing India's Public Sector Banks (PSBs).



**Purpose:** To improve the **Governance of PSBs** by recommending for selection of heads of PSBs and help Banks in developing strategies and capital raising plans.



**Connection with PSBs:** It was a part of the 7-point strategy of the Indra Dhanush Mission aimed at revamping PSBs. ★

#### Composition of FSIB

- **Chairperson of FSIB**, to be nominated by Central Government who shall be:
  - a retired official from the banking sector or a regulatory institution, or
  - a businessperson of repute with sufficient knowledge of the financial sector, or
  - a person with at least 25 years of experience in public administration with experience in banking and the financial sector.
- **Ex officio members:** Secretary in charge of DFS, Department of Public Enterprises, Chairperson of the Insurance Regulatory and Development Authority of India (IRDAI), Deputy Governor of RBI.
- **3 persons with subject matter knowledge relating to PSBs and FIs** and **3 persons with subject matter knowledge relating to PSIs** (to be nominated by the Central Government) as part time members.

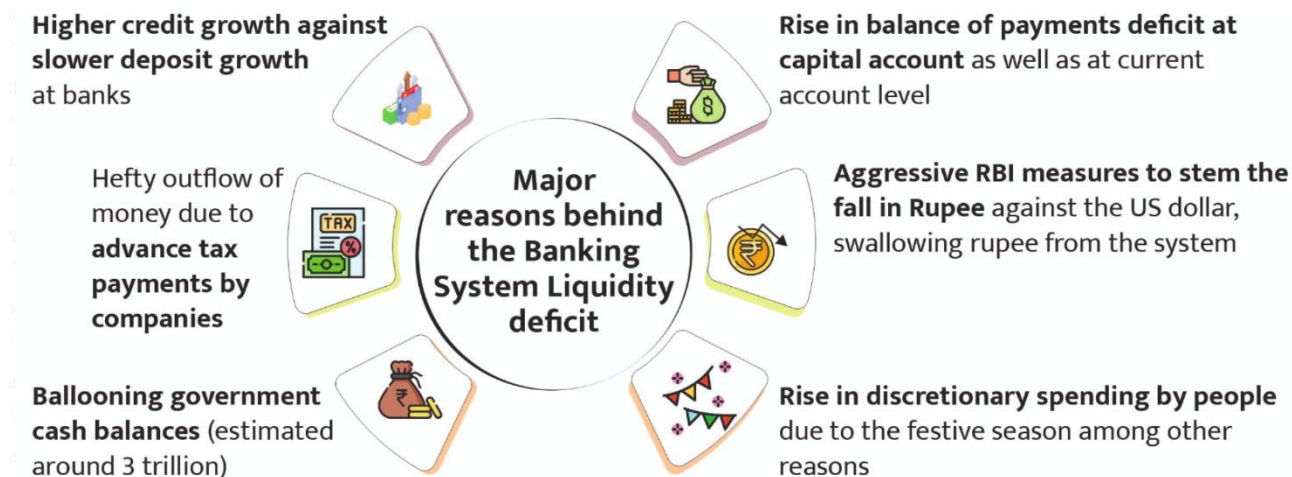
### 3.1.6. BANKING SYSTEM LIQUIDITY

#### Why in News?

After remaining in **surplus mode** since May 2019, the Indian **banking system liquidity** turned into a **deficit mode** in **September 2022**.

#### About Banking System Liquidity and its Significance

- **Meaning:** It is understood through **Liquidity Adjustment Facility (LAF)**, the **primary instrument** of the RBI's operations to **inject or absorb liquidity** into the banking system.
- **Surplus vs. Deficit:** On any given day, if the banking system is a net borrower from the RBI under LAF, the system **liquidity can be said to be in deficit** and if it is a net lender to the RBI, the system **liquidity is in surplus**.



#### Impact of Liquidity Deficit

- **Increase in Deposit rates or Special Deposit Schemes** from banks to get money.
- **Increased cost of borrowed funds** due to rise in **Money Market Rates**. E.g., Yields on Treasury bills or T-bills spiked recently due to tighter liquidity conditions.
- **Potential Repo rate change from RBI** which will increase banks **repo-linked lending rates and the marginal cost of funds-based lending rate (MCLR)**, resulting in higher loan interest rates for consumers.
- **Reduced Demand** which can further lead to **contraction of economic activities**.
- **Increased RBI Difficulties** in maintaining low borrowing costs for growth while continuing with its monetary tightening cycle.

#### KNOW THE TERM

- **T-bills:** They are **short-term debt instruments** issued by the government. They are presently issued in three tenors—91 days, 182 days and 364 days.

## 3.2. ASSET QUALITY AND RESTRUCTURING

### 3.2.1. NON-PERFORMING ASSETS (NPAs)

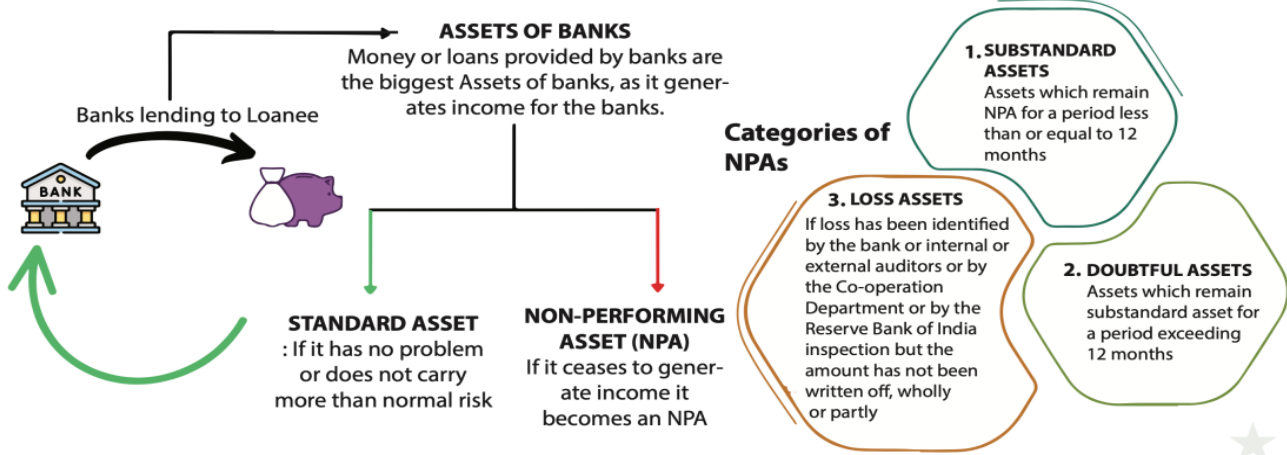
#### Why in News?

RBI's recent '**Report on Trend and Progress of Banking in India 2021-2022**' highlights the banking **Gross NPAs (GNPAs)** declining to **5%** from a **peak of 9%** in **2017-18**.

#### About NPAs

- **Primary assets of banks**, a loan or advance is classified as NPA for which the principal or interest payment is overdue for a period of **90 days** (one quarter).
- It is further categorized under different heads (see **image**).
  - For **Agricultural loans**, the overdue for NPA is **two crop seasons** for short duration crops and **one crop season** for long duration crops.

# Bank's assets and NPAs



## Related News

### EASE Reforms

- **Launched in 2018** (EASE 1.0), EASE reforms are overseen by **Indian Banks' Association (IBA)**.
- Latest EASE reforms, EaseNext consist of two key initiatives:
  - **EASE 5.0** for a common PSB reforms agenda of continued investment in **new-age capabilities** and respond to evolving customer needs, changing competition, and adoption of newer technologies.
  - Bank specific **three-year strategic roadmap**, based on bank's business priorities, going beyond EASE 5.0, including business growth, profitability, risk, customer service, operations, and capability development.

### Inter-operable Regulatory Sandbox (IoRS)

- RBI has announced SOP (Standard Operating Procedure) for IoRS.
- SOPs are prepared by the **inter-regulatory technical group (IRTG) on fintech**, chaired by RBI's fintech department and representatives of SEBI, IRDAI, IFSCA, PFRDA and central government.
  - It provides a framework **to regulate newer fintech products and services** falling in the ambit of more than one financial regulator.
- IoRS is 'a mechanism to facilitate **testing of innovative hybrid financial products / services** falling within the regulatory ambit of more than one regulator'.
- **Key highlights of the framework**
  - **Dominant feature** of the product to **determine influence of the regulator** and regulator under whose jurisdiction such feature will be **principal regulator (PR)** and others will be **associate regulators (AR)**.
  - The dominant position will be decided in two ways:
    - Type of **enhancement to the existing products** like loans, deposits, etc.,
    - Number of **relaxations sought by the entity for undertaking** the test under IoRS.
  - **International Financial Services Centres Authority** will be PR for Indian FinTechs having global ambition and foreign FinTechs seeking entry to India.
  - **IRTG on FinTech** will resolve any coordination issue between PR and AR etc.

## 3.2.2. RECOVERY AND RESTRUCTURING MEASURES

### 3.2.2.1. DEBTS RECOVERY TRIBUNALS (DRTS)

#### Why in News?

Government has created exclusive benches at 3 debts recovery tribunals (DRTs) at **DRTs in Chennai, Mumbai and Delhi** to resolve cases above **₹100 crore**.

#### About DRTs

- **The Recovery of Debts and Bankruptcy Act (RDB Act), 1993** provides for establishment of DRTs with original jurisdiction and Debts Recovery Appellate Tribunals (DRATs) with appellate jurisdiction.
- **Objective of these tribunals** is to provide expeditious adjudication and recovery of debts due to Banks and Financial Institutions.
- It also hears cases filed under **The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002**.
  - **SARFESI Act** guards financial institutions from loan defaulters by allowing them to take control of securities pledged against the loan, manage or sell them to recover dues **without court intervention**.



- It is **applicable throughout the country** and covers all assets, **movable or immovable**, promised as security.
- It comes into play **if a borrower defaults on his or her payments for more than six months**
- At present, **39 DRTs and 5 DRATs are functioning across the country.**

### 3.2.2.2. ASSET RECONSTRUCTION COMPANIES (ARCS)

#### Why in News?

RBI has amended regulatory framework for ARCs based on the **Sudarshan Sen Committee** recommendations.

#### About ARC

- ARC is a company which is set up to provide a **focused approach to Non-Performing Assets resolution** on recommendations of **Narasimham Committee- II**.
- It is a company **registered under Section 3 of SARFAESI Act, 2002**.
- It is **regulated by RBI** as a Non-Banking Financial Company.

#### Key guidelines are:

- **Eligible ARCs:** With a **minimum net owned fund** of ₹1000 crore to act as **resolution applicants** under the **Insolvency and Bankruptcy Code (IBC) 2016**.
  - Earlier, **SARFAESI Act prohibited ARCs from doing other activities than that of securitization or asset reconstruction, without RBI's permission.**
  - IBC provides for a **time-bound process for resolving insolvency** in companies and among individuals.
- **Raised minimum capital requirement** for setting up an ARC to ₹300 crore from the existing ₹100 crore in a phased manner.
- **Changes in corporate governance norms**, like to **constitute an Audit Committee**, which shall comprise of non-executive directors only.

#### Related News

##### National Asset Reconstruction Co Ltd (NARCL) and India Debt Resolution Co. Ltd (IDRCL)

- **Bad Bank or National Asset Reconstruction Co Ltd (NARCL)** is a corporate structure (announced in 2021 Budget) that **isolates risky assets held by banks in a separate entity**.
- **Under the approved structure, bad bank will consist:**
  - **NARCL:** To acquire and aggregate NPA/ bad loan accounts,
    - ✓ **Majority stake in NARCL:** Public Sector Banks (with Canara Bank as Sponsor).
  - **IDRCL:** For management and value addition and will handle the debt resolution process,
    - ✓ **Majority stake in IDRCL:** Private sector banks.

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### 3.3. MONETARY POLICY

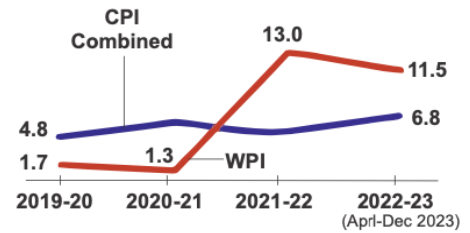
#### 3.3.1. INFLATION IN INDIA

## Inflation



What is it?

Inflation is a macroscopic phenomenon representing a **general rise in goods and services prices** in an economy over time.



#### Major Inflation Indexes in India



##### WPI Wholesale Price Index

WPI is based on the share of the respective items in total whole-sale transactions in the economy at first point of sale.

**Released By: Office of the Economic Adviser,** Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industries.



##### CPI (CONSUMER PRICE INDEX)

Also known as **retail inflation**, CPI based inflation reflects the price **movements at the retail level**.

**Released by: National statistical office (NSO),** under the Ministry of Statistics and programme implementation.



##### CFPI (CONSUMER FOOD PRICE INDEX)

CFPI is a measure of change in retail prices of food products consumed by a population group in a given area with reference to a base year.

**Released by: National Statistics Office (NSO).** It is released in three categories: rural, urban and combined- on all India basis from May 2014, with 2012 as base year.



#### Factors responsible for divergence In WPI & CPI-based Inflation



**Conceptual Difference, i.e.** the difference of purpose and design with CPI reflecting price movement at retail level while WPI represents at wholesale.



**Variation of items and weights** of specific commodities in Indices. E.g. In **CPI, food and beverages have the highest weight of above 45%** while in **WPI manufactured products have over 64% weight.**



#### Negatives Of High Inflation



High & Persistent **Inflation decreases savings** due to negative returns



It **worsens income distribution** as poor keeps higher cash in-hand



It **impedes economic growth** by impacting allocative **efficacy** of economy



**Increased financial stability** risk on foreign currency borrowers due to weakening of exchange rate



It can **widen Current Account Deficit** due to increased demand for gold as hedge



It **undermines macro-economic stability &** erodes external competitiveness

### 3.3.2. INFLATION TARGETING

#### Why in News?

The average headline consumer price index inflation (CPI-Inflation) in India stayed above 6% for three continuous quarters due to supply shocks such as pandemic lockdowns, supply chain disruptions, elevated commodity prices and Ukraine war.

#### About Inflation Targeting Framework

- **Price stability** is a necessary precondition for macroeconomic and financial stability, making it the dominant objective of the monetary policy.
- Under **Inflation Targeting Framework**, the central bank specifies an inflation rate as a goal and adjusts its monetary policy to achieve the specified annual inflation rate.

KNOW THE TERM

**Consumer Price Index(CPI):** The index numbers used to calculate the retail inflation of a nation constitute the CPI, which is also known as the "market basket", and is responsible for tracking the shift in prices at the level of the household.

#### Flexible Inflation Targeting Framework in India

- Based on the **Urjit Patel committee recommendation (2014)**, Government of India and RBI also signed the **Monetary Policy Framework Agreement** in 2015.

- The **RBI Act, 1934** was amended in 2016 to:



### Monetary Policy Committee (MPC)



**Composition:** 3 internal members of RBI (including RBI Governor as Chairman) and 3 external members appointed by government.



**Decision-making:** One vote of each member with RBI Governor having a second or casting vote in case of equality of votes.



**Meeting:** MPC is required to meet at least four times in a year.



**Quorum:** At least four members present for the meeting of the MPC.

o Make **inflation targeting** the nominal anchor of RBI's monetary policy (**Section 45ZA of RBI Act**),

o Have a statutory and institutionalized framework for **Monetary Policy Committee (MPC) (Section 45ZB)**.

- **MPC is a six-member body** to set the **policy rate** (repo rate) to achieve the **inflation target** while keeping in mind growth objectives.
  - o The Inflation target is set by the Government of India, in consultation with RBI, once in every **five years**.
  - o Currently, it is **4% CPI inflation target** with +/- 2% as **upper and lower tolerance limit**.
- If average inflation remains above upper tolerance or lower tolerance level for any three consecutive quarters, RBI shall set out in a report to the Central Government.
  - o **Reasons for failure** to achieve inflation target.
  - o **Remedial actions proposed** by RBI.
  - o **Estimated time-period** within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

#### Different Types of Policy Stances

<b>Accommodative Stance</b>	• When the central bank is prepared to <b>expand the money supply</b> to boost economic growth, i.e. willingness to <b>cut policy rate</b> .
<b>Neutral Stance</b>	• When the central bank can either <b>cut rate</b> or <b>increase policy rate</b> . It is usually adopted when policy priority is <b>equal to inflation and growth</b> .
<b>Hawkish Stance</b>	• When the central bank is prepared to <b>curb the money supply</b> to keep the inflation low, i.e., willingness to increase policy rate.
<b>Calibrated Tightening</b>	• <b>Another term to represent the rate hike in a calibrated manner</b> , i.e., tilt towards rate hike but no necessary policy rate hike at every policy meeting.



### 3.3.3. PRICE MONITORING CENTRES (PMC)

#### Why in News?

The Ministry of Consumer Affairs, Food & Public Distribution suggested having price monitoring centres for critical goods in all districts of India.

#### More about news

- Centre intends to have **750 price monitoring centres by March 31<sup>st</sup> 2023**.
- As per current status, **50% will be funded by State government** and **50% will be funded by Central Government** for infrastructure.

#### Current setup for Price Monitoring

- Price Monitoring Division (PMD)** in the Department of Consumer Affairs is responsible for monitoring prices of selected essential commodities.
  - It monitors the **retail and wholesale prices**, and **spot and future prices** of selected essential commodities on a daily basis.
  - State Civil Supplies Departments** of the respective State Governments report the price on the **PMS App** daily about 22 essential food products.
- 22 essential food commodities** monitored based on data collected from 340 market centres spread across the country.
- To cross-check accuracy of prices reported by centres from States/UTs, **services of FCI and NAFED are utilised**.



#### Benefits of PMC

- Control Inflation** as essential commodities prices will be monitored through PMC and controlled by centre.
- Protect Consumer interests** in terms of quality, quantity, standards, testing and benchmarks through BIS, NTH, Legal Metrology and National Consumer Helpline.
- Use of e daakhil portal** for online filing of consumer complaints as PMC will be able to take action fast.
- Market intervention** through regular retail price reviews.

### 3.3.4. STANDING DEPOSIT FACILITY (SDF)

#### Why in News?

In its **first bi-monthly policy review (FY23)**, the **Monetary Policy Committee (MPC)** has introduced **Standing Deposit Facility (SDF)** as the floor in the **Liquidity Adjustment Facility (LAF) corridor**.

#### Standing Deposit Facility (SDF)

- SDF is a **liquidity management instrument** to absorb liquidity (deposit) from Scheduled Commercial banks (SCBs) **without any collateral/government securities** in return.
  - It was first recommended by the **Urjit Patel Committee in 2014** as a tool to manage liquidity.
- In **2018, Section 17** of the **RBI Act, 1934** was amended to empower the RBI to introduce SDF as an additional tool for absorbing liquidity without any collateral.
- SDF will replace the **Fixed Rate Reverse Repo (FRRR)** as the **floor** of the **LAF corridor**.
- Deposits under the SDF won't be eligible for the **Cash Reserve Ratio (CRR)** maintenance under **Section 42** of the **RBI Act, 1934**, but they will be an eligible asset for maintenance of the **Statutory Liquidity Ratio (SLR)** under **Section 24** of the **Banking Regulation Act, 1949**.
- Need for SDF:** To manage **surplus liquidity** due to Covid-19.
- Other Liquidity Management Instruments:** Targeted Long-Term Repo Operations (TLTROs), Open Market Operations (OMOs) etc.



## Differences between the Terms associated with Liquidity Management

Term (Rate)	Meaning	Collaterals	Function
<b>Reverse Repo rate</b>	It is the rate which RBI pays to SCBs to park their excess funds with RBI. (It is available at RBI's discretion.)	<b>Yes</b> (From RBI to Banks)	Tool to <b>control inflation</b> by absorbing liquidity.
<b>Standing Deposit Facility</b>	Newly introduced facility for SCBs to park their excess funds with RBI. (It is available at Bank's discretion)	<b>No</b>	Tool for liquidity <b>management</b> and <b>financial stability</b> .
<b>Repo rate</b>	It is the rate at which RBI lends money to SCBs.	<b>Yes</b> (From Banks to RBI)	Tool to <b>regulate liquidity</b> in the economy
<b>Marginal Standing Facility or MSF</b>	It is a <b>short-term borrowing window</b> for SCBs to get overnight funds from RBI in case of serious cash shortage or the asset-liability mismatch. <b>Its maximum limit is 2% of Banks Net Demand and Time Liabilities (NDTL).</b>	<b>Yes</b> (From Banks to RBI)	<b>Short-term loans</b> from RBI to help SCBs.

### Related News

#### Regulations Review Authority (RRA 2.0)

- Set up in 2021 by RBI, the RRA 2.0 submitted its report with final set of recommendations.
  - RRA 1.0 was set up in 1999 to streamline RBI procedures and simplify regulatory prescriptions.

#### Objective of RRA 2.0:

- Reduce the compliance burden on **Regulated Entities (REs)** like SCBs/ RRBs/ UCBs/ NBFCs, etc. by streamlining the **regulatory instructions** and **rationalizing reporting requirements**.
- REs are the entities regulated by RBI under the **RBI Act (1934)**, **The Banking Regulation Act (1949)** **The Payment & Settlement Systems Act (2007)** etc.

## 3.4. KEY CONCEPTS ON BANKING AND MONETARY POLICY

<b>Counter-Cyclical Capital Buffer (CCCB)</b>	<ul style="list-style-type: none"> <li>Following <b>Basel-III norms</b>, central banks specify certain capital adequacy norms for banks in a country. CCCB is a part of such norms and is calculated as a <b>fixed percentage of a bank's risk-weighted loan book</b>.                             <ul style="list-style-type: none"> <li>In India, framework on CCCB was put in place by RBI in 2015.</li> </ul> </li> <li><b>Aim of CCCB regime is two-fold:</b> <ul style="list-style-type: none"> <li>It requires banks to <b>build up a buffer of capital in good times</b> which may be used to maintain flow of credit to the real sector in difficult times.</li> <li><b>It restricts banks from indiscriminate lending</b> in the periods of excess credit growth that have often been associated with the building up of system-wide risk.</li> </ul> </li> </ul>
<b>Bancassurance</b>	<ul style="list-style-type: none"> <li>Bancassurance is an <b>arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base</b>.</li> <li><b>Banks earn additional revenue</b> by selling insurance products, and <b>insurance companies expand their customer bases</b> without increasing their sales force.</li> </ul>
<b>Credit-Deposit (CD) Ratio</b>	<ul style="list-style-type: none"> <li>CD ratio tells how much of <b>money banks have raised in form of deposits</b> has been <b>deployed as loans</b>.</li> <li><b>A low CD ratio suggests relatively poor credit growth</b> compared with deposit growth indicating banks are <b>not making full use of their resources</b>.</li> <li><b>A high CD ratio means strong demand for credit</b> with relatively slower deposit growth. If ratio is above a certain level, it indicates pressure on resources.</li> </ul>

<b>Prompt Corrective Action (PCA) Framework</b>	<ul style="list-style-type: none"> <li>• The <b>PCA framework</b> is imposed when a bank breaches certain regulatory thresholds on capital to risk weighted assets ratio (CRAR), net NPAs and return on assets (RoA).</li> <li>• <b>Various action under PCAs include</b> <ul style="list-style-type: none"> <li>○ Restriction on dividend distribution/remittance of profits.</li> <li>○ Restriction on branch expansion; domestic and/or overseas.</li> </ul> </li> </ul>
<b>Loan waive-off</b>	<ul style="list-style-type: none"> <li>• A loan waive-off is a <b>complete cancellation of a loan account</b>. This means that the borrower is free from that particular debt. E.g.           <ul style="list-style-type: none"> <li>○ Loan waive-off <b>provided by the government to farmers</b> at times of natural calamities.</li> </ul> </li> </ul>
<b>Loan write-off</b>	<ul style="list-style-type: none"> <li>• It is the movement of defaulted loan/NPA <b>from assets side and reports it as a loss</b> by lender.</li> <li>• Bank's writes off a loan after the borrower has defaulted on the <b>loan repayment and there is a very low chance of recovery</b>; reducing bank NPAs.           <ul style="list-style-type: none"> <li>○ It does not take away the <b>bank's right of recovery from the borrower through legal means</b>. In the last five years, the banks write-offs is around ₹10 lakh crore, out of which banks were able to recover ₹1,32,036 crore.</li> </ul> </li> </ul>
<b>Marginal Cost of Funds Based Lending Rate (MCLR)</b>	<ul style="list-style-type: none"> <li>• <b>Instituted by RBI in 2016</b>, it is the <b>lowest interest rate that a bank or lender can offer</b>, except in some cases allowed by the RBI.           <ul style="list-style-type: none"> <li>○ Thus, it is an <b>internal benchmark or reference rate for the bank</b>.</li> </ul> </li> <li>• It is calculated on the basis of <b>four components</b>: marginal cost of funds, negative carry-on account of cash reserve ratio, operating costs and tenor premium.           <ul style="list-style-type: none"> <li>○ Tenor means that the amount of time left for the repayment of a bank loan.</li> </ul> </li> <li>• <b>Benefits: Transparency in financial institutions</b> while determining their interest rates.           <ul style="list-style-type: none"> <li>○ According to RBI, it is more effective than the erstwhile <b>Base rate</b> method.</li> </ul> </li> </ul>
<b>Financial Stability Report (FSR)</b>	<ul style="list-style-type: none"> <li>• FSR is a <b>bi-annual report</b> from RBI that reflects <b>risks to financial stability</b> and the <b>resilience of Indian financial system (Global FSR is released by IMF)</b>.</li> <li>• Latest FSR highlighted improved ability <b>of banking system to absorb macro shocks without further capital infusion</b> due to:           <ul style="list-style-type: none"> <li>○ <b>Improved Capital to risk weighted assets ratio (CRAR)</b> of scheduled commercial banks (SCBs).</li> <li>○ Declining <b>Gross non-performing asset (GNPA)</b> and Net NPA (NNPA).</li> <li>○ <b>Improved Provisioning Coverage Ratio (PCR)</b>.</li> </ul> </li> </ul>
<b>Reserve bank-Integrated ombudsman Scheme</b>	<ul style="list-style-type: none"> <li>• The Scheme integrates the <b>existing three Ombudsman schemes of RBI</b> namely,           <ul style="list-style-type: none"> <li>○ The Banking Ombudsman Scheme, 2006</li> <li>○ The Ombudsman Scheme for Non-Banking Financial Companies, 2018; and</li> <li>○ The Ombudsman Scheme for Digital Transactions, 2019.</li> </ul> </li> <li>• It provides for a <b>single window for resolution of complaints</b> not resolved <b>within 30 days</b> or not resolved satisfactorily by banks/NBFCs/system participants regulated by RBI.</li> <li>• Aimed to <b>improve the grievance redress mechanism</b>, it defines '<b>deficiency in service</b>' as the ground for filing a complaint, with a specified list of exclusions.           <ul style="list-style-type: none"> <li>○ A <b>Centralized Receipt and Processing Centre has been set up at RBI</b>, Chandigarh for receipt and initial processing of physical and email complaints in any language.</li> </ul> </li> </ul>
<b>DAKSH</b>	<ul style="list-style-type: none"> <li>• DAKSH is a <b>web-based end-to-end workflow application</b>, launched by RBI, which will <b>monitor compliance requirements</b> in a more focused manner.</li> <li>• <b>Objective: Further improve the compliance culture</b> in Supervised Entities (SEs) like Banks, NBFCs, etc.</li> <li>• The <b>application will also enable seamless communication, inspection planning, execution, cyber incident reporting</b>, and analysis, which enables anytime-anywhere secure access.</li> </ul>
<b>Small Finance Banks (SFBs)</b>	<ul style="list-style-type: none"> <li>• SFBs are <b>registered as a public limited company</b> under the Companies Act, 2013 and are licensed under <b>Section 22 of the Banking Regulation Act, 1949</b>.           <ul style="list-style-type: none"> <li>○ Announced during Union Budget 2014-15, RBI issued the <b>guidelines in November 2014</b>.</li> </ul> </li> <li>• The prime objective for setting up SFBs was <b>furthering financial inclusion</b> by serving primarily to <b>unserved and underserved sections</b> of the population.</li> <li>• They are required to extend <b>75% of credit</b> to the sectors eligible for classification as <b>PSL</b>.</li> <li>• <b>Minimum paid-up equity capital</b> for small finance banks is <b>₹200 crore</b>.</li> <li>• <b>Listing is mandatory</b> for SFBs within three years of their net worth reaching ₹500 crore.</li> <li>• <b>Challenges: High cost of borrowing, sharp deceleration in loan growth</b> since the pandemic struck last year, etc.</li> </ul>
<b>Account Aggregator (AA) System</b>	<ul style="list-style-type: none"> <li>• Unveiled in 2021, AA system is a <b>type of RBI regulated entity (with an NBFC-AA license)</b> that helps an individual securely and digitally access and share information from one financial institution to another in the AA network.</li> <li>• <b>Significance of AA system</b> <ul style="list-style-type: none"> <li>○ <b>Consolidated dashboard</b> of all bank accounts of user in one place.</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Reduce instances of misuse of account-related data shared in physical form.</li> <li>○ User controlled data sharing as Data will be shared only on user's consent.</li> </ul>	<p><b>UNDERSTANDING THE ACCOUNT AGGREGATOR FRAMEWORK</b></p> <p>The Account Aggregator by RBI/SEBI/PFRDA/IRDA will facilitate consented sharing of financial information in real-time</p> <p>— Request for data — Consent to share — Encrypted data flow</p>
<p><b>Cost Inflation Index (CII)</b></p>	<ul style="list-style-type: none"> <li>• The <b>Income Tax Department</b> has notified the CII for current FY.</li> <li>• The CII is notified every year under <b>Income Tax Act, 1961</b> to match the prices to inflation rate based on the Consumer Price Index or CPI (urban).             <ul style="list-style-type: none"> <li>○ CII= 75% average increase in CPI for the immediate previous year</li> </ul> </li> <li>• It is used by a taxpayer to compute long-term capital gains (LTCG) arising out of the sale of capital assets after adjusting for inflation.</li> </ul>	
<p><b>London Interbank Offered Rate (LIBOR)</b></p>	<ul style="list-style-type: none"> <li>• LIBOR is the <b>global reference rate</b> for unsecured short-term borrowing in interbank market.             <ul style="list-style-type: none"> <li>○ It acts as <b>benchmark for short-term interest rates</b> and used for currency rate swaps and mortgages.</li> <li>○ It is <b>administered by Intercontinental Exchange</b>.</li> <li>○ It is computed for five currencies: Swiss franc, euro, pound sterling, Japanese yen and US dollar.</li> <li>○ It is an <b>indicator of health of financial system</b> and provides an idea of <b>trajectory of impending policy rates</b> of central banks.</li> <li>○ Indian equivalent is known as <b>Mumbai Inter-Bank Offer Rate (MIBOR)</b> calculated by National Stock Exchange of India.</li> </ul> </li> </ul>	
<p><b>Bond yield curve inversion</b></p>	<ul style="list-style-type: none"> <li>• Yield curve is the graphical representation of yields from bonds. <b>Under normal circumstances, as one lends for a longer duration, one gets higher yields.</b></li> <li>• However, there are times when this bond yield curve becomes inverted (bonds with shorter tenure end up paying higher yields than bonds with longer tenure) <b>which suggests that investors expect future growth to be weak.</b></li> <li>• This is a strong predictor of <b>recessions</b>.</li> </ul>	
<p><b>Yield Curve Control (YCC)</b></p>	<ul style="list-style-type: none"> <li>• The <b>Japanese Yen</b> has declined further as the <b>Bank of Japan</b> has stuck with its policy of <b>yield curve control</b>.</li> <li>• <b>Yield control curve</b>, also referred as <b>interest rate caps</b>, aims to control interest rates along some portion of the yield curve.             <ul style="list-style-type: none"> <li>○ It involves <b>targeting a longer-term interest rate</b> by a <b>central bank</b>, then <b>buying or selling</b> as many bonds as necessary to <b>hit that rate target</b>.</li> </ul> </li> <li>• Different from <b>Quantitative Easing (QE)</b> and <b>short-term interest rate targets</b>, YCC focuses on <b>bond prices</b> and provides economic stimulus as short-term rates near zero.             <ul style="list-style-type: none"> <li>○ It helps to <b>prevent recession</b> or <b>lessen its impact</b>.</li> </ul> </li> </ul>	
<p><b>Global Stagflation</b></p>	<ul style="list-style-type: none"> <li>• <b>Global stagflation (slowdown in growth and increase in consumer price inflation)</b> can impact domestic growth and inflation through multiple channels.             <ul style="list-style-type: none"> <li>○ Lower external demand <b>drags down export demand and overall domestic demand</b> and growth.</li> <li>○ Higher global commodity prices <b>increase domestic inflation through direct and cost-push channels</b> and dampen domestic growth through weakening of aggregate demand.</li> </ul> </li> <li>• Higher global inflation and global interest rates impact capital flows, <b>putting downward pressures on the domestic currency</b>.</li> </ul>	
<p><b>Provisions related Design</b></p>	<ul style="list-style-type: none"> <li>• Any change in design of a <b>currency note</b> has to be approved by the <b>RBI's Central Board and the Central government</b>.</li> </ul>	

of rupee notes and coins	<ul style="list-style-type: none"> <li>○ Reserve Bank of India Act, 1934, gives RBI the “sole right” to issue banknotes in India.</li> <li>• The Coinage Act, 2011 gives the central government the power to design and mint coins in various denominations.</li> </ul>
Handbook Of Statistics on Indian States	<ul style="list-style-type: none"> <li>• It is being released annually, by Reserve Bank of India, since 2016.</li> <li>• It contains comparable data at one place for different States on various dimensions – economic, social, and demographic, over various time periods ranging from 1951 to 2021-22.               <ul style="list-style-type: none"> <li>○ In current edition two new sections – Health and Environment have been introduced.</li> </ul> </li> </ul>
Legal Entity Identifier (LEI)	<ul style="list-style-type: none"> <li>• Recently, RBI has extended the guidelines on LEI to large borrowers of NBFCs and Primary (Urban) Co-operative Banks (UCBs).</li> <li>• LEI is a 20-character alpha-numeric code which is used to create a global reference data system that uniquely identifies every legal entity in any jurisdiction that is party to a financial transaction.</li> <li>• LEI improves the quality and accuracy of financial data reporting systems for better risk management.</li> </ul>

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# 4. PAYMENT SYSTEMS AND FINANCIAL MARKETS

## 4.1. PAYMENT SYSTEMS

### 4.1.1. INDIAN PAYMENT SYSTEM

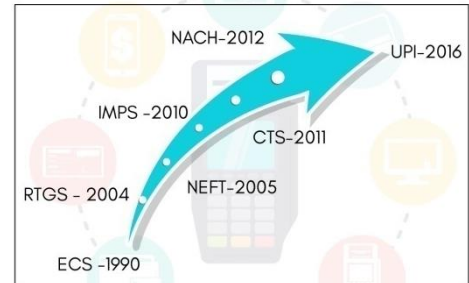
#### Why in News?

RBI has unveiled 'Payments Vision 2025', to outline the thought process for the period up to December 2025.

#### Payment System in India

- **Payment System** is regulated and supervised by RBI under the **Payment and Settlement Systems Act, 2007**.
- **Importance of Payment System:** It plays a vital role in **economic development, financial stability, and financial inclusion**.
- **The Indian payment system is fast becoming digital** with UPI, IMPS and Prepaid Payment Instruments (PPI) transactions registering a CAGR of **104%, 39% and 13%** respectively between 2019 and 2021.
  - At the same time, **share of paper instruments in total retail payments** declined from **3.83%** to **0.88%** in terms of volume.

#### Evolution of Digital Payments Ecosystem in India



ECS - Electronic Clearing Services;  
 RTGS - Real Time Gross Settlement;  
 NEFT - National Electronic Fund Transfer;  
 IMPS - Immediate Payment Service;  
 CTS - Cheque Truncation System;  
 NACH- National Automated Clearing House;  
 UPI- Unified Payments Interface;

#### Payments Vision 2025

- Building upon the **four goalposts (competition, cost, convenience, and confidence)** of the Payments Vision 2021, the **Payments Vision 2025** has set **five anchor goalposts** as:
  - **Integrity, Inclusion, Innovation, Institutionalization and Internationalization** for enhanced outreach, customer centricity, cyber security, and digital deepening.
- **Core Theme: E-payments for everyone, everywhere, everytime (4Es).**
- **Vision:** Provide every user with **Safe, Secure, Fast, Convenient, Accessible, and Affordable** e-payment options.

#### Related News

##### Aadhaar-enabled Payment System (AePS)

- **UIDAI has introduced a new security layer in AePS** - called **liveliness of fingerprints** to prevent use of fake fingerprints to fraudulently withdraw money.
- AePS is a bank led model which **allows online interoperable financial inclusion transaction at PoS (MicroATM) through Business correspondent** of any bank using the Aadhaar authentication.
- AePS is **provided by NPCI** (National Payments Corporation of India). Only inputs required for a customer to do a transaction are **Bank Name, Aadhar Number and Fingerprints**.

### 4.1.2. OTHER DEVELOPMENTS IN PAYMENT SYSTEMS

<p><b>Reserve Bank of India - Digital Payment Index (RBI-DPI)</b></p>	<ul style="list-style-type: none"> <li>• <b>RBI-DPI</b> has demonstrated <b>significant growth</b> (between March 2021- March 2022) indicating <b>rapid adoption and deepening of digital payments</b> across the country.                     <ul style="list-style-type: none"> <li>○ RBI-DPI was launched on 01 January 2021 with <b>March 2018 as the base period</b>.</li> </ul> </li> <li>• <b>RBI-DPI comprises 5 broad parameters</b> that enable measurement of deepening and penetration of digital payments in the country.</li> </ul>	<h4>RBI-DPI Parameters</h4>
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Storage of Payment System Data (SPSD)	<ul style="list-style-type: none"> <li>Issued in 2018, RBI directive advises all payment system providers to ensure that their <b>entire data relating to payment systems operated by them is stored in a system only in India.</b> <ul style="list-style-type: none"> <li>It includes <b>Payment System providers (under Payment and Settlement Systems Act, 2007)</b>; banks and any other entity in payments ecosystem providing payment services in India.</li> <li><b>CERT-In empaneled auditor audits the system</b> and data can be <b>shared with overseas regulator only after RBI approval.</b></li> </ul> </li> </ul>
Bharat Bill Payment System (BBPS)	<ul style="list-style-type: none"> <li>RBI has <b>reduced the minimum net worth requirement</b> for non-bank Bharat Bill Payment Operating Units (BBPOUs) from ₹100 crore to ₹25 crore.</li> <li>BBPS is <b>RBI-conceptualized system</b> driven by National Payments Corporation of India (NPCI).</li> <li>Objective of BBPS: <b>To implement an integrated bill payment system</b> that offers interoperable and accessible bill payment services (electricity, telecom, gas etc.) <b>to customers through a network of agents</b>, enabling multiple payment modes, and <b>providing instant confirmation of payment.</b></li> <li>It has a <b>centralized customer grievance redress mechanism</b> and a <b>uniform customer convenience fee.</b></li> </ul>
Merchant discount rate (MDR)	<ul style="list-style-type: none"> <li><b>MDR is the cost paid by a merchant to a bank for accepting payment</b> from customers via digital means.</li> <li>It is expressed in <b>percentage of transaction amount.</b></li> </ul>
Financial Intelligence Unit India (FIU-IND)	<ul style="list-style-type: none"> <li>FIU-IND, set up in <b>2004</b>, is an <b>independent central national agency</b> responsible for <b>receiving, processing, analyzing, and disseminating information</b> relating to suspect financial transactions to enforcement agencies and foreign FIUs. <ul style="list-style-type: none"> <li>It reports to <b>Economic Intelligence Council (EIC)</b> headed by <b>Finance Minister.</b></li> </ul> </li> <li>FIU-IND is a member of <b>Egmont Group</b>, a united body of <b>166 FIUs.</b></li> <li>Egmont Group provide FIUs a platform to securely exchange expertise and financial intelligence to <b>combat money laundering, terrorist financing</b> etc.</li> </ul>

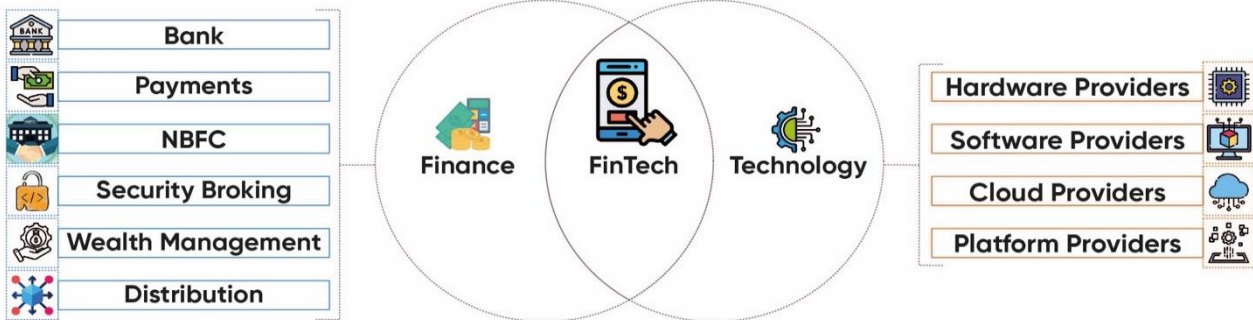
## 4.2. FINTECH

# Financial Technology (FinTech)



### What is it?

Financial technology (Fintech) is described as a **new technology that works towards enhancing and automating the delivery and use of financial services.**



### Key facts about the FinTech Industry

 **RBI is the Primary Regulator (PR)** of fintech in India.\*

 Indian FinTech industry was **valued at \$50-60 bn in FY20**

 **India is currently World's 3<sup>rd</sup> largest FinTech Ecosystem**

\***International Financial Services Centres Authority (IFSCA)** will be PR for Indian FinTechs having global ambition and foreign FinTechs seeking entry to India.



### 4.2.1. CENTRAL BANK DIGITAL CURRENCY

#### Why in news?

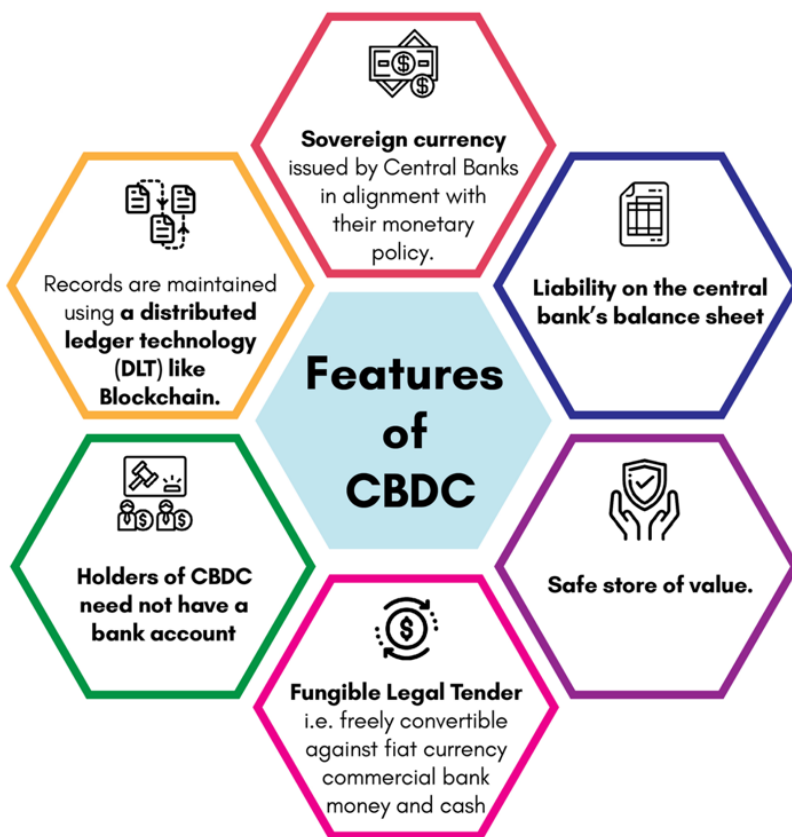
RBI has launched a pilot project on **Central Bank Digital Currency (CBDC)** along with a Concept Note on it.

#### More on news

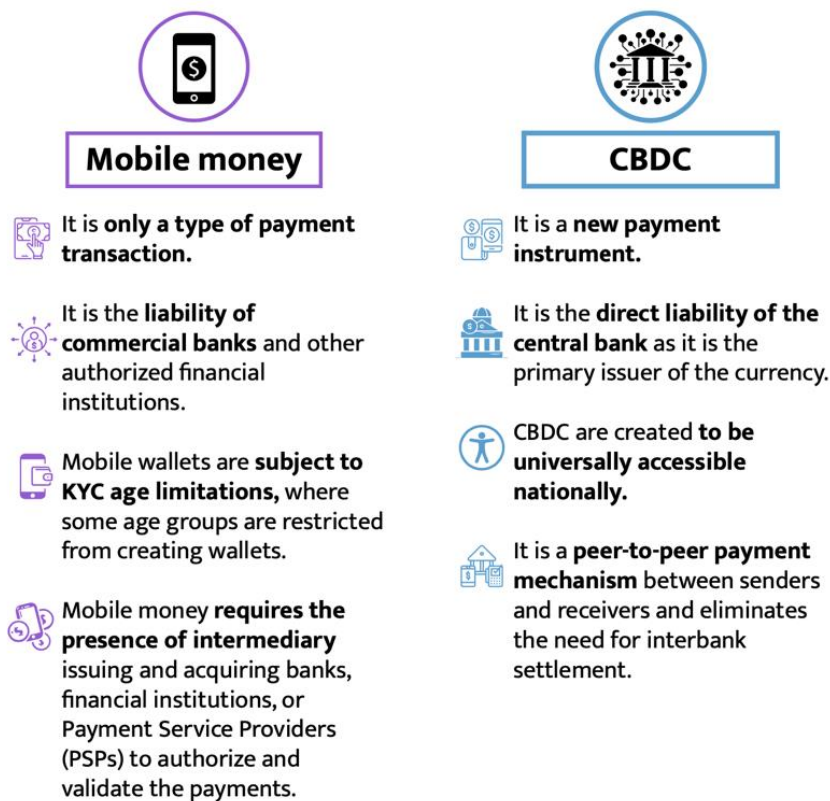
- It aims to **create awareness about CBDCs in general and the planned features of the digital Rupee**, in particular.
- It called for the amendment of the **RBI Act, 1934** to include **Digital Rupee** in the definition of the term **“bank note”**.

#### Digital Rupee as proposed by Concept note

- As per the concept note, the **design of the Digital Rupee or e₹**, will be based on the **circumstances and need** so that it is compatible with the goals of financial and monetary stability.
- Accordingly, **two forms of CBDCs may be introduced:**
  - **CBDC-Retail:** potentially available for use by all private sector, non-financial consumers, and businesses.
  - **CBDC-Wholesale:** designed for restricted access by financial institutions.
- **e₹** can be structured as **‘token based’ or ‘account-based’**.
  - **Token-based CBDC is a bearer instrument like banknotes;** whose holder is presumed to own them.
  - **Account-based system would require maintenance of record of balances and transactions** of all holders of the CBDC.
- **Principle of Managed Anonymity** may be followed i.e., “anonymity for small value and traceable for high value,” akin to anonymity associated with physical cash.



## CBDC VS MOBILE MONEY





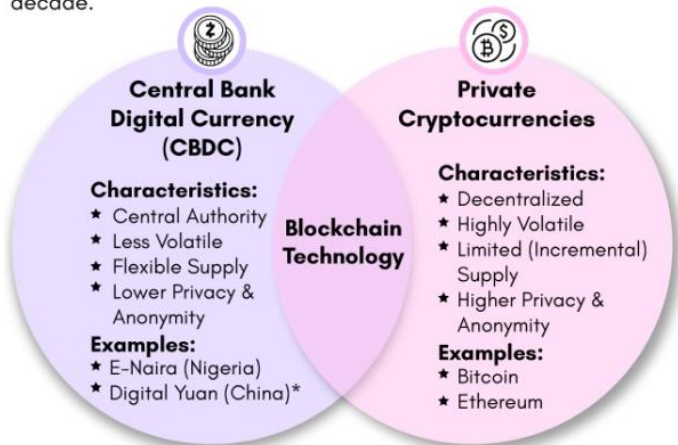
- CBDC in India would be based on the **Two-tier, Indirect model** and **non-remunerative** i.e. Non-interest bearing.

### About Central Bank Digital Currency (CBDC)

- RBI defines CBDC as the **legal tender issued by a central bank in a digital form.**
- It is pegged to the value of that country's fiat currency and adds digital form to existing physical form of bank note (**Finance Bill 2022**).
- Under the **RBI Act (1934)**, RBI has the **sole right to issue bank notes** in India.
  - Only coins, under the **Coinage Act (2011)** and ₹1 note are issued by central government.

### What a CBDC is not?

CBDC is a digital or virtual currency but it is **not comparable to the private cryptocurrencies** that have mushroomed over the last decade.



#### Related News

#### Crypto-Asset Reporting Framework (CARF)

- Released by OECD, the CARF provides for **reporting of tax information on transactions in Crypto-Assets** in a standardized manner, with a view to automatically exchanging such information.
  - CARF intends to **combat international tax evasion using digital assets** e.g., Cryptocurrency.
- It covers **exchanges, brokers, and ATM operators** that facilitate exchanges between relevant crypto assets.
- Under CARF, **due diligence procedures require the identification of both individual and Entity customers**, and controlling persons to identify themselves.

### 4.2.2. TOKENISATION

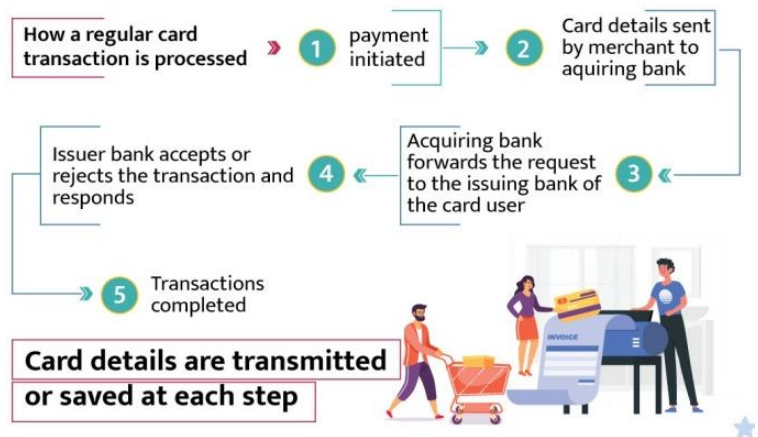
#### Why in news?

Reserve Bank of India's **card-on-file (CoF) tokenisation norms** are **effective from 1<sup>st</sup> October**.

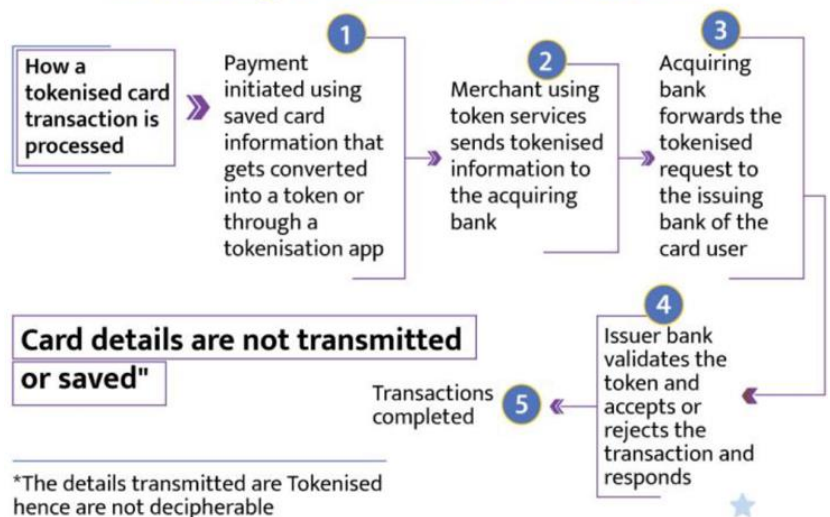
#### About Card-on-File (CoF) Tokenisation

- Tokenization is a **process by which card details transaction are replaced by a unique code** or token allowing purchases to go through without exposing sensitive details.
  - A **CoF transaction** is one in which a cardholder has authorized a merchant to store his or her Mastercard or Visa payment details, and to bill the stored account.
  - A token is a **unique for a combination of card, token requestor and the device.**
- Under tokenization process, **online players or merchants are not allowed to store card number, CVV and expiry date** for processing online transactions.
- Tokenization and de-tokenization (conversion of the token back to actual card details) **can be performed by-**

#### HOW IS A TOKENISED TRANSACTION DIFFERENT?



#### Processing of a Tokenised Transaction





- Card issuing Bank, or
- Visa / Mastercard / Rupay who are referred as authorised card networks.
- **More than 10 crore tokens have already been generated** covering 60-70% of the Indian cardholders.

### 4.2.3. UNIFIED PAYMENTS INTERFACE (UPI)

#### Why in News?

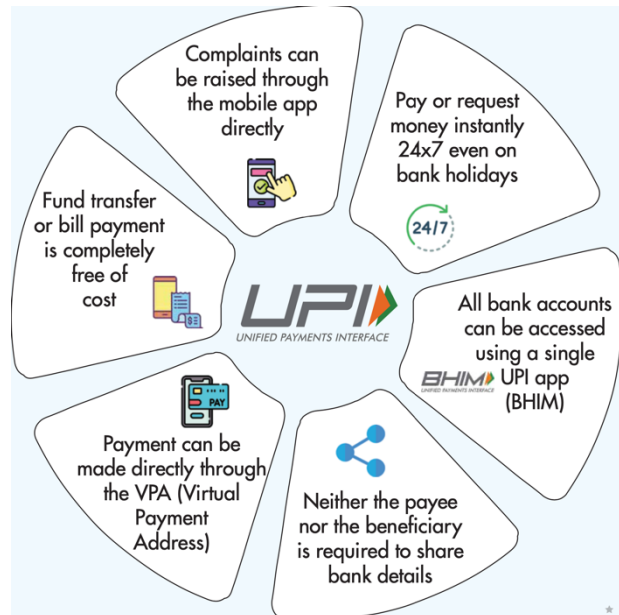
UAE joined the nations like Bhutan, Nepal and Singapore by accepting UPI payments.

#### UPI and its Features

- UPI is an **instant real-time payment system** developed by NPCI **facilitating inter-bank transactions**.
- It is the most **successful real-time payments systems globally**, providing simplicity, safety, and security in **person to person (P2P)** and **person to merchant (P2M)** transactions using tools like BHIM.

#### About NPCI

- NPCI is an initiative of RBI and Indian Banks' Association (IBA) under provisions of **Payment and Settlement Systems Act, 2007**, for creating a robust Payment and Settlement Infrastructure in India.
- It aims to create a robust Payment & Settlement Infrastructure in India and operates-
  - **RuPay** (Indigenously developed Payment System),
  - **IMPS** (Immediate Payment Service),
  - **NACH** (National Automated Clearing House),
  - **ABPS** (Aadhaar Payment Bridge System),
  - **NFS** (National Financial Switch) and
  - **Bharat Bill Payment System** etc.
- In **2020**, NPCI **put a volume cap of 30%** of the **overall volume of transactions** processed in UPI for **Third Party App Providers (TPAPs)**, whose deadline is now extended till December 2024.



### KNOW THE TERM



- **BHIM: BHIM (Bharat Interface for Money)**, pioneered and developed by NPCI, enables fast, secure, reliable cashless payments through mobile phone.
  - BHIM, launched in 2016, **brings in Financial Inclusion to the nation and a digitally empowered society.**
- **TPAPs:** They refer to standalone applications or applications that add functionality to an existing parent program / system.
  - Examples include applications like Amazon Pay, Google Pay, CRED, Bajaj Finserv etc.

### 4.2.4. DIGITAL BANKING UNITS (DBUS)

#### Why in News?

The PM dedicated 75 DBUs to spread the benefits of digital banking to every nook and corner of India.

#### More on News

- Based on the RBI Guidelines, the 75 DBUs are set as a **joint initiative** of the **Government**, the **RBI**, the **Indian Banks Association**, and the **participating banks**.
- DBUs can be set up by all Scheduled Commercial banks (SCBs) (excluding Regional Rural Banks, Payments Banks and Local Area Banks) with past digital banking experience.
  - E.g., the banks setting the 75 DBUs include 11 public sector banks, 12 private sector banks and one small finance bank.
- **SCBs are permitted to open DBUs in Tier 1 to Tier 6 centers**, without the need to seek permission from RBI, unless otherwise specifically restricted.

# Digital Banking Units (DBUs)

## What is it?

DBU refers to 'a specialized fixed-point business unit/hub housing certain minimum infrastructure for delivering **digital banking products & services** as well as servicing existing financial products & services digitally'.

## Modes of Service

 <p><b>Self-service Zone</b> where customers can access an ATM, a Cash Deposit Machine, print passbook, access internet banking, etc.</p>	 <p><b>Digital Assistance Zone</b> to assist customers to undertake the services including opening of savings account, current account, etc.</p>
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## Other features of DBU

 <p>Enable customers of to have <b>cost effective/convenient access</b></p>	 <p>Enhanced <b>digital experience</b> to/of such <b>products and services</b></p>	 <p>An <b>efficient, paperless, secured and connected environment</b></p>	 <p><b>Most services being available in self-services mode</b> at any time, all year round</p>
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## Three key models in the context of Digital Banks

 <p><b>Neo-Banks</b> They are <b>online only FinTech companies</b> that are partnering with the incumbent licensed banks. E.g.- RazorPayX, Open Technologies, Dave etc.</p>	 <p><b>Autonomous unit of traditional banks</b> They are <b>neo-banking operations of traditional banks</b> which function autonomously. E.g.- 811 (Kotak Mahindra Bank) and Yono (SBI)</p>	 <p><b>Full Stack (licensed) Digital Banks</b> <b>Independent Digital Banks</b> fully regulated by the Banking regulation. E.g.- Starling, Webank, Monzo etc.</p>
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### 4.2.5. DIGITAL LENDING

#### Why in News?

RBI's guideline on digital lending became effective on December 1.

#### Digital Lending

- Digital lending guidelines are applicable to all Regulated Entities (RE) i.e., **Commercial banks, Primary (urban) co-operative banks, NBFCs etc.** and the **Lending Service Providers (LSPs)** engaged by them to extend various permissible credit facilitation services.
- Purpose:** To tighten norms for digital lending in order to **protect consumers from breach of data privacy, unfair business conduct, charging of exorbitant interest rates and unethical recovery practices by fintech players.**

- **Need for Guidelines:**
  - **Rising illegal lending apps.**
  - **Concerns over Data Privacy** because of the use of AI, Machine Learning data analytics etc.
  - **Unregulated entities** engaged into lending and **unreported products** like 'Buy Now Pay Later (BNPL)' Loans.
    - ✓ BNPL is a form of **point-of-sale credit** where buyers/ purchasers are typically given a 15–30-day interest-free repayment period.
  - **Rise in crypto lending** which poses serious issues in the absence of any regulatory framework.

# DIGITAL LENDING

## WHAT IS IT?

A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.



**Facilitated by**  
Digital Lending Apps/Platforms (DLAs)

## GROWTH DRIVERS

- Emergence of several start-ups and NBFCs,
- Increasing internet penetration,
- Amplified smartphone usage.
- Emergence of advanced technologies.
- A favourable regulatory environment, and
- Rising customer expectations, especially after the onset of the pandemic.



**What are DLAS?**  
DLAs are mobile and web-based applications of the Regulated Entities (REs) that include Banks and NBFCs as well as those operated by Lending Service Providers (LSPs) engaged by REs.



**Lending Share**  
Private banks have a major share in digital lending, followed by NBFCs and Public sector banks, according to the RBL

**DIGITAL LENDING MARKET IN INDIA IS EXPECTED TO HAVE A GROWTH RATE OF 48% BY 2023.**

### Key Provisions

Parameters	Guidelines
<b>Customer Protection and Conduct requirements</b>	<ul style="list-style-type: none"> <li>• <b>All Loan Disbursal, Servicing and Repayment</b> etc. to be executed by borrowers directly in the RE's bank account without any pass-through account/ pool account of any third party.</li> <li>• <b>No automatic increase in credit limit</b> without the explicit consent of borrower.</li> <li>• <b>Provide a Key Fact Statement (KFS)</b> to borrower before the execution of contract of digital products.               <ul style="list-style-type: none"> <li>○ KFS contain the details of All-inclusive cost of digital loans in the form of <b>Annual Percentage Rate (APR)</b>, the recovery mechanism, details of grievance redressal officer designated and the cooling-off/ look-up period.</li> </ul> </li> <li>• <b>Nodal Grievance Redressal Officer</b> appointment by REs and the LSPs to deal with FinTech/digital lending related complaints/issues raised by the borrowers.               <ul style="list-style-type: none"> <li>○ Borrower can complain over the <b>Complaint Management System (CMS)</b> portal under RBI's <b>Integrated Ombudsman Scheme</b> if their grievance isn't resolved in 30 days.</li> </ul> </li> </ul>
<b>Technology and Data Requirement</b>	<ul style="list-style-type: none"> <li>• <b>Collection, usage and sharing of data by the DLAs</b> must be need-based and with prior and explicit consent of the borrower having audit trail.</li> <li>• <b>Storage of data:</b> REs shall ensure that:               <ul style="list-style-type: none"> <li>○ LSPs/DLAs engaged by them do <b>not store personal information of borrowers except some basic minimal data</b> (viz., name, address, contact details of the customer, etc.).</li> <li>○ <b>No biometric data is stored/ collected</b> in the systems associated with the DLAs.</li> <li>○ <b>All data is stored only in servers located within India.</b></li> <li>○ The <b>borrowers must be informed</b> about the storage of customer data.</li> </ul> </li> <li>• RE is responsible for <b>data privacy</b> and <b>security</b> of the customer's personal information.</li> <li>• REs shall ensure that they and the LSPs engaged by them comply with various technology standards/ requirements on cybersecurity stipulated by RBI and other agencies.</li> </ul>
<b>Regulatory Framework</b>	<ul style="list-style-type: none"> <li>• <b>Reporting of Loans</b> by REs to Credit Information Companies (CICs), irrespective of its nature or tenor.               <ul style="list-style-type: none"> <li>○ Lending through the <b>BNPL model</b> also needs to be reported to CICs.</li> </ul> </li> <li>• <b>Explicit option to exit digital loan</b> to borrowers by paying the principal and the proportionate APR without any penalty during the cooling off period(determined by the Board of the RE).</li> <li>• <b>Enhanced Due diligence</b> by REs before entering into a partnership with a LSP for digital lending and shall carry out periodic review of the conduct of the LSPs engaged by them.</li> </ul>



## 4.3. FINANCIAL MARKETS

### 4.3.1. CREDIT RATING

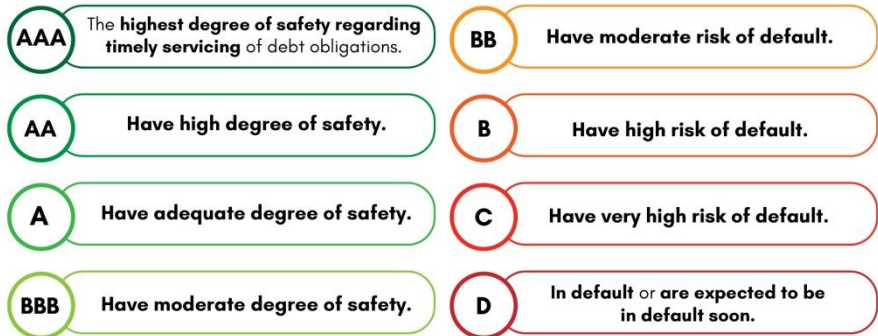
#### Why in news

SEBI has issued guidelines on **Standardization of Rating Scales** used by Credit Rating Agencies (CRAs).

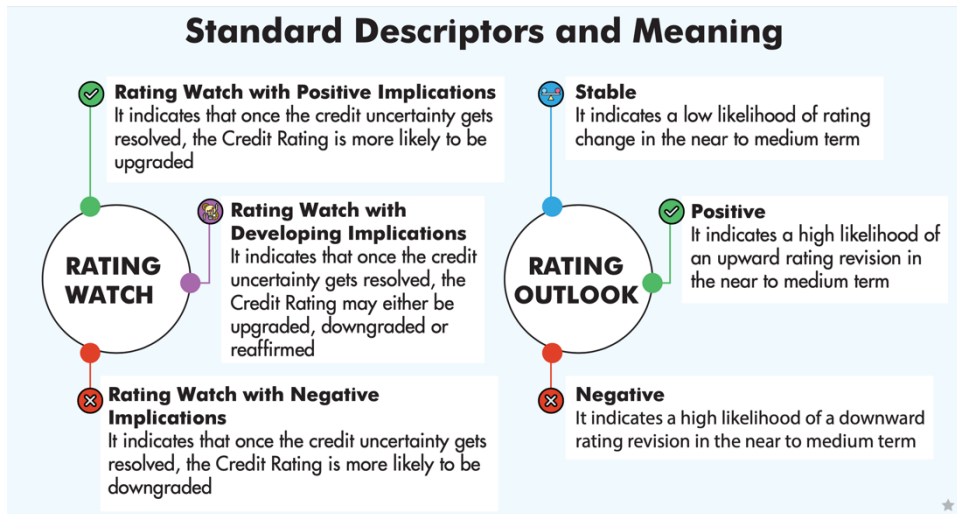
#### Key highlights of guidelines

- Standardized symbols and their definitions have been devised for issuer rating or corporate credit rating.
  - Rating Symbols (AAA, AA, A, BBB, BB, B, C and D) should have CRAs first name as prefix.
  - CRAs can use modifiers (+ or -) to reflect the comparative standing within the categories of AA to C.
- Provide standard descriptors for Rating Watch and Rating Outlook (refer image).
  - Rating Watch:** It indicates CRAs view on expected direction of rating movement in short term.
    - Rating Watch with Positive Implications:** It indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be upgraded.
    - Rating Watch with Developing Implications:** It indicates that once the credit uncertainty gets resolved, the Credit Rating may either be upgraded, downgraded or reaffirmed.
    - Rating Watch with Negative Implications:** It indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be downgraded.
  - Rating Outlook:** It indicates CRAs view on expected direction of rating movement in near to medium term.
    - Stable:** It indicates a low likelihood of rating change in the near to medium term.
    - Positive:** It indicates a high likelihood of an upward rating revision in the near to medium term.
    - Negative:** It indicates a high likelihood of a downward rating revision in the near to medium term.

#### Rating Symbols explained

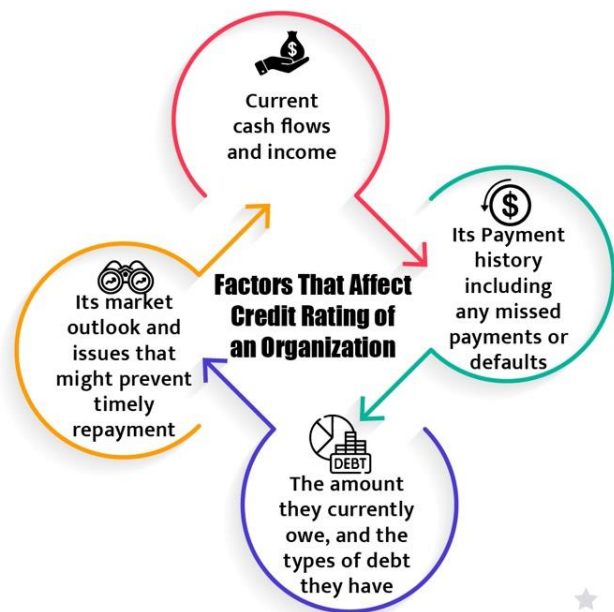


#### Standard Descriptors and Meaning



#### About Credit Rating and Credit rating agency (CRA)

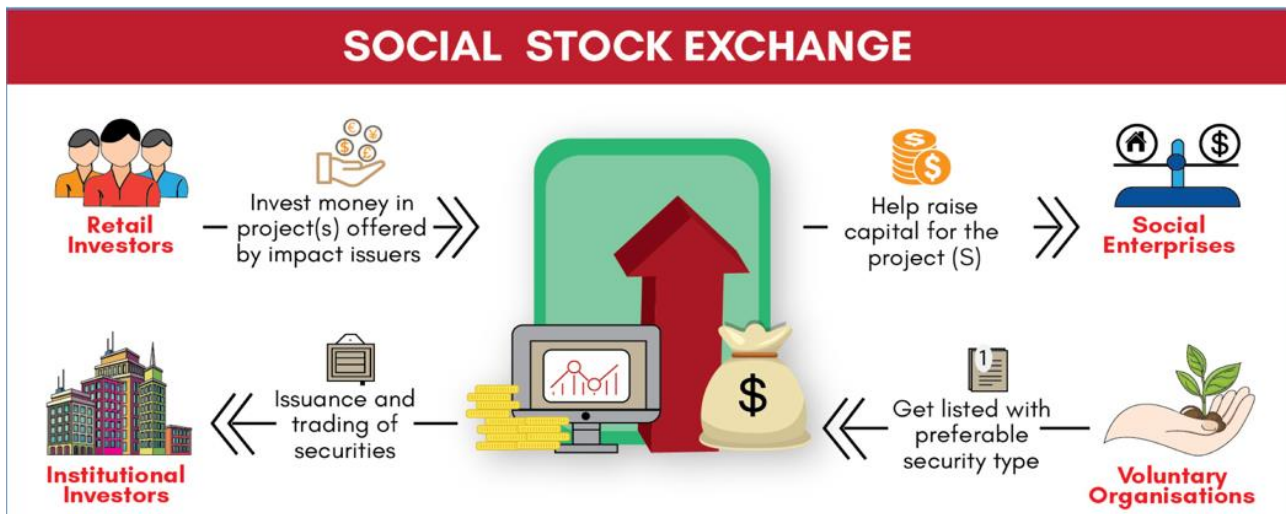
- A credit rating is an **opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfill its financial obligations** in completeness and within the established due dates.
  - It signifies the **likelihood** a debtor will **default** and used by investors, intermediaries such as investment banks, issuers of debt, and businesses and corporations.
- Credit rating agency evaluates the credit rating of a debtor** by analyzing the **qualitative and quantitative attributes** of the entity in question.
  - Presently, **three prominent CRAs control 85% of the overall ratings market:** Moody's Investor Services, Standard and Poor's (S&P), and Fitch Group.
- Types of Credit Ratings - Investment grade ratings** mean the investment is considered solid and **Speculative grade rating** implies that investments are high risk.



### 4.3.2. SOCIAL STOCK EXCHANGE (SSE)

#### Why in News?

Securities and Exchange Board of India (SEBI) has introduced a framework for SSEs after it notified rules for SSEs to provide social enterprises (SE) with an additional avenue to raise funds.



#### Social Stock Exchange (SSE)

- SSE is a novel concept, first floated by Finance Minister in Budget speech for financial year 2019-20.
- It allows investors to buy shares in a social enterprise that has been vetted by an official exchange.
  - Social enterprises are non-loss, non-dividend-paying companies established to address social problems.
- BSE and NSE has got SEBI nod for SSE.
- Examples of SSE: UK (Social Stock Exchange), Canada (Social Venture Connexion), and Singapore (Impact Investment Exchange).

#### Key Highlights of the Framework

- Social Enterprises (SEs) eligible to participate in the SSE will be: Non-profit organisations (NPOs) and For-profit social enterprises—having social intent and impact as their primary goal.
  - 16 broad activities are allowed including eradicating hunger, poverty, malnutrition, LGBTQIA+ etc.
- NPOs should be registered as a charitable entity, and it must be valid for next 12 months.
  - Age of the NPO should be "minimum of three years".
- SEs raising funds via SSE should disclose Annual Impact Report within 90 days from financial year end.
- NPOs raising funds through the issuance of Zero Coupon Zero Principal Instruments must disclose their Vision, Target Segment, etc.

### 4.3.3. SOVEREIGN GREEN BONDS (SGRB)

#### Why in news?

Recently, Ministry of Finance has approved the final Sovereign Green Bonds (SGrB) framework of India with an intention to issue bonds worth ₹16,000 crore.

#### About Sovereign Green Bonds (SGrB)

- Green bonds are fixed-income financial instruments which are used to fund projects that have positive environmental and or climate benefits.
  - Difference between Green Bonds and ordinary bonds: Funds raised by green bonds are used only to support initiatives which are beneficial for environment, e.g., green construction, renewable energy etc.
- Sovereign Green Bonds (SGrB): When these bonds carry guarantees related to the repayment of principal and payment of interest by the sovereign or the government, they are called SGrB.

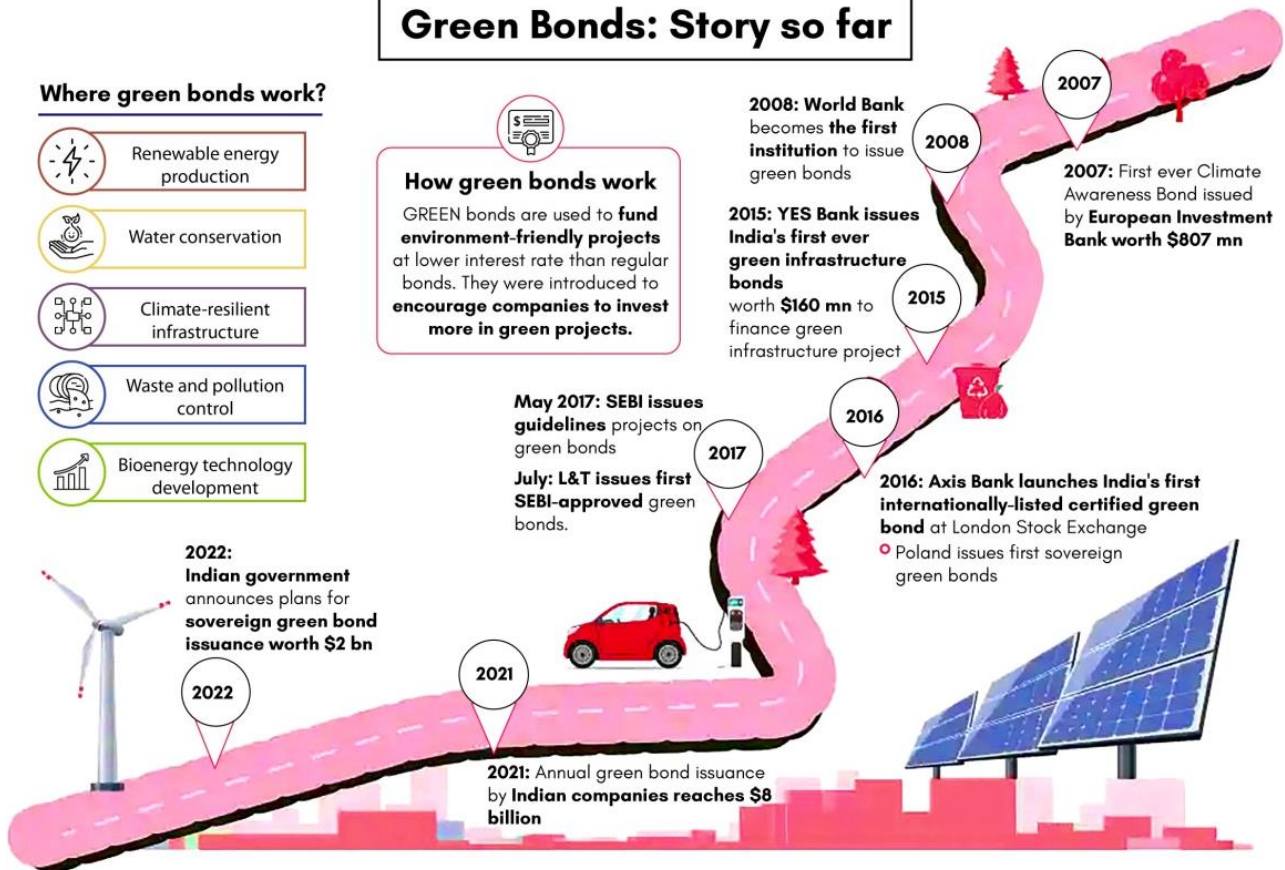
## Green Bonds: Story so far

### Where green bonds work?

- Renewable energy production
- Water conservation
- Climate-resilient infrastructure
- Waste and pollution control
- Bioenergy technology development

### How green bonds work

GREEN bonds are used to fund environment-friendly projects at lower interest rate than regular bonds. They were introduced to encourage companies to invest more in green projects.



- India issued around \$6.11 billion of green bonds in 2021. It was the strongest issue since the first issue in 2015.
- Ghaziabad Nagar Nigam became the first issuer of Green Municipal Bonds.

### Key features of Framework

- Under the framework, 'green project' classification is based on the following principles:
  - Encouraging energy efficiency.
  - Reducing carbon and greenhouse gases emissions.
  - Promoting climate resilience and/or adaptation.
  - Values and improves natural ecosystems and biodiversity in accordance with SDG principles.
- Green Finance Working Committee (GFWC) will support Ministry of Finance with selection and evaluation of projects etc.
- The proceeds of SGrB will be deposited to Consolidated Fund of India (CFI), and then funds from the CFI will be made available for eligible green projects.
  - Public Debt Management Cell will keep a track of proceeds.
- Eligible projects (refer image) will use the raised proceeds from sovereign green bonds for capitalisation or re-capitalization.



### Eligible Projects

- Renewable energy
- Energy efficiency
- Clean Transportation
- Climate Change adaptation
- Sustainable water and waste management
- Pollution prevention and control
- Sustainable management of natural resources
- Green Buildings
- Aquatic biodiversity conservation




### Excluded Projects

- Projects involving new or existing extraction
- Production and distribution of fossil fuels, including improvements and upgrades
- Nuclear power generation
- Direct waste incineration
- Alcohol, weapons, tobacco, gaming, or palm oil industries.
- Renewable energy projects generating energy from biomass using feedstock originating from protected areas
- Landfill projects
- Hydropower plants larger than 25 MW




- Other Types of bonds in news**
- **Fixed Rate Bonds:** Interest remains fixed throughout the tenure of the bond.
  - **Floating Rate Bonds:** They have a fluctuating interest rate (coupon rate) as per the current market reference rate.
  - **Zero Interest Rate Bonds:** It does not pay any regular interest to the investors and issuers only pay the principal amount to the bondholders.
  - **Inflation-indexed bonds:** In this, coupon payments are adjusted for inflation by linking the payments to some or the other inflation indicator (like CPI or WPI).
  - **Blue bonds:** A blue bond is a relatively new form of debt instrument that is issued to support investments in healthy oceans and blue economies.
    - Blue Economy is sustainable use of ocean resources for economic growth and improved livelihoods.
  - **Rupee-denominated Bonds or Masala Bonds:** Masala Bond is a term used to refer to a financial instrument through which Indian entities can raise money from overseas markets in the rupee.
    - It is an attempt to shield issuers from currency risk and instead transfer the risk to investors buying these bonds.
    - In 2015, RBI allowed Indian entities to issue Rupee dominated Bonds overseas.

**4.3.4. INSTITUTIONS AND SYSTEMS IN THE FINANCIAL SECTOR**



## Securities and Exchange Board of India



**Genesis:** Established in 1988 through the Government of India resolution, SEBI is the Indian Capital Markets regulator. It became a statutory body in 1992 through the Securities and Exchange Board of India Act, 1992.

- ◆ In 2015, the commodity markets regulation was also given to SEBI by merging Forwards Market Commision with SEBI.

**Objective**

- ◆ To protect the interests of investors in securities;
- ◆ To promote the development of the securities market; and
- ◆ To regulate the securities market.

**Other key information**

- ◆ SEBI functions under the Ministry of Finance.
- ◆ It enjoys three main powers: Quasi-Judicial, Quasi-Excutive and Quasi-Legislative to perform its Protective, Developmental and Regulatory functions effectively. ★

<b>The Investor Education and Protection Fund Authority (IEPFA)</b>	<ul style="list-style-type: none"> <li>• It was established by GOI in 2016 under the aegis of the Ministry of Corporate Affairs.</li> <li>• The IEPFA Authority is entrusted with the responsibility of:                             <ul style="list-style-type: none"> <li>○ Administration of the Investor Education Protection Fund (IEPF),</li> <li>○ Making refunds of shares, unclaimed dividends, matured deposits/ debentures etc.,</li> <li>○ Promoting awareness among investors and protecting the interests of the investors.</li> </ul> </li> </ul>
<b>SCORES</b>	<ul style="list-style-type: none"> <li>• SCORES, i.e., SEBI Complaints Redressal System, is a web based centralized grievance redress system pertaining to the securities market, mainly against listed companies and registered intermediaries.</li> <li>• It was made operational in 2011 and from 2018 it has been made mandatory for lodging a complaint.</li> </ul>
<b>India International Bullion Exchange (IIBX)</b>	<ul style="list-style-type: none"> <li>• India's first IBX is launched at International Financial Services Centres (IFSC) at Gujarat International Finance Tec-City (GIFT City) in Gandhinagar.</li> <li>• Purpose: Have standard gold pricing in country and make it easier for small bullion dealers and jewelers to trade in precious metal.</li> </ul>
<b>Central Depositories Services India Ltd (CDSL)</b>	<ul style="list-style-type: none"> <li>• CDSL is a government-registered share depository, founded in 1999, alongside its other state-owned counterpart National Securities Depository Ltd (NSDL).</li> <li>• CDSL is promoted by BSE Ltd. jointly with leading banks such as State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank and Union Bank of India                             <ul style="list-style-type: none"> <li>○ It helps consumers store shares in a dematerialised form.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>As a <b>Market Infrastructure Institution</b>, CDSL is a <b>crucial part of capital market structure</b>.           <ul style="list-style-type: none"> <li>MIIs are institutions providing infrastructure of <b>trading, settlement and record keeping</b> and include <b>stock exchanges, clearing corporations and depositories</b>.</li> </ul> </li> </ul>
<b>Financial Benchmarks India Private Limited (FBIL)</b>	<ul style="list-style-type: none"> <li>FBIL, <b>jointly owned by FIMMDA, FEDAI, and IBA</b>, was formed in 2014 as a <b>private limited company under Companies Act 2013</b>.</li> <li>It <b>develops and administers benchmarks</b> relating to the <b>money market, government securities, and foreign exchange in India</b>.           <ul style="list-style-type: none"> <li>E.g., <b>Mumbai Interbank Offered Rate (MIBOR), Mumbai Interbank Forward Offer Rate (MIFOR)</b> etc.</li> </ul> </li> <li>Key drivers of <b>price integrity of financial markets</b>, these <b>benchmarks are used for purpose of pricing, settlement, and valuation</b> of financial contracts.</li> </ul>
<b>International Organization of Securities Commissions (IOSCO)</b>	<ul style="list-style-type: none"> <li>Founded in <b>1983 (HQ: Madrid, Spain)</b>, it is an international body that brings together the <b>world's securities regulators</b> as the <b>global standard setter</b> for the <b>securities sector</b>.</li> <li>It works with <b>G20</b> and the <b>Financial Stability Board (FSB)</b> on the <b>global regulatory reform agenda</b>.</li> <li><b>Membership from India in IOSCO:</b> <ul style="list-style-type: none"> <li><b>SEBI</b> is an <b>ordinary member</b> of IOSCO;</li> <li><b>International Financial Services Centres Authority (IFSCA)</b> is an <b>associate member</b>; and</li> <li><b>BSE, NSE and Multi Commodity Exchange of India</b> are its <b>affiliate members</b>.</li> </ul> </li> </ul>

#### 4.3.5. OTHER CONCEPTS IN THE FINANCIAL SECTOR

<b>Non-deliverable forward (NDF) market</b>	<ul style="list-style-type: none"> <li>NDF is a <b>foreign exchange contract</b>, where two parties agree to, <b>on a date in future, exchange currencies</b> for prevailing spot rate.</li> <li>Under this, an <b>NDF is fixed for an agreed amount on a specific due date</b>, and at a defined forward rate.</li> <li>At maturity, <b>forward rate is compared against reference rate of that day</b>.           <ul style="list-style-type: none"> <li>Difference between the pre-agreed forward rate and fixing rate is settled in <b>convertible currency, like US dollars</b>.</li> </ul> </li> </ul>
<b>Passive Funds</b>	<ul style="list-style-type: none"> <li>Passive Funds are investment instruments which <b>replicate a market index or specific market segment</b>. E.g., Exchange Traded Funds (ETFs) and Index Funds.           <ul style="list-style-type: none"> <li>Unlike with an active fund, the <b>fund manager does not decide what securities the fund takes on</b>.</li> <li>This <b>normally makes passive funds cheaper to invest</b> in than active funds, which require the fund manager to spend time researching and analysing opportunities to invest in.</li> </ul> </li> </ul>
<b>Hybrid Securities</b>	<ul style="list-style-type: none"> <li><b>SEBI</b> has set up a <b>20-member committee</b> under <b>K V Kamath</b> on <b>Hybrid Securities</b> to make recommendations on issues related to <b>development and regulation of primary and secondary markets of hybrid securities</b>.</li> <li><b>Purpose:</b> Boost the <b>growth of hybrid securities, ease of issuance and attracting domestic and global capital</b>.</li> <li>Hybrid Securities are <b>investment instruments that combine two or more different financial instruments</b>, commonly the <b>equities and bonds (debt) characteristics</b>.           <ul style="list-style-type: none"> <li>For example, InvITs, REITs, Preferred Stocks etc.</li> </ul> </li> </ul>
<b>Poison pill strategy</b>	<ul style="list-style-type: none"> <li>Officially known as the <b>shareholder rights plan</b>, poison pill strategy allows <b>existing shareholders to purchase additional shares</b> in a company at a <b>discount</b>.</li> <li>It makes the <b>buyout costly for the other party</b>, effectively diluting its ownership interest.</li> </ul>
<b>Anchor Investors</b>	<ul style="list-style-type: none"> <li>Anchor Investors, also known as <b>cornerstone investors</b>, are <b>qualified institutional buyers</b> who buy shares in large quantities such as <b>mutual funds, foreign institutional investors, banks, provident funds</b> etc.           <ul style="list-style-type: none"> <li>They have <b>guaranteed allotment</b> of shares <b>ahead of company IPO</b>, upto 60% of the <b>qualified institutional investors' pool</b>, to help the company in bringing other investors.</li> </ul> </li> </ul>
<b>Infrastructure investment trusts (InvITs)</b>	<ul style="list-style-type: none"> <li>InvITs is a <b>Collective Investment Scheme</b> similar to <b>mutual funds</b>, which <b>enables direct investment of small amounts of money</b> from individual/institutional investors in infrastructure to earn a small portion of the income as return.</li> <li>It is <b>regulated by the SEBI (Infrastructure Investment Trusts) Regulations, 2014</b>.           <ul style="list-style-type: none"> <li>These are <b>similar to real estate investment trusts (REITs)</b>, i.e. the <b>listed entities which own, operate and manage buildings/properties</b> for generating income.</li> </ul> </li> </ul>
<b>Forward Premium</b>	<ul style="list-style-type: none"> <li><b>Forward premium</b> represents the interest rate differential between the Indian and US bonds.           <ul style="list-style-type: none"> <li>It is a <b>situation in which the forward or expected future price for a currency is greater than the spot price</b> (current price).</li> <li>It can be <b>used as an indicator while trading</b> in the forex markets.</li> </ul> </li> </ul>

<b>Insider Trading</b>	<ul style="list-style-type: none"> <li>SEBI has <b>categorized front-running as a form of market manipulation and insider trading</b>, and penalized several fund houses over this activity.</li> <li>Insider trading refers to <b>‘the practice of purchasing or selling a publicly-traded company’s securities while in possession of Unpublished Price Sensitive Information (UPSI)’</b>. <ul style="list-style-type: none"> <li>UPSI includes- <b>financial results, dividend declaration, buyback announcements, expansion plans, mergers/amalgamations, share sale etc.</b></li> </ul> </li> <li>Recently, the Supreme Court (SC) held that <b>mere possession of price-sensitive information and trading on the basis of that</b> are not sufficient to prove insider trading.</li> </ul>
<b>Front Running</b>	<ul style="list-style-type: none"> <li>Front-running is a market <b>malpractice where a dealer, trader or fund manager who is aware of large upcoming share purchase order, buys the same share in advance in bulk.</b> <ul style="list-style-type: none"> <li>Such bulk orders drive up share price.</li> </ul> </li> <li>It is <b>illegal in India.</b></li> </ul>
<b>Commercial Paper (CP)</b>	<ul style="list-style-type: none"> <li>CP refers to <b>short-term debt instrument</b> issued by companies to garner funds generally for <b>time period up to one year.</b> <ul style="list-style-type: none"> <li>It is an <b>unsecured money market instrument</b> issued in form of <b>promissory note.</b></li> <li><b>Offered at discount to face value.</b></li> </ul> </li> </ul>
<b>Participatory Notes (P-notes)</b>	<ul style="list-style-type: none"> <li>Participatory Notes or P-Notes (PNs) are <b>financial instruments issued by a registered foreign institutional investor (FII) to an overseas investor who wishes to invest in Indian stock markets without registering themselves SEBI.</b></li> <li>The anonymity provided by the P- Notes <b>makes it lucrative for entities that try to use this route to round trip funds.</b></li> </ul>
<b>Alternative Investment Funds (AIFs) and Venture Capital Funds (VCF)</b>	<ul style="list-style-type: none"> <li>AIF means <b>any fund established or incorporated in India</b> which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for <b>investing it in accordance with a defined investment policy for the benefit of its investors.</b></li> <li>VCF is a <b>type of AIF which is an investment fund</b> that manages money from different investors seeking to <b>provide capital in startup and small- and medium-size enterprises.</b></li> </ul>
<b>Impact Investing</b>	<ul style="list-style-type: none"> <li>It is an investment strategy that aims to <b>generate specific beneficial social or environmental effects</b> in addition to financial gains.</li> <li>Under it, investors consider a <b>company’s commitment to corporate social responsibility</b> or the duty to positively serve society as a whole. E.g. <ul style="list-style-type: none"> <li><b>Educate Girls Development Impact Bond: As world’s first development impact bond (DIB) for education, it was launched as a proof-of-concept project in Rajasthan.</b></li> </ul> </li> </ul>

## 4.4. INSURANCE SECTOR

### 4.4.1. NEW INSURANCE RULES

#### Why in News?

To boost **Insurance penetration** (4.2% compared to the world average of 6.3%) in India, the government has notified six new rules of **Insurance Regulatory and Development Authority of India (IRDAI).**

#### About IRDAI

- IRDAI (HQ: **Hyderabad** since **2001**, earlier in **Delhi**) is an **autonomous regulatory body**, established in **1999** through **IRDAI Act, 1999** on recommendations of **RN Malhotra Committee Report.**
  - It aims to **protect the policyholder’s interests.**

## KNOW THE TERM

- **Insurance penetration:** It refers to the ratio of total insurance premiums to Gross Domestic Product (GDP) in a year.
- **Insurance density:** It refers to the ratio of insurance premium to population, i.e.; insurance premium per capita and is measured in US Dollar, as they reflect the level of development of the insurance sector in a country.



- It manages and regulates insurance and reinsurance industry in India along with registering and/or licensing insurance, reinsurance companies and the intermediaries.

**New Rules**

- A Corporate Agent can tie up with 9 insurers and Insurance Marketing Firms can tie up with 6 insurers.
- Raises Regulatory Sandbox (RS) experimentation period from 6 months to up to 36 months.

## KNOW THE TERM

- **Regulatory Sandbox (RS):** RS refers to live testing of new or services in a controlled/test regulatory environment

- The requirement of prior approval from IRDAI for raising 'Others form of Capital' is dispensed with.
  - It includes subordinated debt and/or preference shares.
- The experience and qualification requirements have been made flexible for Appointed Actuary (AA).
- The period for considering State/Central Government premium dues for calculation of solvency position has been increased from 180 to 365 days.
- For ease of doing business, the process of setting up an insurance company has been made simpler.

**Related News**

**'Use and file' procedure**

- IRDAI has extended 'use and file' procedure to authorize life insurers to launch new products without prior approval.
  - Earlier, similar relaxations were extended to health and general insurance products.
- Expected Benefits:** Faster response to emerging market needs, more choices for the policyholders, and increasing the insurance penetration in India (it was 4.2% in FY21).

**Micro insurance**

- A committee appointed by IRDAI has suggested over a dozen low-cost "micro insurance" modules.
- About micro insurance:**
  - Aim:** To protect low-income people with insurance products that are affordable.
  - Objectives:** Empower people to cope with common risks such as death of the breadwinner, paying for treatment of serious illnesses, reconstructing destroyed homes and businesses etc.



## INSURANCE REGULATORY DEVELOPMENT AUTHORITY OF INDIA



**Genesis:** It was established in 1999 through the IRDAI Act, 1999, based on the recommendations of the Malhotra Committee, to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.



**Objectives:**

- To protect the interest of and secure fair treatment to policyholders.
- To bring about speedy and orderly growth of the insurance industry.
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance etc.



**Other Key Information:**

- IRDAI functions under the Ministry of Finance.
- It manages and regulates the insurance and reinsurance industry in India along with registering and/or licensing insurance, reinsurance companies and the intermediaries.
- Composition of IRDAI:** It is a 10 member team with a Chairman, five whole-time members and four part-time members.

## 4.5. PENSION SECTOR

### 4.5.1. PENSION SYSTEM IN INDIA

#### Why in News?

The debate on pension reforms has intensified over **Old Pension Scheme (OPS)** vs **New Pension Scheme (NPS)**.

#### India's Pension System

- The Indian Pension System is **highly complex** and **fragmented** with a wide variety of options. E.g.
  - Public Pensions** such as **OPS** for civil servants and **NPS** (replacing OPS from 01 January 2004) for new entrants.
    - ✓ Armed forces personnel are an exception to NPS and are still covered by OPS.
  - Employee Pension Scheme (EPS)** for employees in the **organized sector** by **Employees' Provident Fund Organisation (EPFO)**.
  - Government Pension Schemes** such as **Atal Pension Yojana**, **Pradhan Mantri Vaya Vandana Yojana (PMVVY)**, **Indira Gandhi National Old Age Pension Scheme (IGNOAPS)** etc.
  - Pension Plans from Organizations** such as LIC's Saral Pension etc.
- Reasons behind NPS Introduction:** It was introduced in **2004** based on the report of **OASIS (Old Age Social and Income Security) Project** due to
  - Increasing pension liability** of the government with **no specific growing corpus** for payments.
  - Unsustainable nature of OPS** as pension liabilities kept climbing with increasing life expectancy due to better health facilities.

### Difference between NPS and OPS

Basis of Difference	New Pension System (NPS)	Old Pension System (OPS)
<b>Nature</b>	NPS is a <b>defined contribution pension</b> where employees contribute towards NPS during their years of employment.	OPS is a <b>defined benefit pension</b> for government employees on the basis of their <b>last drawn salary</b> .
<b>Eligibility</b>	<b>All Indian citizens</b> between 18 and 65 years.	<b>Government employees only.</b>
<b>Risk</b>	It involves <b>risk</b> as the NPS amount is <b>invested in market-linked securities</b> .	<b>No Risk involved.</b>
<b>Tax Benefits</b>	<b>Tax-deductible</b> annual investments of up to ₹1,50,000 are under <b>Section 80C</b> and ₹50,000 under <b>Section 80CCD (1B)</b> of the <b>Income Tax Act, 1961</b> .	<b>No tax benefits</b> are applicable to the employees.
<b>Pension Amount on retirement</b>	60% of pension fund is <b>tax-free</b> when redeemed, while the remainder is taxable and remains <b>invested in annuities</b> .	It provides a <b>fixed monthly pension</b> of 50% of the <b>last drawn salary</b> .

#### KNOW THE TERM

- Annuities:** They are financial instruments that earn interest and provide a guaranteed income stream over a predetermined amount of time.



## PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY

HQ  
New Delhi



**Genesis:** Established in **2003** through the Government of India resolution, based on the recommendations of the **OASIS report (Old Age Social and Income Security)**

- It became a **statutory body** through the **Pension Fund Regulatory & Development Authority Act**, passed in 2013 and notified in 2014.



**Vision:** To be a model Regulator for promotion and development of an **organized pension system**.



#### Other Key Information:

- PFRDA functions under the **Ministry of Finance**.
- PFRDA regulates the **National Pension System (NPS)** and any other pension scheme not regulated by any other enactment. E.g. it **administers the Atal Pension Yojana**.
- Composition of PFRDA:** It consists of a **Chairperson** and **not more than six members**, of whom at least three shall be **Whole-Time Members, appointed by the Central Government**.



# 5. EXTERNAL SECTOR

## 5.1. TRADE

### 5.1.1. INTERNATIONALIZATION OF RUPEE

#### Why in News?

Recently, the central government has made changes to the Foreign Trade Policy (FTP) to allow for **rupee settlement of international trade for export promotion schemes**.

#### About International Currency and Internationalization of Rupee

- The **Tarapore Committee on Fuller Capital Account Convertibility (CFAC)** defined international currency as ‘a currency that is widely used for international transactions’.
- **Internationalization of a currency** (rupee here) is a process to increase **rupee acceptance (credibility)** across the world.
- It can also be referred to **adopting full capital account convertibility**, i.e., freedom to convert local **financial assets** into foreign financial assets and vice versa.
  - Currently, India allows **partial Capital Account Convertibility** and **full current account convertibility**.
  - **Current Account Convertibility** is the freedom or ability to **convert domestic currency** into any foreign currency and vice-versa.
- In India, the broad framework for cross-border transactions is governed by the **Foreign Exchange Management Act (FEMA), 1999**.

#### Functions- International Currency

Function	For Governments	For Private Sectors
<b>Store of Value</b>	International Reserves	Currency Substitution
<b>Medium of Exchange</b>	Vehicle Currency for Foreign Exchange Intervention Invoicing trade and financial transactions	Invoicing trade and financial transactions
<b>Unit of Account</b>	Anchor for pegging local currency	Denominating trade and financial transactions <span style="float: right;">★</span>

#### KNOW THE TERM



- **Balance of Payments (BoP)** records the transactions in goods, services, and assets between residents of a country with the rest of the world for a specified time period typically a year.
- **Capital account** records all international purchases and sales of assets such as money, stocks, bonds, etc. for a specified time, usually a year. ★

## Initiatives for Internationalization of Rupee

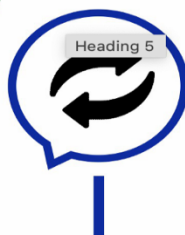
#### CROSS-BORDER BORROWINGS IN RUPEE

Introduction of **Rupee Denominated** bonds, or **Masala Bonds**, since 2014 allowing Indian corporate to issue rupee denominated bonds overseas



#### CURRENCY SWAPS

23 currency swaps agreed since 2018 with other nations including UAE, SAARC member countries, etc. in a bid to promote internationalisation of rupee.



#### TRADE SETTLEMENT IN RUPEE

Biggest development, in **July 2022**, RBI issued a **comprehensive framework** to allow trade settlement in rupees through **Special Vostro Accounts**



#### OTHER MEASURES

- Exploration on **domestic currencies use** for regional trade settlement at Asian Clearing Union.
- **Enabling condition to link domestic rupee interest rates and currency markets** with **offshores rupee markets**.
- **Permitting primary dealers** to act as **market makers** in forex market to **improve market liquidity**, etc.



### Benefits of Internationalization of Rupee

- **Reduced Foreign Exchange Reserves requirement** for balance of payment. It can also reduce the **imposed cost** of forex on the economy by **Interest Rate Differential (IRD)**.
  - **IRD** is the **change in interest rates** between the **currencies of two countries**.
- **Reduced Vulnerability to External Shocks** because of reduced dependence on foreign currency.
- **Mitigates Currency Risks** for Indian Enterprises by eliminating foreign exchange fluctuation, reducing the cost of doing business and support global growth of Indian businesses.
- **Enhance India's global stature and respect**, helping Indian Businesses through increased **bargaining power**.

**RBI guidelines on International Trade Settlement (ITS) in Indian Rupees**

- **Exports and imports** under invoicing arrangement may be denominated and invoiced in Rupee, while **exchange rate between currencies of two trading partner countries may be market determined**.
- Exporters and importers can now use a **Special Vostro Accounts** linked to correspondent bank of partner country for receipts and payments denominated in rupees subject to **Foreign Exchange Management Act, 1999**.
  - **Vostro** (Latin: Yours) Account is an account a correspondent bank holds on behalf of another bank, e.g. an **HSBC Vostro account** is held by SBI in India.
    - ✓ We also have another set of account, i.e., **Nostro** (Latin: Ours) account between two banks for international trading.
  - Vostro account allows Indian **importers to pay for their imports in INR** into these accounts.
- Also, bank guarantee, setting-off export receivables, advance against exports, use of surplus balance, approval process, documentation, etc., related aspects would be covered under **FEMA rules**.

**RUPEE TRADE SETTLEMENT MECHANISM**

The diagram illustrates the Rupee Trade Settlement Mechanism. It shows two parallel flows. On the left, a Foreign Exporter provides Goods & Services to an Indian Importer. The Indian Importer pays Money paid (in INR) to an INR Vostro Bank A/c. The bank then converts this INR into foreign currency (INR converted to foreign currency) and sends Money withdrawn to the Foreign Exporter. On the right, a Foreign Importer provides Goods & Services to an Indian Exporter. The Indian Exporter sends Money withdrawn (in INR) to the INR Vostro Bank A/c. The bank then converts this INR into foreign currency ((foreign currency) converted to INR) and sends Money paid to the Foreign Importer. A note at the bottom states: \*exchange rate will be market determined.

### 5.1.2. WORLD TRADE ORGANIZATION (WTO)

#### Why in News?

Recently, the 12<sup>th</sup> Ministerial Conference (MC) of WTO held.

#### WTO: Its Structure and 12<sup>th</sup> MC Outcome

- WTO is the **only global international organization** dealing with the rules of trade between nations.
- It has **164 members (including European Union)** and **23 observer governments** (like Iran, Iraq, Bhutan, etc.)
- The structure of the WTO is dominated by its highest authority, the **Ministerial Conference, composed of representatives of all WTO members**, which can take decisions on all matters under any of the multilateral trade agreements.

## World Trade Organisation (WTO)

Geneva, Switzerland

- The **only global international organization** dealing with the rules of trade between nations.
- Cover over **98% of world trade**.
- Ministerial conferences **every 2 years**.
- **General Council**, the top day-to-day decision-making body.

Agenda	Outcome at MC12
Fisheries	<ul style="list-style-type: none"> <li>• There would be a <b>check on illegal unreported and unregulated (IUU) fishing</b>.</li> <li>• <b>No subsidies</b> to be provided for fishing in areas <b>outside EEZ or RFMOs (regional fisheries management organizations)</b>.</li> </ul>
IP waiver on Covid vaccines	<ul style="list-style-type: none"> <li>• A country can <b>authorize production</b> of vaccines patented elsewhere and there would be <b>no consent required</b> as well as there would be no limit on exports.</li> </ul>

On e-Commerce moratorium	<ul style="list-style-type: none"> <li>Members reached a provisional deal to <b>extend a moratorium on applying duties to electronic transmissions</b> till the next ministerial conference (MC13) or March 2024, whichever is earlier. <ul style="list-style-type: none"> <li>It was first imposed in <b>1998</b> on <b>electronic transmissions</b> covering both <b>goods</b> (such as e-books and music downloads) and <b>services</b>. The moratorium was <b>extended periodically</b>.</li> </ul> </li> </ul>
Food Security	<ul style="list-style-type: none"> <li>There will be <b>no export restrictions</b> on World Food Programme purchases for food security in other countries, although <b>domestic food security will take priority</b>.</li> </ul>

**Other Developments related to WTO**

Operation of Public Stockholding Programmes (PSHP)	<ul style="list-style-type: none"> <li>India opposed the <b>Group consultation format</b> on food subsidies programme from <b>10-member group of developed and developing countries</b> including US, Australia, Canada, Thailand etc.</li> <li>Some <b>PSHP's</b> are considered to <b>distort trade when they involve purchases from farmers at prices fixed by governments</b>, known as supported or administered prices (MSP in India). <ul style="list-style-type: none"> <li>To overcome this, WTO members, <b>at Bali ministerial meeting, put in place a peace clause</b>.</li> <li><b>No such format on consultation was given under Bali Ministerial meeting (2013)</b> as the group includes developed and developing countries as well as food importing and food exporting countries.</li> </ul> </li> </ul> <p><b>Peace Clause</b></p> <ul style="list-style-type: none"> <li>Under peace clause, WTO member countries are <b>refrained from challenging any breach in prescribed subsidy ceiling</b> given by a developing nation at dispute settlement forum of WTO.</li> <li>India invoked the <b>peace clause 3<sup>rd</sup> time for exceeding the 10% ceiling</b> on support offered to rice farmers to meet the domestic food security needs of poor population. <ul style="list-style-type: none"> <li>In <b>2020, India became the first country to invoke peace clause</b> as rice subsidies exceeded cap in 2018-19.</li> </ul> </li> </ul>
Government Procurement Agreement (GPA)	<ul style="list-style-type: none"> <li>India denied any plans to join the WTO's GPA - which <b>allows WTO members to mutually open up their markets for selling goods and services to governments</b>. <ul style="list-style-type: none"> <li><b>The Agreement on Government Procurement (GPA 2012)</b> is a <b>plurilateral agreement</b>, i.e., it includes some but not all WTO members. It consists of <b>21 parties</b> (covering 48 WTO members, counting the EU and its 27 member states as one party).</li> </ul> </li> </ul>
Goods Trade Barometer	<ul style="list-style-type: none"> <li>Latest <b>World Trade Organization (WTO) Goods Trade Barometer</b> hints toward <b>slowing of trade growth</b> in the rest of 2022 and into 2023. <ul style="list-style-type: none"> <li><b>WTO's Goods Trade Barometer index</b> is a <b>composite leading indicator</b> for world trade, providing real-time information on merchandise trade trajectory relative to recent trends.</li> </ul> </li> <li>Its <b>baseline value is 100</b>. A value <b>greater than 100</b> suggests <b>above trend growth</b> while a <b>value below 100</b> indicates <b>below-trend growth</b>.</li> </ul>

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**5.1.3. MARINE PRODUCTS EXPORT DEVELOPMENT AUTHORITY (MPEDA)**

**Why in News?**

Recently, the MPEDA celebrated its 50<sup>th</sup> years.

**Functions of MPEDA**

- Identifying bottlenecks in seafood trade and taking corrective action.
- Registering seafood processing units, fishing vessels, pre-processing centres, etc.
- Marketing activities such as buyer-seller meets, delegation visits to potential markets, etc.
- Promotes R&D for commercial aquaculture activities through the Rajiv Gandhi Centre for Aquaculture (RGCA).
- Undertaking capacity building through societies such as:
  - National Centre for Sustainable Aquaculture- It empowers the marginalised and poor rural aquaculture farmers through capacity-building at the grass-roots level.
  - Network for Fish Quality Management and Sustainable Fishing – It imparts training to fishermen on marine conservation, post-harvest handling and other.



## Marine Products Export Development Authority (MPEDA)

**Genesis:** It was launched in 1972 as a statutory body of the Ministry of Commerce and Industry as the nodal agency to promote the export of marine products.

- Erstwhile Marine Products Export Promotion Council established in 1961 was joined in to MPEDA.

**Regulatory Powers:** It is empowered to regulate exports of marine products and take all measures required for ensuring sustained, quality seafood exports from the country.

**India's marine industry:** India is world's second largest fish producer with total marine products exports of USD 7.74 Billion in 2022. ★

- Since 2004, it is implementing the **National Residue Control Plan (NRCP)**, for monitoring the residues of substances like Antibacterial/Veterinary Medicinal Products, etc. for exports of marine products to EU.

## 5.2. INVESTMENT

### 5.2.1. FOREIGN DIRECT INVESTMENTS (FDI)

# FDI in India

## What is it?

FDI is the investment through equity instruments by a resident outside India

**In an unlisted Indian company**

In 10% or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company

### FDI Routes

**Automatic Route**

FDI allowed without prior approval of the Government or the RBI. Applicable to all sectors specified in Regulation 16 of FEMA

**Government Route**

Sectors not covered under the Automatic Route require prior approval of the Government.

### FDI Prohibitions

FDI is prohibited in 9 sectors (with some exceptions for every sector)

<b>Lottery</b>	<b>Gambling</b>	<b>Chit fund</b>
<b>Nidhi company</b>	<b>Real estate</b>	<b>Some areas of Agriculture</b>
<b>Multi-brand retail trading</b>	<b>Sectors not open to private sector</b>	<b>Manufacturing of tobacco, etc.</b>

## India's FDI profile

**Trends**

- ▶ **Declining Growth Rate** of FDI.
- ▶ **Increasing FDI outflows.**
- ▶ **Tax havens** like **Mauritius** and **Cayman Islands** continue among top FDI sources.

**Sectors**

62% of the total FDI inflow is concentrated to just **five sectors-**

- Computer Hardware & Software
- Services Sector
- Automobile Industry
- Trading
- Construction

**States**

78% of the total inbound FDI was limited to **3 states/UT-**

- ▶ Karnataka
- ▶ Maharashtra
- ▶ Delhi

**Major FDI Sources for India**

- ▶ SINGAPORE (37%)
- ▶ MAURITIUS (12.1 %)
- ▶ UAE (11.0 %)
- ▶ USA (10.0%)

Is influenced by

- Ease of doing business environment
- Skill set of local population, cost of labour
- Nature and size of market
- Regional export potential
- Natural resource availability
- Macroeconomic stability
- Strong institutions

Can enable

- Economic growth through increased production and consumption
- Employment generation
- Knowledge, skill and technology transfer
- Competitiveness and productivity in the economy
- Appreciation of Forex reserves and value of currency
- Increase in tax revenue
- Increase in spending by the government



## 5.2.2. OTHER DEVELOPMENTS RELATED TO FOREIGN INVESTMENT

<b>Foreign Investment Facilitation Portal (FIFP)</b>	<ul style="list-style-type: none"> <li>FIFP, the <b>online single point interface</b> to facilitate FDI in India has completed 5 years. <ul style="list-style-type: none"> <li>It was set up after the abolishment of Foreign Investment Promotion Board (FIPB) in 2017.</li> </ul> </li> <li>FIFP is administered by <b>Department for Promotion of Industry and Internal Trade (DPIIT)</b>, Ministry of Commerce &amp; Industry.</li> <li>It <b>facilitates single window clearance</b> of applications which are through approval route.</li> </ul>
<b>Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2022</b>	<ul style="list-style-type: none"> <li>New rules <b>allow foreign investment of up to 20 per cent in LIC and other such corporate bodies.</b> <ul style="list-style-type: none"> <li>Presently, the <b>foreign inflows' ceiling for public sector banks is 20 per cent</b> under government approval route.</li> </ul> </li> <li><b>Foreign Exchange Management Act (FEMA), 1999, under Finance Ministry</b>, consolidates and amend laws relating to foreign exchange for facilitating external trade and payments and for maintenance of foreign exchange market in India. <ul style="list-style-type: none"> <li>It <b>replaced the Foreign Exchange Regulation Act (FERA) and extends to whole of India.</b></li> </ul> </li> </ul>
<b>United Nations Conference on Trade and Development (UNCTAD)</b>	<ul style="list-style-type: none"> <li>According to the <b>World Investment Report</b> from UNCTAD, India jumped by one position to 7<sup>th</sup> among the <b>top FDI recipients in 2021.</b> <ul style="list-style-type: none"> <li><b>USA</b> remains the <b>top recipient</b> with \$367 billions of FDI, followed by <b>China and Hong Kong.</b></li> </ul> </li> <li>UNCTAD (HQ: Geneva) is a <b>permanent intergovernmental body</b> established by the <b>UN General Assembly in 1964.</b> <ul style="list-style-type: none"> <li>It has <b>195 member states</b>, and it is part of the <b>UN Sustainable Development Group.</b></li> <li><b>Other Major Reports by UNCTAD: Trade and Development Report, Digital Economy Report, Technology, and Innovation Report</b> etc.</li> </ul> </li> <li>UNCTAD also releases the <b>Trade and Development Report annually.</b></li> </ul>

## 5.3. EXCHANGE RATE DYNAMICS

### 5.3.1. INDIAN RUPEE (INR) DEPRECIATION

#### Why in News?

To stem Indian rupee (INR) slide and boost forex inflows, RBI has relaxed norms for **foreign investment in debt, external commercial borrowing (ECB), and Non-Resident Indian (NRI) deposits.**

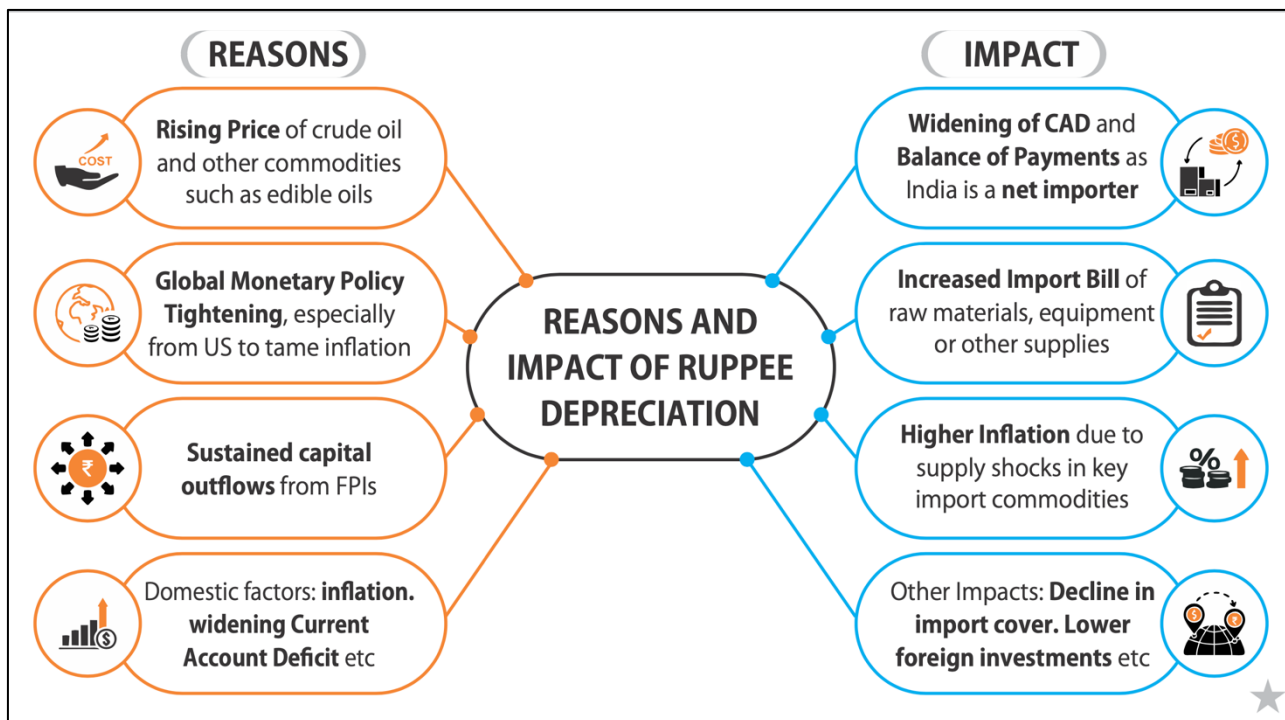
#### About Exchange Rate and its Influencing Factors

- Exchange rate is the **price of one currency in terms of another currency.**
- It can be **fixed** (exchange rate decided by central banks) or **floating** (decided by demand and supply) exchange rate.
- Floating (flexible) exchange rate is determined by the **foreign exchange market or forex** based on various factors (see image).
- In India, the exchange rate management has evolved from the **fixed exchange rate regime** (in line with prevalent **Bretton Woods System**) to **market-determined exchange rate** since March 1993.
  - The role of **RBI and central government** is limited to just **interventions necessary to ensure orderly conditions in the forex ecosystem.**

KNOW THE TERM

**External Commercial Borrowings (ECBs):** It refer to commercial loans availed from non-resident lenders.





### 5.3.2. INDIA'S FOREX DYNAMICS

#### Why in News?

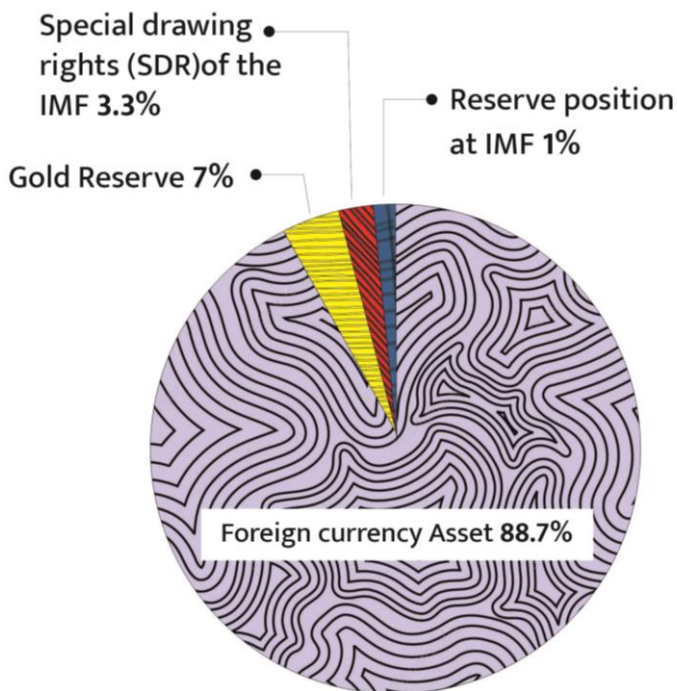
India's Foreign Exchange Reserves declined to over two-year low of \$532.66 billion in 2022, reducing the import coverage to 8-9 months from peak coverage of a year of India's import.

#### Foreign Exchange Reserves: its Composition and Management

- Foreign Exchange Reserves, also known as **Forex Reserves**, are assets held on reserve by a central bank in foreign currencies.
- Dominated by **Foreign Currency Assets (FCA)**, it can also include **other instruments** like bonds, treasury bills, Gold Reserves, Special Drawing Rights at IMF etc.
  - Some of the common FCA's are **US dollar, Euro, British pound, Japanese Yen, and Chinese Yuan.**
- As the Central Bank of India, RBI manages India's forex reserves under:
  - Reserve Bank of India Act, 1934** and
  - Foreign Exchange Management Act, 1999**

#### Need of Forex Reserves

- Supporting and maintaining confidence** in the exchange rate and monetary policies.
- Handling external market risks and Gain investors' confidence** to meet external obligations in case of liquidity crisis.
- Assist government** in meeting its foreign exchange needs and external debt obligations.
- Withstand** domestic financial system shocks or any other national disaster/emergency.



**INDIA'S FOREX RESERVES ITEMS**

## Reasons behind Forex Reserves Fall

- **Decline in Foreign Currency Assets (FCA)**, the biggest reason.
  - For instance, the **Dollar Index**, which gauges **US Dollar (Greenback)** strength against a basket of six currencies, advanced 0.67 per cent to 113.94.
- **RBI Forex Interventions** to curb excessive volatility of rupee.
- **High Capital Outflows** from India to safe havens (including Foreign Portfolio Investments (FPIs)).
- **Weak Global Outlook** due to geopolitical reasons.

### Related News

According to the **World Gold Council**, central banks across the globe are on a **gold buying spree** purchasing record levels of Gold in the **third quarter** of 2022.

- RBI was the **third largest among the known buyers in Q3 of 2022** and biggest buyer since April 2020.
- **Reasons for the trend**
  - Under prevailing **Economic Uncertainties (high inflation and global growth uncertainties)**, it can be used as a **tool to hedge against inflation with no risk of default**.
  - **Increased weightage** in the country's overall reserves due to **appreciation of dollar**.
- **Impact of gold imports:** It increases India's **Current Account deficit**.

## 5.4. GLOBAL INSTITUTIONS

### 5.4.1. INTERNATIONAL MONETARY FUND (IMF)

#### Why in News?

Recently, Union Minister of Finance, while addressing International Monetary and Financial Committee (IMFC), stated that International Monetary Fund (IMF) must commit higher resources for emerging and low-income countries.



## International Monetary Found



**Genesis:** Founded at the **Bretton Woods conference** in **1944**.

➤ Countries must **first join the IMF** to be eligible to join the **World Bank Group**.



**Role:** IMF has **three critical missions:**

- Furthering **international monetary cooperation**,
- Encouraging the **expansion of trade and economic growth**, and
- **Discouraging policies** that would harm prosperity.



**Connections:** It **cooperates closely with other groups**, including G20, and supports the G20's efforts to sustain international economic cooperation through its mutual assessment process.



**Key reports:** **World Economic Outlook** and **Global Financial Stability Report**.



#### About International Monetary and Financial Committee (IMFC)

- **IMFC advises and reports to the IMF Board of Governors** on the supervision and management of the international monetary and financial system, including on responses to unfolding events that may disrupt the system.
- **IMFC has 24 members** (including **India**) who are central bank governors, ministers, or others of comparable rank and who are usually drawn from the governors of the IMF members (currently, **190 countries**).
- Although **IMFC has no formal decision-making powers**, in practice, it is a key instrument for providing strategic direction to the work and policies of IMF.
- **IMFC usually meets twice a year**.
- **Board of Governors**, highest decision-making body of the IMF, is **advised by two ministerial committees**, **IMFC and Development Committee**.



**Related News**

**Special Drawing Rights (SDR)**

- International Monetary Fund (IMF) has **increased the weighting of USD and Chinese Yuan** in its review of the currencies that make up the valuation of its SDR.
- SDR is an **international reserve asset**, created by the IMF in 1969 to supplement its member countries' official reserves.
- Its value is based on a basket of five currencies: **US dollar (highest weightage), Euro, Chinese Yuan, Japanese yen, and British Pound Sterling (lowest weightage)**.
- It is allocated to IMF member countries in proportion to their relative share in the IMF.

**5.4.2. WORLD BANK GROUP**



WORLD BANK GROUP

# WORLD BANK GROUP

Washington DC, USA



**Genesis:** It is a **specialized UN Agency** conceived along with **International Monetary Fund (IMF)**, also known as **Bretton Woods Twins** in **July 1944** at the **United Nations Bretton Woods Conference in New Hampshire, USA**. Today, it consists of five organizations as:

- ◆ **International Bank for Reconstruction and Development (IBRD):** Established in **1944**, it lends to middle-income and creditworthy low-income countries.
- ◆ **International Finance Corporation (IFC):** Established in **1960**, it gives interest-free loans and grants to poorest countries. **Together, IBRD and IDA form the World Bank.**
- ◆ **International Finance Corporation (IFC):** Established in **1956**, it largest global development institution focused exclusively on the private sector.
- ◆ **Multilateral Investment Guarantee Agency (MIGA):** Created in **1988**, it promotes FDI into developing countries for economic growth, poverty reduction etc.
- ◆ **International Centre for Settlement of Investment Disputes (ICSID):** Established in **1966**, it provides international facilities for conciliation and arbitration of investment disputes.

**Objective:** To end extreme poverty and to promote shared prosperity.

**Membership:** IBRD:189, IDA: 174, IFC: 186, MIGA: 182 and ICSID: 158 member countries

**Other key information:**

- ◆ **Flagship Publications:** Global Financial Development Reports, World Development Reports, Global Economic Prospects.






India is member of all World Bank organizations except ICSID

**5.5. KEY CONCEPTS AND INFORMATION ON EXTERNAL SECTOR**

<b>Anti-Dumping Duty</b>	<ul style="list-style-type: none"> <li>• India has initiated <b>anti-dumping probe against import of certain type of optical fibre</b> from China, Indonesia and South Korea.</li> <li>• Anti-dumping duty is a <b>protectionist tariff</b> imposed by a <b>domestic government on foreign imports</b> if it believes it is <b>priced below fair market value</b> (or dumping).</li> <li>• Dumping is an unfair trade practice under the <b>Customs Tariff Act, 1975</b> and its <b>1995 rules</b> which provide the legal basis for anti-dumping duty in India.</li> <li>• The <b>Directorate General of Trade Remedies (DGTR)</b>, as the investigation arm of the Ministry of Commerce, carries out the anti- dumping probe.</li> </ul>
<b>India's Competitiveness Roadmap</b>	<ul style="list-style-type: none"> <li>• The Economic Advisory Council to the Prime Minister (EAC-PM) has released '<b>The Competitiveness Roadmap for India@100</b>' in collaboration with the Institute for Competitiveness.</li> <li>• Competitiveness means any <b>macro-variable</b> which represents the ability to compete globally.</li> <li>• It is <b>centered on overall productivity</b>, i.e., the <b>effectiveness to mobilize country's assets and available labour force to create value</b>.</li> </ul>
<b>World Competitiveness Index 2022</b>	<ul style="list-style-type: none"> <li>• Released by Institute for Management Development (IMD), India jumped by six-position - <b>from 43rd to 37th</b> - the <b>sharpest rise among the Asian economies</b> due to gains in <b>economic performance</b>.</li> <li>• <b>Note:</b> This is different from <b>Global competitiveness report</b> of World Economic Forum.</li> </ul>

PT 365 - Economy

	<div style="text-align: center;">  <h2 style="margin: 0;">World Economic Forum</h2> <p style="margin: 0;">Geneva, Switzerland</p> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 45%;"> <ul style="list-style-type: none"> <li> <b>Not-for-profit foundation</b> founded in 1971 by Klaus Schwab for Public-Private cooperation.</li> <li> <b>Engages the foremost political, business, cultural and other leaders</b> of society to shape global, regional and industry agendas towards its mission of improving the state of the world.</li> <li> <b>Organization's Motto:</b> Entrepreneurship in the Global Public Interest.</li> <li> <b>WEF Flagship Publications:</b> Global Competitiveness Report, Global Gender Gap Report, Global Risks Report and recently launched Global Cybersecurity Outlook.</li> </ul> </div> <div style="width: 45%; text-align: right;">   </div> </div>
<p><b>Rules of Origin (ROO)</b></p>	<ul style="list-style-type: none"> <li>• Central Board of Indirect Taxes and Customs (CBIC) stated that <b>in case of conflict between Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR) and ROO (under FTA) provisions, provision of FTA or its ROO shall prevail.</b> <ul style="list-style-type: none"> <li>○ <b>FTAs allow imports</b> of most of the items at <b>nil or concessional basic customs duty rate.</b></li> </ul> </li> <li>• CAROTAR are <b>aimed at plugging duty evasion through routing exports to India</b> under FTAs.</li> <li>• Under CAROTAR rules, <b>importers need to furnish proof of 35% value addition in goods</b> from country of origin to claim duty concession under FTAs.</li> <li>• <b>A list of minimum information</b> which importer is required to possess <b>is also provided.</b></li> </ul> <p><b>About ROO</b></p> <ul style="list-style-type: none"> <li>• ROO are the criteria prescribed <b>to determine national origin of an imported product</b> in a country.</li> <li>• Under this, a country that has inked an FTA with India <b>cannot dump goods from some third country in Indian market by just putting a label on it.</b></li> <li>• It has to <b>undertake a prescribed value addition</b> in that product to export to India</li> </ul>
<p><b>Export Import (Exim) Bank</b></p>	<ul style="list-style-type: none"> <li>• It was established by the <b>Government of India, under the Export-Import Bank of India Act, 1981.</b></li> <li>• <b>It extends Lines of Credit (LOCs)</b> to overseas financial institutions, regional development banks, sovereign governments, and other entities overseas.</li> <li>• <b>Objective:</b> To enable buyers in those countries to import developmental and infrastructure projects, goods and services from India, on deferred credit terms.</li> </ul>
<p><b>NIRYAT (National Import-Export Record for Yearly Analysis of Trade) portal</b></p>	<ul style="list-style-type: none"> <li>• NIRYAT portal- a <b>one-stop place for all info</b> needed on India's foreign trade. <ul style="list-style-type: none"> <li>○ It will help in breaking silos by providing <b>real time data to all stakeholders.</b></li> </ul> </li> <li>• Important information related to <b>more than 30 commodity groups</b> exported to <b>more than 200 countries</b> of the world will be available. <ul style="list-style-type: none"> <li>○ In the coming time, information related to <b>district-wise exports</b> will also be made available.</li> </ul> </li> </ul>
<p><b>Indian Business Portal (IBP)</b></p>	<ul style="list-style-type: none"> <li>• It is an <b>online global trade hub</b> launched <b>for exporters and foreign buyers.</b> <ul style="list-style-type: none"> <li>○ It is Business to Business (B2B) digital marketplace <b>to empower small medium enterprises (SMEs) exporters, artisans, and farmers to identify new markets for their products and grow their sales globally.</b></li> <li>○ Encourage greater exports of products 'Made in India'.</li> <li>○ <b>Developed by Federation of Indian Export Organisation.</b></li> </ul> </li> </ul>
<p><b>RBI's report on Currency and Finance (RCF)</b></p>	<ul style="list-style-type: none"> <li>• The <b>RBI's annual Report</b>, with theme "<b>Revive and Reconstruct</b>", provides a strategy for medium-term steady <b>economic growth of 6.5-8.5%.</b></li> <li>• <b>Key observations for 2021-22</b> <ul style="list-style-type: none"> <li>○ Indian economy is likely to take <b>over 12 years to overcome</b> the COVID-19 losses.</li> <li>○ Capital infusion has <b>helped PSBs improve their CRAR.</b></li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>Amount recovered through <b>ARCs</b> dipped in recent years before <b>getting revived to 41%</b> in 2020-21.</li> </ul>
<b>Reverse Currency War</b>	<ul style="list-style-type: none"> <li>Raising interest rates in the US <b>has led to weakening of other currencies vis-à-vis dollar.</b></li> <li>Mostly, countries do this themselves to keep their exports competitive and is <b>known as currency war.</b></li> <li>However, weakening currency against dollar also leads to <b>costlier import of crude oil</b> as a result of which countries are now working to ensure <b>their currency doesn't lose too much value against the dollar.</b></li> <li>This is being termed as the <b>reverse currency war.</b></li> </ul>
<b>Overseas Direct Investment (ODI)</b>	<ul style="list-style-type: none"> <li>Savvy investors are using ODI route to bet on cryptocurrencies abroad with liberalised remittance facility (LRS).</li> <li><b>ODI is an investment made outside India</b> in a Joint Venture (JV) or Wholly Owned Subsidiary (WOS) either under Automatic Route or Approval Route.</li> <li>Indian Parties are not permitted to invest in foreign entities which are-             <ul style="list-style-type: none"> <li>engaged in Real Estate business activity.</li> <li>which offers financial products linked to Indian Rupee.</li> </ul> </li> <li><b>Eligibility</b>- Company; body created under Act of Parliament; Partnership Firm registered under Indian Partnership Act, 1932; Limited Liability Partnership (LLP), registered under LLP Act, 2008, Resident Individuals under LRS.</li> </ul>
<b>International Finance Corporation (IFC)</b>	<ul style="list-style-type: none"> <li>IFC has launched a <b>\$6 billion Global Food Security Platform</b> to strengthen the <b>private sector's ability</b> to respond to the crisis and help support food production.             <ul style="list-style-type: none"> <li>The platform will focus on <b>improving resilience of the global food system</b> and lessen its climate and ecological footprint.</li> </ul> </li> <li>IFC (HQ: <b>Washington DC</b>), established in <b>1956</b>, is a member of the <b>World Bank Group.</b></li> <li>It is the <b>largest global development institution</b> focused on the private sector in emerging markets; supporting World Bank in its twin goals of <b>ending extreme poverty</b> and <b>boosting shared prosperity.</b></li> <li>Other <b>arms of World Bank</b> include - International Bank for Reconstruction and Development (IBRD), International Development Agency (IDA), Multilateral Investment Guarantee Agency (MIGA) and <b>International Centre for Settlement of Investment Disputes (ICSID)</b> or the Washington convention.             <ul style="list-style-type: none"> <li><b>India is a member of all except the ICSID.</b></li> </ul> </li> </ul>

**PT 365**

**ENGLISH MEDIUM**  
17 Feb | 5 PM

**हिन्दी माध्यम**  
27 Feb | 5 PM

- Specific targeted content: oriented towards Prelims exam
- Doubt Clearing sessions and mentoring
- Complete coverage of The Hindu, Indian Express, PIB, Economic Times, Yojana, Economic Survey, Budget, India Year Book, RSTV, etc from April 2022 to April 2023
- Live and online recorded classes that will help distance learning students and who prefers flexibility in class timing

**One Year CURRENT AFFAIRS FOR PRELIMS 2023 IN 60 HOURS**



# 6. INNOVATION, SKILL DEVELOPMENT AND ENTREPRENEURSHIP

## 6.1. INNOVATION

### 6.1.1. GLOBAL INNOVATION INDEX (GII)

Why in News?

India became 40<sup>th</sup> most innovative country (46<sup>th</sup> in 2021) in the Global Innovation Index (GII).

## GLOBAL INNOVATION INDEX



### INNOVATION INPUT SUB - INDEX



#### Institutions

Political environment/  
Regulatory environment/  
Business environment/



#### Human capital and research

Education/  
Tertiary education/  
Research and  
Development (R&D)



#### Infrastructure

Information and  
communication  
technologies (ICT)/  
General infrastructure/  
Ecological sustainability



#### Market Sophistication

Credit/Investment/  
Trade, Diversification,  
and market scale



#### Business sophistication

Knowledge workers/  
Innovation linkages/  
Knowledge absorption

### INNOVATION OUTPUT SUB - INDEX



#### Knowledge and technology outputs

Knowledge creation/  
Knowledge impact/  
Knowledge diffusion



#### Creative output

Intangible assets/  
Creative goods and services/  
Online creativity

#### About Global Innovation Index (GII)

- Launched in 2007, the GII tracks the **global state of innovation** and **ranks innovative performance** of nations annually.
- **Published by:** WIPO in partnership with **Portulans Institute**, various corporate partners (E.g., **Confederation of Indian Industry**), and Academic Network Members.
  - The **World Intellectual Property Organization (WIPO)** joined it in 2011.
- **GII 2022 Theme:** “What is the future of innovation-driven growth?”.
- **GII 2022 Results:** It ranks the innovation performance of **132 countries** based on two sub-indices:
  - Innovation Input Sub-Index, and
  - Innovation Output Sub-Index (see **image**).
- **Top 5 countries in GII 2022:** Switzerland, USA, Sweden, UK, and the Netherlands.
- **India:** Jumping **41 places** since **2015**, India ranks at the **top** in **Central and Southern Asia region** as well as in **Lower middle-income group**.
  - India continues to hold **1<sup>st</sup> rank in the ICT services exports indicator (within GII)**.
  - **Other indicators (within GII):** Venture capital recipients' value (**6<sup>th</sup>**), Finance for startups and scaleups (**8<sup>th</sup>**), Graduates in science and engineering (**11<sup>th</sup>**), Labor productivity growth (**12<sup>th</sup>**) and Domestic industry diversification (**14<sup>th</sup>**).

- Also, from India, **Bengaluru, Delhi, Mumbai, and Chennai** featured among the world's largest **top 100 Science and Technology clusters**.



## World Intellectual Property Rights Organization (WIPO)



**Genesis:** It is a **specialized agency** of the UN, created in **1967** to "encourage creative activity and promote the protection of intellectual property throughout the world".



**Membership:** It currently has **193 member states**.



**Role:** Administers multiple international treaties.



### WIPO-Administered Treaties for Classifications

Agreement	Classification	Area
The Nice Agreement (1957)	Nice Classification	Registering trademarks and service marks
The Locarno Agreement (1968)	Locarno Classification	Industrial designs
Strasbourg Agreement (1971)	International Patent Classification	Patents and utility models according to the different areas of technology
The Vienna Agreement (1973)	Vienna Classification	Marks that consist of, or contain, figurative elements ★

#### Related News

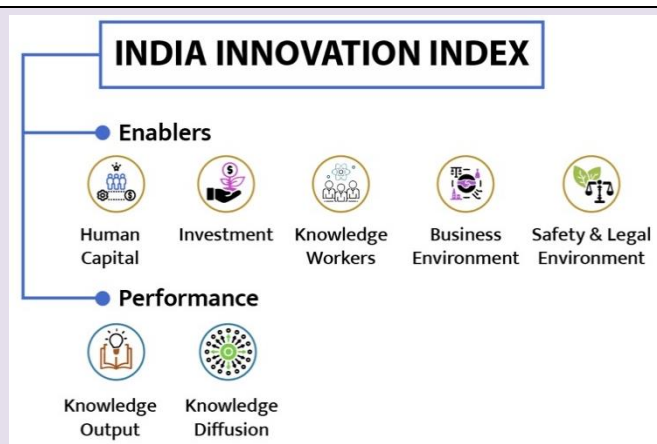
**NITI Aayog and the Institute for Competitiveness** has prepared **India Innovation Index (III)**.

- It is a **comprehensive tool** that ranks states and the union territories on their innovation performance to build healthy competition.

#### Key highlights of 3<sup>rd</sup> edition of Index

- It adopts the framework of **Global Innovation Index (GII) across 7 pillars (see infographics)**.
  - Five 'Enabler' pillars** measure the inputs (features that are crucial for promoting innovation), and
  - Two 'Performance' pillars** measure the output (represent a nation's benefits in knowledge creation and competitiveness).

- Karnataka** (Major States); **Manipur** (North-Eastern and Hilly states); and **Chandigarh** (UTs and City-States) topped in their respective categories.



### 6.1.2. INTELLECTUAL PROPERTY RIGHTS (IPR) REGIME IN INDIA

#### Why in News?

The Economic Advisory Council to the Prime Minister (EAC-PM) released a report on India's IPR regime.


#### About Intellectual Property Rights (IPR)

- IPR** are the exclusive rights given to persons over the use of his/her IP for a certain period of time.
  - Such protection is provided in the form of **Copyright, Geographical Indications (GI), Patents, Registered designs Trademarks etc.**
- Trade-Related Aspects of Intellectual Property Rights (TRIPS)** is the most comprehensive multilateral agreement on IPR. It is **in sync** with the:
  - Paris Convention** for the Protection of Industrial Property (patents, industrial designs, etc.), and
  - Berne Convention** for the Protection of Literary and Artistic Works (copyright).


### India's IPR Governance Framework

India ranks at 43 out of 55 countries in the International IP Index 2022 (by US Chambers of Commerce) based on its framework for governance of IPR regime (refer image).


### About TRIPS




Negotiated in 1986-94 Uruguay Round.




Introduced IP rules into the multilateral trading system for the first time.



Provides minimum standards of protection to be followed by the WTO Members.











Compulsory licence is allowed under the 2001 WTO Doha Declaration



Agreed by the 164 member countries of the WTO

### FRAMEWORK FOR GOVERNANCE OF IPR REGIME IN INDIA

Types of IPR	Legislative framework	Administrative architecture
 <b>Patents</b>	Indian Patents Act, 1970 (amended in 2005)	<b>Controller General of Patents, Designs and Trade Marks (CGPDTM)</b>
 <b>Designs</b>	The Design Act, 2000	
 <b>Trade Marks</b>	Trade Marks Act, 1999	
 <b>Copyrights</b>	The Copyright Act, 1957	<b>Registrar of Copyright</b>
 <b>Biodiversity</b>	Biological Diversity Act, 2002	<b>National Biodiversity Authority</b>
 <b>Geographical Indication (GI)</b>	The GI of Goods (Registration and Protection) Act, 1999	<b>Geographical Indication Registry (GIR)</b>
 <b>Transistors &amp; Electric Circuit Board</b>	The Semiconductor Integrated Circuits Layout Design Act, 2000	<b>Semiconductor Integrated Circuits Layout Design Registry (SCILDR)</b>
 <b>Plant Varieties and Farmers</b>	Protection of Plant Varieties and Farmers' Rights Act 2001	<b>Department of Agriculture</b>



### 6.1.3. NATIONAL INTELLECTUAL PROPERTY AWARENESS MISSION (NIPAM)

#### Why in News?

NIPAM, a flagship program of Ministry of Commerce and Industry to impart IP awareness and basic training, achieved its target of imparting IP awareness and basic training to 1 million students in India.

#### NIPAM Implementation

- It is implemented by the Intellectual Property Office, the Office of Controller General of Patents, Designs and Trademarks (CGPDTM), Ministry of Commerce and Industry.

#### Objectives

- To provide awareness on IP and its rights to 1 million students.
- To inculcate the spirit of creativity and innovation to students of higher education (classes 8 to 12).
- To ignite and inspire students at college / Universities to innovate and protect their creations.
- Contribute to the cultural and economic development of the society through a remodelled approach that makes use of the IP office's existing resources in collaboration with Atal Innovation Mission (AIM), All India Council for Technical Education (AICTE), University Grants Commission (UGC), and others.
- Creation of an Aatmanirbhar Bharat by raising IP awareness.

**PERSONALITY DEVELOPMENT PROGRAMME**

**CIVIL SERVICES EXAMINATION - 2022**

**Admission Open**

**Programme Features**

- ★ DAF Analysis Session with senior faculty members of Vision IAS
- ★ Mock Interview Session with Ex-Bureaucrats/ Educationists
- ★ Interaction with Previous toppers and Serving bureaucrats
- ★ Performance Evaluation and Feedback

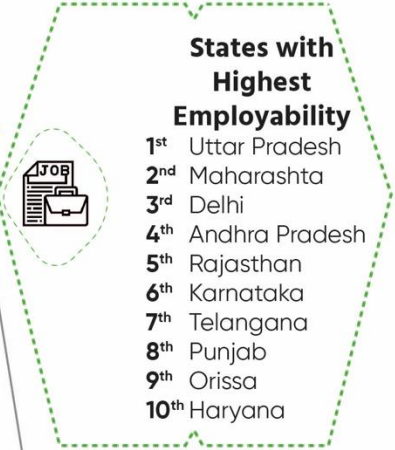
The advertisement features a central illustration of a woman in a red sari sitting at a desk, facing three men in suits who are also seated at the desk. The background includes a clock, a framed portrait, and a bookshelf. At the bottom left, there are three QR codes with icons for an Apple, an Android, and a Telegram app.

## 6.2. SKILL DEVELOPMENT

# Skilling Landscape in India



### Status of Skilled Workforce- India Skills Report 2023\*



### Institutions

Under **Ministry of Skill Development and Entrepreneurship-**



**National Skill Development Agency (NSDA)**



**National Skill Development Corporations (NSDC)**



**Sector Skill Councils (SSCs) etc.**



### Policy



**National Policy for Skill Development and Entrepreneurship, 2015**



### Schemes and Initiatives



**Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Pradhan Mantri Yuva Yojana (PM-YUVA).**

- o **Project on Recognition of Prior Learning (RPL)-** A component of PMKVY.



**Skill India International Centre (SIIC)** development at Varanasi by **NSDC International (NSDCI)** to provide skills as **per the international standard demand.**



**Funding of Reskilling Revolution initiative,** an initiative of World Economic Forum to **provide 1 billion people with better education, skills, and economic opportunity by 2030.**



**Digital Skilling Program for skilling, reskilling and upskilling in emerging and future technologies** involving the Ministry of Education, the Ministry of Skill and affiliated NSDCs, Skill India programs (National Educational Alliance for Technology), AICTE and over **100+ technology corporate/manufacturing firms.**



**Bharatskills Forum, a digital knowledge-sharing platform** for the ITIs' trainees, trainers and industry by Directorate General of Training.



**Global Skilling Collaboration,** under **Skills India Mission,** by **National Skills Development Corporation (NSDC)** by roping in foreign universities (**Harvard Business School, MIT etc.**)

\*'India Skills Report 2023' is given by **Wheebox** in partnership with **All India Council for Technical Education (AICTE), Confederation of Indian Industry (CII)** and others. ★

### 6.2.1. NATIONAL INITIATIVE FOR PROMOTION OF UPSKILLING OF NIRMAN WORKERS (NIPUN)

#### Why in News?

The **Ministry of Housing and Urban Affairs (MoHUA)** has launched the '**National Initiative for Promotion of Upskilling of Nirman workers**' (NIPUN) project to train 100,000 construction workers.

#### More on News

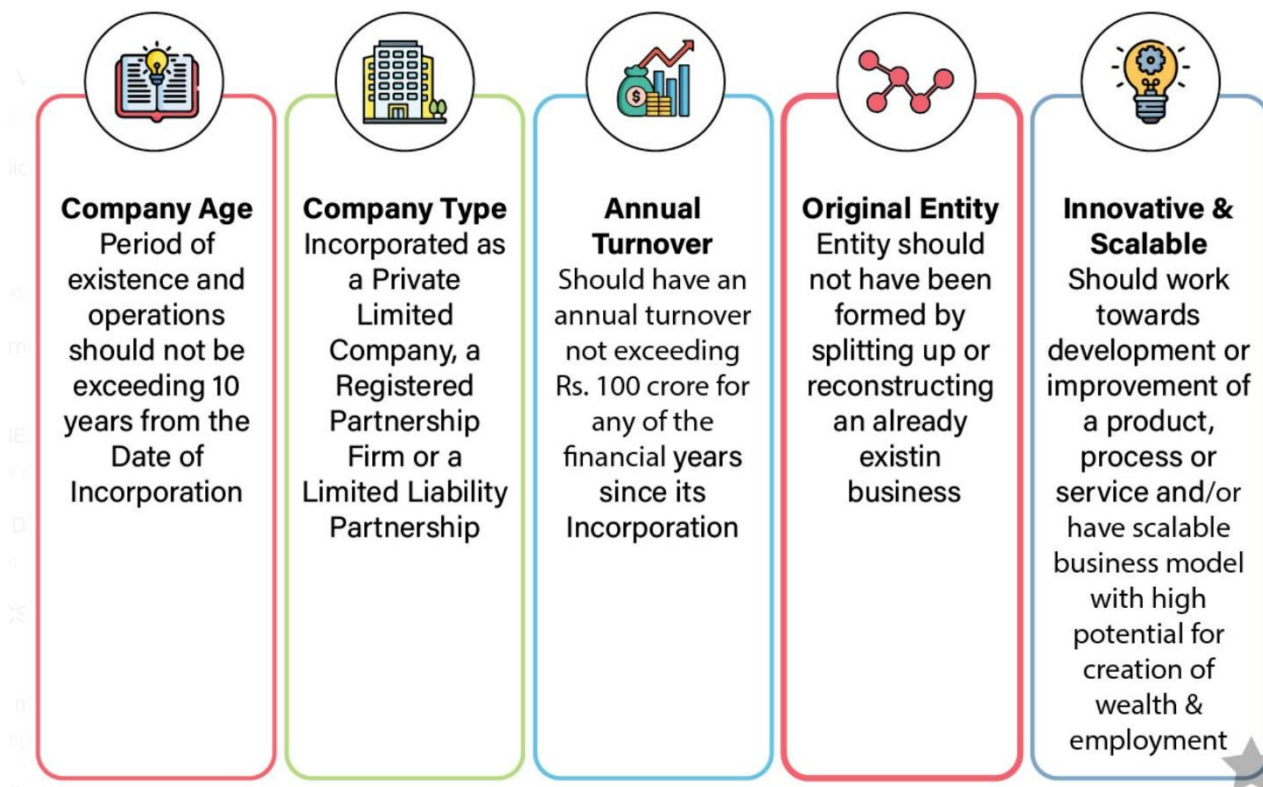
- **Project NIPUN** is an initiative under MoHUA's flagship scheme, **Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM)**.
- Its implementation is divided into **three parts**:
  - Training through **Recognition of Prior Learning (RPL)** at construction sites;
  - Training through **Fresh Skilling** by Plumbing and Infrastructure Sector Skill Council (SSC); and
  - **International Placements** through industries, builders and contractors.
- The courses are aligned with **National Skills Qualification Framework (NSQF)** and will be imparted at accredited and affiliated training centres.
  - NSQF is a **nationally integrated education and competency-based framework** that enables persons to acquire desired competency level.
- **National Skill Development Corporation (NSDC)** is its implementation partner, and it will be responsible for overall execution of training, monitoring and candidate tracking.
  - NSDC is a **Public Private Partnership** mandated to involve the private sector in **skilling 150 million Indians by 2022**.
- Trainees will be provided with '**Kaushal Bima**', a 3-year accidental insurance with **₹2 lakhs** coverage along with necessary digital skills.

## 6.3. ENTREPRENEURSHIP

### 6.3.1. UNICORNS IN INDIA

#### Why in News?

#### DPIIT criteria for a start-up



India crossed the milestone of **100 unicorns** with a **total valuation** of over **₹25 lakh crore rupees**.



## Unicorn and Startups in India

- Unicorn is used to describe **any privately held company that has touched a valuation of more than \$1 billion.**
  - Globally, **India ranks 3<sup>rd</sup>**, after US and China, in the total number of unicorns and the overall **startup ecosystem.**
- Start-ups are **companies or ventures that are focused on a single product or service** that the founders want to bring to market.
  - These companies **don't have fully developed business model** and, **lack adequate capital to move onto the next phase** of business.
  - Funding sources include venture capitalists, crowdfunding, loans.
  - The DPIIT criteria for recognition of start-ups follow the **5 parameters** as given in **image.**

## Major Initiatives for Start-ups

- **Startup India Initiative** along with Startup India Seed Fund.
- **Start-up Accelerators of MeitY for product Innovation, Development and growth (SAMRIDH)** programme.
- **Fund of Funds for Startups (FFS)** under the **Start-up India initiative** to mobilise domestic capital to give the Indian startup ecosystem with a total corpus of **₹10,000 crore.**
  - Under FFS, support is **extended to SEBI registered AIFs, which in turn invest in startups.**
  - **Small Industries Development Bank of India (SIDBI)** is the **implementing agency** for the FFS.
- **National Startup Awards** to recognize and reward outstanding Startups and ecosystem enablers.
- **Startup India Seed Fund Scheme (SISFS)**, launched in 2021, to provide **financial assistance to eligible DPIIT recognized startups through eligible incubators** for proof of concept, prototype development, product trials, market entry and commercialization.

### Related News

#### Ranking of States' Start-up Ecosystems

- Launched in 2018 by **DPIIT**, the ranking aims to **support states and UTs in developing their start-up ecosystem** and learn from the best practices in each state and UT.
- The 2021 ranking covers **24 States** and **7 UTs**, ranked **on their performance across 7 broad reform areas** including Institutional Support; Fostering Innovation and Entrepreneurship; Access to Market; Funding Support; Mentorship Support etc.
- **Participants are graded as** best performers, top performers, leaders, aspiring leaders, and emerging start-up ecosystems.
- AIFs are any **privately pooled investment fund** (whether from Indian or foreign sources) in the form of a **trust, a company, a body corporate, or a Limited Liability Partnership.**
  - **Family trusts, employee welfare trusts, and gratuity trusts** are not counted as AIFs.

## 6.3.2. GOVERNMENT E-MARKETPLACE (GEM) PORTAL

### Why in News?

Union Cabinet has approved a proposal to **expand the mandate of GeM to allow procurement by Cooperatives as buyers** on the platform, helping cooperatives to enhance the **Ease of Doing Business.**

### About the GeM

- It was launched in **2016**, by the **Ministry of Commerce** to create an **open and transparent procurement platform** for government buyers.
  - It was **developed by the Directorate General of Supplies and Disposals** with **technical support of NeGD** under the **Ministry of Electronics and Information Technology.**
- It **facilitates online procurement** of common use Goods & Services required by various Government Departments / Organisations / PSUs/ cooperatives.
  - Private buyers **cannot buy on the platform, but they can sell products** to government bodies.
- **General Financial Rules, 2017** mandates all Ministries or Departments to procure Goods and Services available on GeM from GeM.
  - It is managed by **GeM Special Purpose Vehicle**, a 100% Government Owned, Section 8 Company.
- The purchases through **GeM by Government users have been authorized** and made **mandatory by the Ministry of Finance.**

## 6.4. KEY CONCEPTS AND INFORMATION ON INNOVATION, SKILL DEVELOPMENT AND ENTREPRENEURSHIP

<p><b>Gig Workers</b></p>	<ul style="list-style-type: none"> <li>NITI Aayog released <b>India's Booming Gig and Platform Economy'</b> report. <ul style="list-style-type: none"> <li>It suggested <b>Universal Social Security Coverage</b> by operationalizing the <b>Code on Social Security</b> using <b>RAISE Framework</b>.</li> </ul> </li> <li><b>Gig worker</b> is a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship, (<b>Code on Social Security, 2020</b>)</li> </ul>	
<p><b>Productivity</b></p>	<ul style="list-style-type: none"> <li><b>RBI and Centre for Development Economics</b> released the '<b>Indian Productivity Report</b>'. <ul style="list-style-type: none"> <li>The report highlights that <b>India has significantly low productivity</b>.</li> </ul> </li> <li>Productivity can be defined as the <b>ratio of the output of goods and services to the inputs</b> - human as well as others - used in the production process.</li> <li>It can be <b>measured in terms of Labour Productivity or Total Factor Productivity (TFP)</b>.</li> </ul>	
<p><b>Time banking</b></p>	<ul style="list-style-type: none"> <li><b>Time banks are time-sharing cooperative among women</b> wherein one hour equals one time credit, regardless of the service being performed or the level of each person's skill or gender. <ul style="list-style-type: none"> <li>Time banking can be viewed as an <b>opportunity cost of an unpaid activity in terms of the time sacrificed</b>.</li> <li>For each hour of a service exchanged, the <b>service provider receives one, time credit and the beneficiary pays one, time credit</b>.</li> </ul> </li> </ul>	
<p><b>National Career Service (NCS) Portal</b></p>	<ul style="list-style-type: none"> <li>It is a <b>job platform, launched in 2015</b> by the <b>Ministry of Labour &amp; Employment</b>, to provide a variety of employment services. <ul style="list-style-type: none"> <li>Aimed at <b>helping qualified job seekers to connect with potential employers</b> for finding suitable employment.</li> </ul> </li> <li>NCS also <b>enhances the candidates' personality</b>. <ul style="list-style-type: none"> <li>Through Career counselling, vocational guidance, and career skill training.</li> </ul> </li> <li>The <b>linkage between NCS and e-Shram</b> has been completed in 2022.</li> </ul>	
<p><b>Atal New India Challenge (ANIC)</b></p>	<ul style="list-style-type: none"> <li><b>Atal Innovation Mission (AIM)</b> has launched <b>women centric challenges</b> under its <b>ANIC program</b> to address the major issues faced by women from all spheres of life.</li> <li>ANIC is a <b>flagship program</b> of AIM, NITI Aayog. <ul style="list-style-type: none"> <li>It aims to <b>seek, select, support and nurture technology-based innovations</b> that <b>solve sectoral challenges</b> of national importance and societal relevance.</li> <li>It can help address the <b>Commercialization Valley of Death</b> by supporting innovators scale over the risks associated with access to resources for <b>testing, piloting and market creation</b>.</li> </ul> </li> <li>It provides <b>funds up to ₹1 crore</b> through a <b>grant-based mechanism</b> and open for: <ul style="list-style-type: none"> <li><b>Any Indian Company</b> incorporated under <b>Companies Act</b>,</li> <li><b>Any company registered as a Start-up</b>, recognized by DPIIT.</li> </ul> </li> </ul>	
<p><b>SETU (Supporting Entrepreneurs in Transformation and Upskilling)</b></p>	<ul style="list-style-type: none"> <li>Commerce and industry minister has launched SETU to <b>connect start-ups in India to US-based investors and start-up ecosystem leaders with mentorship and assistance</b> in various areas including funding, market access etc. <ul style="list-style-type: none"> <li>SETU is <b>designed to break the geographical barriers</b> between mentors based in US that are willing to invest in entrepreneurship and sunrise startups in India.</li> </ul> </li> <li>The interaction between the stakeholders will be supported through the mentorship portal under the Startup India initiative <b>MAARG (Mentorship, Advisory, Assistance, Resilience, and Growth) programme</b>, which is a single-stop solution finder for startups in India.</li> </ul>	

<p><b>MAARG (Mentorship, Advisory, Assistance, Resilience and Growth) Portal</b></p>	<ul style="list-style-type: none"> <li>MAARG portal is to facilitate mentorship for startups across diverse sectors, functions, stages, geographies, and backgrounds.</li> <li><b>Objectives of portal:</b> <ul style="list-style-type: none"> <li>Provide sector focused guidance, handholding, and support to startups.</li> <li>Facilitate efficient mentorship and a mechanism for timely tracking of mentor-mentee engagements.</li> <li>It includes customizable mentorship programs, recognition for contributing mentors etc.</li> </ul> </li> </ul>
<p><b>Going Online as Leaders (GOAL) Programme</b></p>	<ul style="list-style-type: none"> <li>Recently, Ministry of Tribal Affairs launched the 2<sup>nd</sup> phase of the GOAL programme.</li> <li>GOAL programme is a joint initiative of Facebook India with Ministry of Tribal affairs to provide mentorship to tribal youth through digital mode.</li> <li>It aims to digitally upskill 10 lakh youth from tribal communities and open up opportunities for them using digital technology.</li> <li>It will create a platform for Self-Help Groups and families associated with TRIFED (Tribal Co-operative Marketing Development Federation of India) to take their products global.</li> </ul>
<p><b>Grameen Udyami Project (GUP)</b></p>	<ul style="list-style-type: none"> <li>To train 450 tribal students in Madhya Pradesh and Jharkhand, the 2<sup>nd</sup> phase of Grameen Udyami Project (GUP) is launched.</li> <li>GUP, funded by National Skill Development Corporation (NSDC), aims to augment skill training in tribal communities for their inclusive and sustainable growth.             <ul style="list-style-type: none"> <li>It is implemented in six states— Maharashtra, Rajasthan, Chhattisgarh, Madhya Pradesh, Jharkhand, and Gujarat under the Sansadiya Parisankul Yojana.</li> </ul> </li> <li>Training is conducted in job roles which are relevant to local economy. E.g. electrician, plumbing, farm mechanisation etc.</li> </ul>

- Emphasis on conceptual clarity to train the aspirants for developing an understanding to solve ethics case study from basic to advance level
- Case studies covers all the exclusive topics from contemporary and current issues as well as previous Year UPSC Paper Case studies
- To discuss on Various techniques on writing scoring answers.
- One to one mentoring session

# ETHICS

## Case Studies Classes

### ADMISSION OPEN

- Focus on contemporary issues and interlinking case studies with topics of current interest.
- Regular Doubts clearing session and personal guidance for the ethics paper throughout your preparation
- Daily Class assignment and discussion
- Comprehensive & updated ethics material



# 7. AGRICULTURE

## 7.1. AGRICULTURAL INPUTS

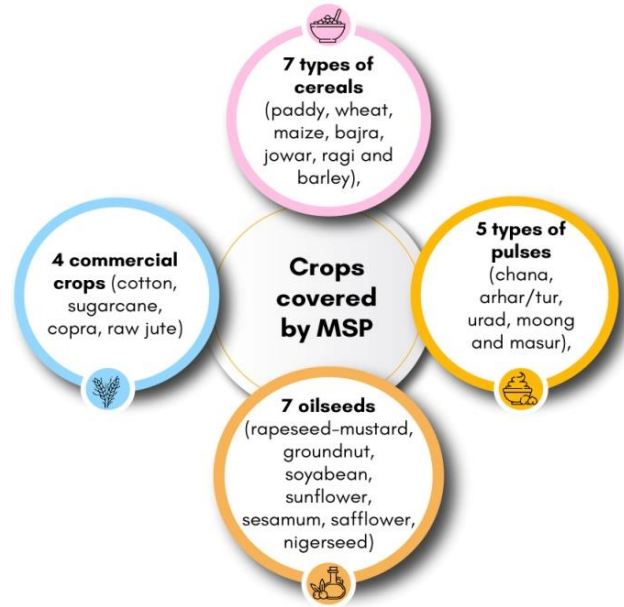
### 7.1.1. MINIMUM SUPPORT PRICE (MSP)

#### Why in news?

The **Cabinet Committee on Economic Affairs (CCEA)** has approved an increase in Minimum Support Price (MSP) for six Rabi crops for 2023-24.

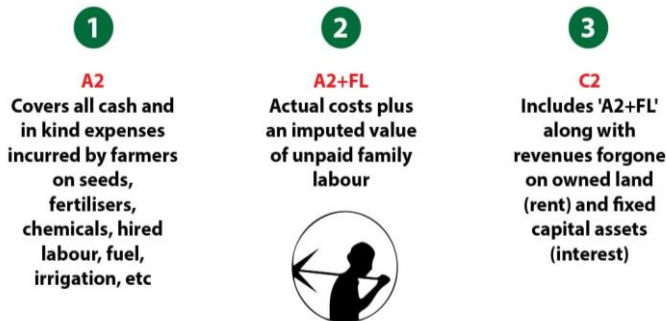
#### About Minimum Support Price (MSP)

- It is a **price support mechanism** that acts as a **safety net for farmers** through guaranteed prices and assured markets for their products.
  - MSP was **started in 1966-67** for **wheat** and **expanded further to other essential food crops**, which was then sold to the poor under subsidised rates under **Public Distribution System (PDS)**.
  - It **saves the crops** from **price fluctuations** caused by **unwarranted factors** such as monsoon, information asymmetry etc.
- It is **fixed twice a year** on **Commission for Agricultural Costs and Prices (CACP- statutory body) recommendations** and then approved by Cabinet Committee of Economic Affairs (CCEA).
- The CACP determines the **MSP based on the expenses incurred by the farmer (See infographics)**.
  - The final **MSP is determined as a function of expenses incurred (A<sub>2</sub>) and the imputed value of family labour (FL)**.
  - There have been **demands for considering a different costing method (C<sub>2</sub>)**.
  - National Commission on Farmers (**Swaminathan Committee**) had also recommended **MSP should be at least 50% more than the weighted average cost of production**.

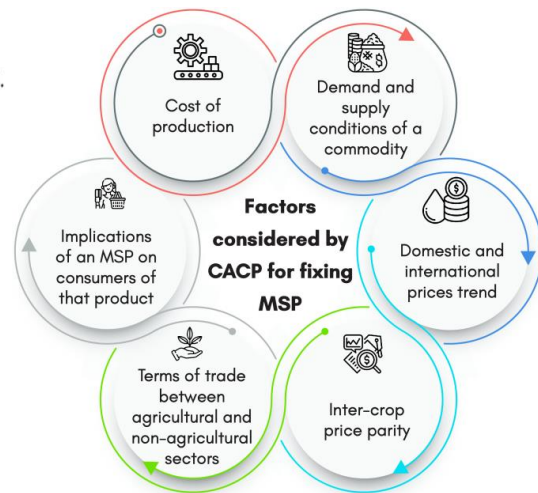


### How are MSPs determined?

When a farmer grows a crop, he incurs costs, some of it explicit and some implicit or unpaid. The CACP considers the following costs:



Government consider A2+FL as production costs



#### Related News

#### Price Stabilization Fund (PSF)

- PSF was set up in 2014-15** under the Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW). It provides for:
  - Maintaining a strategic buffer** of commodities such as Pulses, onion and potato for subsequent calibrated release; to **moderate price volatility** and **Discourage hoarding and speculation**.
  - It **promotes direct purchase from farmers/farmers' association at farm gate/Mandi**.

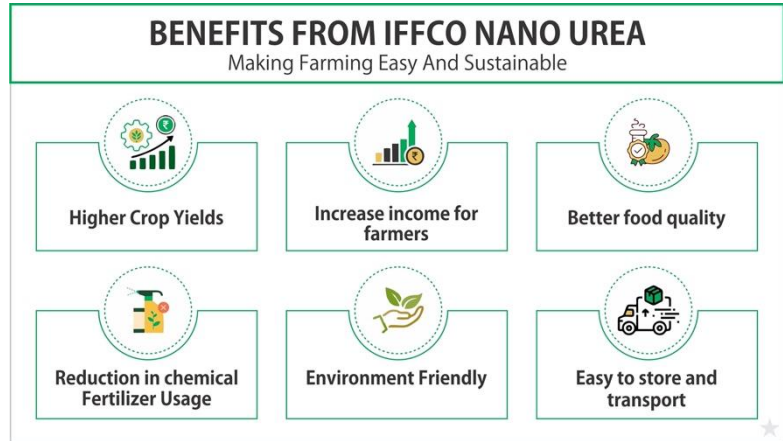
### 7.1.2. NANO-UREA

#### Why in News?

IFFCO's Nano Biotechnology Research Centre at Kalol has developed Nano-Urea.

#### Nano Urea: Its Properties

- Nano Urea is a **patented chemical nitrogen fertiliser** with nano nitrogen particles from 20-50 nm.
- Nutrient Use Efficiency or NUE** (proportion of nutrient used by plants) of nano urea is over 80% against 30-50% of conventional granular urea.
  - This is because Nano urea has **higher surface-mass ratios** that help in releasing nutrients to plants in a controlled manner.
- It **enhances crop productivity to the tune of 8%**.
- Nitrogen from **conventional urea goes waste** due to **leaching** (contaminating soil and water bodies) and **volatilization** (emissions of nitrous oxide in the atmosphere leading to air pollution and global warming).
  - Nano-Urea, along with increased production of traditional urea, **can help India to eliminate urea import by 2025**.



#### Related News

Government aims to launch Nano-DAP, SSP-Urea mix in 2023

- Nano-diammonium phosphate (nano-DAP)** and a mix of **single super phosphate (SSP)** and urea will help reduce the import dependence of the sector.
- Di-ammonium Phosphate** popularly known as DAP is a **preferred fertilizer in India** because it **contains both Nitrogen and Phosphorus** which are primary macro-nutrients. (Largely imported in India)
- SSP** is the most popular phosphatic fertilizer after DAP as it **contains 3 major plant nutrients namely Phosphorus, Sulphur, and Calcium** along with traces of many micro-nutrients. (Indigenously available)

## 7.2. CROP CULTIATION

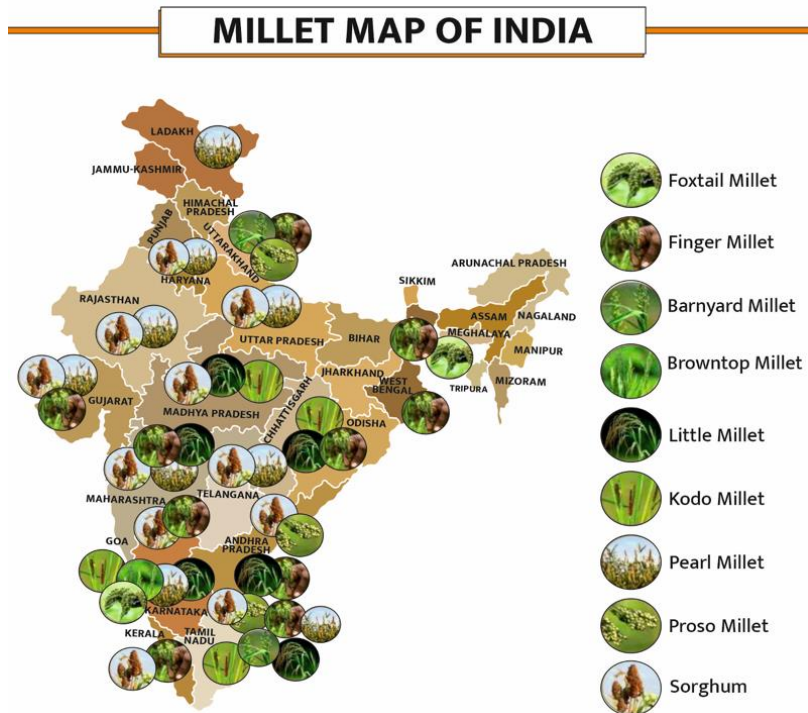
### 7.2.1. INTERNATIONAL YEAR OF MILLETS (IYM) 2023

#### Why in News?

2023 is declared as IYM by the UN General Assembly to create **awareness about health benefits of millets**.

#### About Millets and their Significance

- Millets, also known as **Nutri-cereal** as or **superfoods** for having nutrients like **protein, Vitamin-A, iron and Iodine, antioxidants, etc.**, are a diverse family of **small-grained cereals** (Poaceae family).
  - India celebrated 2018 as **National Year of Millets** and proposed 2023 to be declared as IYM by UN.
- They are grown on marginal land in **dry areas** of temperate, sub-tropical and tropical regions and used as **cereal crops/grains** for humans and as fodder.






- **Major Millets in India:** Pearl Millet (Bajra) (highest share), Jowar (Sorghum), and Finger Millet (Mandua/Ragi).
- **Major producers:** Rajasthan, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Maharashtra, Gujarat, and Haryana.
- **Production in India:** Overall, India accounts for **80% of Asia's production** and **20% of global production**.
  - India ranks **fifth in global millet trade**, but it is **less than 1% of domestic production**.
- **Beneficial in alleviating malnutrition** and micronutrient deficiency.
- **Other Features:** Drought resistant; Short growing period; Ability to **sequester carbon** and **assist in climate adaptation**; and Traditional association with **cultivation practice of tribal** e.g., Karnataka Ragi Habba (Festival).

### India's Initiatives for Millets

- **NITI Aayog and the World Food Programme (WFP),** India has launched the 'Mapping and Exchange of Good Practices' initiative for mainstreaming millets in Asia and Africa.
- **Millets are notified as nutri-cereals** and included under **POSHAN Mission Abhiyan**.
- **Agricultural and Processed Food Products Export Development Authority (APEDA)** intends to achieve ₹2,000 crore of millet exports by FY26 by exporting value-added and processed organic millet products to at least 100 countries.

## APEDA

**Associated law:** It is a statutory body established under the **Agricultural and Processed Food Products Export Development Authority Act, 1985**.

**Ministry:** It is an autonomous body under **Ministry of Commerce and Industry**.

**Role:** APEDA has been actively engaged in the **development of markets besides upgradation of infrastructure and quality to promote the export of agro products**.

## 7.2.2. RICE/PADDY ACREAGE

### Why in News?

Rice acreage, as of July 15, 2022 was **17.4% down** from last year (time period: June to mid-July) due to **lesser monsoon rains in the rice-growing belt of North India**— UP, Bihar, Jharkhand and West Bengal.

### Rice cultivation in India:

- **Climatic conditions:** Rice is a kharif crop which requires **high temperature** (21 to 37° C throughout life period of crop), **high humidity, prolonged sunshine, and an assured supply of water/ rainfall** (above 100cm).
  - It grows **best in alluvial clayey soil**, which can retain water (refer map).
- **Production in India:** India is **world's second largest rice producer**, after China, and largest exporter.
  - India is also one of the **world's biggest exporter of rice** (global share of more than 40%), thus the **options for import in rice** — due to any production shortfall — **are limited**.
- **Methods of rice cultivation:** **Transplantation, Drilling method, Direct-Seeded Method and System of Rice Intensification**.
  - SRI is a methodology for increasing the productivity of irrigated rice by changing the management of plants, soil, water and nutrients particularly by eliciting greater root growth.

### Rice varieties in News

Basmati Rice	<ul style="list-style-type: none"> <li>● <b>Indian Agriculture Research Institute has developed</b> new varieties that can:                             <ul style="list-style-type: none"> <li>○ <b>Resist two common diseases</b> of paddy (one bacterial and one fungal) and <b>also herbicides</b>.</li> <li>○ <b>Save 35% of water</b> as Direct Sowing of Rice (DSR) method can be used to raise them.</li> </ul> </li> <li>● <b>States with GI tag for Basmati:</b> Jammu and Kashmir (select districts), Himachal Pradesh, Punjab, Haryana, Delhi, Uttar Pradesh (Western) and Uttarakhand.</li> </ul>
China develops perennial rice varieties	<ul style="list-style-type: none"> <li>● The developed <b>rice variety, named PR23, does not need to be planted every year</b> and can <b>yield eight consecutive harvests across four years</b> because of stronger roots of plants.</li> <li>● <b>Concerns raised:</b> Needs one to two more herbicide treatments than regular rice, more work to resow the perennial rice when its yield falters etc.</li> </ul>
Kalanamak rice	<ul style="list-style-type: none"> <li>● <b>Indian Agriculture Research Institute (IARI)</b> has successfully developed <b>two dwarf varieties of Kalanamak rice - Pusa Narendra Kalanamak 1638 and Pusa Narendra Kalanamak 1652</b>.                             <ul style="list-style-type: none"> <li>○ These varieties <b>resolve the issue of lodging</b>.</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Kalanamak Rice</b>, also known as <b>Buddha Rice</b>, <b>Kalanamak</b> is a scented, one of the finest and short grain rice with an unusual black husk. <ul style="list-style-type: none"> <li>○ It is <b>rich in micronutrients</b> such as <b>iron</b> and <b>zinc</b> and can help <b>prevent Alzheimer's</b>.</li> <li>○ <b>Awarded Geographical Indication (GI) tag</b> in 2013 from Uttar Pradesh.</li> </ul> </li> </ul>
<b>DRR Dhan 60</b>	<ul style="list-style-type: none"> <li>• Scientists at <b>Indian Institute of Rice Research</b> have developed paddy varieties that require <b>at least 30% lower phosphorous</b>.</li> <li>• <b>DRR Dhan 60</b> is first rice variety in country with <b>low phosphorous tolerance</b> for any crop. <ul style="list-style-type: none"> <li>○ <b>DRR Dhan 66, DRR Dhan 65, and WGL-1487</b> are the other varieties which offer same benefits.</li> </ul> </li> <li>• <b>Phosphorous</b> is a key <b>macronutrient</b> responsible for energy storage and transfer within cells.</li> <li>• It helps speeding up <b>root development</b>, facilitates <b>greater Nitrogen uptake</b> and results in <b>higher grain protein yields</b>.</li> </ul>

### 7.2.3. SUGARCANE PRODUCTION IN INDIA

#### Why in News?

India became **world's biggest sugar producer** for 2021-22 followed by **Brazil**.

#### More on News

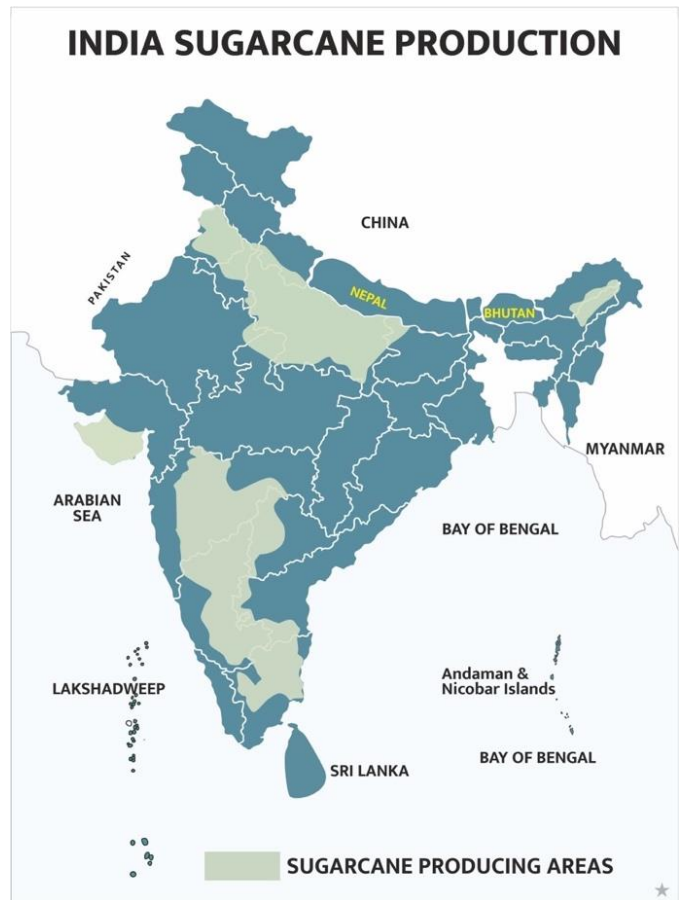
- **India** also emerged as **world's 2nd largest exporter of sugar** earning nearly **₹40,000 crore** of Foreign Exchange.

#### Climatic conditions for Sugarcane

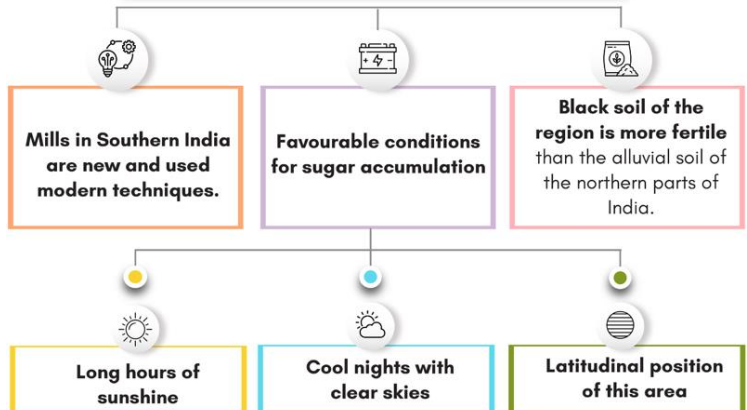
- It needs **hot and humid climate** with an **average temperature of 21°C to 27°C**.
- **75-150 cm rainfall** is favorable for sugar cane cultivation.
- It requires **moisture retentive soil** and **deep rich loamy soil** is ideal for its growth.

#### State Level Shift in Sugarcane Production (2011-2020)

- **Northern sugarcane-producing states** recording a **42% increase** in output value while that of **southern states declined 32.4%** during the same period (NSSO report).
- Meanwhile, the sugarcane output in the five southern states of **Andhra Pradesh, Karnataka, Telangana, Tamil Nadu, and Maharashtra** declined in the corresponding period.
  - Among States, **Maharashtra has overtaken Uttar Pradesh (UP)** to regain its position as India's top sugar producer after a **five-year gap**.
- **Why the decline in Uttar Pradesh?**
  - **High diversion of sugar cane** for **ethanol production**.
  - **Crop loss** due to **excess rains and waterlogging** in low-lying areas of eastern UP.
  - Most of the **cane area is planted under a single variety i.e., Co-0238**, making it susceptible to **red rot fungal disease**.



#### Why Southern states were preferred for Sugarcane production?



## 7.2.4. COTTON CULTIVATION

### Why in News?

The Central government has exempted certain types of genome-edited crops from the stringent regulations applicable on genetically modified or GM crops, paving the way for further R&D on them.

### About genetic modification (GM) of crops

- **GM is a technology that involves inserting DNA into the genome of an organism.**
- **Categories of GM:** Depending on the nature of edit, process is divided into **three categories: site directed nuclease (SDN) 1, SDN 2 and SDN 3.**
- **Regulation:** Genetic Engineering Appraisal Committee (GEAC) a statutory body under the **Ministry of Environment, Forest and Climate Change** is the regulator for **introduction of any GM material.**
- **Bt. cotton (BG-1 and BG-2):** It is the **only GM crop approved** by the GEAC for **commercial cultivation.**
  - Recently, **Haryana** issued NOC to conduct field trials on **BG-2 RRF**, a **herbicide tolerant and insect resistant** variety of **BT cotton.**
  - **BG-2 RRF** can provide **protection against devastating pest attack** such as **American Bollworm.**

### Other relaxation on regulation of GM crops

- Ministry of Environment and Forests **exempted SDN1 and SDN2 genome edited plants** from **Environment Protect Act 1986** for **manufacture, use or import or export and storage of hazardous microorganisms or genetically engineered organisms or cells Rules-1989.**
  - SDN1 and SDN2 **do not involve alien genetic material** and the end result is indistinguishable from **conventionally bred** crop varieties.
  - On the other hand, SDN3 process involves **larger DNA elements or full-length genes of foreign origin** which makes it similar to **GMO development.**

### About Cotton

- Cotton is a **Kharif crop and grows well in black cotton soil** (high water retention capacity) of Deccan plateau.
- **Climatic conditions:**
  - Annual temperature requirement is **20-28 degree Celsius** and **rainfall of 55-110 cm** is ideal.
  - It requires **minimum 180 frost-free days.**
- **Cotton-producing states:** Maharashtra, Gujarat, MP, Karnataka, Andhra Pradesh, Telangana, Tamil Nadu, Punjab, Haryana and UP.
- **India grows all four species of cultivated cotton** *Gossypium arboreum* and *herbaceum* (**Asian cotton**), *G. barbadense* (**Egyptian cotton**) and *G. hirsutum* (**American Upland cotton**).

### KNOW THE TERM



#### Brown Cotton

- Brown Cotton or Kandu is a **local (to Karnataka) indigenous variety of desi cotton** recognised for its natural brown colour.
- It is a **rain-fed variety of cotton and well-suited for south India's environment.**
  - Naturally grown brown cottons are **pest and drought-resistant.**
- With brown cotton, **entire dyeing process is eliminated, dye treatments are limited**, there is **less usage of water, less wastewater**, less consumption of chemicals.
- Fabric is also **non-allergic and has excellent UV sun protection** properties.



### Related News

#### Pink Bollworm (PBW)

- Recently, PBW Infestation was **reported** at the early stage of the **cotton crop cycle in Punjab and Haryana.**
- Pink Bollworm (*Pectinophoragossypiella*) is an **insect known as pest of cotton**, possibly a native of **eastern Indian Ocean region.**
- The **adult female PBW lays eggs** on cotton balls. Once hatched, the **larvae eat the seeds** and damage the fibres of the cotton, reducing the **yield and quality.**
- It is **resistant to first generation transgenic BT Cotton and insecticides.**

#### GM Mustard DMH-11

- Government has approved the environmental release of **GM Mustard DMH 11.**
- It is made through **Barnase-Barstar System**, a hybrid seed production system used in self-pollinated crops, increasing the crop yield and its adaptation - also known as **hybrid vigour or heterosis.**
  - It contains two alien genes isolated from a soil bacterium called **Bacillus amyloliquefaciens.**
- It is developed by Centre for **Genetic Manipulation of Crop Plants (CGMCP)** by crossing Indian mustard variety '**Varuna**' (the barnase line) with an East European '**Early Heera-2**' mutant (barstar).

- The field trials of **GM Mustard DMH-11** have shown 28% higher yield than national check (Varuna) and 37% more than zonal checks (RL1359).
  - ‘Checks’ refer to **reference varieties of mustard in a region** and usually, new varieties must prove themselves superior to be considered for commercial release.
- Also, it was found **safe for cultivation and for food and feed use** with similar visitation of bees as of non-transgenic counterparts.

### 7.2.5. JUTE CULTIVATION

#### Why in News?

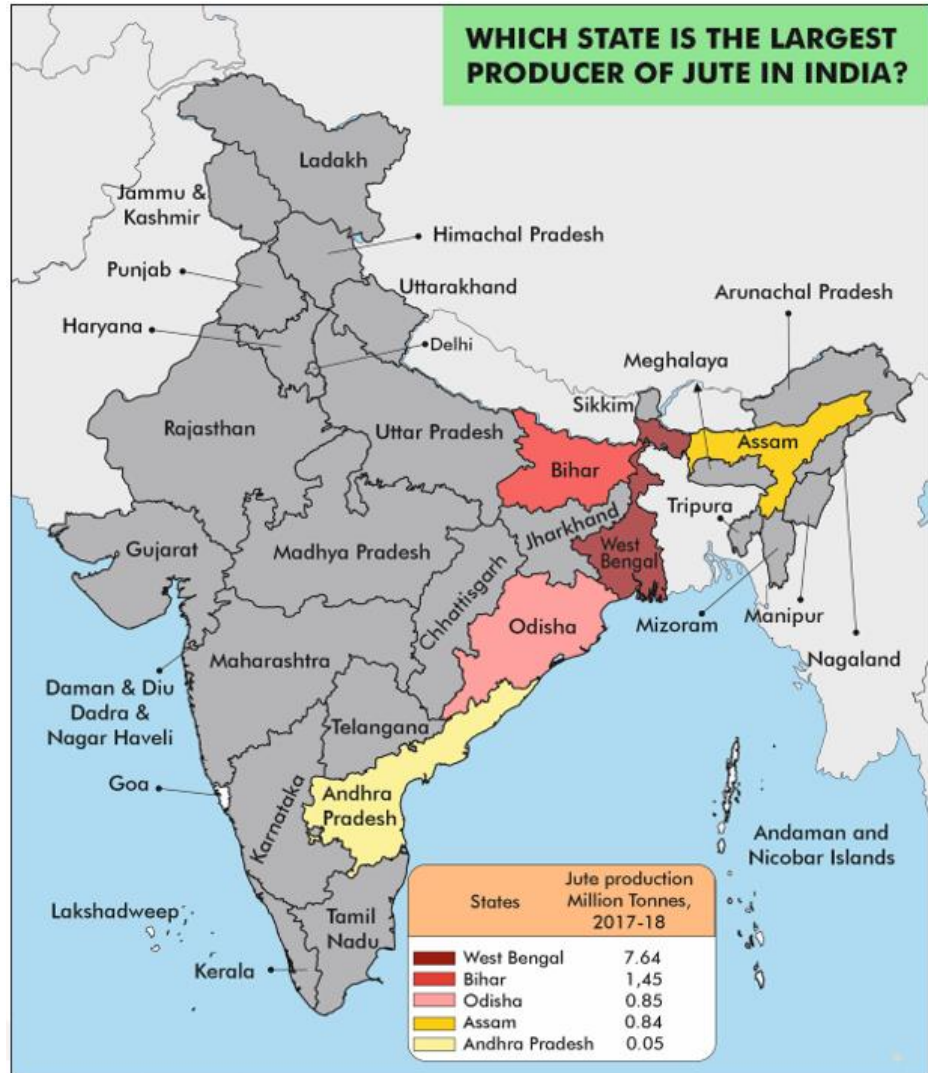
As per **third advance estimates**, India’s jute **economy declined to 1.77 million tonnes in 2021-22**, from 2.03 million tonnes in 2011-12, along the ongoing decline in the **average area under jute cultivation**.

#### More on News

- **India is world’s largest producer** of raw jute, followed by **Bangladesh and China**.
- In exports, **India’s share is just 7% of the global jute exports** while Bangladesh accounts for nearly 75%.

#### About Jute and Jute Industry

- Jute is an important cash crop, also known as **golden fibre**, is a **long, soft, and shiny natural fibre** used in many textile applications.
- **Area of production:** Primarily grown in **West Bengal, Odisha, Assam, Meghalaya, and Tripura**.
- **Climatic conditions:** It requires **humid climate** with **temperature between 24-38 degree Celsius**.
  - **Ganga delta** is **excellent for jute cultivation** due to its **fertile alluvium soil & favorable temperature (25-30 degree C)**.
  - **Minimum rainfall** required is **1000 mm**.



#### Steps taken for Jute Industry

- **Mandatory Packaging in Jute Materials:** At present, **100% of food grains and a minimum of 20% of sugar** are to be compulsorily packed in jute sacking.
- **Golden Fibre Revolution** to promote Jute.
- **Jute Mark India Logo**– a certification for authenticity of Jute Products.
  - Each **Jute Mark Label will have a unique ‘QR Code’** and by scanning it, customers can know about the manufacturer, strengthening domestic markets and India’s exports.
- **JUTE –ICARE** for using certified seeds, adopting scientific technique.
- **Jute Smart** - Smart Platform for Procurement of Jute Sacking.





# NATIONAL JUTE BOARD



**Genesis:** It is a **Statutory Body** established under the **National Jute Board Act, 2008**.



**Vision and Mission:** Making India the leader of jute industries in the world.

- Achieving excellence that will enable the Indian Jute Industry to **produce good quality jute goods at economical prices**
- To enable producers of jute products to **get access to domestic and international market** at competitive price.
- Undertaking various **research and development programmes** to explore the new and innovative use of jute etc.



**Other Key Information:**

- It functions under the **Ministry of Textiles**.
- The **Secretary in charge of the Ministry of Textiles** is the **ex-officio Chairperson of the Board**.



## 7.2.6. DRAFT COFFEE (PROMOTION AND DEVELOPMENT) BILL, 2022

### Why in news?

Ministry of Commerce and Industry is **planning to replace the Coffee Act, 1942 with the new Coffee (Promotion and Development Bill), 2022**.



# Coffee Board of India



**Membership:** **33 members**, including the Chairman,



**Objective:** the board works for:

- ❖ **Enhancement of production**, productivity and quality.
- ❖ **Export promotion** to achieve higher value returns for Indian Coffee.
- ❖ **Supporting development of Domestic market**.



**Role:** The **Coffee Board** plays more of an **advisory role** and **exporters need a certificate** from it.



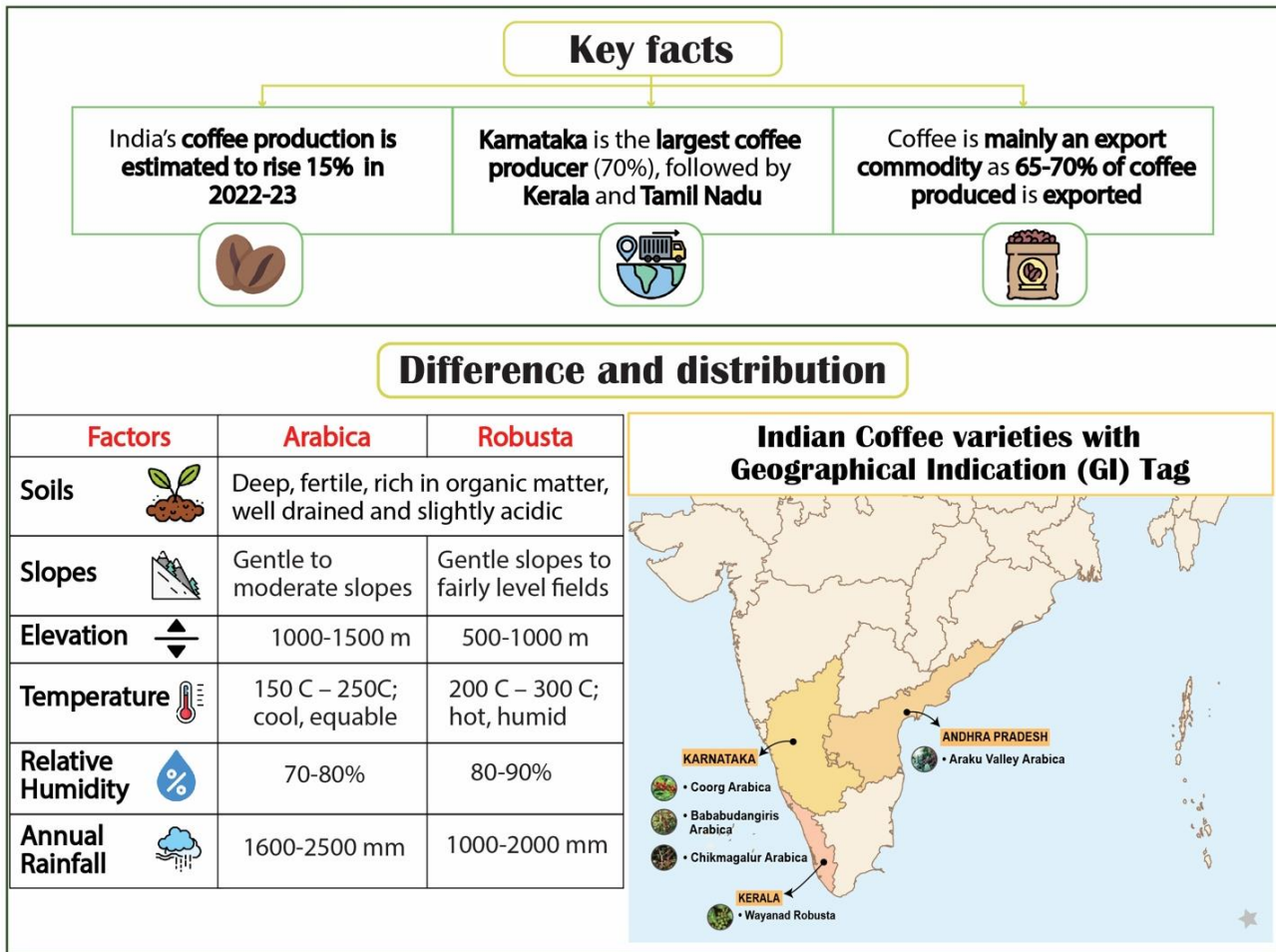
### Coffee in India: Its Introduction and Growing Conditions

- Indian Coffee began during **1600 AD** when **Baba Budan** planted coffee beans from **Yemen** in the **Chandragiri hills** of Karnataka.
  - Its **commercial plantation** started under **British** during the 18th century.
- **Coffee types produced in India: Arabica and Robusta.**
  - **Arabica has high market value** while **Robusta is the majorly manufactured coffee** with a share of 72% of the total production.
- India is the **only country in the world** where the **entire coffee cultivation** is **grown under shade, handpicked and sun dried.**
  - Shade trees **prevent soil erosion on sloping terrain, enrich soil** by recycling nutrients from deeper layers, protect coffee from seasonal fluctuations in temperature, and host diverse flora and fauna.

### About Coffee Act 1942

- It was **introduced during World War II**, in order to **protect the struggling Indian coffee industry from the economic downturn** caused by the war.
- Through the Act, the **Coffee Board was established** under the administrative control of the **Ministry of Commerce and Industry**.

## INDIA'S COFFEE PROFILE



### 7.2.7. TOBACCO CULTIVATION

#### Why in News?

In a first, the **A.P. MARKFED** (Andhra Pradesh State Co-operative Marketing Federation Ltd) exported 120 tonnes of Tobacco to the USA to bail out farmers struggling to find buyers for low grade varieties.

## TOBACCO BOARD

Guntur, Andhra Pradesh

**Genesis:** It was constituted as a **statutory body** on **1<sup>st</sup> January, 1976** under **Section (4)** of the **Tobacco Board Act, 1975** to act as a **facilitator** to the tobacco growers, traders and exporters.

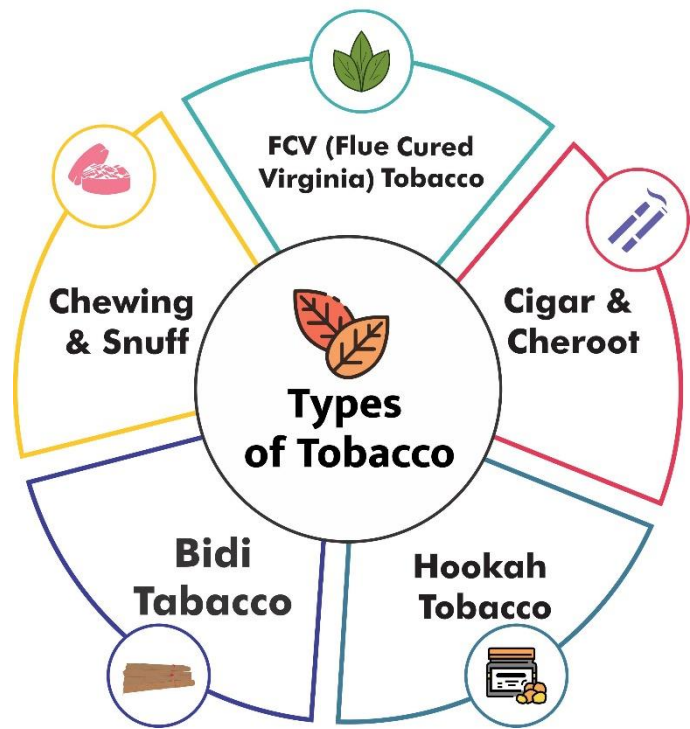
**Objective:** To strive for the overall development of tobacco growers and the Indian Tobacco Industry.

**Other key information:**

- ❖ It functions under the **Ministry of Commerce and Industry**.
- ❖ The primary function of the Board is **export promotion of all varieties of tobacco and its allied products**.
- ❖ Its functions extend to production, distribution (for domestic consumption and exports) and regulation of **Flue Cured Virginia (FCV) tobacco**.

### Tobacco Cultivation in India

- **Production in India:** India has around **0.45 million hectares** of area under tobacco cultivation with **9% of global tobacco production**.
  - India is the **2<sup>nd</sup> largest tobacco producer** (behind **China**) and **2<sup>nd</sup> largest exporter** (behind **Brazil**).
- **Climatic Conditions**
  - Basically, tobacco is a **semi tropical crop** but can be successfully grown in **tropical region**.
  - About **100 to 120 days frost-free climate** with an **average temperature of 80°F**.
  - Well distributed rainfall of **88 to 125 mm per month**.
  - Cannot tolerate **high speed winds and storms** during growth period.
  - **Light to medium loam soil** which is poor in humus content but better in potash, phosphoric acid and iron.
- **Major tobacco manufacturing states:** Gujarat, Andhra Pradesh, Uttar Pradesh, Karnataka etc.



#### Related News

##### Rubber Board and Rubber Plantation in India

- Constituted as a **statutory body** under the **Rubber Act of 1947**, it completed **75 years**.
  - Rubber Board [HQ: **Kottayam (Kerala)**] functions under the **Ministry of Commerce & Industry**.
- It is headed by a **chairman appointed by the Central Government** and has 28 members representing various interests of natural rubber industry.
- **Functions:** Development of Rubber Industry; Conduct of Scientific, technological, and economic research, Welfare of labour employed in plantations; Render advice to government on all matters related to rubber etc.
- **Recently**, Rubber Board introduced the **updated version of mRube**, the **electronic market for rubber**, which went live for trading in July 2022.

##### Rubber Plantation in India

- **Grown in lateritic or loamy soil**, Rubber plantation requires **tropical climate** with **annual rainfall of 2000 – 4500 mm** is suited for cultivation.
- **Minimum and maximum temperature** should range between **25-34°C** with **80% relative humidity**.
- **Major producers:** **Kerala** (biggest producer) and **Tamil Nadu** accounts for 81% production.
  - Other Producers: Tripura, Assam, Meghalaya, Odisha etc.
- **Uses of Natural rubber:** In **medical devices, surgical gloves, aircraft and car tires, pacifiers**, etc.

## 7.3. ALLIED SECTOR

### 7.3.1. INDIA'S DAIRY SECTOR

#### Why in News?

Recently, the **International Dairy Federation World Dairy Summit (IDF WDS), 2022** was held.

#### More on News

- Its **first edition was held in 1974** (being held in India for the **2<sup>nd</sup>** time).
- It is a congregation of **global and Indian dairy stakeholders** including industry leaders, farmers, and policy planners, etc.



# India's Dairy Sector



## About Dairy Sector



### Single largest agricultural commodity

contributing 5% of the national economy.



India ranks **1<sup>st</sup>** in **milk production** with largest bovine population in the world.



India accounts for about **23% of global milk**, around 210 million tonnes annually.



### Top 5 milk-producing states:

Uttar Pradesh, Rajasthan, Madhya Pradesh, Gujarat, and Andhra Pradesh.



## Key institutions



### National Dairy Development Board (NDDB)

- ❖ NDDB initially registered as a society under Societies Act 1860.
- ❖ It was merged with erstwhile Indian Dairy Corporation by Act of Parliament -NDDB Act 1987.



### National Dairy Research Institute (NDRI)

- ❖ The ICAR-National Dairy Research Institute (NDRI), Karnal is celebrating its **centenary year** (established in the year 1923).
- ❖ It is a leading institution in **teaching, research and extension education** with R&D focused on:
  - o Production and management of dairy animals,
  - o Innovating suitable **milk processing technologies**, and
  - o Making dairying a self-sustaining, **profitable business**.



## Key Initiatives for the Sector



### National Programme for Dairy development

to create and strengthen dairy infrastructure.



### Kisan Credit Card to livestock farmers.



### PLI Scheme for Food Processing Industry

to incentivize manufacturing of Mozzarella Cheese.



### Dairy Processing & Infrastructure Development Fund

to replace old chilling and processing plants and addition of value-added product plants.



### Animal Husbandry infrastructure development fund

to increase meat processing capacity and product diversification.



## National Gopal Ratna Award (NGRA)

- ❖ Ministry of Fisheries, Animal Husbandry and Dairying announced NGRA 2022.
- ❖ NGRA is one of the **highest National Awards in the field of livestock and dairy sector** to recognize and encourage all individuals working in this field.
- ❖ **Award is given in three categories.**
- ❖ Awards are **conferred under Rashtriya Gokul Mission** (for development and conservation of indigenous breeds). ★

### Related News

NDDB has launched **NDDB MRIDA Limited**, a wholly owned subsidiary company of NDDB to work for **manure management initiatives**.

#### About MRIDA and Manure Management (MM)

- It is established as an **Unlisted Public Limited Company** under **Companies Act, 2013**.
  - o It will **set up manure value chain, biogas based CNG and energy generation** for dairy plants.
- MM is the **process of capturing, storing, treating, and using animal excretion**.
- NDDB has registered a trademark named **"SuDhan"** for common identity to dung based organic fertilizers.

## 7.4. FOOD PROCESSING

### 7.4.1. FOOD PROCESSING SECTOR IN INDIA

# India's Food Processing Sector



## What is Food Processing?

Food processing is defined as **transforming agricultural products into food that are in consumable form or transforming one food item into another by adding value to it.**

### Sub-categories of Food Processing



## Status of India's Food Processing Sector



It is **one of the largest** in the world



It has grown at an average annual **growth rate of around 11%** in recent past.



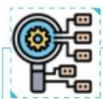
Globally, India is **largest producer & exporter of spices.**



It is **ranked first** in the production of **milk, pulses** and jute, second in fruits and vegetables and third in cereals (2019).



## Key Initiatives



It is identified as one of the **key thrust areas** under the 'Make in India' Programme.



**Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)** ★

## 7.5. AGRICULTURAL MARKETING AND ENTREPRENEURSHIP

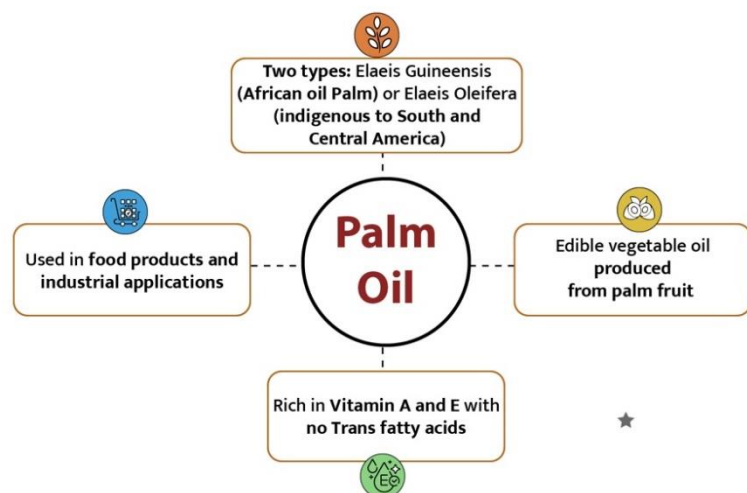
### 7.5.1. ASIAN PALM OIL ALLIANCE (APOA)

#### Why in News?

The Asian Palm Oil Alliance (APOA) is formed by **apex edible oil industry associations of five major palm oil importing countries**, including- **India, Pakistan, Sri Lanka, Bangladesh, and Nepal.**

#### More on News

- **Solvent Extractors' Association (SEA)** of India will manage its **secretariat.**



- It is based on idea to **gain collective bargaining power** and **make imports sustainable**. It will work to:
  - **Change negative image** of palm oil and ensure that it is recognised as a **high-quality, economical, and healthy vegetable oil**.
  - **Safeguard economic and business interests** of palm oil **consuming countries** and **increase its consumption** in member countries.
- **Indonesia is world's largest producer and exporter of palm oil.**
- **India is world's biggest vegetable oils importer.** Out of its annual imports of 14-15 mt, the share of palm oil is 8-9 mt with Indonesia as India's top supplier of palm oil.

### 7.5.2. PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS)

#### Why in News?

During inauguration of **Eastern and North-Eastern Cooperative Dairy Conclave 2022**, **Union minister** said that PACS will be set up in all Panchayats of the country.

#### About PACS

- PACS, **registered as cooperative societies**, provide the following facilities to their members:
  - **Input facilities in form of cash** or kind component
  - **Agriculture implements** on hiring basis.
  - **Storage** facility.
- They constitute the **lowest tier of three-tier Short-term cooperative credit** in the country comprising of **around 13 Cr.** farmers as its members.
  - Other two tiers are **State Cooperative Banks** at state level and **District Central Cooperative Banks** at district level.
  - PACS are **outside the purview of Banking Regulation Act, 1949** and hence not regulated by RBI.
- Earlier, Cabinet Committee had approved **Computerization** of PACS with the objective of **increasing efficiency** of PACS, **bringing transparency and accountability** in their operations.

### 7.5.3. CODEX ALIMENTARIUS COMMISSION (CAC)

#### Why in News?

Recently, the **Codex Committee on Spices and Culinary Herbs (CCSCH)** finalized and recommended **quality standards for nutmeg, saffron, chilli-peppers, and paprika** and forwarded it to the **Codex Alimentarius Commission**.

#### Codex Alimentarius and Codex Alimentarius Commission (CAC)

- The **Codex Alimentarius** is **international food standards, guidelines and codes** of practice contribute to the safety, quality and fairness of this international food trade.
  - It will help in **Protecting Consumer Health** and **Removing Barriers to Trade**.
- **Codex Alimentarius Commission (CAC)** is the body responsible for all matters regarding the implementation of the Joint Food and Agriculture Organization (FAO) and WHO Food Standards Programme.
  - Membership of the Commission is **open to all Member Nations** and **Associate Members of FAO** and **WHO** which are interested in international food standards. (**India is a member.**)
- The Commission meets in regular session **once a year** alternating **between Geneva and Rome** and **works in the six UN official languages**.

#### About CCSCH

- It is a committee under CAC to elaborate worldwide standards for **spices and culinary herbs**.
- **India is the host country for Codex Committee on Spices and Culinary Herbs (CCSCH).**

## 7.6. KEY CONCEPTS AND INFORMATION ON AGRICULTURE

<b>11th Agriculture Census (2021-2022)</b>	<ul style="list-style-type: none"> <li>• The Ministry of Agriculture and Farmers Welfare recently launched <b>11<sup>th</sup> Agriculture Census (2021-2022)</b>.</li> <li>• The <b>Agriculture Census</b> has been conducted since 1970-71 (<b>every 5 years</b>) in collaboration with the States and Union Territories as <b>part of a programme of World Census of Agriculture of FAO</b>.</li> </ul>
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	<ul style="list-style-type: none"> <li>It is the <b>main source of information on a variety of indicators</b>, including the <b>nature of operational land holdings, their size, distribution by class, land-use statistics, tenancy and Cropping patterns.</b></li> <li>During the <b>11<sup>th</sup> census</b>, for the first time, <b>data collection</b> will be conducted on <b>smartphones and tablets</b> for <b>faster and accurate enumeration.</b></li> </ul>
Orphan Crops	<ul style="list-style-type: none"> <li>Orphan crops are the <b>neglected and underutilized (NUS) crops.</b></li> <li>They cover the entire spectrum of food and industrial uses including <b>cereals, fruits and nuts, vegetable and pulse crops, root and tuber crops, oilseeds, starch and sugar, fiber, latex, and dyes.</b></li> </ul>
Commodities Market Outlook	<p>Released by the <b>World Bank</b>, the key findings of the report are:</p> <ul style="list-style-type: none"> <li><b>Increase in energy prices</b> over the <b>past two years</b> has been the largest since the 1973 oil crisis.</li> <li>Price increases for food commodities and fertilizers have been the <b>largest since 2008.</b></li> <li><b>Global food and fuel price shocks</b> linked to the war are set to last until <b>at least the end of 2024.</b></li> </ul>
Rejuvenating Watersheds for Agricultural Resilience through Innovative Development (REWARD) Project	<ul style="list-style-type: none"> <li><b>REWARD Project</b> is initiated by the <b>Department of Land Resources (Ministry of Rural Development)</b> in Feb 2022, aided by <b>World Bank</b>, to: <ul style="list-style-type: none"> <li><b>Promote resource efficient growth</b> in selected watersheds,</li> <li><b>Investing in human capital</b> at State and National levels, and</li> <li><b>Developing networks</b> of scientific and technical partners.</li> </ul> </li> <li><b>Potential Benefits:</b> It will help <b>national and state institutions</b> adopt improved <b>watershed management practices</b> to help <b>increase farmers' resilience to climate change</b>, promote <b>higher productivity and better incomes.</b></li> </ul>
Food and Agriculture Organization (FAO) Food Price Index (FFPI)	<ul style="list-style-type: none"> <li>The FFPI measure of the <b>monthly change in international prices of a basket of food commodities.</b> <ul style="list-style-type: none"> <li>It consists of the <b>average of five commodity group price indices</b> (cereal, sugar, meat, vegetable oil, and dairy) weighted by the average export shares of each of the groups in <b>2014-2016 (base year).</b></li> </ul> </li> <li><b>FAO is a specialized agency of the UN</b> that leads <b>international efforts to defeat hunger.</b></li> </ul>
Krishi-Decision Support System (Krishi-DSS)	<ul style="list-style-type: none"> <li>The Ministry of Agriculture and Farmers Welfare is developing Krishi-DSS, a decision support system, using <b>Radar Imaging Satellite (RISAT - 1)</b> and <b>Visualisation of Earth Observation Data and Archival System (VEDAS)</b> of the Department of Space. <ul style="list-style-type: none"> <li><b>RISAT – 1</b>, a new class of remote sensing satellite, is <b>useful in developing decision support systems for Agriculture, Bioresources, Environment, Water Resources and Disaster Management.</b></li> <li><b>VEDAS</b> would provide a <b>platform (data, infrastructure and guidance) for utilisation of information derived over land using</b> mainly Indian space-borne sensors.</li> </ul> </li> <li>Use of geospatial technologies and related databases would enhance evidence-based decision-making capability of all the stakeholders in the agriculture sector.</li> </ul>
Centre of Excellence for Khadi (CoEK)	<ul style="list-style-type: none"> <li>CoEK was conceived by <b>Ministry of MSME to support Khadi and Village Industries Commission (KVIC)</b> in association with <b>National Institute of Fashion Technology.</b> <ul style="list-style-type: none"> <li>Objective is to reach out to young audience and global market.</li> </ul> </li> <li><b>Centre has been set up as a hub and spokes model</b> at Delhi as hub and Bengaluru, Gandhinagar, Kolkata, and Shillong as spokes.</li> <li>Khadi cloth <b>must be both handwoven and handspun.</b></li> <li>Under the <b>Khadi Mark Regulations, 2013</b> the <b>KVIC issues “Khadi Mark Tags and Labels”</b> to institutions or people to sell, trade, or produce khadi and khadi products.</li> <li><b>About KVIC</b> <ul style="list-style-type: none"> <li>KVIC is a <b>statutory body</b> established under Khadi and Village Industries Commission Act of 1956.</li> <li>It is an <b>apex organization</b>, under the <b>Ministry of Micro, Small and Medium Enterprises</b>, with regard to khadi and village industries within India.</li> </ul> </li> </ul>
Blue Transformation Roadmap 2022-30	<ul style="list-style-type: none"> <li>Released by <b>Food and Agriculture Organization of United Nations (FAO).</b></li> <li>It <b>aligns with 2021 Declaration</b> for Sustainable Fisheries and Aquaculture of <b>Committee on Fisheries (COFI)</b> - a <b>subsidiary body of FAO Council</b> established in <b>1965.</b></li> <li>COFI is the <b>only global inter-governmental forum</b> where <b>FAO Members meet to review and consider issues and challenges</b> related to fisheries and aquaculture.</li> </ul>
Organic Aadhaar	<ul style="list-style-type: none"> <li><b>APEDA</b> is likely to roll out <b>Organic Aadhaar</b> for farmers engaged in organic farming under the <b>National Programme for Organic Production (NPOP).</b></li> <li>The idea is to create an identity for the farmer, based on Personal Aadhaar and <b>Unique Land Parcel Identification Number (ULPIN)</b>, for the organic certification process. <ul style="list-style-type: none"> <li>ULPIN is the <b>14-digit identification number</b> for every <b>plot of land</b> in the country.</li> </ul> </li> </ul>

<b>Crop Insurance</b>	<ul style="list-style-type: none"> <li>The Ministry of Agriculture &amp; Farmers' Welfare has set up 2 <b>committees under C. S. Murthy</b> for nationwide implementation of <b>technology-based crop yield</b> estimation and for <b>standardisation and improvement of weather data infrastructure</b>.</li> <li>Committee has also been tasked to help in the <b>creation of the proposed Weather Information Network Data System (WINDS)</b>, under which a system of automatic weather stations (AWS) and automatic rain gauges (ARG) will be implemented throughout the country.</li> </ul>
<b>KRITAGYA 3.0</b>	<ul style="list-style-type: none"> <li>It is a <b>national level hackathon to promote speed breeding for crop improvement</b> to ensure overall sustainability and resilience in crop production in India. <ul style="list-style-type: none"> <li>It gives an <b>opportunity to students / faculties / entrepreneurs / innovators</b> and others to showcase their innovative approaches &amp; technology solutions.</li> <li>It will also <b>encourage greater adoption of technology enabled solutions</b> in the country.</li> <li>It is <b>organized by Indian Council of Agricultural Research (ICAR)</b> with its National Agricultural Higher Education Project (NAHEP) and Crop Science Division.</li> </ul> </li> </ul>
<b>e-NAM (National Agriculture Market)</b>	<ul style="list-style-type: none"> <li>Ministry of Agriculture &amp; Farmers Welfare (MoAFW) has launched a <b>Platform of Platforms (POPs)</b> under e-NAM. <ul style="list-style-type: none"> <li>PoPs will facilitate farmers to sell their produce beyond their State boundaries.</li> </ul> </li> <li>This will <b>enhance farmers' accessibility digitally</b> to multiple numbers of <b>markets, buyers, and service providers</b>, and to bring <b>transparency in trade transactions</b>. <ul style="list-style-type: none"> <li><b>e-NAM</b>, launched in <b>2016</b>, is a <b>pan-India electronic trading portal</b> which networks existing APMC mandis to create a unified national market for agricultural commodities.</li> </ul> </li> <li><b>Small Farmers Agribusiness Consortium (SFAC)</b> is a <b>lead agency</b> to implement e-NAM under MoAFW.</li> </ul>
<b>Agriculture Investment Portal</b>	<ul style="list-style-type: none"> <li>Union Minister for Agriculture and Farmers Welfare inaugurated integrated Agriculture Investment Portal.</li> <li>Portal will be a <b>centralized one stop portal for agri-investors to avail benefits of various government schemes</b> implemented by various departments related to agriculture and allied sectors.</li> <li>Aim is to <b>boost investments, ease the handholding process</b> for investors, <b>tap potential of all sub-sectors</b> in Agriculture etc.</li> <li><b>Focus sectors for investment promotion</b> include Agriculture machinery, Seeds, Fertilisers, agrochemicals, Precision agriculture, Logistics, warehousing and cold chain etc.</li> </ul>

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## 8. INDUSTRY AND ASSOCIATED DEVELOPMENTS

### 8.1. MINING

#### 8.1.1. DISTRICT MINERAL FOUNDATION (DMF)

##### Why in news?

Centre has released the guidelines to tighten the criteria for use of DMF fund to ensure they are used for the specified purpose, which is redevelopment of areas and people affected by mining activities.

##### Key guidelines

- DMFs to prepare a **5-year perspective plan** for **systematic development** of the area affected by mining-related activities from the funds accrued from miners' contribution as a percentage of royalty.
- DMFs will conduct a baseline survey** through universities or renowned organisations or agencies to formulate a perspective plan.
- Gram Sabha or local bodies may aid in preparation** of needs assessment reports.
- Based on the findings and gaps as identified through the baseline surveys, the DMF shall **prepare a strategy for five years and the same shall be included in the perspective plan.**

##### Recent amendments to the DMF

- In **March 2020**, government issued guidelines suggesting that up to **30% of the funds** could be used towards **expenditure related to COVID-19.**
- According to **MMDR Amendment Act 2021**, **central government may also give direction regarding the composition and utilization of the fund** while state governments continue to prescribe the constitution and functions of the DMF.
  - MMDR act is the **principal legislation to regulate mines and minerals in the country, including coal and lignite.**
- In 2021, government issued order that **no sanction or approval of any expenditure out of the DMF fund shall be done at the state level by the state government or any state-level agency.**

##### About DMF

- Under the **Mines and Minerals (Development and Regulation) Amendment Act 2015**, the Central Government instituted the DMF in 2015.
  - Under this, **DMF is created in each district that has mining.**
  - The mining companies shall pay **DMF 30% of the royalty amount for leases granted before 2015 and 10% for leases granted through the auction mechanism post-2015.**
- The funds so collected are to be **managed by non-profit trusts** and are to be **used for welfare of mining-affected population**, including tribal and forest-dwelling communities.
  - Each **district has a separate trust.**
- It is a **special fund that is not tied to any particular scheme or area of work**, and it **does not lapse at the end of each financial year.**
  - The unused funds **get accumulated over the years.**

##### The Mines and Minerals (Development and Regulation) Amendment Act, 2015

- It amends the **Mines and Minerals (Development and Regulation) Act, 1957** as it regulates the mining sector in India and **specifies the requirement for obtaining and granting mining leases for mining operations.**
- It provides for the creation of a **District Mineral Foundation (DMF by the state government) and a National Mineral Exploration Trust (NMET by the central government).**
- It **creates a new category of mining license i.e., the prospecting license-cum-mining lease**, which is a two stage-concession for the purpose of undertaking prospecting operations, followed by mining operations.

##### National Mineral Exploration Trust (NMET)

- It was constituted under section 9C of **Mines & Minerals (Development Regulation) Amendment Act, 2015.**
  - It is a **non-profit autonomous body.**
  - Objective is to use funds accrued for purposes of **regional and detailed exploration with special emphasis to strategic and critical minerals.**
  - Holder of mining lease or a prospecting-licence-cum-mining lease shall pay to trust, **a sum equivalent to 2% of royalty paid in terms of second schedule of MMDR Act.**

#### 8.1.2. GOLD MINING IN INDIA

##### Why in news?

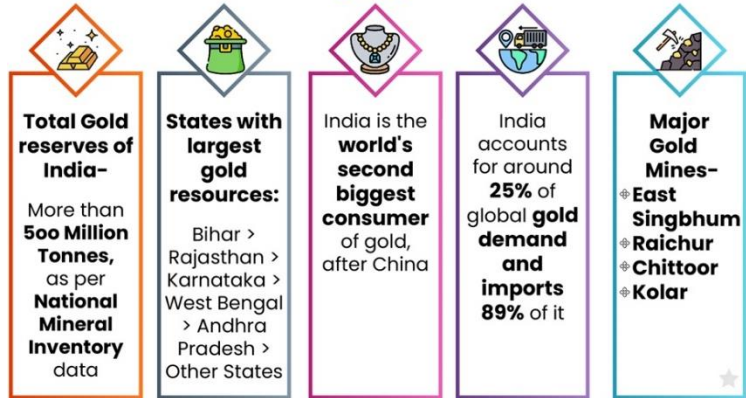
The Bihar government has decided to accord permission for exploration of the country's **largest gold reserve** in **Jamui** district which has around **222.88 million tonnes of gold reserve.**



### Measures to encourage Gold Mining in India

- **Amendments in Mines and Minerals (Development and Regulation) Act (MMDR Act) 1957:**
  - **2015:** Introduced in a new regime of granting mineral concessions through auction to ensure transparency and non-discrimination in the allocation of the mineral wealth.
  - **2020:** Allowed State Governments to take advance action for auction of mineral blocks before the expiry of lease period facilitating seamless continuity of mining operations.
  - **2021:** Enabled transparent auction of 500 mining blocks of various minerals, including gold.
- **National Minerals Exploration Policy (NMEP), 2016** aims to stimulate non-fuel and non-coal mining exploration by allowing private companies to enter into a transparent bidding process, conducted via e-auction.
- **National Mineral Policy, 2019** provided more streamlined permit award method with simple, transparent and accountable processes and clear deadlines, to encourage exploration.
- **Minerals (Evidence of Mineral Contents) Rules, 2015** amended in 2021 to allow auction of composite license at for deep seated minerals including Gold.
- **100% FDI is permitted** under the automatic route in this sector.

### Overview of Gold industry in India



**DO YOU KNOW?**

Gold mining in India dates back to the **first millennium BC** and throughout the **twentieth century** was dominated by the Kolar Gold Field.

### Other Developments in Relation to Gold

<p><b>World Gold Council (WGC)</b></p>	<ul style="list-style-type: none"> <li>• WGC released ‘Gold refining and recycling’ report. <ul style="list-style-type: none"> <li>○ WGC (HQ: London, UK) was established to promote the use of and demand for gold through marketing, research, and lobbying.</li> </ul> </li> </ul> <p><b>Key highlights</b></p> <ul style="list-style-type: none"> <li>• India is the <b>fourth largest gold recycler</b> in world and recycled 75 tonnes in 2021.</li> <li>• India’s <b>gold refining capacity increased by 1,500 tonnes (500%)</b> in 2021.</li> <li>• China topped the chart, followed by Italy and US.</li> </ul>
<p><b>Kolar Fields</b></p>	<ul style="list-style-type: none"> <li>• <b>Centre has decided to revive</b> gold mining at the Kolar fields in Karnataka. <ul style="list-style-type: none"> <li>○ Mining was shelved earlier because the extraction had become unviable.</li> </ul> </li> <li>• According to an official estimate, the <b>extracts from Kolar gold fields (KGF) mining</b> (gold and minerals like palladium and rhodium) <b>are likely to fetch a value worth ₹30,000 crore.</b></li> <li>• <b>Operated by the Bharat Gold Mines Limited (BGML)</b>, a public sector undertaking, KGF was <b>one of the world’s deepest gold mines</b> at a depth of 3,000 metres.</li> </ul>
<p><b>Second Phase of Mandatory Hallmarking</b></p>	<div style="text-align: center;"> <p><b>GOLD HALLMARKING</b></p> <p>BIS Standard Mark      Purity of Gold      Six digit Alphanumeric code which will be unique for every jewellery article</p> </div> <ul style="list-style-type: none"> <li>• Coming into force from 01 June 2022, it covers <b>3 additional carat ages of gold jewellery/artefacts- 20, 23 and 24 carats</b> mentioned under the <b>Indian Standard IS 1417</b> and <b>32 new districts</b> via the <b>Hallmarking of Gold Jewellery and Gold Artefacts (Amendment) Order, 2022.</b> <ul style="list-style-type: none"> <li>○ Earlier, it was made mandatory on <b>14, 18 and 22 carats of gold jewellery/artefacts</b> by <b>Quality control order, 2021.</b></li> </ul> </li> <li>• <b>Hallmarking is the accurate determination</b> and recording of precious metal content in the precious metal articles. <ul style="list-style-type: none"> <li>○ The hallmarking scheme is run by <b>Bureau of Indian Standards (BIS)</b> and the hallmark consists of <b>3 marks</b> (infographic).</li> </ul> </li> </ul> <p><b>About Carats</b></p> <ul style="list-style-type: none"> <li>• A <b>measurement of gold purity, Carats, or Karats</b>, refers to the actual gold content in the particular piece of jewellery (1 carat = 0.2 gm). E.g., <b>24 carat means 100% gold. 18 carat contains 75% gold</b> and rest alloying metals.</li> </ul>

## 8.2. STEEL INDUSTRY IN INDIA

### Why in news?

Recently, India has set a target to double the crude steel production capacity from 154 million tonnes per annum now to 300 million tonnes per annum in the next 9 to 10 years.

# Steel Industry in India

## About the sector

<p>India is world's <b>2nd largest crude steel producer</b></p>	<p>India is home to <b>5th highest reserves</b> of iron ore in the world and a <b>net exporter</b> of steel.</p>	<p>But <b>demand of coking coal</b> is met mainly through <b>imports</b></p>	<p>India's per capita consumption of steel is low (<b>about 1/3rd of the world average</b>)</p>	<p>Steel is a <b>de-regulated sector</b></p>	<p><b>100% FDI through the automatic route</b> is allowed in the Indian steel sector</p>
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## Some types of Steel

<h3 style="margin: 0;">Specialty Steel</h3> <ul style="list-style-type: none"> <li>○ SS generally refers to a <b>downstream, value-added product of steel manufacturing process.</b></li> <li>○ It covers <b>five categories of SS</b>- Coated/plated steel products, high strength/wear-resistant steel, speciality rails, alloy steel products, steel wires and electrical steel.</li> </ul>	<h3 style="margin: 0;">Green Steel</h3> <ul style="list-style-type: none"> <li>○ Green steel is <b>steel with lowest carbon footprint.</b></li> <li>○ In green steel production, <b>hydrogen made from renewable energy replaces fossil fuels for removal of oxygen from iron ore.</b></li> </ul>	<h3 style="margin: 0;">Steel Scrap</h3> <ul style="list-style-type: none"> <li>○ Steel scrap is an <b>alternative raw material in steel manufacturing</b>, partially in blast furnace and fully in electric arc furnace or induction furnace route.</li> </ul>
<h3 style="margin: 0;">Steel Slag*</h3> <ul style="list-style-type: none"> <li>○ <b>Steel slag is a by-product of steel making</b>, produced during the <b>separation of the molten steel from impurities</b> in steel-making furnaces.</li> <li>○ Slag <b>occurs as a molten liquid melt</b> and is a complex solution of silicates and oxides <b>that solidifies upon cooling.</b></li> <li>○ <b>Other Applications:</b> In agricultural sector due to its ability to correct soil acidity, Transportation, construction, cement production etc.</li> </ul> <p><b>*Processed steel slag railway rack was flagged off</b> to Border Road Organisation's (BRO) 'Project Arunank' in Itanagar, Arunachal Pradesh. It is a joint initiative of <b>CSIR- Central Road Research Institute (CRRI), TATA steel and BRO.</b></p>	<h3 style="margin: 0;">Pig Iron**</h3> <ul style="list-style-type: none"> <li>○ <b>Pig iron, also known as crude iron, is produced by smelting Iron ore or ilmenite.</b> <ul style="list-style-type: none"> <li>● Smelting is a form of <b>extractive metallurgy</b> which is used to produce a metal from its ore.</li> </ul> </li> <li>○ <b>Pig Iron has very high carbon content (3.5-4.5%)</b> along with silica, Manganese, Sulphur, Phosphorus, Titanium, and other trace elements.           <ul style="list-style-type: none"> <li>● High carbon content <b>makes it brittle and not useful directly</b> except for limited applications. (It is <b>refined to produce steel, wrought iron, alloys etc.</b>)</li> </ul> </li> </ul> <p><b>** Russia has emerged as the biggest exporter</b> of pig iron to India for April-September period of FY23.</p>	

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### 8.3. MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

#### Why in News?

Recently, the Parliamentary Standing Committee on Finance presented its report on MSMEs.

Micro, Small and Medium Enterprises (MSMEs)				
Who are MSMEs?				
Classification	Micro	Small	Medium	
Manufacturing & Services	Investment < Rs. 1 Cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 Cr. and Turnover < Rs.50 cr.	Investment < Rs. 50 Cr. and Turnover < Rs. 250 cr.	
Status in India				
Contributes <b>30% of India's GDP</b>	Shares <b>over 48% of exports</b>	Adds about <b>45% of manufacturing output</b>	Creates <b>11.1 crore jobs</b>	Encompasses <b>6.34 crore enterprises</b> ★

#### Government Initiatives for MSME Sector

Self-Reliant India (SRI) Fund	<ul style="list-style-type: none"> <li>SRI Fund has committed ₹5,000 crore to fund Micro, Small and Medium Enterprises (MSMEs).</li> <li>SRI Fund is a SEBI-registered Category II Alternative Investment Fund (AIF), launched in 2020 by the government to provide growth capital to MSMEs.                             <ul style="list-style-type: none"> <li>It is anchored by NSIC Venture Capital Fund and SBICAP Ventures is the investment manager.</li> <li>It operates through the mother-fund and daughter-fund structure.</li> <li>As a mother fund, it invests up to 20% of the overall corpus of daughter fund, and the latter raises the balance 80% capital from outside sources.</li> </ul> </li> </ul>
Scientific Research Infrastructure Sharing Maintenance and Networks (SRIMAN) Guidelines, 2022	<ul style="list-style-type: none"> <li>The SRIMAN Guidelines are released by the Department of Science and Technology for better access and sharing of publicly funded Scientific Research and Development Infrastructure.                             <ul style="list-style-type: none"> <li>It includes Networking and Cluster Approach, creating Cluster Central Instrumentation Facility (CCIF) to reduce redundancy and acquire more variety of equipment.</li> <li>CCIF will also tie up with industries, especially MSMEs and startups.</li> </ul> </li> </ul>
Udyam Portal	<ul style="list-style-type: none"> <li>The registrations on Udyam Portal of the Ministry of MSMEs reached the landmark of 1 crore.</li> <li>It was launched in 2020 for voluntary registration of MSMEs to avail benefits of the Ministry of MSME schemes and for Priority Sector Lending.                             <ul style="list-style-type: none"> <li>It is fully digitalized and the registered MSM is issued an Udyam Registration Certificate.</li> <li>It is integrated with databases of Income Tax and Goods and Services Tax Identification Number (GSTIN) systems.</li> </ul> </li> </ul>
National Board of MSME (NBMSME)	<ul style="list-style-type: none"> <li>NBMSME was established under Micro, Small and Medium Enterprises Development Act, 2006, as a statutory body.</li> <li>It examines the factors affecting the promotion and development of MSMEs and review the policies &amp; programs of the Central Government.</li> <li>It provides representation to all sections/segments including Associations of Micro, Small and Medium manufacturing and service enterprises, women enterprises, Central Ministries, etc.</li> </ul>
Trade receivables discounting system (TReDS)	<ul style="list-style-type: none"> <li>Finance ministry has directed central public sector enterprises to get registered on TReDS.</li> <li>TReDS is an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers.</li> </ul>



	<ul style="list-style-type: none"> <li>It is a platform for <b>uploading, accepting, discounting, trading and settling</b> invoices of MSMEs.</li> </ul>
<b>Indian Business Portal (IBP)</b>	<ul style="list-style-type: none"> <li>It is an <b>online global trade hub for exporters and foreign buyers.</b> <ul style="list-style-type: none"> <li>It is Business to Business (B2B) digital marketplace to <b>empower small medium enterprises (SMEs) exporters, artisans and farmers to identify new markets for their products and grow their sales globally.</b></li> <li>Developed by <b>Federation of Indian Export Organisations.</b></li> </ul> </li> </ul>

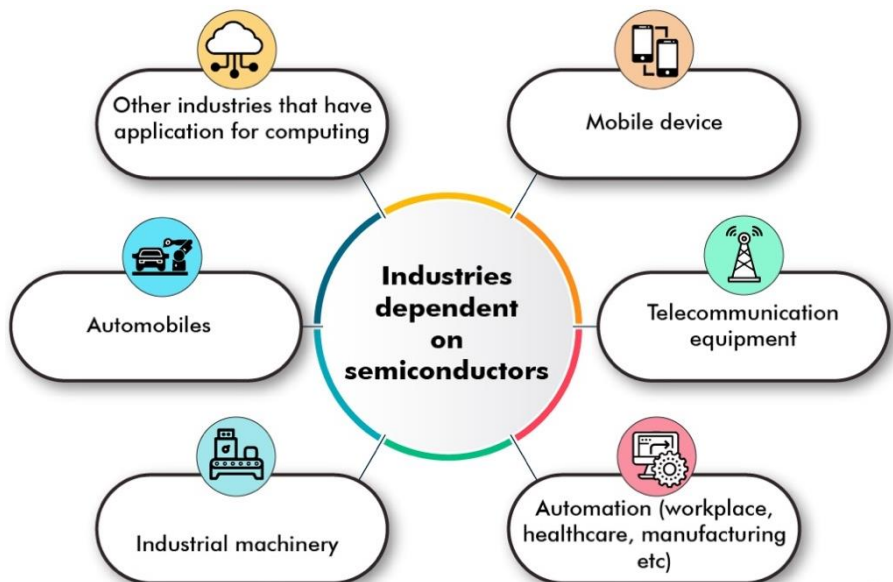
## 8.4. SEMICONDUCTOR INDUSTRY IN INDIA

### Why in news?

The Ministry of Electronics and Information Technology (MeitY) has formed an **advisory committee, chaired by the Minister of MeitY**, to steer and guide the ₹76,000 crore semiconductor mission.

### About Semiconductor

- A Semiconductor can be defined as a material that has the **characteristics and ability to conduct a small amount of electrical current.**
  - Basic Electronic Components** such as Diodes, transistors, and many photovoltaic cells contain **semiconductive materials.**
- The **electrical conductivity** of a semiconductor device **can be controlled** over a wide range, either permanently or dynamically.
- The basic requirement of a semiconductor is that it should **not be a very good conductor of electricity, nor should it be a very bad conductor** of electricity.



### Initiatives taken for semiconductor manufacturing in India

- Semicon India Program (Program for Development of Semiconductors and Display Manufacturing Ecosystem in India):** It aims to provide **financial support** to companies investing in **semiconductors, display manufacturing and design ecosystem.** Under it, **four schemes** have been introduced:
  - Scheme for setting up of Semiconductor Fabs in India.**
  - Scheme for setting up of Display Fabs in India.**
  - Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India.**
  - Design Linked Incentive (DLI) Scheme** (Chip Design Infrastructure Support, Product Design Linked Incentive and Deployment Linked Incentive).
- India Semiconductor Mission (ISM):** It has been setup as an **Independent Business Division within Digital India Corporation** to drive **India's long-term strategies** for developing semiconductors and display manufacturing facilities and semiconductor design ecosystem.
  - It will serve as the **nodal agency for efficient, coherent, and smooth implementation** of the schemes.
- Attracting foreign capital** by allowing **100% FDI** in the electronics sector under the **automatic route.**
- Modified Special Incentive Package Scheme (M-SIPS):** To **boost semiconductor** industry, in 2017-18 the incentive for schemes, such as the **M-SIPS** and the **Electronic Department Fund (EDF)**, was increased.

### Other Initiatives for Semiconductor Industry

<b>Programme for Development of Semiconductors and Display</b>	Under the <b>modified programme</b> , a uniform fiscal support of: <ul style="list-style-type: none"> <li><b>50% of Project Cost</b> will be provided for all technology nodes under <b>Scheme for Setting up of Semiconductor Fabrication in India and Scheme for Setting up of Display Fabrication.</b></li> </ul>
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<b>Manufacturing Ecosystem in India</b>	<ul style="list-style-type: none"> <li>• <b>50% of capital expenditure</b> under the Scheme for Setting up of Compound Semiconductors / Silicon Photonics / Sensors Fabrication and Semiconductor ATMP /OSAT facilities in India.</li> <li>• <b>Aim:</b> Expedite investments in semiconductor and display manufacturing in India.</li> </ul>
<b>Supply Chain Resilience</b>	<ul style="list-style-type: none"> <li>• <b>India adopted the US' joint statement of the 2022 Supply Chain Ministerial Forum</b> on cooperation of global supply chains.</li> <li>• A <b>partnership of 18 economies, including India, US and European Union</b> has unveiled a four-point roadmap for building collective, long-term resilient supply chains (RSC) to counter risks arising from supply dependencies and vulnerabilities.</li> <li>• <b>India, Japan, and Australia</b> have also launched <b>Supply Chain Resilience Initiative (SCRI)</b> to counter China's dominance of supply chain in the Indo-Pacific region</li> </ul>
<b>Northeast Capacity Building (NECB) 2.0 project launched</b>	<ul style="list-style-type: none"> <li>• <b>Funded by:</b> Ministry of Electronics and Information Technology.</li> <li>• <b>Aim:</b> To bring about <b>overall upliftment of the socio-economic status of NE Citizens</b> by creating a smart ecosystem with necessary <b>IT education and skills</b> with a total of 1.665 lakhs citizens across different sections of society.</li> <li>• <b>Implementing agency:</b> National Institute of Electronics and Information Technology (NIELIT).</li> </ul>

## 8.5. TECHNICAL TEXTILES (TT)

# Technical Textiles (TT)



### What are they?

TT are defined as **textile materials and products used primarily for their technical performance and functional properties** rather than their aesthetic or decorative characteristics.



### About India's Textile Industry

 India shares nearly <b>6% of world market size of textile market.</b>	 <b>Penetration level of technical textiles is low in India at 5-10%,</b> against 30-70% in advanced countries	 India is among the <b>world's largest producers of Textiles and Apparel</b>	 India is <b>6<sup>th</sup> largest exporter of textiles and apparel</b> in the world
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### National Technical Textiles Mission (NTTM)

- **NTTM**, will be **implemented** from FY 2020- 21 to 2023-24.
- It has **four components:**

 Research, Innovation and Development	 Promotion and Market Development
 Export Promotion	 Education, Training and Skilling



### Types of technical textiles (12)

 Packtech	 Homotech	 Clothtech	 Oekotech
 Protech	 Agrotech	 Buildtech	 Mobltech
 Sporttech	 Geotech	 Indutech	 Medtech

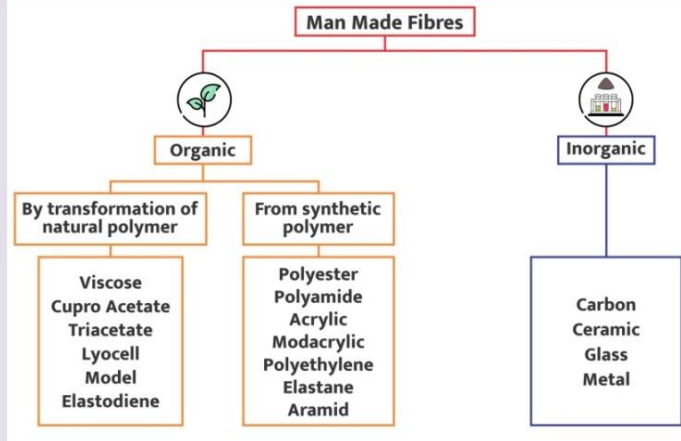


**Related News**

**Manmade Fibres (MMFs)**

- MMFs are produced by **combining polymers or small molecules of raw materials, mainly petroleum-based chemicals.** Examples are **Viscose, Polyester, Nylon** etc.
  - Natural Fibres are obtained from the **natural sources such as plants, animals and mineral sources** which are available to mankind. Examples are **Cotton, Jute, Silk.**
- Raw material - **Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG)** are the **basic raw material** used for production of fibre and filament in the value chain.
- **MMF** is the **backbone** of the **Technical Textiles' products.**

**CLASSIFICATION FLOWCHART OF MAN MADE FIBER**



**8.6. PHARMACEUTICAL INDUSTRY AND MEDICAL DEVICES**

**8.6.1. MEDICAL DEVICES INDUSTRY IN INDIA**

**Why in News?**

“Medical Devices: Regulations and Control” report was presented recently in Rajya Sabha.

**Medical Devices Industry in India**

- In **India**, the **Medical devices** are segregated into **five major segments** (See **infographics**).
- In **India**, **four classes** {A (low risk), B (low moderate risk), C (moderate high risk) and D (High risk)} of **medical devices** are **manufactured**.
  - The **high-end medical devices** (C and D) **manufacturing value chain** is **led by MNCs** with over 90% import dependency.
  - **Classes A and B**, on the other hand, which are relatively less technologically advanced, are **produced largely by domestic manufacturers.**



Regulation of medical devices in India	Government Initiatives for Medical Devices Sector
<ul style="list-style-type: none"> <li>• Medical devices industry in India is <b>mainly governed by MoH&amp;FW through CDSCO (Central Drugs Standard Control Organisation)</b> for regulatory framework.                             <ul style="list-style-type: none"> <li>◦ <b>Department of Pharmaceuticals</b> (Ministry of Chemicals and Fertilizers) deals with promotion, production and manufacturing.</li> <li>◦ Presently, medical devices are <b>regulated as "drugs" under the Drugs and Cosmetics Act, 1940.</b></li> </ul> </li> <li>• <b>Medical Devices Rules, 2017</b> notified by the Ministry of Health and Family Welfare, laid out the regulatory framework.</li> <li>• <b>Following regulatory authorities</b> have <b>jurisdiction</b> over medical devices in India:                             <ul style="list-style-type: none"> <li>◦ CDSCO, State Drug Licensing Authorities (also referred to as the state licensing authorities or SLAs),</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>100% FDI allowed</b> in medical devices sector.</li> <li>• <b>Production Linked Incentive (PLI) Scheme for Medical devices</b> to incentivize manufacturers.                             <ul style="list-style-type: none"> <li>◦ <b>PLI Scheme for Promotion of Medical Device Parks</b> notified.</li> <li>◦ <b>PLI scheme for Pharmaceuticals</b> to enhance manufacturing capabilities and product diversification.</li> </ul> </li> <li>• <b>Draft 'Drug, Medical Devices, and Cosmetics Bill-2022.</b> <ul style="list-style-type: none"> <li>◦ The draft focuses on <b>regulating medical devices as a separate entity.</b></li> <li>◦ It makes provision for creation of a <b>'medical devices technical advisory board'</b> on lines of the existing drugs technical advisory board.</li> </ul> </li> </ul>

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- **Low quality of imported toys:** Study by **Quality Council of India (QCI)** had revealed that **67% of imported toys failed a testing survey**, prompting an aggressive effort to produce safe toys locally.
- **Stimulate local economy** by boosting local entrepreneurship, encouraging skill development among youths, and reviving traditional toy industries.

**Related News**  
**Toys (Quality Control) Order 2020**

- Toys have been brought under **compulsory Bureau of Indian Standards (BIS) certification** through this order.
- A total of **10 Indian Standards** have been published, out of which **7 are the part of Quality Control Order (QCO) on 'Safety of Toys'**.
- The QCO makes it **mandatory, from Jan 1, 2021, that toys for children under 14 years of age conform to 7 Indian Standards for Safety of Toys and bear a Standard Mark (ISI Mark) under licence from BIS**

## 8.8. OTHER DEVELOPMENTS IN THE INDUSTRIAL SECTOR

### 8.8.1. EASE OF DOING BUSINESS (EODB)

**Why in News?**

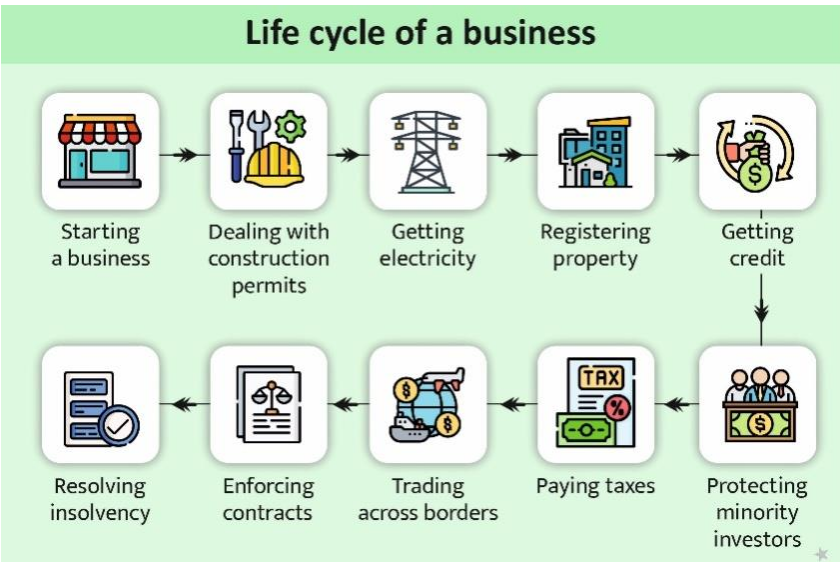
The Union Minister of Finance released the **5<sup>th</sup> assessment report** of States and UTs under **Business Reforms Action Plan (BRAP) 2020**.

**More on News**

- BRAP is prepared by the **Department for Promotion of Industry and Internal Trade (DPIIT)**, since **2014**, to steer **Ease of Doing Business reforms** across the country.
- It has categorized States/UTs into **Top Achievers, Achievers, Aspirers** and **Emerging Business Ecosystems** based on **301 reform points** covering **15 business regulatory areas**.
  - This includes areas such as **access to information, single-window system, labour, sectoral reforms, reforms spanning across the lifecycle of a business** etc.
- **Objective of BRAP:** **Boost investor confidence, foster business friendly climate** and **augment Ease of Doing Business** across the country by introducing an element of **healthy competition** among states.

**About Ease of Doing Business (EoDB)**

- It is an indication of the **business climate** of a nation. It is based on belief that there is a **positive correlation** between the business regulatory environment and economic outcomes.
- **World Bank** started its promotion in **2002** through EoDB rankings but discontinued the same in **2021** due to **data irregularities**.
- **India** ranked **63<sup>rd</sup>** in **EoDB Rankings 2020**.
- It seeks to **streamline existing regulations** by simplifying the life cycle of a business and create an **investor-friendly ecosystem** by:
  - Replacing redundant regulations/procedures with **simple and transparent rules**.
  - **Protection of property rights** of business etc.



### 8.8.2. COMPETITION LAW AND BIG TECHNOLOGY COMPANIES

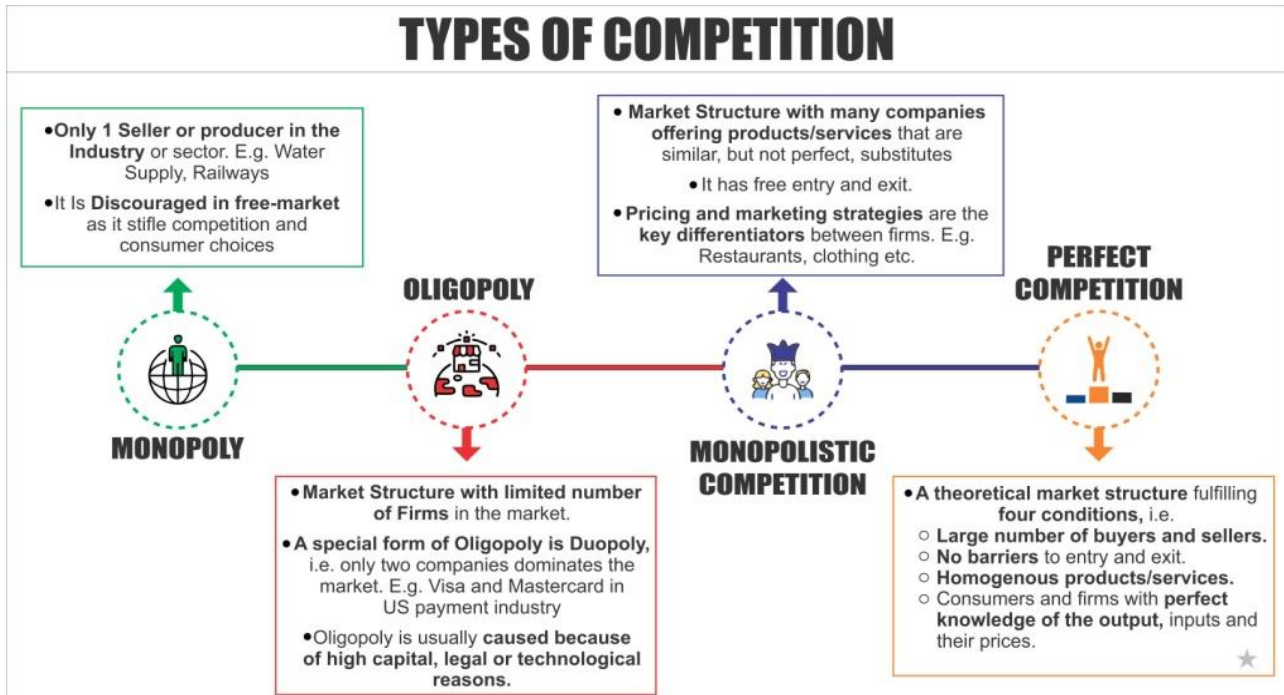
**Why in News?**

Recently, the Parliamentary Standing Committee on Finance gave a report titled '**Anti-competitive practices by Big Tech companies**' and urged for a **Digital Competition Act** and **code of conduct** for tech companies.

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### Competition: Its Meaning, Types and Role in an Economy

- **Competition** refers to ‘a situation in a market in which firms or sellers independently strive for the patronage of buyers in order to achieve a particular **business objective**.’
  - The objective can be **profits, sales** and/or **market share**.
- Based on the **market structure**, economists identify **four main types of competition** (refer image).



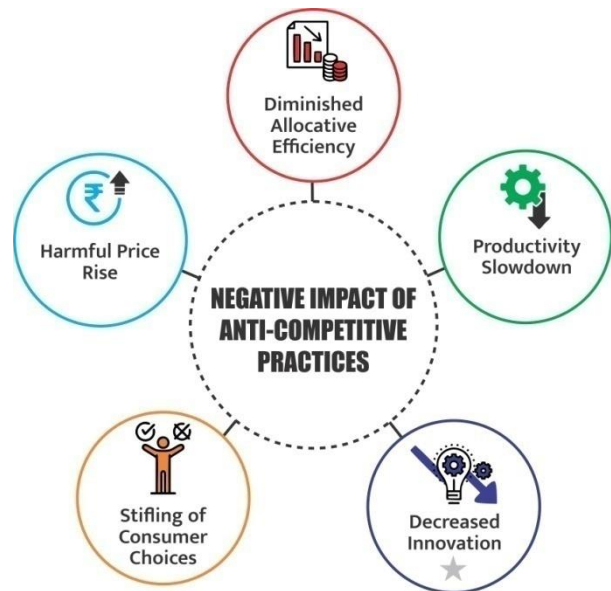
The committee identifies 10 main anti-competitive practices practiced by Big Tech companies

S.N.	Anti-Competitive Practice	Description
1.	Anti-Steering Provisions	Prominently associated with ‘App Stores’ (Google and Apple App Stores), the app publishers <b>prevent their business users</b> (app users) from <b>moving out</b> of the platform and <b>use other alternatives</b> for payments.
2.	Platform Neutrality/ Self-Preferencing	Commonly associated with ‘marketplaces’, some platforms <b>place their own products prominently</b> . E.g., prominent placement of Google Pay on Play Store by Google.
3.	Adjacency/ Building and Tying	In it, digital firms <b>force people to buy related services</b> . E.g., <b>Food delivery apps</b> making it mandatory for restaurants to use the platform’s delivery services.
4.	Data Usage (use of non-public data)	<b>Monopolistic usage of data</b> by digital firms, especially from leading platforms with <b>vast repositories of data</b> . E.g., Past purchase data is used by Swiggy and Zomato to customize offerings for users, dissuading other players from entering.
5.	Mergers and Acquisitions	‘ <b>Killer acquisitions</b> ’ is a repeated issue in digital markets where <b>Big Techs buy highly valued start-ups</b> , disallowing the smaller firms to grow beyond a certain limit. E.g., Facebook acquisition of WhatsApp.
6.	Pricing/ Deep Discounting	Prominently associated with <b>e-commerce sales</b> , huge discounts are also used by leading platforms in hotel booking, food delivery etc. It <b>compromises service providers control</b> over the final price and offline player’s ability to compete. E.g., Amazon, Flipkart.
7.	Exclusive Tie-ups	<b>An exclusive arrangement of e-commerce platforms with a brand hampers</b> the business of other platforms as well as of brick-and-mortar sellers. Similarly, platforms use <b>price parity clause</b> to stop businesses from selling at lower rates on other platforms.
8.	Search and Ranking Preferencing	Giving preference to <b>sponsored products in algorithms</b> used to show results for users search rather than showing organic search results. E.g., <b>Preferential listing</b> by Amazon and Flipkart.
9.	Restricting Third-Party Applications	<b>Presence of gatekeepers</b> in digital markets which <b>restrict installation or operation of third-party applications</b> . E.g., for app developers, <b>Apple’s App Store</b> is the only channel to distribute their apps to iOS consumers.
10.	Advertising Policies	Digital advertising market faces issues of <b>conflict of interest</b> and <b>self-preferencing</b> when <b>platforms operate at all levels</b> of the <b>ad-tech supply chain</b> .



### Legislative Framework in India and its issues

- To **promote and sustain fair competition**, i.e., to **prevent practices having adverse effect on competition**, the government of India enacted the ‘**Competition Act, 2002.**’
- It provides for the establishment of **Competition Commission of India** or CCI (established in 2009) for its **administration, implementation, and enforcement.**
  - CCI also **protects the interests of consumers and ensures freedom of trade** carried on by other participants in markets in India.
  - Recently, the **Competition Law Review Committee**, chaired by **Mr. Injeti Srinivas**, gave recommendations to meet new challenges.
- The **National Company Law Appellate Tribunal (NCLAT)**, constituted under the **Companies Act of 2013**, is the **Appellate Tribunal** to hear and dispose appeals against CCI directions, orders, or findings.
  - But it is an **ex-post approach**, i.e., law designed to penalize anti-competitive behavior only after its occurrence.
  - In comparison, digital markets move at high pace due to the **Increasing Return of Size Economies** – making ex post effects **too delayed** to prevent irreparable harm to affected parties from **Big Techs.**



## 8.9. KEY CONCEPTS AND INFORMATION ON INDUSTRY

<b>Index of Core industries</b>	<ul style="list-style-type: none"> <li>The <b>Eight Core Industries</b>, comprising <b>40.27% of the weight</b> of items included in the <b>Index of Industrial Production (IIP)</b>, registered <b>10.4% growth during FY 2021-22.</b></li> <li><b>Index of Core Industries (ICI)</b> measures <b>combined and individual performance of production in selected eight core industries</b> viz. Petroleum Refinery Products (28.04%); Electricity (19.85%); Steel(17.92%); Coal (10.33%); Crude Oil (8.98%); Natural Gas (6.88%); Cement (5.37%); Fertilizers (2.63%).                     <ul style="list-style-type: none"> <li>These sectors have a <b>major impact on the Indian economy</b> and significantly affect most other industries as well.</li> </ul> </li> </ul>
<b>National Pharmaceutical Pricing Authority (NPPA)</b>	<ul style="list-style-type: none"> <li><b>NPPA</b> is an attached office of Department of Pharmaceuticals (DoP), Ministry of Chemicals &amp; Fertilizers; constituted in <b>1997</b> as an <b>independent Regulator</b> for <b>pricing of drugs</b> to:                     <ul style="list-style-type: none"> <li><b>Implement provisions of Drugs (Prices Control) Order (DPCO).</b></li> <li><b>Monitor availability of drugs</b>, identify shortages and to take remedial steps.</li> <li><b>Maintain data</b> on production, exports and imports etc. <b>for bulk drugs and formulations.</b></li> </ul> </li> <li>On the occasion of its 25 years celebration following initiatives were launched:                     <ul style="list-style-type: none"> <li><b>Integrated Pharmaceutical Database Management System 2.0</b> to provide a <b>single window for submissions of various forms</b> as mandated under DPCO, 2013.</li> <li><b>Pharma Sahi Daam 2.0 App</b> with <b>updated features like speech recognition</b>, facility for launching complaints etc.</li> </ul> </li> </ul>
<b>Indian Pharmacopoeia (IP)</b>	<ul style="list-style-type: none"> <li>The Union Minister for Health and Family Welfare released the <b>9<sup>th</sup> edition</b> of IP at the <b>Indian Pharmacopoeia Commission (IPC)</b> conference.                     <ul style="list-style-type: none"> <li>IPC is an <b>autonomous institution</b> under the <b>Ministry of Health and Family Welfare</b>, fully operational from 2009, to <b>set and regularly update standards</b> of drugs in India.</li> </ul> </li> <li>IP is the <b>official book</b> which contains these <b>standards for drugs</b> under <b>Second Schedule</b> of the <b>Drugs and Cosmetics Act, 1940.</b></li> <li>IP prescribes the official standards for drugs produced and/or marketed in India and thus contributes in the control and assurance of the quality of the medicines.</li> <li>These standards are <b>authoritative and legally enforceable.</b></li> </ul>

# 9. SERVICES SECTOR

## 9.1. TOURISM SECTOR IN INDIA

### 9.1.1. NATIONAL STRATEGY FOR SUSTAINABLE TOURISM

#### Why in news?




The Ministry of Tourism launched the National Strategy for Sustainable Tourism.

#### About National Strategy for Sustainable Tourism






- **Aim:** Mainstream sustainability in Indian tourism sector and ensure a more resilient, inclusive, carbon neutral and resource efficient tourism while safeguarding natural and cultural resources.
- **Vision:** Position India as a preferred global destination for sustainable and responsible tourism.
- **Mission:** Increase the economic, social, and environmental benefits to build a low carbon, inclusive and resilient tourism sector in India.
- **Pillars of the strategy:**
  - Scheme for Certification of Sustainable Tourism
  - Protecting Biological Diversity and Natural Heritage
  - Promoting Environmental Sustainability
  - Promoting Socio-Cultural Sustainability
  - Promoting Economic Sustainability
- **IEC and Capacity Building:** Ministry of Tourism to set up a National Resource Centre at the National level for sustainable tourism, adventure tourism and ecotourism.
- **Governance:**
  - National Board on Sustainable Tourism under Secretary (Tourism) will be set up.
  - National Nodal Agency to be designated for promotion and development of Sustainable Tourism.
  - Each State/ UT may also designate a State Nodal Agency to assist the State Department of Tourism.

### INDIA'S TOURISM SECTOR



#### ABOUT THE SECTOR

 Contributed around <b>4.7% to the total GDP (2020)</b>	 Accounted for <b>7.3% of the total employment in the country</b>	 <b>Third largest foreign exchange earner</b> for the country until 2019
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#### POLICIES AND SCHEMES FOR THE SECTOR

 <b>Draft National Tourism Policy 2021</b>	 <b>National Policy on Sustainable Tourism</b>	
 Pilgrimage Rejuvenation and Spiritual Augmentation Drive ( <b>PRASAD</b> ) Scheme	 <b>Swadesh Darshan Scheme</b>	 <b>Other schemes</b> like National Integration Database of Hospitality Industry (NIDHI) 2.0

#### RECENT DEVELOPMENTS

 <b>Dharamshala Declaration'</b> was adopted by <b>National Conference on Tourism</b> which sets the goal to become world leader in Tourism by 2047	 India ranked at <b>54th position</b> out of 117 assessed countries in <b>Global Travel and Tourism Development Index (World Economic Forum)</b> .
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### 9.1.2. OTHER DEVELOPMENTS IN THE TOURISM SECTOR

YUVA Tourism Clubs	<ul style="list-style-type: none"> <li>• CBSE along with Ministry of Tourism has asked its affiliated schools to form YUVA Tourism Clubs.</li> <li>• <b>Objective:</b> To develop young ambassadors for Indian tourism, make them aware of tourism possibilities in India and appreciate our rich cultural heritage.</li> <li>• It will also lead to development of soft skills like teamwork, management, leadership and encourage adoption of ecological tourism.</li> </ul>
Craft Villages	<ul style="list-style-type: none"> <li>• Eight Craft Villages are taken up under 'Linking textile with Tourism' to promote craft and tourism at a single location.</li> <li>• Villages are Raghurajpur (Odisha), Tirupati (Andhra Pradesh), Vadaj (Gujarat), Naini (Uttar Pradesh), Anegundi (Karnataka), Mahabalipuram (Tamil Nadu), Taj Ganj (Uttar Pradesh), Amer (Rajasthan).</li> <li>• Craft Village will develop handicrafts as a sustainable and remunerative livelihood option for artisans in the clusters and thus protecting the rich artisanal heritage of the country.</li> </ul>

## 9.2. E-COMMERCE



# INDIA'S E-COMMERCE SECTOR

## WHAT IS IT?

E-commerce is the practice of buying and selling goods and services over internet



## Regulatory Ecosystem of E-commerce in India



### Consumer Protection (e-commerce) Rules

2020- E-commerce firms to **display the country of origin alongside the product listings** and the parameters behind determining product listings on platforms



**100% FDI under automatic route is permitted in marketplace model of e-commerce**

## E-COMMERCE MODELS



### INVENTORY BASED MODEL

- \* An e-commerce activity where inventory of goods and services is owned by **e-commerce entity and is sold to consumers directly**
- \* **E.g.- Grofers (now Blinkit).**



### MARKETPLACE BASED MODEL

- \* It means providing of an information technology platform by an e-commerce entity on digital & electronic network to **act as facilitator between buyer and seller.**
- \* **E.g.- Amazon, Flipkart**

### 9.2.1. PROMOTION AND REGULATION OF E-COMMERCE

#### Why in news?

Recently, Parliamentary Standing Committee on Commerce presented its report on 'Promotion and Regulation of E-Commerce in India'.

#### Key Highlights of report

- Committee proposed to **bring out a new Digital Markets Act (DMA) to govern business practices**, including data collection and use by digital economy companies.
- The committee has proposed **an ex-ante model instead of ex-post model for regulation.**
  - The **ex-ante model of regulation entails a code of conduct** for Big Tech including on data collection and use – to ensure data harvested from consumers is not used for any purpose other than serving the consumer's interest.
  - It will **entail defining big tech companies acting as 'gatekeepers,'** i.e., business platforms that act as a gateway for small firms to reach out to end consumer. This will help **regulate digital markets better.**
- Currently, regulatory vacuum in governing Platform-to-Business user (P2B) relationship and **predominant reliance on ex-post model of regulation** does not always lead to optimal restoration of competition in evolving and fast paced markets, especially involving gatekeepers.

#### Related News

#### Framework to check fake reviews on e-commerce platforms

- **Department of Consumer Affairs unveiled new standard (19000:2022) made by Bureau of Indian Standards (BIS) to curb menace of fake and deceptive reviews** of products and services.
  - Standards, initially voluntary, will be **applicable to every online platform** which publishes consumer reviews.
- **Fake and misleading reviews violate a consumer's right** under Consumer Protection Act, 2019.

#### Key highlights

- Prescribes specific **responsibilities for review author and review administrator.**
- **Responsibilities for organizations and grievance redressal mechanism** for consumers.

### 9.2.2. OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

#### Why in news?

ONDC network recently started beta testing with consumers in Bengaluru.



### What is ONDC?

- ONDC is an initiative of the Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce.
- It was incorporated as a Section 8 (Non-Profit Organisation under Companies Act 2013) company in December 2021.
  - The Quality Council of India and Protean eGov Technologies Limited are its initial promoters.
- It aims at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks.



#### WHAT IS ONDC?

- Market and Community-led initiative
- An open network
- Eliminates the need for a central intermediary
- An enabler for massive digital commerce expansion
- An enabler for broad-based innovation

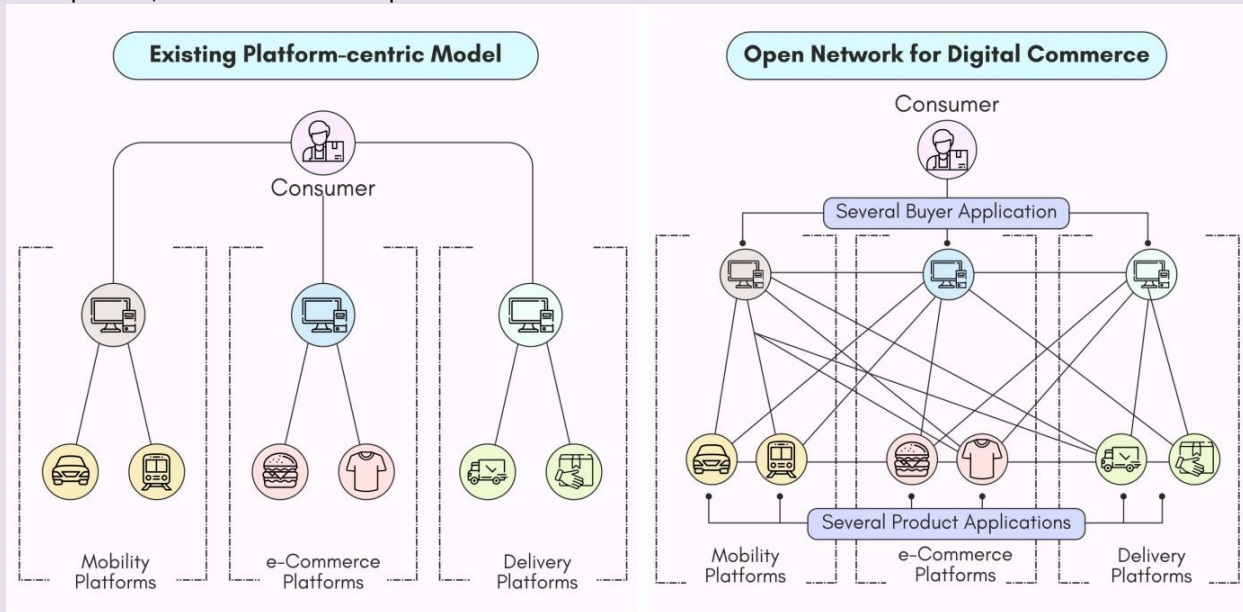


#### WHAT IS ONDC NOT?

- A Government Regulatory Body
- An application or a platform
- A central intermediary
- A medium to help digitize businesses

### How is ONDC different from traditional e-commerce models?

Unlike traditional paradigm of e-commerce, ONDC is an open network of platforms/applications which are interoperable, as a result of which operational control is decentralised.



### Significance of ONDC in India

- Ending monopolistic tendencies of big players and increase consumers freedom of choice.
- Moving away from an operator-driven platform-centric model to avoid concentration risk, exclusion and discretionary behavior etc.
- Formalizing local businesses.
- Economic Growth and Development with job creation.
- Encourage small and medium enterprises participation by lowering entry barriers.
- Other potential benefits: Enhanced supply chain efficiencies; amplifying geographic and socio-economic coverage of digital commerce landscape; Standardization of operations; enhanced pricing transparency etc.

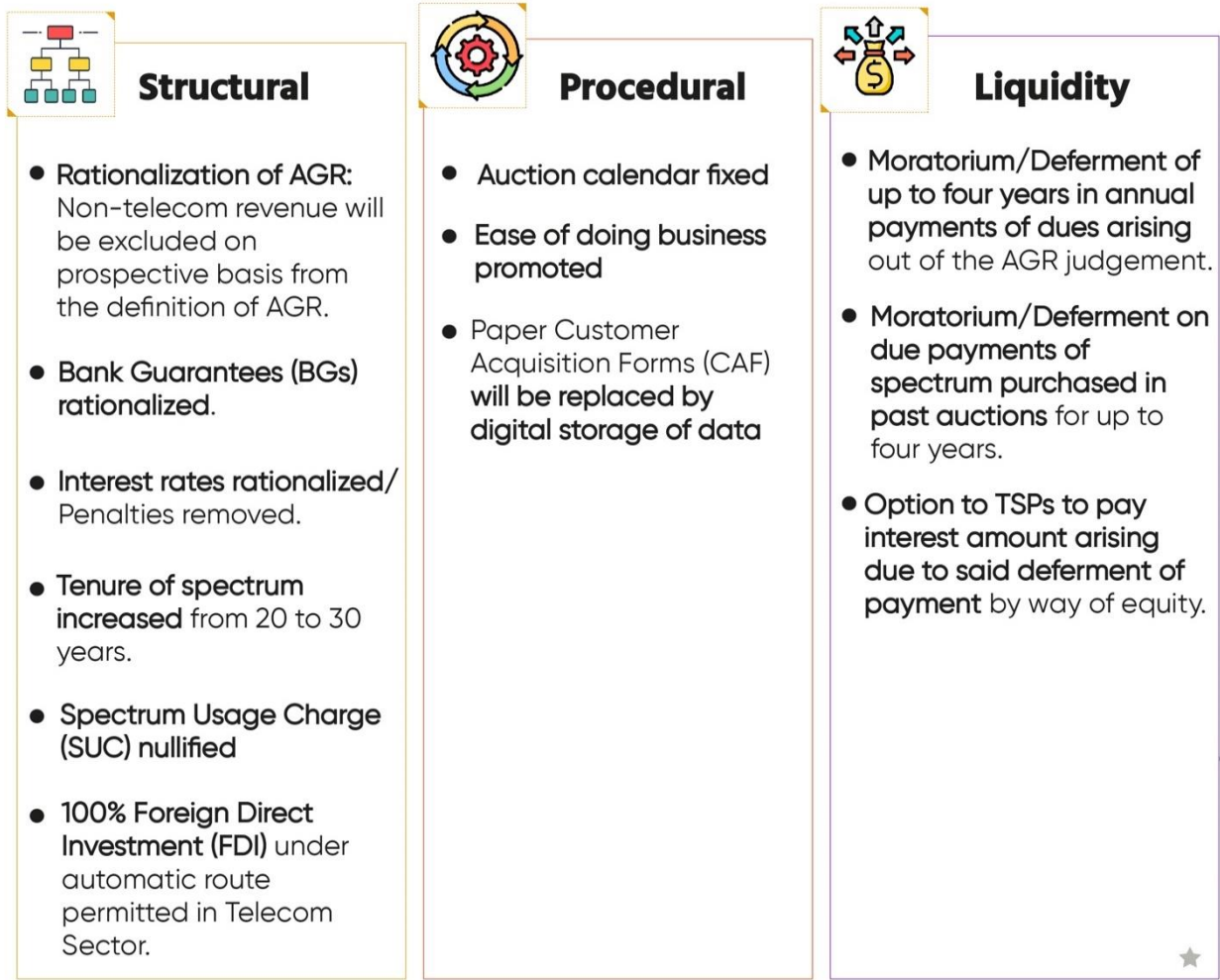
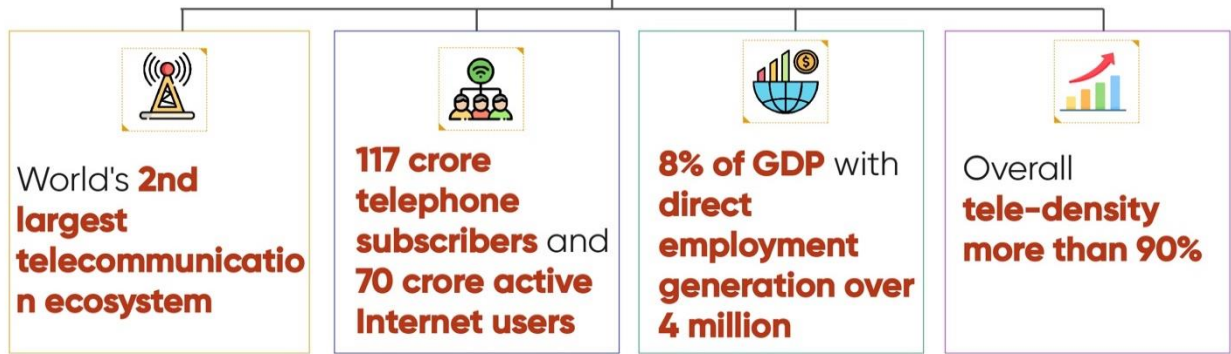


### 9.3. TELECOM SECTOR

## India's Telecom Sector



### About the Sector



#### 9.3.1. GATISHAKTI SANCHAR PORTAL

##### Why in News?

The Department of Telecommunication (DoT) has launched **GatiShakti Sanchar portal** for **centralized Right of Way (RoW) approvals**.

**Key features of the latest amendment**

- **RoW application procedures simplified** to facilitate faster 5G roll-out.
- **Administrative fees have been rationalized** to reduce the cost of compliance.
- **Telecom licensees may enter into agreement with private property owners** and they will not require any permission from any government authority.

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**More on News**

- RoW is a **legal right**, for online application and permissions to Telecom Service Providers (TSPs).
- **Indian Telegraph RoW rules (2016)** regulate the underground infrastructure (optical fibre) and overground infrastructure (mobile towers).
- The portal, developed by **MP state Electronics Development Corporation**, is a **collaborative institutional mechanism** between all stakeholders - Central and State/UT Governments, Local bodies, and Service Providers.
  - It will facilitate **smooth deployment of digital communications infrastructure** across the country.

**Related News**  
**Telecom Technology Development Fund (TTDF)**

- **Universal Service Obligation Fund (USOF)**, a body under DoT has launched TTDF.
- **Objectives include:**
  - **Fund R&D** in rural-specific communication technology applications.
  - **Form synergies** among academia, start-ups, research institutes, and the industry.
  - Promote **technology ownership and indigenous** manufacturing.
  - Develop **standards to meet countrywide requirements** and create the ecosystem for R&D, prototyping, etc.

**9.4. OTHER SERVICES SECTOR DEVELOPMENTS**

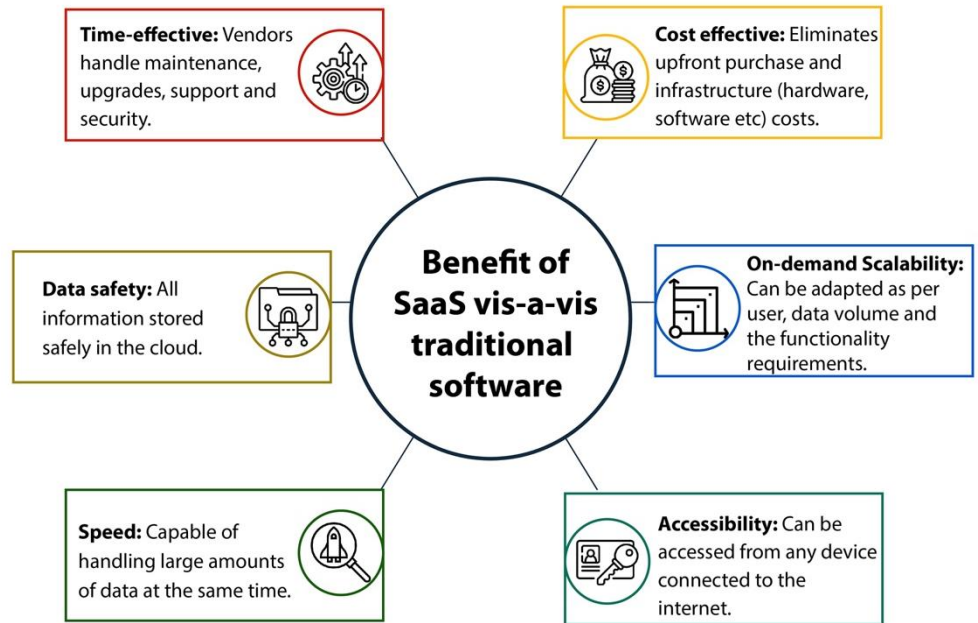
**9.4.1. SOFTWARE AS A SERVICE (SAAS)**

**Why in news?**

The CII and EY released a report titled “**India: The Next Global SaaS Capital**”, highlighting Indian SaaS industry’s unique value and the enormous impact being created by Indian SaaS.

**About Software as a service (SaaS)**

- SaaS is a **software distribution model** in which a **cloud provider hosts applications** and makes them available to end users over the internet.
  - It includes services provided by **Google Workspace, Adobe Creative Cloud, Github** etc.



**Key features of SaaS**

- It is **rented from a software vendor** who also provides technical support.
- It is provided on a **subscription basis** and the software can be **accessed on multiple devices**.
- It is one of three main categories of cloud computing, alongside-
  - **Infrastructure as a Service (IaaS)** where company leases a whole digital infrastructure (servers, network resources, etc.) for organizing business activities, creating applications, data storing, etc.
  - **Platform as a Service (PaaS)** where cloud environment (hardware, software, development tools and infrastructure) is provided for creating apps and their further support.

**SaaS sector in India**

- **India is the 3rd largest SaaS ecosystem globally**, after the USA and China.
  - India is on the path to **surpass China to become the 2nd largest SaaS nation in the world by 2026**.
- India presently has **18 SaaS unicorns** as compared to one in 2018.



# 10. INFRASTRUCTURE SECTOR

## 10.1. LOGISTICS SECTOR

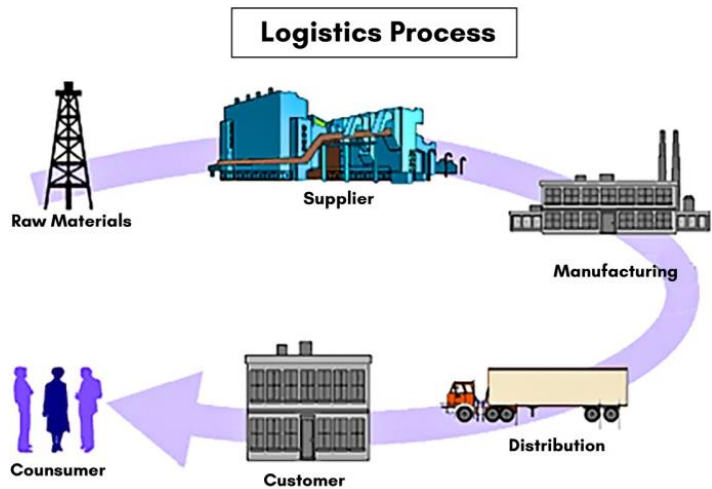
### 10.1.1. NATIONAL LOGISTICS POLICY (NLP)

#### Why in News?

The PM unveiled the **National Logistics Policy (NLP)** to promote **seamless flow of goods** across the country and **improve Indian goods competitiveness** in domestic as well as global markets.

#### Logistics Ecosystem in India

- Logistics, i.e. the **overall process** of managing how resources are acquired, stored and transported to a final destination, has become an important part of the economy (see **image**).
- The Indian Logistics sector is estimated to be over **\$250 billion in 2021** and expected to reach **\$380 billion by 2025**.
- **Logistics Performance Ranking** in **Global Logistics Performance Index 2018** of **World Bank (44<sup>th</sup>)**.



#### National Logistics Policy (NLP)

- **Vision** - To develop a technologically enabled, integrated, cost-efficient, resilient, sustainable, and trusted logistics ecosystem in the country for accelerated and inclusive growth.
- **Pillars of NLP:** It is based on **four major pillars** as given in the **image**.
- NLP also includes **Comprehensive Logistics Action Plan (CLAP)** to implement the policy with **eight key action areas**:

#### FOUR PILLARS OF NLP

	<b>Unified Logistics Interface Platform (ULIP)</b>	ULIP is a <b>3-tier*</b> structure to bring <b>all the digital</b> services related to transportation sector on a <b>single portal</b> , freeing the exporters from a host of very long and cumbersome processes.
	<b>Integration of Digital System (IDS)</b>	Under the <b>IDS, 30 different systems</b> of <b>7 departments</b> are <b>integrated</b> including <b>data</b> from the <b>road transport, railways, customs, aviation</b> and <b>commerce departments</b> .
	<b>Ease of Logistics (E-Logs)</b>	<b>E-Logs</b> is a <b>digital platform</b> for <b>industry associations</b> to take up any operational and <b>performance issue</b> with the <b>government directly</b> .
	<b>System Improvement Group (SIG)</b>	SIG will <b>monitor all logistics</b> projects regularly through a <b>group of officers</b> from ministries concerned.

\*1- 3-tiers of ULIP are Application Layer, Governance Layer and Presentation Layer.

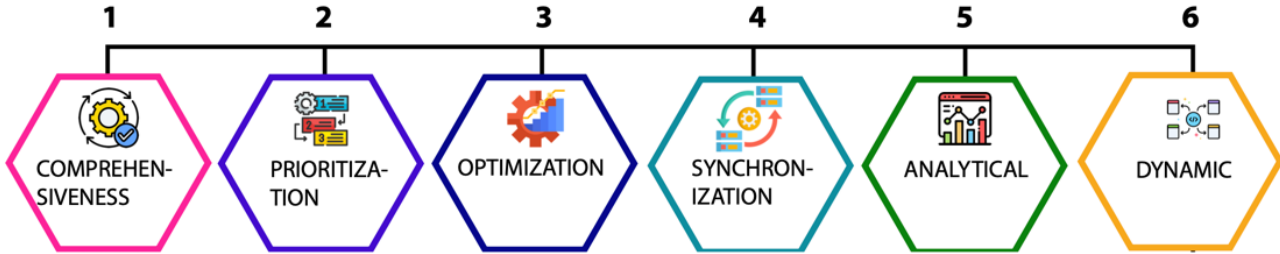
- **Integrated Digital Logistics System** to develop a system of unified logistics interface.
- **Standardization of physical assets and benchmarking service quality standards.**
- **Logistics Human Resources Development and Capacity Building** to develop an overarching logistics human resource strategy.
- **State engagement** by supporting development of state/city level logistics plans, set up institutional framework at city/state level, measure and monitor action by states.
- **EXIM (Export-import) Logistics** to address infrastructure and procedural gaps in connectivity and create efficient and reliable logistics network.
- **Service Improvement Framework** for improving regulatory interface to enable seamlessness between sectors.
- **Sectoral Plan for Efficient Logistics** to be developed for each sector.
- **Facilitation of Development of Logistics Parks.**
- **Implementation:** NLP will be implemented by the **Empowered Group of Secretaries (EGoS)** created under the PM Gati Shakti.

### 10.1.2. PM GATI SHAKTI

#### Why in news?

Last year, government identified 197 critical infrastructure gaps across various projects under PM Gati Shakti.

## Six Pillars of PM Gati Shakti



#### About PM Gati Shakti

- PM Gati Shakti - National Master Plan (NMP) for Multi-modal Connectivity, is a **digital platform** for **comprehensive database of the ongoing & future projects** of **16 Ministries**.
- **Aim:** Create **Next Generation Infrastructure** by learning from the past and **achieving enhanced efficiency through 6 pillars** (refer to the infographic).
- It is integrated with **200+ layers of geospatial data** on **existing infrastructure, forests, rivers and district boundaries**.
- It has been developed by the **BISAG-N** (refer to the box).
  - **Dynamic mapping of all infrastructure projects with real-time updation** by way of a map developed by BISAG-N.
  - The map will be built on open-source technologies and **hosted securely on Meghraj.e.Gol cloud**.

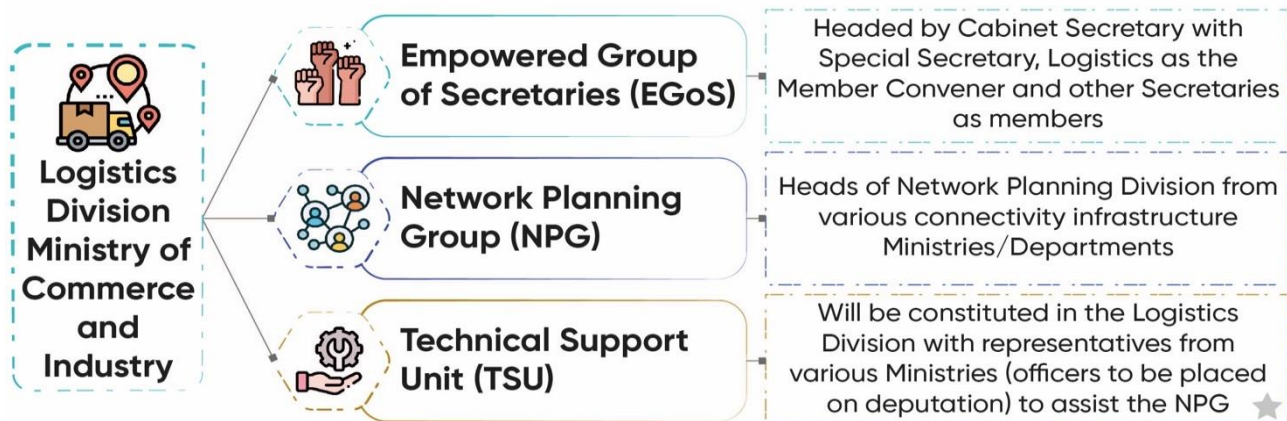
#### About Bhaskaracharya National Institute for Space Applications and Geo-informatics (BISAG-N)

- BISAG-N is an **Autonomous Scientific Society** registered under the Societies Registration Act, 1860 under the **MeitY**.
- Its **three main domain areas-** Satellite communication; Geoinformatics; and Geo-spatial technology.

#### Digitisation Initiatives

- **Existing and proposed economic zones** have been **mapped along with the multimodal connectivity infrastructure** in a single GIS platform.
- **Logistic Data Bank (LDB)** and **Unified Logistic Interface Platform (ULIP)** may be integrated under PM GatiShakti.

## Governance framework of the PM Gati Shakti NMP



#### Related News

##### Gati Shakti Vishwavidyalaya (GSV)

- Ministry of Education introduced the **Central Universities (Amendment) Bill**, which seeks to convert the **National Rail and Transportation Institute (NRTU)**, a deemed-to-be university, into the **GSV (an autonomous Central university)**.
- GSV will address the need for **talent in the strategically important and expanding transportation sector** and **meet the demand for trained talent to fuel the growth and expansion of the sector**.

### 10.1.3. LOGISTICS EASE ACROSS DIFFERENT STATES (LEADS) 2022 REPORT

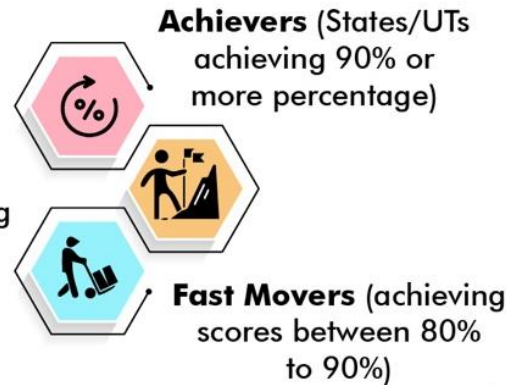
#### Why in News?

The Ministry of Commerce & Industry has released **Logistics Ease Across Different States (LEADS) 2022**.

#### More on News

- LEADS is an **indigenous data-driven index** to assess logistics **infrastructure, services, and human resources** across all 36 States and UTs.
  - It's a key tool to **drive logistics sector efficiency that helps achieve target of bringing down logistics costs** compared to global benchmark.
  - It was **first launched in 2018**.
- LEADS 2022 adopted classification-based grading system** while previous versions were based on ranking systems for all states.

## PERFORMANCE CATEGORIES



### 10.1.4. MULTI MODAL LOGISTICS PARK

#### Why in news?

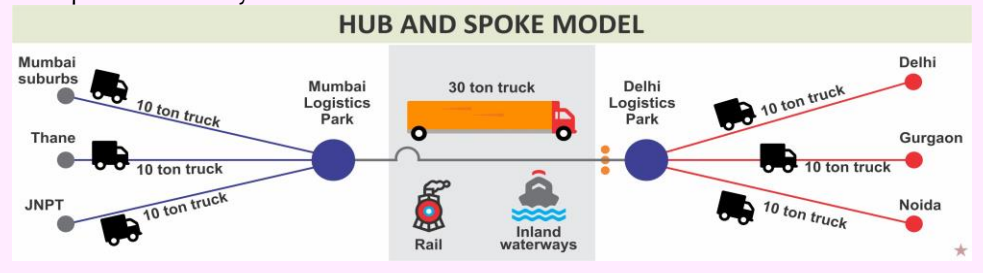
Recently, Government awarded the contract of setting up India's first multi-modal logistics park (MMLP) near Chennai to Reliance Industries (RIL).

#### About Multi-modal logistics park

- A **Multi-Modal Logistics Park (MMLP)** as an **inter-modal freight-handling establishment**

#### India planning 35 MMLPs

- CCEA had mandated MoRTH to develop 35 MMLPs across the country.
- The **National Highways Logistics Management (NHLML)**, a wholly owned special purpose vehicle (SPV) of the National Highways Authority of India (NHAI), is the **nodal agency** for getting the **35 MMLPs up and running**.
  - These MMLPs are to be developed under **PPP on Design, Build, Finance, Operate and Transfer (DBFOT) mode**.
- This initiative aims to develop MMLP in a **hub-and-spoke model** - a model where all the commodities come to a hub and are then sent to smaller distribution units called spokes and finally sent out to customers.



comprising warehouses, dedicated cold chain facilities, freight or container terminals and bulk cargo terminals.

- Its objective is to **centralize freight consolidation and reduce logistics cost** from 14% to less than 10% of GDP at par with International Standards.
- Under the **'PM Gati Shakti National Master Plan'**, the Government of India has announced that **contracts will be awarded through PPP model for implementation of MMLPs**.
- National Highways Logistics Management Limited (NHLML), Inland Waterways Authority of India (IWAI) and Rail Vikas Nigam Limited (RVNL)** has signed a tripartite MoU for swift development of MMLP under Bharatmala Pariyojana
  - Bharatmala Pariyojana**, launched under **Ministry of Road Transport & Highways** in 2017, is an **umbrella program for highways sector** with focus on optimizing the efficiency of freight and passenger movement across the country.



## 10.2. RAILWAYS

# INDIAN RAILWAYS



### About Indian Railways



**4th Largest railway network** in the World by size



Operates **more than 13,000 passenger and 9,000 freight trains** everyday



To account for **40% of the total global share of rail activity** by 2050



Operates on **three gauges:** Broad, Meter and Narrow



**Divided into 17 zones** (further sub-divided into divisions)



**Headed by Railway Board** whose chairman reports to the Ministry of Railways



### National Rail Plan



A **future ready** Railway System is planned with 45% modal share of railways in freight.



**Vision 2024**, as part of NRP, was launched for accelerated implementation of certain **critical projects**.

### 10.2.1. INNOVATION IN RAILWAYS

#### Why in News?

Indian Railways (IR) launched “Indian Railway Innovation Policy” to fund innovations.

#### Key Highlights of Indian Railway Innovation Policy

- **IR will invest in startups** to get a head start in procuring innovations directly from them with a promise of up to **₹1.5 crore** of seed money.
- **Policy Objective:**
  - **Develop cost-effective, implementable, scalable solutions**, functional prototypes and innovative products.
  - **Leverage new innovative technologies** to improve Operational efficiency & Safety.
- **Annual budget for the policy** is around **₹40-50 crore** with an additional fund for the divisional railway managers so that they can find on-field solutions to on-field problems.
- Developed **IPR will remain with innovators only**.

#### Efforts undertaken for Innovation in Railways

Area	Steps taken by India
Safety Enhancement	<ul style="list-style-type: none"> <li>• <b>Bridge Management System (BMS)</b>, a <b>web-based IT application</b> for 24x7 information availability.</li> <li>• <b>Radio Frequency Identification (RFID) tags</b> fitted on rolling stock to track and trace the rolling asset.</li> <li>• <b>Electronic Interlocking (EI)</b> is being adopted to enhance safety.</li> <li>• <b>Automatic Train Protection System</b> called <b>Kavach</b>.</li> </ul>

<b>Infrastructure upgrades</b>	<ul style="list-style-type: none"> <li>• <b>Modern track structure</b> consisting of <b>Pre-stressed Concrete Sleepers</b>.</li> <li>• Capacity Augmentation through <b>Dedicated Freight Corridors (DFCs)</b>.</li> <li>• <b>Microprocessor based Train Control and Management System</b>, Emergency Talk Back system/ Panic Buttons etc.</li> </ul>
<b>Passenger experience improvement</b>	<ul style="list-style-type: none"> <li>• Introduction of 'Make in India' <b>semi-high speed Vande Bharat Express</b> trains.</li> <li>• Focus on <b>cleanliness of trains and stations</b> with the installation of bio-toilets etc.</li> <li>• <b>Safety Information Management System (SIMS)</b> to manage and process information related to any train accidents.</li> </ul>
<b>Organizational capability enhancement</b>	<ul style="list-style-type: none"> <li>• <b>National Monetisation Pipeline</b> also has an asset monetisation plan for IR and there are plans for corporatisation of production units.</li> <li>• <b>Restructuring of railway board</b> by trimming its strength to half and unifying its eight railways services into a central service -Indian Railway Management Service.</li> </ul>

### 10.2.2. ALUMINIUM WAGONS

#### Why in News?

The Union railway minister flagged off the **country's first freight train with an all-aluminium wagon rake**.

#### More on News

- It is manufactured in collaboration with **Besco Limited Wagon Division and aluminium major Hindalco**.
- At present, India's high-speed trains, including the Rajdhani and the Shatabdis, use **Linke Hofmann Busch (LHB) coaches that are made of stainless steel**.

#### Significance

- **Lower carbon footprint** as 15-20% weight shift by aluminium wagons can reduce **25 Lakh tonnes of CO<sub>2</sub>**.
- **Aluminium is 100% recyclable** and resistant to corrosion, reducing maintenance costs.
- **Make Indian Railways' logistics more efficient** as:
  - It can carry **180 tonnes extra payload** per trip over conventional rakes.
  - **Aluminium trains take less time to manufacture** and thus can help in **speeding up production**.
- **Reduce import of Nickel and Cadmium** consumed by the iron and steel industry.
- **Boost domestic aluminum industry**.

### 10.2.3. OTHER DEVELOPMENTS IN RAILWAYS

<b>Bharat Gaurav Train</b>	<ul style="list-style-type: none"> <li>• Maiden Service of <b>Bharat Gaurav Train</b> commenced under <b>Bharat Gaurav Scheme</b> from Coimbatore North to Sainagar Shirdi.</li> <li>• Bharat Gaurav Trains are <b>theme-based trains</b> launched by Indian Railways in <b>November 2021</b>.</li> <li>• <b>Objective:</b> To showcase <b>India's rich cultural heritage and magnificent historical places</b> to the people of India and the world.</li> <li>• <b>Aim:</b> Leverage the <b>core strengths of the professionals</b> of the tourism sector to run theme-based trains to <b>tap India's vast tourist potential</b>.           <ul style="list-style-type: none"> <li>○ Bharat Gaurav Scheme guidelines apply to already running tourist circuit trains by IRCTC as well such as <b>Buddhist Circuit Tourist Train</b>.</li> </ul> </li> </ul>
<b>Jiribam-Imphal Railway Line</b>	<ul style="list-style-type: none"> <li>• Recent landslide in Manipur has hit the Jiribam-Imphal railway line project.</li> <li>• It is a <b>111 km long project</b> started in <b>2013</b> to connect <b>Imphal</b> (the capital of Manipur) with <b>Jiribam district</b> of Manipur near <b>Assam Border</b>.           <ul style="list-style-type: none"> <li>○ Estimated to be completed by <b>2023</b>, the project involves 46 tunnels, including a 12-km single tube tunnel, and <b>Noney Bridge</b>- slated to become <b>world's tallest rail bridge</b>, once completed.</li> </ul> </li> </ul>
<b>World's Highest Railway Bridge</b>	<ul style="list-style-type: none"> <li>• Recently, <b>golden joint connecting two ends of overarch deck of the world's highest railway bridge</b> over Chenab river was inaugurated.           <ul style="list-style-type: none"> <li>○ 1.3-km-long Bridge is <b>located 359 metres above Chenab riverbed</b> and is 30 metres <b>higher than Eiffel Tower</b>.</li> </ul> </li> <li>• Chenab Bridge will <b>provide all-weather rail connectivity to Kashmir</b> and <b>forms a crucial link from Katra to Banihal</b>, part of Udhampur-Srinagar-Baramulla section of the Kashmir Railway project.</li> </ul>
<b>Vande Metro hydrogen trains</b>	<ul style="list-style-type: none"> <li>• Designed and built in India, Vande Metro hydrogen trains would roll out by 2023.</li> <li>• <b>Germany was the first country that started operating hydrogen-powered trains</b> for the first time in the world in August.</li> <li>• <b>These trains make very little noise and emit no pollution</b>. It only emits just steam and evaporated water.</li> </ul>

<b>National Capital Region Transport Corporation (NCRTC)</b>	<ul style="list-style-type: none"> <li>NCRTC is a <b>joint venture</b> company of Government of India and States of Delhi, Haryana, Rajasthan and Uttar Pradesh.</li> <li>It is under the administrative control of <b>Ministry of Housing and Urban Affairs</b> and mandated to implement the <b>Regional Rapid Transit System (RRTS)</b> project across NCR, for a <b>balanced and sustainable urban development</b> through <b>better connectivity and access</b>.             <ul style="list-style-type: none"> <li>RRTS is a <b>new, dedicated, high speed, high capacity, comfortable commuter service</b> connecting regional nodes in NCR.</li> </ul> </li> </ul>
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## 10.3. CIVIL AVIATION SECTOR

### 10.3.1. NATIONAL AIR SPORTS POLICY (NASP) 2022

#### Why in News?

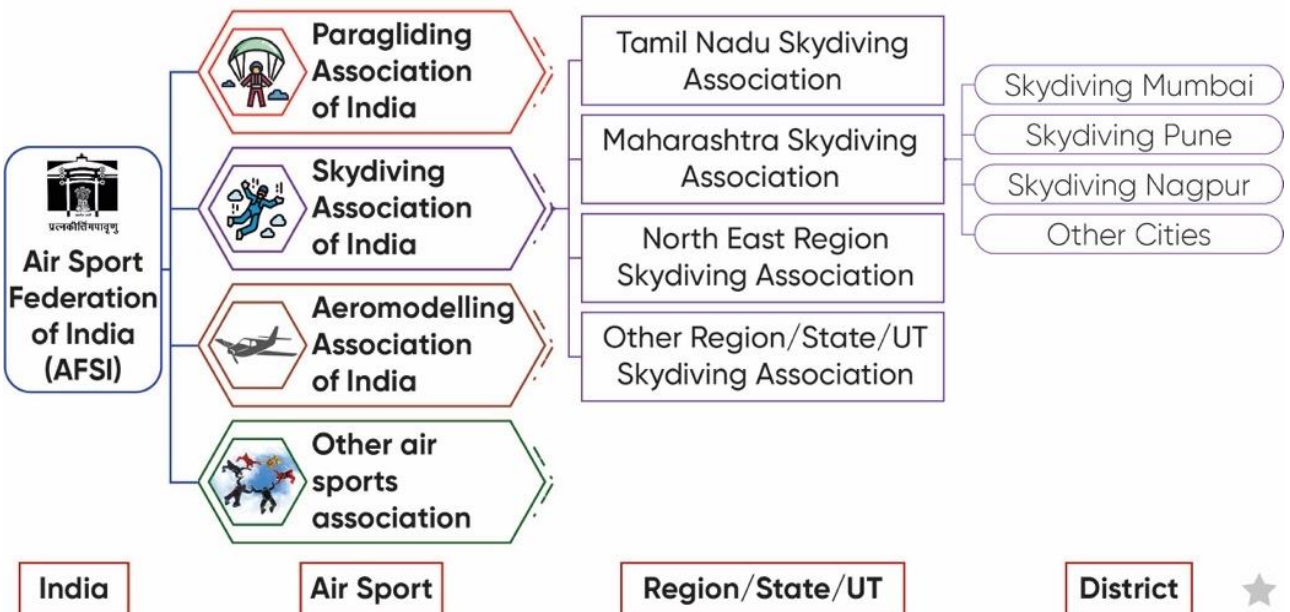
The Ministry of Civil Aviation has launched the **NASP** with aim of **providing a safe, affordable and sustainable air sports ecosystem** in the country.

#### Objective of NASP, 2022

- Enable adoption of international good practices in safety.
- Enhance participation and success of Indian sportspersons in global air sports.
- Promote design, development, and manufacturing of air sports equipment in India in line with the Atmanirbhar Bharat Abhiyan.
  - Its vision is to **include India among the top air sporting nations by 2030**.
  - Under it, **11 air sports** including Aerobatics, aero modelling and rocketry, ballooning, parachuting, paragliding, and para-motoring etc. will be promoted.

#### Governance structure

- NASP 2022 covers **11 different air sports** and provides a **four-tier governance structure (refer infographic)** with **Air Sports Federation of India (AFSI)** as the **apex governing body**.
- AFSI shall be an **autonomous body under MCA**.
  - It represents **India at Fédération Aéronautique Internationale (FAI), headquartered in Lausanne, Switzerland** and other global platforms related to air sports.
  - FAI is world governing body for air sports**.



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**10.3.2. OTHER DEVELOPMENTS IN THE CIVIL AVIATION SECTOR**

<p><b>Aviation Safety Rankings</b></p>	<ul style="list-style-type: none"> <li>As per 2022 rankings, <b>India's position jumped to the 48<sup>th</sup> place from the 102<sup>nd</sup> spot in 2018.</b> <ul style="list-style-type: none"> <li>India's aviation sector has become the <b>third largest domestic aviation market</b> in the world.</li> <li>India's airport capacity is expected to <b>handle 1 billion trips annually</b> by 2023.</li> </ul> </li> <li><b>About the Rankings</b> <ul style="list-style-type: none"> <li>Released by: <b>International Civil Aviation Organisation.</b></li> <li>187 countries were ranked, topped by <b>Singapore.</b></li> <li>Index measures <b>eight critical elements of the safety oversight system</b>, including primary aviation legislation, resolution of safety issues etc.</li> </ul> </li> </ul>
<p><b>Bureau of Civil Aviation Security (BCAS)</b></p>	<ul style="list-style-type: none"> <li>Ministry of Civil Aviation (MoCA) has notified draft <b>Aircraft Security Rules, 2022.</b> <ul style="list-style-type: none"> <li>It <b>enables BCAS to impose penalties upto ₹1 crore on airports and airlines</b> for violation of security measures.</li> </ul> </li> <li><b>BCAS (HQ: New Delhi):</b> <ul style="list-style-type: none"> <li>It was <b>set up as a Cell in Directorate General of Civil Aviation</b> in 1978 on recommendation of <b>Pande Committee.</b></li> <li>In 1987, it was reorganized into an <b>independent department</b> under MoCA.</li> <li>It lays down <b>standards and measures with respect to security of civil flights</b> at international and domestic airports in India.</li> </ul> </li> </ul>
<p><b>Aircraft Leasing</b></p>	<ul style="list-style-type: none"> <li>Indian Airlines is allowed to take wide-body aircraft on wet lease for up to <b>one year.</b></li> <li><b>Wet lease</b> refers to <b>renting of the plane along with operating crew and engineers.</b> <ul style="list-style-type: none"> <li>In technical term, wet leasing is called <b>ACMI, i.e. Aircraft, Crew, Maintenance and Insurance.</b></li> </ul> </li> <li><b>Dry lease</b> is when the <b>airline leases only the vehicle.</b></li> <li><b>Damp Lease</b> is the <b>middle between two</b> where an airline <b>wet-leases a plane</b> but uses its <b>own cabin crew.</b></li> </ul>
<p><b>Aircraft (Amendment) Act, 2020</b></p>	<ul style="list-style-type: none"> <li>The <b>Aircraft (Amendment) Act, 2020</b> has empowered <b>Directorate General of Civil Aviation (DGCA)</b> to levy fines without approaching a civil court.</li> <li>DGCA (HQ: New Delhi) is the <b>regulatory body in the field of civil aviation</b> responsible for carrying out the <b>safety oversight and coordinating regulatory functions</b> with the <b>International Civil Aviation Organization (ICAO).</b> <ul style="list-style-type: none"> <li>It was made a <b>statutory body</b> by the <b>Aircraft (Amendment) Act, 2020.</b></li> </ul> </li> </ul>

# MONTHLY

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## 10.4. ROADWAYS

### 10.4.1. PRIVATE INVESTMENT MODELS IN ROAD INFRASTRUCTURE

# DIFFERENT MODELS FOR PUBLIC-PRIVATE PARTNERSHIP (PPP) IN ROAD INFRASTRUCTURE



## About the Sector



### Build- Operate-Transfer (BOT)

Under BOT, a private entity is responsible for building, designing, and operating the road and transferring it back to the government.



### Engineering, Procurement, Construction (EPC) Model

Under it, the cost is completely borne by government. Government invites bids for engineering knowledge from the private players.



## Hybrid Annuity Model (HAM)



HAM is a hybrid – mix of EPC (40%) and BOT (60%) models.



40% of project cost is paid by government and remaining 60% by developer.



Toll fee collection is the responsibility of Government/Authority.



## Other Popular Models



### Build Lease Transfer (BLT)

It involves building a facility, leasing it to Government and transferring the facility after recovery of investment.



### Toll-Operate-Transfer (TOT)

It is a model for monetising operational national highway projects where investors make a lump sum payment in return for long-term toll collection rights backed by a sound tolling system



### Lease Develop Operate Transfer (LDOT)

It is a model for monetising operational national highway projects where investors make a lump sum payment in return for long-term toll collection rights backed by a sound tolling system



<p><b>Related News</b>  <b>Turnkey project</b></p> <ul style="list-style-type: none"> <li>It is a contract under which a firm agrees to fully design, construct and equip a manufacturing/ business/ service facility and turn the project over to the purchaser when it is ready for operation for a remuneration.             <ul style="list-style-type: none"> <li>It is one of modes of carrying out international business project.</li> </ul> </li> <li>It will help NMDC retain and comply with four axioms of public procurement i.e., transparency, equity, fairness, and competitiveness.</li> </ul>
---

**10.4.2. OTHER DEVELOPMENTS IN THE ROADWAYS SECTOR**

<b>Pre-cast Concrete Policy</b>	<ul style="list-style-type: none"> <li>Ministry of Road Transport &amp; Highways has made mandatory to use factory manufactured pre-cast concrete elements in projects within 100 km radius of Pre-cast factory.</li> <li>Precast concrete is a <b>form of concrete</b> that is prepared, cast and cured off-site in controlled factory environment, using reusable moulds.             <ul style="list-style-type: none"> <li>Pre-cast factory shall be certified by Quality Council of India (QCI)/IITs and shall have minimum facility of fully automatic RMC (Ready Mix Concrete) plant for better quality.</li> </ul> </li> </ul>
<b>Automotive Industry Standard (AIS)</b>	<ul style="list-style-type: none"> <li>Ministry of Road Transport and Highway issued a <b>draft amendment to modify technical requirements as prescribed in AIS -145.</b></li> <li>Draft amendment replaces provision for <b>seat belt alarms</b> for ‘driver &amp; co-driver’ with ‘<b>driver and all other front-facing seat occupants</b>’.</li> <li>Seat belt alarms for driver and front row co-passenger were made mandatory in 2019.</li> <li>This standard is <b>aligned with international regulation UN Regulation No. 16 (UNR-16).</b></li> </ul>
<b>Convention on International Road Traffic of 1949 (Geneva Convention)</b>	<ul style="list-style-type: none"> <li>Ministry of Road Transport and Highways (MoRTH) issued notification on <b>standardizing process for issuance of International Driving Permit (IDP)</b> across the country in adherence to the Convention.</li> <li>Geneva Convention is an <b>international treaty promoting the development and safety of international road traffic</b> by establishing certain uniform rules among the contracting parties.</li> <li><b>India, being a signatory to convention</b> is required to issue IDP as provided under this Convention, for <b>acceptance of the same on reciprocal basis</b> with other countries.</li> </ul>
<b>Bharat Series (BH)</b>	<ul style="list-style-type: none"> <li>MoRTH has proposed to <b>allow conversion of regular vehicle registrations into BH numbers.</b> <ul style="list-style-type: none"> <li>At present, only new vehicles can opt for BH series mark.</li> <li>Also, the <b>transfer of vehicles with BH series registration mark to other persons</b>, who are eligible or ineligible for BH series, has been facilitated.</li> </ul> </li> <li>BH series was introduced to <b>ensure seamless transfer of vehicles across states and free vehicle owners from re-registration</b> process when they shift from one state/UT to another.             <ul style="list-style-type: none"> <li>Vehicle registration under <b>BH series</b> is <b>voluntary</b> to defense personnel, employees of central and state government, PSUs, private sector companies with offices in four or more states/UTs.</li> <li><b>Working Certificate is needed to be submitted</b> by private sector employees to prevent misuse.</li> </ul> </li> </ul>

**10.5. INDIAN SHIPPING INDUSTRY**

**10.5.1. LANDLORD PORT MODEL**

**Why in News?**

The Jawaharlal Nehru Port (JNP) became the **first 100% Landlord Major Port of India.**

**Ports in India and Landlord Port Model**

- Ports in India are classified as **Major (under Union govt) and Minor Ports (under state govt)** as per the Indian Ports Act, 1908.
- Landlord port model is characterized by its **mixed public-private orientation.**
  - Under this, the **port authority acts as regulatory body and as landlord**, while **port operations (especially cargo handling) are carried out by private companies.**
  - It aims at **decentralizing decision making and to infuse professionalism in governance** of major ports.

Other PPP models for Ports		
<b>Service port model</b> The port authority <b>owns the land and all available assets—fixed and mobile—and</b>	<b>Tool port model</b> The port authority <b>owns, develops, and maintains the port infrastructure</b>	<b>Corporatized ports</b> Ports are <b>entirely being privatized, except that</b>



performs all regulatory and port functions. Here, the port trust is both the landlord and the cargo terminal operator.	as well as the <b>superstructure, including cargo handling equipment</b> such as quay cranes and forklift trucks.	<b>ownership remains public</b> and often assumed as a majority shareholder
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### 10.5.2. NATIONAL CENTRE OF EXCELLENCE FOR GREEN PORT & SHIPPING (NCOEGPS)

#### Why in News?

The Ministry of Ports, Shipping and Waterways (**MoPSW**) has launched **NCoEGPS**.

#### More on News

- NCoEGPS will act as a **technological arm of MoPSW** and will be working under the framework of the **Sagarmala programme**.
- It aims to develop a regulatory framework and alternate technology adoption roadmap for **Green Shipping to foster carbon neutrality and circular economy (CE)** in the shipping sector in India.
  - Green shipping** is when people or goods are transported through ships using minimum resources and energy as possible, to protect the environment from GHGs and pollutants generated by the ships.
  - Main source of CO<sub>2</sub> emissions in ship operations:** Combustion of fossil fuels in main engines, auxiliary engines, boilers and incinerators.
  - India's '**Maritime India Vision 2030**' aims to **increase share of renewable energy** at major ports to **around 60% by 2030**.

### 10.5.3. OTHER DEVELOPMENTS IN THE SHIPPING INDUSTRY

<b>National Time Release Study (NTRS), 2022</b>	<ul style="list-style-type: none"> <li>It was recently released by <b>Central Board of Indirect Taxes and Customs (CBIC)</b>.</li> <li>NTRS 2022 presents the <b>annual report of cargo clearance process through four categories of ports</b> - seaport, Inland Container Depots (ICDs), Air Cargo Complexes (ACC) and Integrated Check Posts (ICPs).</li> <li>Time Release Study is a <b>performance measurement tool</b> for assessing cargo clearance process of <b>international trade</b>, as recommended by <b>World Trade Organization (WTO)</b> under <b>Trade Facilitation Agreement (TFA)</b> and <b>World Customs Organization (WCO)</b>.</li> </ul>
<b>International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), 1978</b>	<ul style="list-style-type: none"> <li><b>India and Iran have signed MoU for smooth movement of seafarers</b> between both countries as per <b>STCW</b> provision.</li> <li><b>STCW Convention</b> is a <b>multilateral convention</b> to establish <b>basic requirements on training, certification and watchkeeping</b> for seafarers on an international level.</li> <li>It was adopted in <b>1978</b> and it entered into force in <b>1984</b>.           <ul style="list-style-type: none"> <li><b>India notified it in 1984; effective from 1985.</b></li> </ul> </li> <li>Compliance and implementation to convention is looked after by <b>International Maritime Organization (IMO)</b>, established in <b>1948 (HQ: Geneva)</b> as a specialized UN agency.</li> </ul>

### 10.6. KEY CONCEPTS AND INFORMATION ON INFRASTRUCTURE

<b>Infrastructure status to Data Centres</b>	<ul style="list-style-type: none"> <li>The government has accorded <b>infrastructure status to data centres with more than 5MW capacity of IT load</b>.</li> <li>Data centre is <b>included in Harmonized Master List of Infrastructure sub-sectors</b>.</li> <li>It is a <b>dedicated secure space within a centralized location</b> where computing and networking equipment is concentrated.</li> <li>It provides <b>Network infrastructure</b> (connects servers etc. to end-user locations); <b>Storage infrastructure</b> (to store data); and <b>Computing resources</b> (provide processing, memory, etc. that drive applications).</li> <li>India's biggest hyperscale data centre '<b>Yotta D1</b>' is in <b>Greater Noida (Uttar Pradesh)</b>.</li> </ul>
<b>National Real Estate Development Council (NAREDCO)</b>	<ul style="list-style-type: none"> <li>NAREDCO has <b>set up a finance committee to enable member developers to easily access funds</b> from banks and financial institutions.</li> <li>NAREDCO is an <b>autonomous self-regulatory body</b> established in <b>1998 under MoHUA</b>.           <ul style="list-style-type: none"> <li>It acts as <b>premier real estate government industry association</b> of India.</li> <li><b>Union Minister for Housing &amp; Urban Affairs</b> serves as <b>Chief Patron of NAREDCO</b>.</li> </ul> </li> <li>It aims to provide government, real estate industry and general public a <b>legitimate platform to address their concerns and find effective solutions</b> for issues plaguing the real estate sector.</li> </ul>

<p><b>Smart Solutions and Inclusive Cities Awards 2022</b></p>	<ul style="list-style-type: none"> <li>• These awards are an initiative of <b>National Institute of Urban Affairs (NIUA)</b> and <b>UN in India</b> to <b>address city-level accessibility and inclusion challenges</b> faced by persons with disabilities (PwD), women and girls, and elderly.</li> <li>• Awards also aim to <b>promote people-centric design</b> and to foster novel <b>home-grown technological innovations</b> and solutions.</li> </ul>
<p><b>National Industrial Corridor Development Programme (NICDP)</b></p>	<ul style="list-style-type: none"> <li>• The mandate of apex monitoring authority is to <b>periodically review the activities of NICDP</b>.</li> <li>• <b>NICDP</b> is India's infrastructure programme aiming to <b>develop new industrial cities as "Smart Cities" and converging next generation technologies across infrastructure sectors</b>.</li> <li>• Under this, India is <b>developing various industrial corridor projects</b>.</li> <li>• National Industrial Corridor Development Corporation (NICDC) is <b>developing 11 Industrial corridors comprising 32 nodes/projects</b>.             <ul style="list-style-type: none"> <li>◦ NICDC Limited is a Special Purpose Vehicle (SPV) under <b>Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce &amp; Industry</b>.</li> </ul> </li> <li>• <b>NITI Aayog will also map different projects</b> such as Industrial, Freight and Defence Corridors, PM-Mitra parks, Medical, Pharma and Logistic Parks to <b>bring them under PM GatiShakti</b>.</li> </ul>
<p><b>National Investment and Infrastructure Fund (NIIF)</b></p>	<ul style="list-style-type: none"> <li>• The <b>Minister of Finance</b> chaired the <b>5th meeting of the Governing Council (GC)</b> of NIIF along with its members from <b>corporates, investments, and policy sectors</b>.</li> <li>• <b>Anchored by Government of India</b>, NIIF is a collaborative <b>investment platform for international and Indian investors</b>.</li> <li>• <b>NIIF manages three funds:</b> Master Fund, Fund of Funds and Strategic Fund.             <ul style="list-style-type: none"> <li>◦ Funds were set up to <b>make investments in India by raising capital</b> from domestic and international institutional investors.</li> </ul> </li> <li>• <b>NIIF's first bilateral fund</b> - an India Japan Fund has been proposed recently.</li> </ul>
<p><b>Transport 4 All Challenge Stage-2</b></p>	<ul style="list-style-type: none"> <li>• The <b>'Transport4All' Challenge</b> is an initiative of <b>MoHUA</b> in partnership with Institute for Transportation and Development Policy and <b>World Bank</b>.</li> <li>• It <b>aims at enhancing the mobility experience</b> of citizens and focuses on digital innovation to improve mobility needs of all citizens.</li> </ul>
<p><b>International Transport Forum (ITF)</b></p>	<ul style="list-style-type: none"> <li>• The Cabinet has approved <b>India-France's contract to support ITF activities in the Indian Transport Sector</b>, helping in-             <ul style="list-style-type: none"> <li>◦ New scientific results; New policy insights; Capacity building through increase scientific interaction; and Identification of technology options for decarbonization of the transport sector in India.</li> </ul> </li> <li>• <b>ITF (HQ: Paris, France)</b>, administratively integrated with the <b>OECD</b>, is an <b>intergovernmental organisation</b> created in <b>2006</b> by ministers from <b>43 countries</b> (now increased to <b>64 countries</b>).             <ul style="list-style-type: none"> <li>◦ It acts as a <b>think tank for transport policies to improve peoples' lives</b>.</li> </ul> </li> <li>• It is the <b>only global body</b> with a mandate for <b>all transport modes</b>.</li> </ul>

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# 11. ENERGY SECTOR

## 11.1. POWER SECTOR

### 11.1.1. GREEN ENERGY OPEN ACCESS RULES

#### Why in News?

The **Ministry of Power** has notified the **Green Energy Open Access (GEOA) Rules**.

#### About Open Access and its Objective

- Open access means **non-discriminatory access to electricity transmission and distribution system** to eligible consumers, generators, and state distribution companies (DISCOMS).
- The objective of the **Electricity (Promoting Renewable Energy through Green Energy Open Access) Rules, 2022** is to accelerate our renewable energy programmes.

#### Salient features of the rule

- **Reduction in the limit of Open Access Transaction** from 1 MW to 100 KW for green energy.
  - Any **consumer with a connected load of 100 kW or above** can get Renewable Energy (RE) **through open access** from any RE generating plant using the Green Energy Open Access portal.
- **Increase transparency** in approval process of OA.
  - OA approvals will be **granted in 15 days** or else it will be deemed to have been approved subject to fulfilment of technical requirements. It will be **through national portal**.
- **Cross subsidy surcharge and additional surcharge shall not be applicable** if green energy is utilized for production of green hydrogen and green ammonia.
- **Consumers are entitled to demand supply of Green Power from Discoms.**
  - **Green certificates for consumers** if they consume green power.
- **Commercial and Industrial consumers are allowed to purchase green power on voluntarily basis.**
- **Uniform Renewable Purchase Obligation (RPO)** on all obligated entities in the area of a distribution licensees.
  - **Green Hydrogen/Green Ammonia** has also been included for fulfilment of its RPO.

#### KNOW THE TERM



#### Renewable purchase obligation (RPO)

- **RPO** is a mechanism by which the SERCs oblige entities to purchase a certain percentage of power from renewable energy sources
- **Entities obligated under RPO-** Distribution Licensees, Captive Consumers and Open Access Consumers.
- **Any entity can meet its RPO target** through-
  - Setting-up its own Renewable Energy generating plant anywhere in the Country.
  - Purchase power from any Renewable Energy generators .
  - Purchase Renewable Energy Certificates (RECs) from **Energy Exchange**.

#### Related News

##### General Network Access (GNA) Regulations

- The Central Electricity Regulatory Commission (CERC) has proposed **GNA Regulations** to **streamline regulatory framework** for country's power transmission; in line with **one nation, one grid**.
- GNA regulations **seeks to do away with pre-determined point-to-point transmission access** to instead enable both **access or drawal on the entire transmission corridor** to generators and procurers.
  - **Users at present have to pay long-term charges** under point-to-point connectivity regime and **charged for any deviations from agreed path**.
  - **GNA will enable them to supply from any point**.



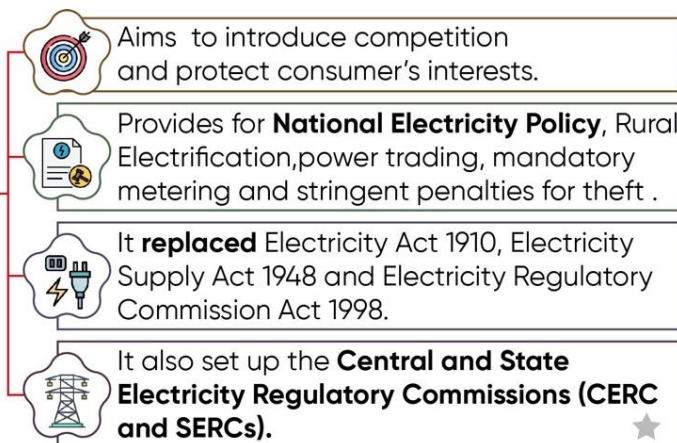
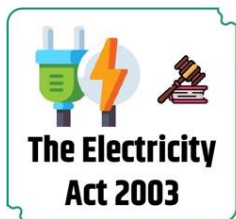
### 11.1.2. ELECTRICITY AMENDMENT BILL 2022

#### Why in News?

Recently, the government introduced the **Electricity Amendment Bill 2022** in the Lok Sabha.

#### More in news

- The Electricity (Amendment) Bill, 2022 amends the **Electricity Act, 2003** which regulates the electricity sector in India.



#### Key Provisions of Bill

- Removes requirement of discoms to distribute electricity through their own network.**
  - Bill adds that a discom must provide non-discriminatory **open access to its network to all other discoms** operating in the same area, on payment of certain charges.
- SERC will specify a minimum tariff** in case of multiple discoms in the same area of supply, in addition to maximum ceiling for tariff.
- Cross-subsidy Balancing Fund to be set up by the state government** upon grant of multiple licenses for the same area.
  - Cross-subsidy** refers to the arrangement of one consumer category subsidizing the consumption of another consumer category.
  - Any surplus** with a distribution licensee on account of cross-subsidy **will be deposited into the fund.**
  - The fund will be used to finance deficits in cross-subsidy** for other discoms in the same area or any other area.
- CERC will grant licenses for distribution of electricity** in more than one state.
- Electricity will not be scheduled or despatched if adequate payment security is not provided by the discom.**
  - The **central government** may prescribe rules regarding payment security.
- Empowers the CERC and SERCs to adjudicate disputes related to the performance of contracts.**
  - These refer to contracts related to the sale, purchase, or transmission of electricity. Further, the **Commissions will have powers of a Civil Court.**
- Empowers SERCs to specify RPO for discoms.**
  - RPO should not be below a minimum percentage prescribed by the central government and Failure to meet RPO will be punishable.

### 11.1.3. OTHER DEVELOPMENTS IN THE POWER SECTOR

Power Trading	<ul style="list-style-type: none"> <li><b>Power System Operation Corporation (POSOCO-national grid operator)</b> has debarred discoms of 12 states from <b>buying/selling electricity</b> on exchanges by invoking <b>Electricity (Late Payment Surcharge and Related Matters) Rules 2022.</b></li> <li>Delayed payments by Discoms <b>trigger a vicious cycle upstream for generation companies (Gencos);</b> forcing Gencos to borrow to maintain operations.                             <ul style="list-style-type: none"> <li>These increases <b>borrowing pushes Gencos into debt trap.</b></li> </ul> </li> </ul>
PRAAPTI portal	<ul style="list-style-type: none"> <li><b>PRAAPTI (Payment Ratification and Analysis in Power procurement for bringing Transparency in Invoicing of generators)</b> portal was launched by <b>Ministry of Power</b> in 2018 to:                             <ul style="list-style-type: none"> <li><b>Bring transparency in power purchase transactions</b> between Generators and Discoms.</li> <li>Power Discoms can <b>clear invoices and reply to claims raised by generators</b> on this portal.</li> </ul> </li> </ul>
Market-Based Economic	<ul style="list-style-type: none"> <li>Ministry of Power has <b>proposed to move towards a centralized power model</b> through MBED.</li> </ul>

<b>Dispatch (MBED) Mechanism</b>	<ul style="list-style-type: none"> <li>• MBED is an <b>electricity market operations reform</b> for dispatching the <b>entire annual electricity consumption through a central market operator.</b> <ul style="list-style-type: none"> <li>◦ Currently, <b>India follows decentralized power model</b> under the Electricity Act, 2003.</li> </ul> </li> <li>• <b>Aim:</b> To move towards a “<b>One Nation, One Grid, One Frequency, One Price</b>” framework.</li> </ul>
<b>World Energy Outlook 2022</b>	<ul style="list-style-type: none"> <li>• It is released by the <b>International Energy Agency (IEA).</b></li> <li><b>Key highlights</b></li> <li>• India will see the <b>highest increase in energy demand</b> globally, rising at <b>more than 3% annually</b> from <b>2021 to 2030.</b></li> <li>• <b>Over 60% of growth in power demand</b> will be met by renewables, accounting for <b>35% of electricity mix</b> by 2030.</li> <li>• Electricity generation through coal will <b>peak around 2030</b>, rising from <b>240 GW</b> in 2021 to <b>275 GW</b> in 2030.</li> </ul>
<b>National Open Access Registry (NOAR)</b>	<ul style="list-style-type: none"> <li>• Recently, the <b>National Open Access Registry</b> was made live. <ul style="list-style-type: none"> <li>◦ NOAR is a <b>centralized online platform</b> to maintain the <b>short-term open access</b> to the <b>inter-state transmission system</b> in India.</li> </ul> </li> <li>• <b>National Load Dispatch Centre (NLDC)</b> is the <b>nodal agency</b> for implementation and operation of NOAR.</li> </ul>
<b>Hindustan Power Exchange begins operation (HPX)</b>	<ul style="list-style-type: none"> <li>• <b>HPX is the 3rd power exchange in the country</b> as <b>Indian Energy Exchange and Power Exchange of India Ltd</b> are already operational. <ul style="list-style-type: none"> <li>◦ It is promoted by <b>Power Trading Corporation of India Limited, Bombay Stock Exchange, and ICICI Bank.</b></li> </ul> </li> <li>• Power exchanges provide the market participants a platform for <b>trading and hence manage their power portfolios efficiently.</b></li> </ul>

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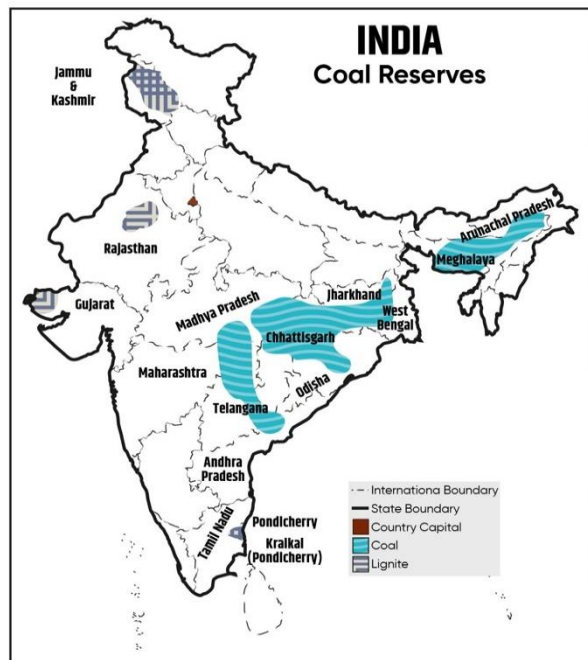


## 11.2. COAL, OIL, GAS AND OTHERS

### COAL SECTOR IN INDIA

#### ABOUT THE SECTOR

- India has **5<sup>th</sup> largest proven coal reserves** in the world.
- Coal accounts for almost **50% share** in total installed generation capacity in India.
- 2<sup>nd</sup> largest importer of coal** (mainly from Indonesia, South Africa and Australia)



#### CLASSIFICATION OF COAL

- Anthracite** (best quality): Carries **80-95% of carbon content**, found in small quantity in J&K region.
- Bituminous**: Carries **60-80% of carbon content** and low level of moisture content. Found largely in Central and Eastern India.
- Lignite**: It carries **40-55% of carbon content**. Found in Rajasthan, Lakhimpur (Assam) and Tamil Nadu.

#### RECENT DEVELOPMENTS IN COAL SECTOR

<p><b>No end use restriction</b> for participation in Coal Mine auctions.</p>	<p><b>Free trade of coal</b> as producer can use, sell or export coal without restriction.</p>	<p><b>Rebate for quantity under Coal Gasification /Liquefaction.</b></p>	<p><b>Rebate to mine allotees</b> in case of early production.</p>
<p><b>Market driven prices</b> as per National Coal Index (NCI)*</p>	<p><b>Adoption of revenue sharing model</b> instead of rupees per ton.</p>	<p><b>Partially explored Coal blocks</b> were also put on auction.</p>	<p><b>Criteria of prior experience</b> removed.</p>

#### \*NATIONAL COAL INDEX (NCI)

- Released by: **Ministry of Coal**
- NCI is a price index which **reflects the change of price level of coal on a particular month relative to the fixed base year (FY 2017-18).**
- It is meant to encompass all transactions of raw coal in the Indian market.**
  - This includes coking and non-coking coal of various grades.
  - Washed coal and coal products are not included.

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### 11.2.1. COAL BEARING AREAS (ACQUISITION & DEVELOPMENT) ACT

#### Why in News?

Union Cabinet recently approved the policy for land acquired under the Coal Bearing Areas (Acquisition & Development) Act, 1957 (CBA Act).

#### More on the news

- CBA Act provides for **acquisition of coal bearing land and its “vesting in a government company”**, free from any encumbrance.
- The approved policy provides clear policy framework for **utilization of following types of lands acquired under the CBA Act:**
  - Lands **no longer suitable or economically viable** for coal mining activities; or
  - Lands **from which coal has been mined out / de-coaled** and such land has been reclaimed.
- **Government coal companies, such as Coal India Ltd. (CIL) shall remain owners** of these lands acquired under the CBA Act and the **policy allows only leasing of the land for the specified purposes.**

#### Coal 2022: Analysis and forecast to 2025

- It is an **annual report of International Energy Agency (IEA)** which offers a thorough analysis of recent trends in coal demand, supply, trade, costs and prices.
- It states that India, along with China, is **world’s largest coal producer, consumer and importer.**

### 11.2.2. HYDROCARBON EXPLORATION AND LICENSING POLICY (HELP)

#### Why in News?

Government has offered **42 hydrocarbon blocks** {**26 oil and gas blocks** and **16 blocks** for prospecting for **coal-bed methane (CBM)**} for exploration and development in latest auction under the **HELP, 2016.**

#### More on News

- CBM is an **unconventional form** of natural gas found in **coal deposits or coal seams.**
- Generally, it consists predominantly of **methane gas**, although it can contain trace amounts of **ethane, carbon dioxide and water.**

#### About HELP (replaced New Exploration Licensing Policy (NELP))

- A **Single license** covering Exploration and Production (E&P) of **all types of hydrocarbon** viz. conventional oil and gas, coal-bed methane, shale oil, gas hydrates, etc.
- Launch of **Open Acreage Licensing (OALP) mechanism** which allows the investors to **carve out blocks of their choice** by assessing E&P data.
- Adoption of **Revenue Sharing Contract model** (earlier contracts were based on **concept of profit sharing** where profits were shared between Government and the contractor after recovery of cost).
- **Reduced royalty rates, no Oil Cess, marketing and pricing freedom.**
- **Round the year bidding**, an easy, **transparent and swift bidding and awarding** process.

#### Related News

ONGC is on its way to **commercialize Vindhyan Basin**, a Proterozoic intercontinental basin in the **central part of Indian shield.**

- Vindhyan Basin is bounded by **Son-Narmada Geo-fracture** in the south, **Great Boundary Fault** in the west, **Monghyr-Saharsa Ridge** in the east, and **Bundelkhand Massif** and **Indo-Gangetic Plains** in the north.
- It **would be the 9<sup>th</sup> producing Basin of India** and the **8<sup>th</sup> by ONGC.**
  - Earlier, in **2020, Bengal basin** became **India’s 8<sup>th</sup> producing basin**, joining the ranks of **Krishna-Godavari (KG), Mumbai Offshore, Assam Shelf, Rajasthan, Cauvery, Assam-Arakan Fold Belt and Cambay.**

### 11.2.3. NATURAL GAS PIPELINE TARIFF, AUTHORISATION AND CAPACITY REGULATIONS

#### Why in News?

PNGRB has **amended Natural Gas Pipeline Tariff, Authorisation and Capacity Regulations.**

#### More on News

- PNGRB aims to **provide access to natural gas in far-flung areas at competitive and affordable rates to achieve one nation one grid and one tariff objective.**
- These amendments will act as stepping-stone for **implementation of Unified Tariff regulations** which will be **effective from 1 April 2023.**

**Key amendments**

- **Increased number of unified tariff zones from 2 to 3** to protect overall interest of consumers in different regions.
- **Entity level integrated natural gas pipeline tariff has been introduced** in regulations which will act as building block for unified tariff at national level.
- Natural Gas is an **odourless, gaseous mixture of hydrocarbons**—predominantly made up of methane.
- India, **world's 4<sup>th</sup> largest Liquefied Natural Gas (LNG) importer**, aims to **raise natural gas share** in its **energy mix** from present **6% to 15%** by 2030.

**Petroleum Natural Gas Regulatory Board (PNGRB)**

**Genesis:** It was constituted under PNGRB Act, 2006.

**Role:** It aims to protect the interests of consumers and entities engaged in specified activities relating to petroleum, and natural gas. ★

**11.2.4. OTHER DEVELOPMENTS IN GAS SECTOR**

<b>World's First compressed natural gas (CNG) Terminal</b>	<ul style="list-style-type: none"> <li>• Prime Minister has laid foundation stone of the <b>World's First CNG Terminal</b> and of the <b>brownfield port</b> at <b>Bhavnagar, Gujarat</b>.</li> <li>• It is expected to be operational by <b>2026</b>.</li> <li>• It will be developed using a <b>public-private partnership (PPP)</b> approach and has a <b>cargo handling capacity of 1.5 million metric tonnes per annum (MMTPA)</b>. <ul style="list-style-type: none"> <li>○ It will have <b>direct door-step connectivity</b> to the existing roadway and railway network connecting to the largest industrial zones, Dedicated Freight Corridor and northern hinterland of India.</li> </ul> </li> </ul>
<b>Indian Gas Exchange (IGX)</b>	<ul style="list-style-type: none"> <li>• ONGC became the <b>first E&amp;P Company</b> in India to <b>trade domestic gas on IGX</b>.</li> <li>• IGX, a <b>subsidiary of Indian Energy Exchange (IEX)</b>, is a <b>trading platform</b> for natural gas.</li> <li>• It <b>allows buyers and sellers of natural gas to trade both in spot market</b> and in <b>forward market</b> for <b>imported natural gas</b>.</li> <li>• Trading is allowed across <b>three hubs</b> —<b>Dahej and Hazira</b> in Gujarat, and <b>Kakinada</b> in Andhra Pradesh.</li> <li>• It operates under the regulatory framework of <b>Petroleum and Natural Gas Regulatory Board (PNGRB)</b>.</li> </ul>
<b>One nation one gas grid (ONOGG)</b>	<ul style="list-style-type: none"> <li>• ONOGG refers to the <b>joining of several regional grids, creating a national grid, and supplying multiple stakeholders, with natural gas-produced energy</b>. <ul style="list-style-type: none"> <li>○ Under this <b>Natural gas-based energy</b> can be produced and distributed throughout the entire country on a single gas system.</li> <li>○ It intends to reduce the regional disparity in gas availability in the Country.</li> </ul> </li> <li>• <b>Petroleum and Natural Gas Regulatory Board (PNGRB)</b> is responsible for approving the construction of pipelines.</li> </ul>
<b>Kirit Parekh Panel on Gas Pricing</b>	<ul style="list-style-type: none"> <li>• The panel has made <b>recommendations to ensure a fair price for consumers and increase share of gas in India's energy mix to 15% by 2030</b>.</li> <li>• Presently, we have <b>multiple gas pricing mechanisms</b> including, <b>APM (Administered Price Mechanism), non-APM</b> etc. <ul style="list-style-type: none"> <li>○ Mechanism is formula based and considers <b>prices prevailing at major international markets such as Henry Hub, National Balancing Point, Alberta, and Russia</b>.</li> <li>○ <b>Prices are notified after every six months</b>.</li> </ul> </li> </ul>

**11.2.5. DEVELOPMENTS IN THE OIL SECTOR**

<b>Exclusive Economic Zone (EEZ)</b>	<ul style="list-style-type: none"> <li>• The <b>Defence and Space Agencies</b> has released <b>99% of EEZ prohibited areas for oil exploration and production (E&amp;P)</b>.</li> <li>• Prohibited for security reasons, <b>decision came as part of prioritizing energy security of India</b>. <ul style="list-style-type: none"> <li>○ It will <b>reduce the 'no go' areas</b> of around <b>2.37 million sq km of India's EEZ from 42% to just 1%</b>.</li> </ul> </li> <li>• Under <b>United Nations Convention on the Law of the Sea (UNCLOS)</b>, EEZ is the <b>area beyond and adjacent to the territorial sea, generally extending 200 nautical miles</b> from shore.</li> </ul>
<b>Deregulation of sale of</b>	<ul style="list-style-type: none"> <li>• Government has approved <b>Deregulation of sale of Domestically Produced Crude Oil</b> from <b>October 1, 2022</b>.</li> </ul>

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<b>Domestically Produced Crude Oil</b>	<ul style="list-style-type: none"> <li>It waives the earlier conditions in <b>Production Sharing Contracts (PSCs)</b> to sell crude oil to <b>government</b> or its nominee or government refinery companies (like BPCL).</li> <li>As earlier, <b>exports will not be permissible</b>.</li> </ul>
<b>Russia becomes India's second biggest oil supplier</b>	<ul style="list-style-type: none"> <li>Russia has overtaken Saudi Arabia to become India's <b>second-biggest supplier (for May 2022) of oil behind Iraq</b>.             <ul style="list-style-type: none"> <li>Russia is selling crude oil at discounted rates (following Ukraine war) to ramp up oil imports.</li> </ul> </li> <li>After U.S. and China, <b>India is third-largest consumer of oil</b>, over 80% of which is imported.</li> <li>India's top oil supplier in 2021: <b>Iraq, Saudi Arabia, UAE, U.S., Nigeria</b>.</li> </ul>
<b>Oil Bonds</b>	<ul style="list-style-type: none"> <li>An oil bond is a <b>promissory note</b> issued by the <b>government to the oil marketing companies (OMCs)</b>, in lieu of <b>cash that government owes</b> them.</li> <li>Need: When <b>fuel prices are high</b> for consumers, government directs oil marketing companies (OMCs) to <b>charge consumers less prices</b> and the <b>balance is to be paid by the government</b>.             <ul style="list-style-type: none"> <li>However, if <b>government pays in cash</b>, it would have to <b>tax the same people</b> to collect the money to pay.</li> </ul> </li> </ul>

### 11.3. KEY CONCEPTS AND INFORMATION ON ENERGY SECTOR

<b>Energy Poverty</b>	<ul style="list-style-type: none"> <li>Energy poverty, also referred as <b>fuel poverty</b>, is usually defined in <b>two ways</b> as-             <ul style="list-style-type: none"> <li><b>Energy Accessibility</b>, i.e., lack of access to electricity, and</li> <li><b>Energy Affordability</b>, i.e., household dependence on inefficient and polluting energy sources such as burning of solid biomass.</li> </ul> </li> </ul>
<b>Kaleshwaram Lift Irrigation Project (KLIS)</b>	<ul style="list-style-type: none"> <li>Minister of Jal Shakti said that <b>KLIS was not eligible for inclusion under the National Project (NP) Scheme</b> as Telangana has obtained investment clearance from Centre.             <ul style="list-style-type: none"> <li>KLIS is a <b>multi-purpose irrigation project on the Godavari River</b> in Kaleshwaram (Telangana).</li> </ul> </li> <li>NP Scheme is <b>implemented with a view to expedite completion of identified National Projects</b> for the benefit of the people.</li> <li>Such projects will be provided financial assistance by Centre in the form of Central grant, which will be 90% of the estimated cost of such projects.</li> </ul>
<b>UN- Energy Plan of Action (PoA)</b>	<ul style="list-style-type: none"> <li>The PoA towards 2025 was launched by the UN Energy against the <b>backdrop of a global energy crisis and worsening climate emergency</b>.</li> <li>It is a major step to <b>catalyse the large-scale action and support needed for the transition to clean, affordable energy</b> for all and net-zero emissions.</li> <li><b>About UN-Energy</b> <ul style="list-style-type: none"> <li>UN-Energy is the United Nations' mechanism for <b>inter-agency collaboration in the field of energy</b>.</li> <li>It aims to promote coherence in the UN system's <b>multi-disciplinary response to achieve SDG 7</b> in support of the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.</li> </ul> </li> </ul>
<b>Petroleum and Explosives Safety Organisations (PESO)</b>	<ul style="list-style-type: none"> <li>Government has <b>exempted ISRO</b> from getting nod for use, storage of solid propellant for space rockets.             <ul style="list-style-type: none"> <li>Earlier, it was required to take a license form the <b>PESO</b>.</li> </ul> </li> <li>PESO, formerly known as <b>Department of Explosives, (HQ: Nagpur)</b> is the <b>nodal agency</b> for regulating safety of hazardous substances such as explosives, compressed gas and petroleum under the:             <ul style="list-style-type: none"> <li><b>Explosives Act, 1884; Petroleum Act, 1934;</b> and related rules.</li> <li>It is an arm of <b>Department for Promotion of Industry and Internal Trade, Ministry Of Commerce and Industry</b>.</li> </ul> </li> </ul>
<b>BM-SEAL-11 Project</b>	<ul style="list-style-type: none"> <li><b>Cabinet Committee on Economic Affairs</b> has approved additional investment by <b>Bharat Petro Resources Ltd. (BPRL)</b> for development of <b>BM-SEAL-11</b> Concession Project in <b>Brazil</b>.</li> <li>BPRL is a <b>wholly owned subsidiary of Bharat Petroleum Corporation Limited</b>.</li> </ul>
<b>Petroleum Coke or Petcoke</b>	<ul style="list-style-type: none"> <li>India received its <b>first ever cargo</b> from <b>Venezuela</b> in the beginning of 2022.</li> <li><b>Petroleum coke</b> is a <b>carbonaceous</b> product obtained in the <b>oil refining process</b>.</li> <li>It has <b>higher calorific value</b> than coal but causes huge emission of <b>sulphur dioxide</b> and other pollutants.</li> <li>It is used as <b>fuel</b> in Cement, Lime Kilns, Gasification units, Industrial Boilers and as carbon source in Electrodes for electrometallurgical industries, Synthetic Graphite, Aluminum Anodes, etc.</li> <li>The Supreme Court has banned the use of petroleum coke or petcoke in the NCR.</li> </ul>



# 12. MISCELLANEOUS

## 12.1. NOBEL PRIZE FOR ECONOMICS 2022

### Why in News?

The Royal Swedish Academy of Sciences has decided to award the **Sveriges Riksbank Prize in Economic Sciences** for research on banks and financial crises.

### Winners and their Research

- The prize has been awarded to **3 US-based economists**:
  - Ben S Bernanke**: Former Chair of the US Federal Reserve and currently associated with the Brookings Institution in Washington DC.
  - Douglas W Diamond** and **Philip H Dybvig** are professors of banking and finance.
- Their work focused on **understanding the role of banks in the economy**; benefitting the society by improving its ability to avoid **serious crises and expensive bailouts**.

### KNOW THE TERM



#### Bank run

- Bank runs happen when **depositors** become worried about the bank's survival, and **rush to withdraw their savings**.
- If **enough people do this simultaneously**, the bank's reserves cannot cover all the withdrawals, and it is **driven to bankruptcy**.
- Due to bank runs, **the recession of 1929 had turned into a full-fledged banking crisis by 1930** as half the banks went bankrupt.

### About the Research

- Bernanke **analyzed the Great Depression** of the 1930s, the worst economic crisis in modern history.
- Before his study, bank failures were seen as a "consequence" of the financial crisis.
- However, in **1983**, he proved **bank runs led to bank failures** which turned a **relatively ordinary recession into depression**.
- When **the banks collapsed, valuable information about borrowers was lost** and could not be recreated quickly.
- He also demonstrated that the **economy did not start to recover until** the state finally implemented **powerful measures to prevent additional bank panics**.
- Bernanke** as the head of the US Federal Reserve used his wisdom to **prevent further deterioration of the 2008 financial crisis**.
- Research by Diamond and Dybvig**: They developed theoretical models explaining following:

#### Deposit insurance in India

- Deposit insurance in **India** was **launched in 1962**.
- India was the second country in the world to introduce such a scheme after the United States in 1933.
- In India each depositor in a bank is insured **upto a maximum of ₹5 Lakhs for both principal and interest amount**.

### Conflict of saver and investors:

- For the economy to function, **savings must be channelled to investments**. However, there is a fundamental conflict between savers and investors (refer infographics).
- Diamond and Dybvig show how **banks offer an optimal solution to this problem**:
  - By **acting as intermediaries** that accept deposits from many savers, allow them access their money when they wish, while also offering long-term loans to borrowers.
  - However, their analysis also **showed how the combination of these two activities makes banks vulnerable to rumours** about their imminent collapse.
  - If a large number of savers simultaneously run to the bank to withdraw their money, the **rumour may become a self-fulfilling prophecy** – a bank run occurs and the bank collapses.
  - These dangerous dynamics can be **prevented through the government providing deposit insurance** and acting as a lender of last resort to banks.

### FUNDAMENTAL CONFLICT



#### Needs of savers'

Savers always want access to at least some part of their savings for unexpected use which is also called the need for liquidity

#### Needs of investors'

Investors or borrowers like businesses and home buyers need the money for a much longer time. They cannot function if the money can be demanded back at a short notice.

- **Role of banks in the society:** Diamond demonstrated how banks perform another societally important function.
  - As intermediaries between many savers and borrowers, **banks are better suited to assessing borrowers' creditworthiness** and ensuring that loans are used for good investments.

## 12.2. STANDARDS NATIONAL ACTION PLAN (SNAP) 2022

### Why in News?

The draft SNAP, released by the **Bureau of Indian Standards (BIS)**, proposes a **set of actions** that would enable BIS to **fulfil its mandate as the National Standards Body and deliver standards** according to the market needs in an efficient and timely manner.

### Key features of the draft SNAP

- **Specific focus** in developing and updating standards w.r.t. **India's commitment on UN SDG 2030 and Paris Agreement.**
- **Proposal to bring technologies** such as **semiconductors, IT services, Information and Communications Technologies (ICT)** such as **metaverse, and cybersecurity techniques under BIS.**

## Different certification marks in India

<b>ISI</b>	<ul style="list-style-type: none"> <li>❖ <b>Certified by BIS</b>, it is used for <b>standard industrial products</b> in India.</li> <li>❖ It is <b>mandatory for some products</b> like electronics and voluntary for others.</li> </ul>
<b>AGMARK</b>	<ul style="list-style-type: none"> <li>❖ Applies to <b>agricultural products.</b></li> <li>❖ Issued by <b>Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare</b></li> </ul>
<b>FPO MARK</b>	<ul style="list-style-type: none"> <li>❖ Issued by the <b>Ministry of Food Processing Industries</b>, it is <b>mandatory on all processed fruit products sold in India</b> such as packaged fruit beverages, fruit-jams etc.</li> </ul>
<b>BIS Hallmark</b>	<ul style="list-style-type: none"> <li>❖ Hallmarking system for the <b>sale of precious metal like gold and silver jewellery</b> which certify the purity of the metal.</li> <li>❖ It verifies that jewellery <b>conforms to the standards set by BIS.</b></li> </ul>
<b>Non-polluting Vehicle Mark</b>	<ul style="list-style-type: none"> <li>❖ <b>Mandatory certification mark</b> required on <b>all new motor vehicles</b> sold in India</li> </ul>
<b>Indian Organic certification</b>	<ul style="list-style-type: none"> <li>❖ Mark for <b>organically farmed food products</b> manufactured in India.</li> <li>❖ Issued by <b>testing centres accredited by Agricultural and Processed Food Products Export Development Authority, Ministry of Commerce and Industry.</b></li> </ul>

### Related News

#### Quality Council of India

- It is an autonomous non-profit organization **registered under the Societies Registration Act XXI of 1860.**
- It was set up through a **PPP model in 1997** by the **Ministry of Commerce and Industry** jointly with the **Indian Industry.**
  - It is under the **administrative control** of the **DPIIT.**
  - The Indian industry is represented by **ASSOCHAM, CII and FICCI.**
- **Aim:** To establish and operate national accreditation structure and promote quality through **National Quality Campaign.**
- It is governed by a Council with equal representations of government, industry and consumers.
  - Chairman of Council is **appointed** by the **PM** on **industry recommendation** to the **government.**

## 12.3. CORPORATE SOCIAL RESPONSIBILITY

### Why in News?

MCA has released the **Companies (Corporate social responsibility or CSR Policy) Amendment Rules 2022**, amending the **Companies (CSR Policy) Rules, 2014** of Company Act 2013.

### Highlights of New rules

- Companies are mandated to **utilise fund kept in unspent CSR account within three financial years** and shall **constitute CSR committee** to oversee its implementation.

- Expenditure for Social Impact Assessment (SIA) which can be included in CSR spending shall not exceed 2.5% of total CSR expenditure or ₹50 lakh whichever is higher for relevant FY.
  - Earlier, it was 5% of total CSR spending or ₹50 lakh whichever is less.
- SIA is mandatory for businesses with ₹10 crore or more CSR budget and for all projects with an outlay of ₹1 crore or more.
- Companies are required to disclose composition of CSR committee, CSR policy on company website.

## Corporate Social Responsibility (CSR)

### What is it?

It is a commitment by companies to integrate social and environmental concerns in their business.

### Which companies have to do CSR?

Companies Act requires companies with

₹ a net worth of ₹500 crore or more	₹ turnover of ₹1,000 crore or more	₹ net profit of ₹5 crore or more
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during immediately preceding three years to spend 2% of their average net profit on CSR activities.

### Other facts of CSR

<p>Government monitors CSR compliance through disclosures made in MCA 21 portal. (Non-compliance has been notified as a civil wrong)</p>	<p>No specific tax exemptions extended to CSR expenditure</p>	<p>Contributions to following funds are admissible as CSR expenditure: Swachh Bharat Kosh, Clean Ganga Fund, PMNRF, PM CARES etc. ★</p>
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#### Related News

##### Environmental Social and Governance (ESG)

- SEBI has constituted an advisory panel to look into enhancements in Business Responsibility and Sustainability Report (BRSR), ESG ratings and ESG investing.
- ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.
  - Environmental criteria consider how a company performs as a steward of nature.
  - Social criteria examine how it manages relationships with employees, suppliers, customers, communities where it operates etc.
  - Governance deals with company's leadership, audits, internal controls, shareholder rights etc.
- BRSR shall be applicable to the top 1000 listed entities (by market capitalization) and reporting of BRSR shall be mandatory from FY 2022-23.

##### National Financial Reporting Authority (NFRA)

- NFRA was constituted in 2018 by the Government under the Companies Act, 2013 to improve the quality of all corporate financial reporting in India.
- Its chairperson is appointed by the Central Government and it has a maximum of 15 members.
- Functions and Duties include:
  - Recommend accounting and auditing policies to be adopted by companies;
  - Monitor and enforce compliance with accounting standards and auditing standards;
  - Oversee quality of service of the professions associated with ensuring compliance.
- Objective is to oversee compliance with Accounting and Auditing Standards by companies that can be described as Public Interest Entities (PIEs).
- This group includes all listed companies, and large unlisted companies.

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from various programs of VisionIAS

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AIR



ANKITA  
AGARWAL

3  
AIR



GAMINI  
SINGLA

4  
AIR



AISHWARYA  
VERMA

5  
AIR



UTKARSH  
DWIVEDI

6  
AIR



YAKSH  
CHAUDHARY

**CIVIL SERVICES  
EXAMINATION 2020**

1  
AIR

SHUBHAM KUMAR

7  
AIR



SAMYAK  
S JAIN

8  
AIR



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9  
AIR



PREETAM  
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BHOPAL | BHUBANESWAR | BIKANER | BILASPUR | BOKARO | BULANDSHAHR | CHANDIGARH | CHANDRAPUR | CHENNAI | CHHATARPUR | CHITTOOR | COIMBATORE | CUTTACK  
DAVANAGERE | DEHRADUN | DELHI-MUKHERJEE NAGAR | DELHI-RAJINDER NAGAR | DHANBAD | DHARAMSHALA | DHARWAD | DHULE | DIBRUGARH | DIMAPUR | DURGAPUR  
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HARIDWAR | HAZARIBAGH | HISAR | HOWRAH | HYDERABAD | IMPHAL | INDORE | ITANAGAR | JABALPUR | JAIPUR | JAISALMER | JALANDHAR | JAMMU | JAMNAGAR  
JAMSHEDPUR | JAUNPUR | JHAJJAR | JHANSI | JODHPUR | JORHAT | KAKINADA | KALBURGI | KANNUR | KANPUR | KARIMNAGAR | KARNAL | KASHIPUR | KOCHI | KOHIMA  
KOLHAPUR | KOLKATA | KORBA | KOTA | KOTTAYAM | KOZHIKODE | KURNOOL | KURUKSHETRA | LATUR | LEH | LUCKNOW | LUDHIANA | MADURAI | MANDI | MANGALURU  
MATHURA | MEERUT | MIRZAPUR | MORADABAD | MUMBAI | MUNGER | MUZAFFARPUR | MYSURU | NAGPUR | NALANDA | NASIK | NAVI MUMBAI | NELLORE | NIZAMABAD  
NOIDA | ORAI | PALAKKAD | PANAJI | PANIPAT | PATIALA | PATNA | PRAYAGRAJ | PUDUCHERRY | PUNE | PURNIA | RAIPUR | RAJKOT | RANCHI | RATLAM | REWA | ROHTAK  
ROORKEE | ROURKELA | RUDRAPUR | SAGAR | SAMBALPUR | SATARA | SAWAI | MADHOPUR | SECUNDERABAD | SHILLONG | SHIMLA | SILIGURI | SIWAN | SOLAPUR | SONIPAT  
SRINAGAR | SURAT | THANE | THANJAVUR | THIRUVANANTHAPURAM | THRISSUR | TIRUCHIRAPALLI | TIRUNELVELI | TIRUPATI | UDAIPUR | UJJAIN | VADODRA | VARANASI  
VELLORE | VIJAYAWADA | VISAKHAPATNAM | WARANGAL

**HEAD OFFICE** Apsara Arcade, 1/8-B, 1st Floor,  
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