



ECONOMY

Classroom Study Material

(April 2023 to December 2023)

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ECONOMY

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 <p>SMART QUIZ</p>	<p>You can scan this QR code to practice the smart quiz at our open test online platform for testing your understanding and recalling of the concepts.</p>	
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फाउंडेशन कोर्स सामान्य अध्ययन

प्रारंभिक एवं मुख्य परीक्षा 2025

इनोवेटिव क्लासरूम प्रोग्राम

- प्रारंभिक परीक्षा, मुख्य परीक्षा और निबंध के लिए महत्वपूर्ण सभी टॉपिक का विस्तृत कवरेज
- सीसेट कक्षाएं
- मौलिक अवधारणाओं की समझ के विकास एवं विश्लेषणात्मक क्षमता निर्माण पर विशेष ध्यान
- PT 365 कक्षाएं
- एनीमेशन, पॉवर प्वाइंट, वीडियो जैसी तकनीकी सुविधाओं का प्रयोग
- PT टेस्ट सीरीज
- अंतर - विषयक समझ विकसित करने का प्रयास
- मुख्य परीक्षा टेस्ट सीरीज
- योजनाबद्ध तैयारी हेतु करेंट ओरिएंटेड अप्रोच
- निबंध टेस्ट सीरीज
- नियमित क्लास टेस्ट एवं व्यक्तिगत मूल्यांकन
- सीसेट टेस्ट सीरीज
- निबंध लेखन - शैली की कक्षाएं
- करेंट अफेयर्स मैगजीन

नोट: ऑनलाइन छात्र हमारे पाठ्यक्रम की लाइव वीडियो कक्षाएं अपने घर पर ऑनलाइन प्लेटफॉर्म पर देख सकते हैं। छात्र लाइव चैट विकल्प के माध्यम से कक्षा के दौरान अपने संदेह और विषय संबंधी प्रश्न पूछ सकते हैं। वे अपने संदेह और प्रश्न नोट भी कर सकते हैं और दिल्ली केंद्र में हमारे कक्षा सलाहकार को बता सकते हैं और हम फोन/मेल के माध्यम से प्रश्नों का उत्तर देंगे।

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Dear Students,

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

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



Infographics: Relevant infographics have been provided in respective articles to make learning easy.



Varied Colours: The use of different colours throughout the document aims to aid in the classification and recollection of diverse information, making your study experience more efficient.



Quiz: QR-based Smart Quiz will test your knowledge and ensure a more engaging and effective learning process.

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1. GROWTH AND DEVELOPMENT

1.1. GROSS DOMESTIC PRODUCT (GDP) ESTIMATION IN INDIA

Why in the news?

India recorded real **GDP growth of 7.8%** during the **April-June period of 2023-24**.

Present GDP Calculation in India

- **Real and Nominal GDP:** The MoSPI calculates quarterly GVA (gross value added) at **constant prices (2011-12) [Real GDP] and current prices [Nominal GDP]**.
- **GDP Deflator:** The ratio of Nominal GDP to Real GDP.
 - It reveals the **increase in GDP** that has happened on account of **higher prices rather than an increase in output**.

GDP Calculation Approaches

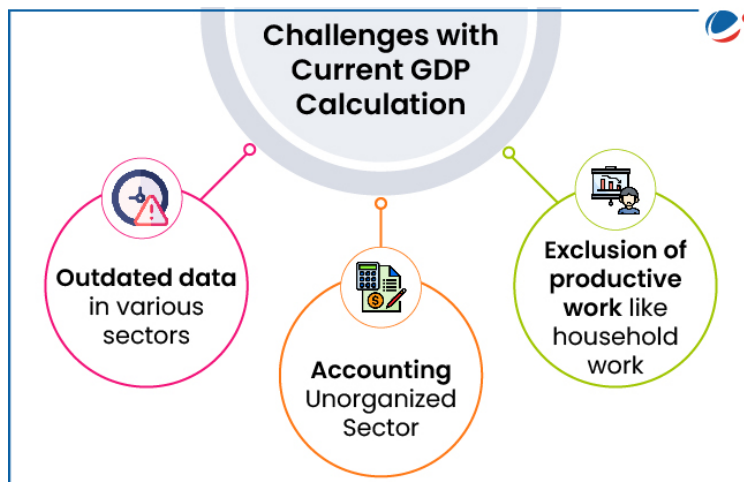
- **Production Approach:** It sums the **“value-added” at each stage** of production.
 - **Income approach:** It measures the total income earned by the factors of production.
 - **Expenditure approach:** It measures the total expenditure incurred by all entities on goods and services.
- Due to **variations in data collection and processing**, there are **often gaps** between the three approaches, which is considered while making the final calculation.

GDP Calculation changes introduced in 2014-15

- In 2015, the **Central Statistics Office (CSO)** introduced the **new series of national accounts statistics**.
- The **Base Year** of the GDP Series was **revised** from 2004-05 to **2011-12**.
 - Base year is revised periodically to take into account the **structural changes** which have been taking place in the economy and to depict a **true picture of the economy**.
- The new series incorporates the latest recommendations of **System of National Accounts, 2008, the international guidelines on compilation of national accounts**.

Why GDP is not a Very Good Marker to Measure Development?

- It **doesn't take into account externalities** such as crime, pollution, inequality, and depletion of natural resources.
- It **doesn't measure aspects like Environmental protection, family bonding etc.**
- **GDP also includes socially negative activities** if it generates economic output.
 - E.g., the money spent on the repair work after the train crash is counted in GDP.
- **Non-Inclusion of Social Aspects** of people's life such as state of health, quality of education, etc.



1.2. NATIONAL MULTIDIMENSIONAL POVERTY INDEX (MPI)

Why in the news?

NITI Aayog released a discussion paper titled 'Multidimensional Poverty in India since 2005-06'. The paper uses **National MPI** for estimating Multidimensional Poverty.

Key finding of the discussion paper

- **Steep decline in Poverty Headcount ratio (H): 29.17% in 2013-14 to 11.23% in 2022-2023.**
 - **24.82 crore Indians escaped multidimensional poverty** in last 9 years.
 - **Intensity of Poverty is also declining** which shows that extent of deprivation among the deprived population is falling.
 - The **pace of decline in poverty headcount ratio was much faster between 2015-16 to 2019-21** compared to 2005-06 to 2015-16.
- **Uttar Pradesh, Bihar, Madhya Pradesh, Odisha, and Rajasthan saw fastest reduction** in the proportion of multidimensional poor.
- **All 12 indicators saw a statistically significant reduction.**
 - **Cooking Fuel and Housing** have the highest deprivation level of deprivation.
 - **Child & Adolescent Mortality, Electricity, and Bank Account** have the lowest deprivation levels.
- **India is on track to achieve SDG Target 1.2** (reducing multi-dimensional poverty by at least half) much ahead of 2030.

About National MPI

- **First ever National MPI was released in 2021** (based on data taken from NFHS-4).
- Under the **government's Global Indices for Reforms and Growth (GIRG) initiative**, NITI Aayog is the nodal agency for MPI.
 - **GIRG monitors India's performance** on various important social and economic parameters.
- **Methodology used in Computing India's National MPI (Alkire-Foster Methodology):** It identifies people as poor or not poor based on a **dual-cut-off counting method**.
 - According to the AF methodology, an individual is **considered MPI poor if their deprivation score equals or exceeds India's national MPI poverty cut-off of 33.33%**.

Do you know?

- > The **Alkire-Foster (AF) method** can show both the **breadth (incidence) and depth** (intensity) of poverty.
- > To identify the poor, the AF method counts the **overlapping or simultaneous deprivations** that a person or household experiences in different indicators of poverty.

Sub-indices of the National MPI:

- **Headcount ratio (H): How many are poor?**
 - Proportion of multidimensionally poor in the population is arrived at by dividing the number of multi-dimensionally poor persons by the total population.
- **Intensity of poverty (A): How poor are the poor?**
 - Average proportion of deprivations which is experienced by multidimensionally poor individuals.
 - To compute intensity, the weighted deprivation scores of all poor people are summed and then divided by the total number of poor people.
- **MPI value is arrived at by multiplying the headcount ratio (H) and the intensity of poverty (A)**, reflecting both the **share of people in poverty** and the **degree to which they are deprived**.

Indicators in India's National MPI

- **National MPI model** retains the **10 original indicators of the global MPI model** and has **added two indicators, viz., Maternal Health and Bank Account**.

Dimension	12 Indicators (Weight)	A Household is Considered Deprived If-
Health (1/3)	Nutrition (1/6)	<ul style="list-style-type: none"> • A single member of the household is identified as undernourished. • Body Mass Index of a woman (15 to 49 years) or a man (15 to 54 years) is below 18.5 kg/m². • Any child between the ages of 0 to 59 months is found to be undernourished.

	Child & Adolescent Mortality (1/12)	<ul style="list-style-type: none"> Any child or adolescent under 18 years of age has died in the household (5 year preceding the survey).
	Maternal Health (1/12)	<ul style="list-style-type: none"> Any woman in the household who has given birth has not received at least 4 antenatal care visits (5 years preceding the survey).
Education (1/3)	Years of Schooling (1/6)	<ul style="list-style-type: none"> Not even one member of the household aged 10 years or older has completed 6 years of schooling.
	School Attendance (1/6)	<ul style="list-style-type: none"> Any school-aged child is not attending school up to the age at which he/she would complete class 8.
Standard of Living (1/3)	Cooking Fuel (1/21)	<ul style="list-style-type: none"> A household cooks with dung, agricultural crops, shrubs, wood, charcoal or coal.
	Sanitation (1/21)	<ul style="list-style-type: none"> The household has unimproved or no sanitation facility or it is improved but shared with other households.
	Drinking Water (1/21)	<ul style="list-style-type: none"> The household does not have access to improved drinking water or safe drinking water is at least a 30-minute walk from home (as a round trip).
	Electricity (1/21)	<ul style="list-style-type: none"> The household has no electricity.
	Housing (1/21)	<ul style="list-style-type: none"> The household has inadequate housing i.e., the floor is made of natural materials, or the roof or wall are made of rudimentary materials.
	Assets (1/21)	<ul style="list-style-type: none"> The household does not own more than one of these assets- Radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator, and does not own a car or truck.
	Bank Account (1/21)	<ul style="list-style-type: none"> No household member has a bank account or a post office account.

(*Kindly note - Per capita income, Literacy rate, and Life expectancy are not included as indicators in MPI)

Global Multidimensional Poverty Index (Global MPI) 2023

- Released by the **United Nations Development Programme (UNDP)** and the **Oxford Poverty and Human Development Initiative (OPHI)** since 2010.
- MPI tracks deprivations in 10 indicators** across 110 countries.
 - 1.1 billion people** in 110 countries remain Multidimensionally poor.
- Nearly two-thirds of all poor people (730 Mn)** live in **middle-income countries**, and **low-income countries constitute only 10% of MPI**.

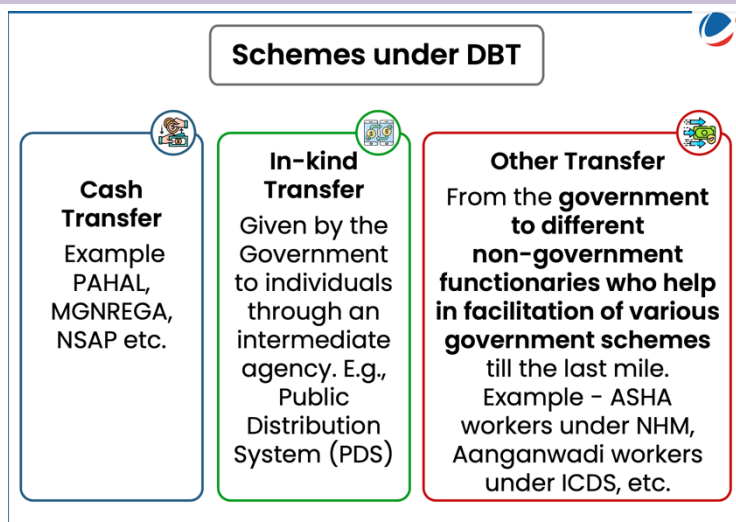
1.3. DIRECT BENEFIT TRANSFER (DBT)

Why in the news?

The government has saved Rs 2.73 lakh crore of taxpayers' money from 2014 to 2023 by adopting **Direct Benefit Transfer (DBT)** to send money to targeted beneficiaries and weeding out bogus accounts.

About Direct Benefit Transfer (DBT)

- Objective:** Bring **transparency** and **terminate pilferage** from the distribution of funds.
- Launch:** It was rolled out in 2013 in certain districts. Later, it was implemented across the country in 2014.



PT 365 - Economy

- **Nodal Agency:** DBT Mission, Cabinet Secretariat under Secretary (Co-ordination & PG). Disbursements are channelled through the **Public Finance Management System (PFMS)**.
- **Aadhaar Requirement:** Aadhaar is **not mandatory in DBT schemes**.
 - Since Aadhaar provides a unique identity and is useful in targeting the intended beneficiaries, Aadhaar is preferred, and beneficiaries are encouraged to have Aadhaar.

Key Enablers for DBT

- **JAM (Jan Dhan, Aadhaar, and Mobiles) trinity:** Enabled transfer benefits in a **leakage-proof, well-targeted, cashless, and timely manner**.
- **Business Correspondents (BC) Infrastructure:** Ensure that payments are disbursed to the beneficiaries **on time, at their doorstep, and of full value**.
- **Payments Bank:** Increased the **penetration level of financial services** in remote areas of the country.
- **Mobile money:** Develop a comprehensive **eco-system for cashless transactions** over a mobile platform using Aadhaar as an identifier.

1.4. SELF HELP GROUPS (SHGS)

Why in the news?

Recently, the Government announced that skill development training will cover **two crore women under the 'Lakhpati Didi' scheme**, which aims to encourage them to **start micro-enterprises**.

About Lakhpati Didi Scheme

- **Launched** in 2023 by the **Ministry of Rural Development**.
- **Objective:** Enable **rural SHG women to earn at least Rs.1 lakh per annum**.
- **Approach:** It is based on a **women-led development** approach.
- **Activities Covered:** Women would be trained in skills like **plumbing, LED bulb making, and operating and repairing drones, among others**.

About Self Help Group (SHG)

- SHG is a village-based **financial intermediary committee** usually composed of 10-20 local women.
- It is **voluntary** in nature.
- India has around **1.2 crore SHGs, 88% of them all women based**.
- SHG success stories include **Kudumbashree** in Kerala, **Jeevika** in Bihar, **Mahila Arthik Vikas Mahamandal** in Maharashtra, and **Looms** of Ladakh.
- **Group responsibility:** In an SHG, all members of a group take responsibility for a loan that an individual member takes.


Significance



Financial Inclusion:
Covering 100 million households








Women Empowerment:
84% are exclusively women group


Capacity Building:
Training in financial literacy


Poverty Alleviation:
Income from Secondary activities


Increase in income and savings by 19% and 28% resp.


Decline in share of informal loans by 20%

Major Initiatives to Promote SHG		
Initiative	Year/Agency	Key Features
 Deendayal Antyodaya Yojana– National Rural Livelihoods Mission (DAY – NRLM)	2011 as NRLM/ Ministry of Rural Development	Organizing rural poor women into SHGs and continuously nurturing and supporting them. Renamed as DAY-NRLM in 2015.
 Start-up Village Entrepreneurship Programme (SVEP)	2016/Sub-schemes under DAY-NRLM	Help SHGs to set-up enterprises at the village level in non-farm sectors .
 Mahila Kisan Sashaktikaran Pariyojana (MKSP)	2011/Sub-schemes under DAY-NRLM	Empowering women in agriculture by making systematic investments to enhance their participation and productivity , also create and sustain their agriculture-based livelihoods.
 Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)	2014/ Sub-schemes under DAY-NRLM	Skilling the poorest of the poor youth between the ages of 15 and 35 years .
 Womaniya Initiative	2019/ The Government e Marketplace (GeM)	To encourage the participation of women entrepreneurs and self-help groups (SHG) from the informal sector on the GeM portal
 Centre Sector scheme for providing Drones to Women Self Help Groups (SHGs)	2023/ Ministry of Rural Development	To provide drones to 15,000 selected Women SHGs during the period 2023-24 to 2025-2026 for providing rental services to farmers for agriculture purpose.

1.4.1. SHG BANK LINKAGES (SHG-BL) PROJECT

Why in the news?

As per the Ministry of Rural Development, the Bank loans of about **Rs. 7.68 lakh Crore** have been accessed by SHGs as of November 2023 since FY 2013-14 under the SHG-BL Project.

About SHG Bank Linkages Project

- It is **savings-led microfinance model**, launched by **NABARD** in **1992**.
 - Under this program, banks were allowed to **open savings accounts, accessing credit at subsidized rates of interest** for Self-Help Groups (SHGs).
- **Components of SHG-BL**
 - Training and sensitization of Bank Branch Managers.
 - Training and positioning of Bank Sakhis at Rural Bank Branches.
 - Initiate Community Based Repayment Mechanism (CBRM) at Rural Bank Branches.
 - Credit Linkage of SHGs.

Phased development of programme:

- **Phase I (1990-2005):** NABARD acted as a catalyst and RBI allowed banks to lend to SHGs. However, lending was primarily subsidy-driven.
- **Phase II (2006-2012):** Strategic shift away from targeting individuals to group-oriented lending approach.
- **Phase III (2012-present):** Launch of DAY-NRLM with dedicated architecture and professional manpower support.
 - Removal of capital subsidy and introduction of interest subsidy.

Related News

Microfinance in India

- Recently a **report** titled “**Micro Matters: Macro View**” was released by **Microfinance Industry Network (MFIN)**.
 - MFIN is an **Association of Non-Bank Finance Company Micro Finance Institutions (NBFC-MFIs)** established in 2009.
 - It is an umbrella body of **Micro Finance Institutions (MFIs) of the country**.
- **Microfinance refers** to the financial services provided to low-income individuals or groups who are typically excluded from traditional banking.
- **The key findings of the report**
 - **NBFC-MFIs followed by banks** are the largest provider of micro-credit amongst other regulated entities.
 - MFIs' **gross Non-Performing Assets (NPA)** decreased from 5.6% (FY22) to 2.7% (FY23).
 - The **share of East and Northeast states** fell to 34.9% from 37.7% from last year.

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2. FISCAL POLICY

2.1. STATE FINANCES

Why in the news?

Recently, the Reserve Bank of India published an annual report titled “**State Finances: A Study of Budget of 2023-24**”. The theme of the Report is ‘**Revenue Dynamics and Fiscal Capacity of Indian States**’.

Key Findings of the Report

- **Capital outlay is budgeted to increase by 42.6 %** in 2023-24 to 2.9% of GDP.
- **Debt-GDP ratio of states declined from 31% at end-March 2021, to 27.5% by end-March 2023**, supported by fiscal consolidation.
- **States’ consolidated gross fiscal deficit to gross domestic product (GFD-GDP) ratio declined from 4.1% in 2020-21 to 2.8% in 2021-22**, led by a moderation in revenue expenditure, and an increase in revenue collection.
- **Increased Tax Buoyancy** with implementation of Goods and Services Tax (GST).
 - **Tax Buoyancy** refers to the **responsiveness of tax revenue receipts to changes in national income**.
 - ✓ Tax buoyancy greater than 1 signifies that tax revenues grow at a faster rate than the growth in national income.

N K Singh Committee Recommendations

- The combined **debt-to-GDP ratio of the centre and states** should be brought down to 60% by 2023 (comprising of 40% for the Centre and **20% for states**).
- The committee suggested incorporating “**escape clauses**” that allow deviation from the fiscal targets under specific circumstances, such as national security, acts of war, national calamities etc.

2.1.1. STATES’ CAPITAL EXPENDITURE

Why in the news?

The Department of Expenditure, Ministry of Finance has approved **capital investment proposals of Rs. 56,415 crores in 16 States** under the ‘**Special Assistance to States for Capital Investment 2023-24**’ (Union Budget 2023-24).

About the Scheme

- **Genesis:** Similar scheme was **first instituted in 2020-21** in the wake of the COVID-19 Pandemic.
- **Objective:**
 - To **boost to capital spending** by States.
 - To have a **higher multiplier effect of capital expenditure**.
- **Assistance:** **50-year interest-free loan** up to an overall sum of Rs. 1.3 lakh crore to the States.
- **Parts:** Total **8 parts**, Part-I (general allocation) has the largest allocation i.e. 1 lakh crore. Other parts are **either linked to reforms or are for sector-specific projects**.

Other Parts of the Scheme



Part-II : Incentives for scrapping Old Vehicles



Part-III : Urban Planning Reforms



Part-IV : Financing Reforms in Urban Local Bodies



Part-V : Housing for Police Personnel within the police station area



Part-VI : Construction of Unity Malls to promote national integration



Part-VII : Children and Adolescents Libraries and Digital Infrastructure



Part-VIII : Incentive for implementing timely release of CSS funds by state governments to vendors and beneficiaries

- The amount under Part-I has been allocated amongst States in **proportion to their share of central taxes & duties** as per the award of the **15th Finance Commission**.

Trends in Capital Expenditure (Capex) by States

- **Capex growth remained the same in FY23** compared with **29% growth in FY22**.
 - The **expenditure by states on subsidies rose at a faster pace** even as their capital spending slowed down in FY23.
 - **Capex also known as Capital expenditure** is the part of the government spending that goes into the creation of assets like schools, colleges, hospitals, roads, bridges, dams, railway lines, airports and seaports.
- **Capex Target:** According to a study by the Bank of Baroda, 25 states have **cumulatively achieved 76% of their capex target in FY23**.
- **Capital outlay-GDP ratio:** The States' Capital outlay-GDP ratio is **expected to improve** from 2.3% in 2021-22 to 2.9% in 2022-23.

Centre's Support to States to Increase Capex

- **Early Release of Funds:** The Centre has also been **releasing tranches of tax devolution early** to help states front-load capex rather than wait till the end of the fiscal.
- The Central government has **regulated states' borrowings under Article 293** of the Constitution from FY23.
 - The Centre **tightened borrowing norms** for the states by **including off-budget liabilities as part of the states' annual net borrowing ceiling**.
- **Production-Linked Incentive (PLI) scheme:** It is providing capital expenditure-linked incentives to 14 key sectors.

2.2. PUBLIC DEBT

Why in the news?

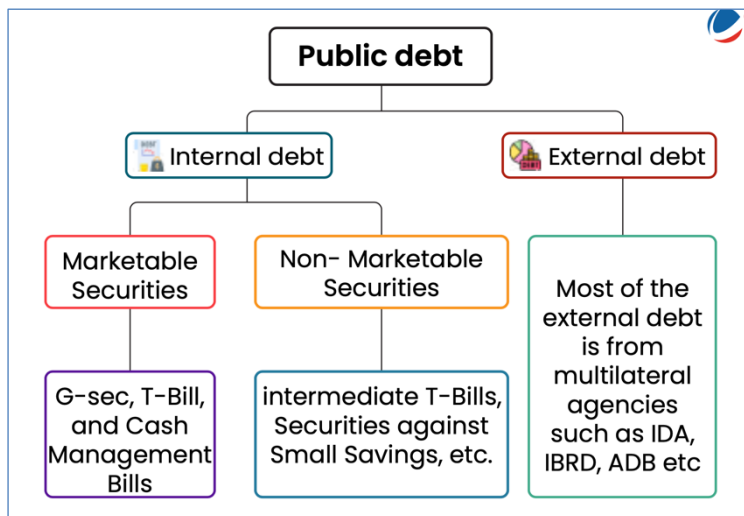
The International Monetary Fund (IMF), in its annual Article IV consultation report has highlighted that India's public debt to GDP ratio at the general government level has barely increased from 81% in 2005-06 to 84% in 2021-22 and back to 81% in 2022-23.

More on the news

- **Under Article IV of the IMF's Articles of Agreement**, the IMF holds bilateral discussions with members, usually every year.
- The report suggests that **Indian Growth is expected to remain strong**, supported by macroeconomic and financial stability.

About Public Debt

- Public Debt denotes **liabilities payable by the Central Government**, which are **contracted against the Consolidated Fund of India**, as provided under **Article 292** of the Constitution of India.
- **Current Status of Public Debt in India:**
 - **Central Government's Public Debt** stood at **57.1 % of GDP** as of the end of March 2023.
 - **General Government Debt** was **81% of GDP in 2022-23**.
 - ✓ **General Government Debt** represents the indebtedness of the Government sector (Central, State Governments and UTs with legislature).
 - **Internal Debt constituted 94.6 % of Public Debt** at end-March 2022.



Reasons and implications of High Public Debt	
Reasons	Implications
<ul style="list-style-type: none"> • Fiscal stimuli to support the economy during the Covid-19 pandemic. • India has been investing significantly in infrastructure projects to support economic growth. • Extensive social welfare programs without corresponding revenue streams can lead to increased borrowing to fund these programs. • Increased costs of servicing interest debt. 	<ul style="list-style-type: none"> • Limits fiscal resources for meeting emerging priorities, like climate change adaptation, green transition etc. • High-interest payments account for 5% of GDP (in India), roughly twice the emerging market and developing-country average. • Leads to a Crowding out effect i.e., a reduction in private investment spending due to increased interest rates.

Related news

World Bank’s Report on External Debt

- World Bank releases its annual **International Debt Report (IDR), 2023**.
- The report analyses **external debt** statistics for **122 low- and middle-income countries (LMICs)**.
- **Key highlights**
 - **Historic rise in debt:** Public and publicly guaranteed (PPG) debt service payments by **LMICs** totaled **US\$443.5 billion in 2022**.
 - **Debt Service cost:** Due to **rising interest rates** and **unfavourable exchange rate** movement, servicing external debt could become burdensome.
 - ✓ **India’s debt service** was **2% of the GNI** in 2022.
 - **Crowding out of priorities:** Debt servicing could crowd out spending on other development priorities (**health, education, etc.**).
 - **Outflow of money:** Due to a **tighter monetary policy** in advanced economies, investors found **attractive returns in US and European bond markets**.

2.2.1. OFF-BUDGET BORROWINGS

Why in the news?

Centre for Social and Economic Progress (CSEP) recently released a report on ‘**Off-Budget Borrowings (OBB)**’ by Indian Governments.

About OBBs

- OBBs refer to **borrowings that are not reflected in the budget**, even though **budgetary resources** will have to be **used for their repayment**.
 - Thus, OBB is **not part of the calculation of the fiscal indicators** despite fiscal implications.
- **OBBs are taken** not by government directly but **by another public institution** on its direction.
 - For example, **loan by FCI for paying food subsidy bill** (this practice is discontinued from FY 2020-21).

Reasons for resorting to OBB

- **Bypass Fiscal Deficit targets** under the **FRBM Act, 2003**,
- **Avoid borrowing limits** under **Article 293 (3)** of the Constitution.
 - Article mandates **States to take consent of the Centre before raising any loan if they have any outstanding loan to the Centre** or loans where the **Centre is the guarantor**.
- **Avoid delay in central grants**, or reduction in other sources of revenue.

Implications of high OBB

- A **hidden liability** that may lead to a **debt trap for the government**.
- **Adversely affects the accountability** as it is generally scrutinized.

Methods of OBB: National Savings Schemes Government Fully Serviced Bond, Domestic /Foreign Market borrowings, etc.

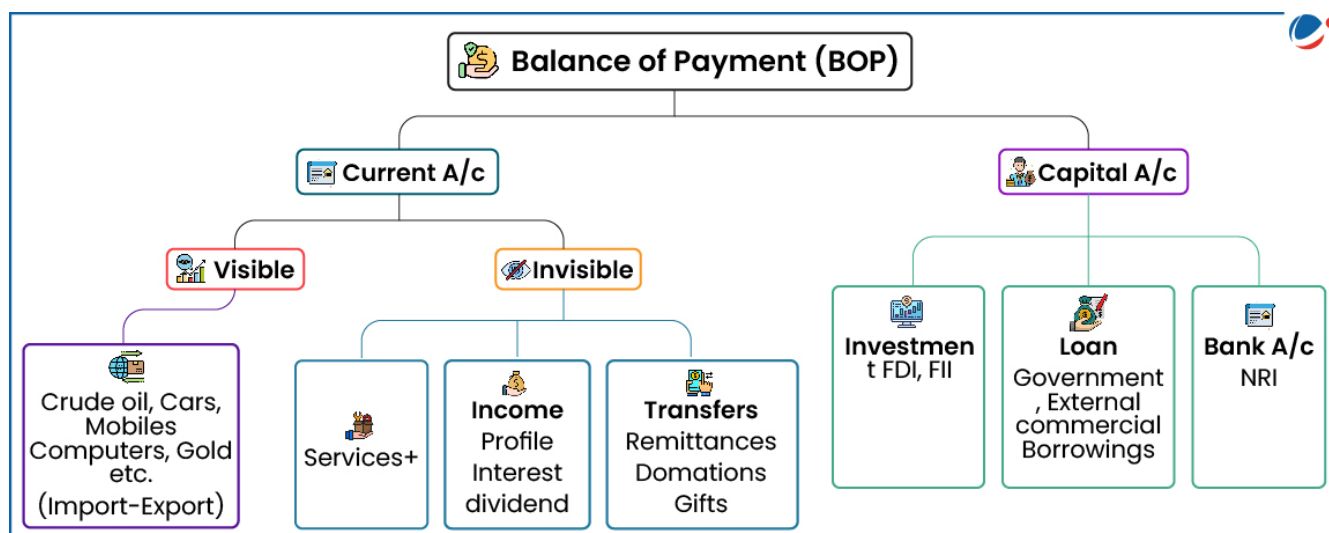
2.3. CURRENT ACCOUNT DEFICIT (CAD)

Why in the news?

The CAD widened to \$9.2 billion from \$1.3 billion in Quarter 1 of Financial Year 2024. Although, later it declined to 1% of gross domestic product (GDP) in Quarter 2 (2023-24).

About Current Account Deficit (CAD)

- **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.
- **Current Account** is one of the two accounts in the Balance of Payments (BoP). It records exports and imports in goods and services and transfer payments of a country.
 - **Transfer payments** are receipts received by the residents 'for free', without any present or future payments in return. It includes remittances, gifts and grants.
- **Capital account** is the second account, recording all international purchases and sales of assets such as money, stocks, bonds, etc. for a specified time, usually a year.



Reasons behind India's increased CAD

- **Higher trade deficit:** Increased imports and decreased exports have contributed significantly to the widening of CAD.
- **Services Receipts Decline:** Net services receipts decreased, primarily due to reduced exports of computer, travel, and business services.
- **Impact of Global Factors:** Slowing global growth has implications for India's export-oriented services and remittances, adding to the challenges in maintaining a lower CAD.
- **Rising Oil Prices:** Anticipated increase in oil prices is expected to further widen the merchandise trade deficit. Higher oil prices contribute to increased import costs, affecting the overall CAD.
- **Foreign Direct Investment (FDI) Decline:** Net FDI declined in the financial account, influencing the overall balance.

Potential threats from increasing CAD

Based on historical perspective, India can **sustain a CAD of 2.5-3.0% of GDP without getting into an external sector crisis** (Economic Survey 2021-22). But a deficit beyond that can have an impact on following -

- **Foreign investment:** Pull out of foreign institutional investors or limited capital flow.
- **Exchange Rate:** High Current Account Deficit for a long term decreases the global demand of the currency and can lead to a situation of free fall in currency exchange rate.
- **Inflation:** Price instability in turn fuels inflationary concerns, leading to further reduction in domestic savings, leading to lower investments or foreign borrowing to fund growth needs.

- **Payment imbalances:** They can lead to a BoP crisis as was observed in the Asian Financial Crisis (1997) and the recent Sri Lankan crisis.

2.4. DATED SECURITIES

Why in the news?

The Centre will borrow ₹6.55 trillion from the market for the second half of the on-going financial year. This market borrowing will finance the government's budgeted fiscal deficit of 5.9% of GDP.

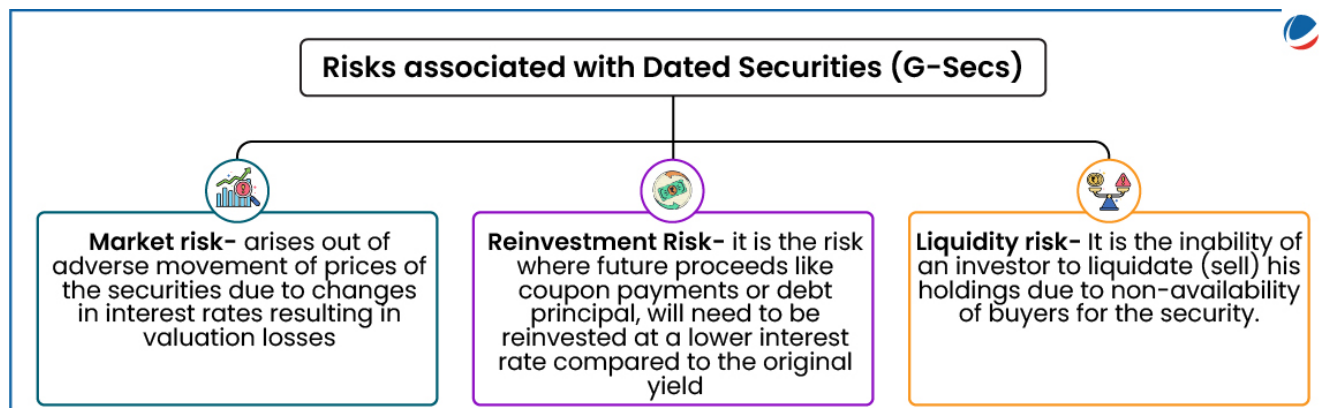
What are G-Secs?

- G-Secs are **tradeable instruments issued by the Central Government or the State Governments** which acknowledges the Government's debt obligation.
- G-Secs **carry practically no risk of default** and, hence, are **called risk-free gilt-edged instruments**.
- Dated G-Sec's are **securities which carry a fixed or floating coupon (interest rate) which is paid on the face value**, on half-yearly basis.
 - Generally, the tenor of dated securities **ranges from 5 years to 40 years**.

Other Types of G-Secs	
Treasury Bills (T-bills)	<ul style="list-style-type: none"> • These are short term debt instruments issued by the Centre in three tenors, namely, 91 day, 182 day and 364 day. • They are zero coupon securities and pay no interest. Instead, they are issued at a discount and redeemed at the face value at maturity
Cash Management Bills (CMBs)	<ul style="list-style-type: none"> • CMBs are similar to T-bills but are issued for maturities less than 91 days.
State Development Loans (SDLs)	<ul style="list-style-type: none"> • SDLs are dated securities issued through normal auctions by the State Governments similar to Dated G-Secs.

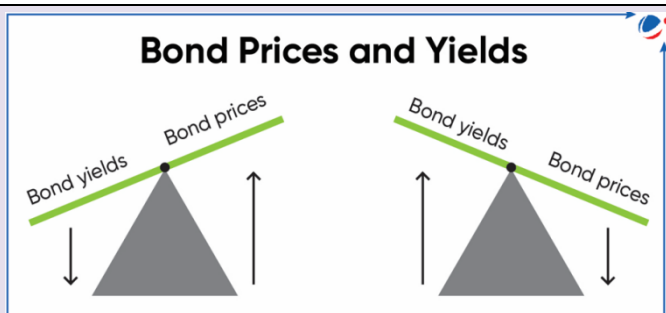
How are the G-Secs issued?

- **Mechanism:** G-Secs are issued through auctions conducted by **RBI** on its electronic platform called the **E-Kuber**.
- **Participation:** Commercial banks, Scheduled Urban Cooperative Banks, Primary Dealers, insurance companies and provident funds who maintain funds account (current account) and securities accounts with RBI, are **members of E-Kuber** and **take part in the auction**.
 - **Foreign Portfolio Investors (FPIs) and Corporates** are also allowed to **participate in the G-Secs market**.
 - This is done within the quantitative limits prescribed from time to time **through Scheduled Bank or a Primary Dealer or Specified Stock Exchange**.
- The **RBI conducts Open Market Operations (OMOs)** by way of sale or purchase of G-Secs to or from the market with an objective **to adjust the rupee liquidity conditions** in the market on a durable basis.



Related news
Bond Yield

- Recently, RBI's decision for **Open Market Operation (OMO) sale of government securities (G-Sec)** triggered a **spike in bond yields to their highest level** in FY 2023-24.
- A bond's yield is the **return an investor expects** to receive each year over its term to maturity.
 - The yield is also commonly referred to as an **interest rate, or the "cost of borrowing" to an issuer.**
- The yield of a bond is **inversely related to its price**. When the price of a bond falls, yields rise.



2.5. GOODS AND SERVICES TAX (GST)

Why in the news?

The 50th GST council meeting imposed a GST of 28% on online gaming, horse racing and casinos.

Key Highlights

- Tax Rate: 28%** tax applied **on the initial amount paid upon entry**, not on the total value of each bet placed.
 - Covers both games** based on both skill and chance. **A TDS of 30% is deducted from the winnings in both game types.**
- Tax on offshore online gaming firms:** Such companies will have to **register themselves with the GST authorities** and pay the **tax to offer their services to Indian gamers.**
 - Amendment to the Integrated GST Act 2017** will be made to enforce this.

Types of Online Games

- Game of Skill:** Games in which **the outcome depends on the player's expertise, practice, and experience** and not merely on chance.
- Game of Chance:** Games in which **the outcome is decided by randomised events** and treated similarly to betting, gambling and horse racing.

About Goods and Services Tax (GST)

- GST is a **single domestic indirect tax law** for the entire country. It is a **multi-stage, destination-based tax** that is levied on every value addition.
- It came into effect on **1st July 2017 (101st Constitutional amendment)** replacing indirect taxes in India such as the excise duty, VAT, services tax, etc.
 - The **idea of a nationwide GST** in India was **first proposed by the Kelkar Task Force** on indirect taxes in **2000**.
- Pratidin:** A web based daily performance management system for GST was recently established in Central Board of Indirect Taxes & Customs (CBIC).

GST Structure

- Central GST (CGST):** It is **collected by the Central Government** on an intra-state sale.
 - Revenue is shared equally between the Centre and the State.
- State GST (SGST):** It is **collected by the state government** on an intra-state sale.
 - Revenue is shared equally between the Centre and the State.
- Interstate GST (IGST):** It is **collected by the Central Government** for an inter-state sale.
 - The Centre shares the IGST revenue with states based on the destination of goods.



Need for GST					
Establishment of a single national market	Complicated Taxation Regime	Issues like Tax Cascading	Need for Incorporation of technology	Limited Ease of doing business	High cost of tax collection

Institutions/Bodies of GST	
GST Network (GSTN)	<ul style="list-style-type: none"> GSTN, a not-for-profit company, was created to provide the IT backbone for the GST system, including taxpayer registration, return filing, and tax payments. GSTC has approved the conversion of GSTN into a Government Company; hence, 100% of the shareholding is held by Government (50% with Union Government and 50% jointly with State Governments & UTs) in GSTN.
GST Appellate Tribunals (GSTAT)	<ul style="list-style-type: none"> GSTAT is a statutory body under the Central GST Act, 2017. It is the forum of second appeal in GST laws and the first common forum of dispute resolution between Centre and States. <ul style="list-style-type: none"> It is mandated to hear appeals against orders passed by Appellate Authority or Revisional Authority. Changes Introduced Central Goods and Services Tax (Second Amendment) (CGST) Act, 2023. <ul style="list-style-type: none"> Change in qualification for members of GSTAT: Allows advocates with at least 10 years of experience to be appointed as judicial member. They must have substantial experience in matters relating to indirect taxation. <ul style="list-style-type: none"> ✓ Minimum age to be appointed as a member or president of GSTAT will be 50 years. ○ Increases age limit for president of GSTAT from 67 to 70 years, and for members from 65 to 67 years.
GST Council (GSTC)	<ul style="list-style-type: none"> GST Council is a constitutional body established by the President under the Article 279A. It is a joint forum of the centre and states. <ul style="list-style-type: none"> ○ Chairperson: Union Finance Minister ○ Members: <ul style="list-style-type: none"> ✓ Union Minister of State, in-charge of Revenue ✓ Minister in charge of finance or taxation or any other Minister nominated by each State government. ○ Decision-making through voting: Decision requires a 3/4th majority of members present and voting. <ul style="list-style-type: none"> ✓ Centre's share is 33% of votes cast. The Council makes decisions on various aspects of GST, including tax rates, exemptions, and revenue sharing between the Central and State Governments.

2.6. WIDENING TAX BASE

Why in the news?

Recently, the government has highlighted that introduction of new tracking features had helped in widening the tax base.

Steps taken by the Government

- Cross seeding of PAN with Bank Accounts and Aadhaar** helping the government to track all formal transactions through banks.

- **Introduction of New TDS codes** from 36 to 65 codes resulted in increase in reported transactions.
- **Introduction of new data sources** in the Statement of Financial Transactions (SFT), such as dividend, interest, etc.

Current Scenario of Taxation in India

- **Tax to GDP ratio:** Tax to GDP ratio is the **ratio of the tax revenue (direct & indirect tax) of a country compared to the country’s GDP.**
 - **Tax to GDP ratio** is about 11.1% in FY23 which includes **Direct Taxes** at 6% and **Indirect taxes** at 5.1%.
 - It is **useful measure of a country’s capacity to generate tax revenue** with rest to the size of its economy. A **decrease in tax to GDP ratio of a country may indicate a slowing economic growth rate.**
- **Filing of Income Tax Returns (ITR):** 5.3% of the total population.
 - The **concept of Income tax was introduced in India in 1860 by James Wilson, the first finance Minister of British Indian Government.**
 - The **tax was temporarily repealed during 1865-1886** and is continuing its existence till date.
- **Key statistics released by Central Board of Direct Taxes (CBDT):**
 - **Net Direct Tax Collections** have **increased by 121.18%** in FY 2021-22 from FY 2013-14.
 - **Direct tax to GDP ratio rose** from 5.62% in FY 2013-14 to **5.97% in FY 2021-22**
 - **Direct tax buoyancy** at 2.52 was **highest in the last 15 years.**

Reasons for Low Tax Base

- **Presence of a large informal sector** which largely deals in cash and makes tracking difficult.
- **Tax exemption for agriculture**, which is the primary income source for nearly 60% of Indians.
- **High incidence of tax litigation:** About 5 lakh cases pending in the country are because of tax litigation.
- **Lack of technical expertise and resources (financial and manpower)** resulting in less effective tax administration.

Related News

Angel Tax

- **Ministry of Finance proposed changes** in angel taxation and **notified foreign entities which will be exempted** from the tax provisions.
- **Angel tax**, introduced in 2012, refers to **tax levied on capital raised by unlisted companies.**
 - Objective was **to deter generation and use of unaccounted money** through subscription of shares of a closely held company, at a value which is higher than fair market value.

2.7. OFFICIAL STATISTICS

Why in the news?

The Ministry of Statistics & Programme Implementation (MoSPI) has formulated a Draft **“National Policy on Official Statistics (NPOS)”**.

More on the news

- The policy reinforces the **United Nations Fundamental Principles of Official Statistics (UNFPOS)** (India adopted the UNFPOS in 2016).
- **Key Thrust Areas Mentioned in the Policy**
 - **Creation of an Integrated Data System (IDS)** to interlink data sets and enable interoperability.

Characteristics of Core Statistics

- **To be of national importance**
- **Mandatory** for government at all levels to **collect and disseminate** as per laid down protocols
- **Conforming to prescribed definitions, concepts and standards**
- To be **updated periodically** with pre-determined periodicity
- To be made **available at various disaggregated levels**

- **Innovation Hub for piloting emerging technologies** such as Artificial Intelligence (AI).
- **Core Official Statistics:** Key statistical products, such as GDP, price indices, SDGs, etc., will be designated as core statistics.

Present status Official Statistical System in India

- **Ministry of Statistics and Programme Implementation (MoSPI)** is the nodal agency for planning integrated development of the statistical system in the country.
- **Directorates of Economics & Statistics (DES)** coordinates statistical activities in the State/UT.
- **National Statistical Commission (constituted in 2006)** acts as an apex advisory body on statistical matters.
 - It was created on the recommendations of the C. Rangarajan Commission.
- **Place in Seventh Schedule:** The subject 'Statistics' is covered in **Entry 94 of the Union List (List – I) and Entry 45 of the Concurrent List (List – III)**.
- **Legislations:** Exclusive statistical laws, such as the Census Act 1948, the Registration of Births and Deaths Act 1969 and the Collection of Statistics Act 2008.

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3. LABOUR, EMPLOYMENT AND SKILL DEVELOPMENT

3.1. PERIODIC LABOUR FORCE SURVEY (PLFS)

Why in the news?

Recently, the Periodic Labour Force Survey (PLFS) 2022-23 was released. **The LFPR increased from 55.2% to 57.9 (Male – 78.5% & Female – 37%) in 2022-23 compared to last year.**

About Periodic Labour Force Survey (PLFS)

- Launched by National Sample Survey Organization (NSSO) in 2017.
- The key objective of PLFS is to estimate the key employment and unemployment indicators (viz. LFPR, WPR, UR) annually, evaluated on activity status-
 - ‘Current Weekly Status’ (CWS) for the urban areas only in for an interval of three months.
 - ‘Usual Status’ and CWS in both rural and urban areas annually.

Indicator	2017-18	2022-23	Trend	
LFPR	Total	49.8 %	57.9 %	↑
	Rural	50.7 %	60.8 %	↑
	Urban	47.6 %	50.4 %	↑
	Male	75.8 %	78.5 %	↑
	Female	23.3 %	37.0 %	↑
WPR	Total	46.8 %	56.0 %	↑
UR	Total	6 %	3.2 %	↓

Key Indicators used in PLFS

- **Labour Force Participation Rate (LFPR):** Percentage of persons in the labour force (i.e. working or seeking or available for work) in the population.
- **Worker Population Ratio (WPR):** Percentage of employed persons in the population.
- **Unemployment Rate (UR):** Percentage of persons unemployed among the persons in the labour force.
- **Activity Status:** It is determined based on the activities pursued by the person during the specified reference period (preceding the date of the survey).
 - **Usual Status:** Reference period is 365 days.
 - **Current Weekly Status (CWS):** Reference period is 7 days.

PLFS Findings on Gender Pay Gap

- In 2023, the gap in work hours was largest for self-employed workers (50% more for men), and lowest for regular wage workers (19%).
- Also, men earn more than women across all forms of work; the gap is greatest for the self-employed.
 - In 2023, male self-employed workers earned 2.8 times that of women, whereas male regular wage workers earned 24% more.
- Labour force participation rates (LFPRs) for rural women have increased, with a significant rise in the proportion of self-employed women.
 - However, the average hours worked per week for rural self-employed women has fallen from 37.1 in 2019 to 30.1 in 2023.

3.2. NOBEL PRIZE IN ECONOMICS: WOMEN IN LABOUR FORCE

Why in the news?

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2023 has been awarded to **Claudia Goldin for advancing the understanding of women’s labour market outcomes.**

About Nobel Prize

- It is an **international award** administered by the Nobel Foundation in Stockholm, Sweden, and based on the last will of **Alfred Nobel** (in **1895**).
- Instituted in **1901**, **awarded annually in five categories** to people for the greatest benefit to humankind in preceding year.
 - The **sixth category**, the **Nobel Prize in Economic Sciences**, was instituted in **1968** by the Royal Bank of Sweden and was first awarded in 1969.
- **Who awards the prizes?**
 - The Royal Swedish Academy of Sciences awards the **Nobel Prize in Physics, Chemistry and Economics**.
 - The **Nobel Prize in Literature** is awarded by the **Swedish Academy, Stockholm, Sweden**.
 - The **Nobel Assembly at Karolinska Institute, Stockholm, Sweden** awards the **Nobel Prize in Medicine (Physiology)**.
 - **The Norwegian Nobel Committee** (constituted by Norwegian Parliament) awards **Nobel Peace Prize**.
- **What do the winners receive?**
 - A **Nobel diploma**, each of which is a unique work of art;
 - A **Nobel medal**;
 - A **cash prize** (set Swedish kronor (SEK) 11.0 million per full Nobel Prize for 2023)
- The Nobel statutes **prohibit the judges from discussing their deliberations for 50 years**.

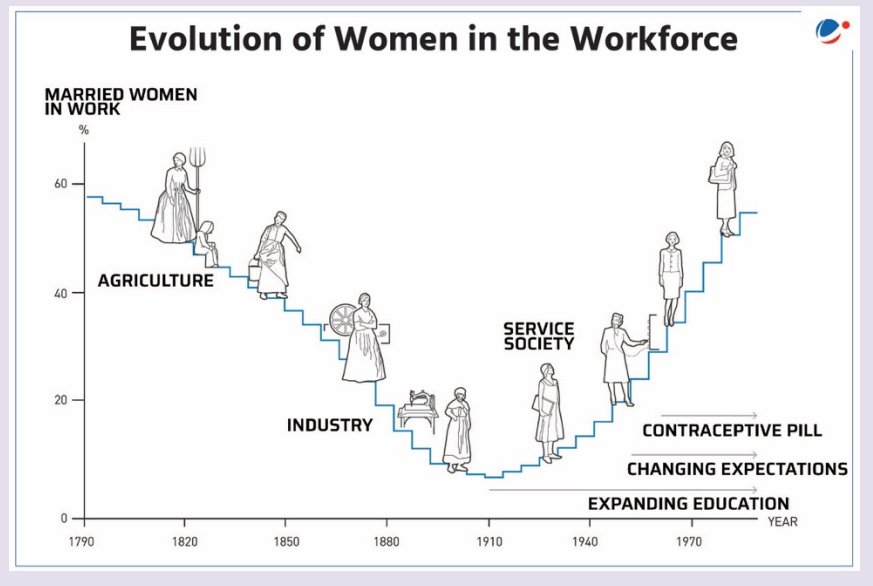
Factors Influencing Female Labour Force Participation

Goldin’s U-curve demonstrated that there is **no historically consistent association between women’s participation in the labour market and economic growth**. They are influenced by following-

- **Social Norms:** Legislative gaps or customs known as **“marriage bars”** often prevented married women from continuing their employment despite increased demand for labour.
- **Parenthood Effect:** Responsibility of childcare more on **women** than men affected their career progression.
- **Technological Innovations:** Contraceptive pill resulted in women delaying marriage and childbirth, **thus increasing their education and career prospects**.

U-shaped relationship: In the development process, female labour force participation first declines and then rises.

Women’s labour force participation is **high for the poorest countries (high in agriculture)**, **lower for middle income countries**, and then rises again among high income countries.



Measures taken for reducing gender gap in India

- **Code on Social Security 2020** - Maternity leave to 26 weeks, mandatory Crèche facility etc.
- **Code on Occupational Safety, Health, and Working Conditions (OSH), 2020:** Employment of women in the above-ground mines and in below-ground working in technical, supervisory and managerial work.
- **Code on Wages 2019:** No discrimination among employees on the ground of gender.

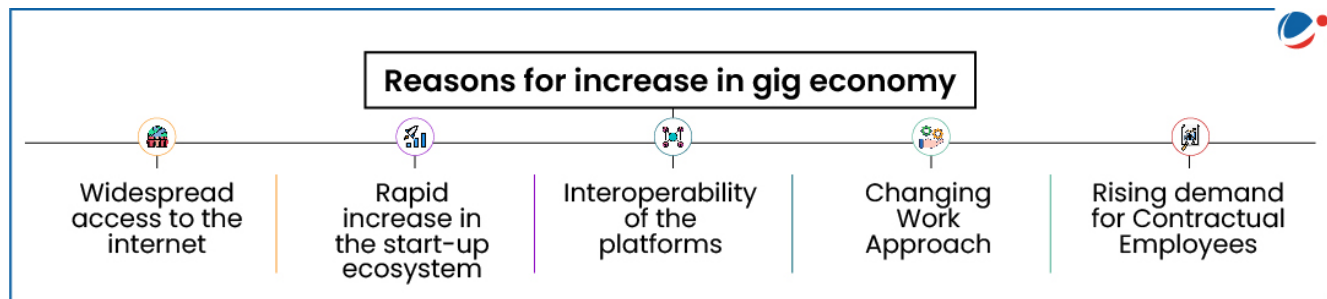
3.3. GIG ECONOMY

Why in the news?

Several issues have been seen in the recent past among the gig workers including strike by Blinkit workers, protest by Zomato and Swiggy delivery riders among others.

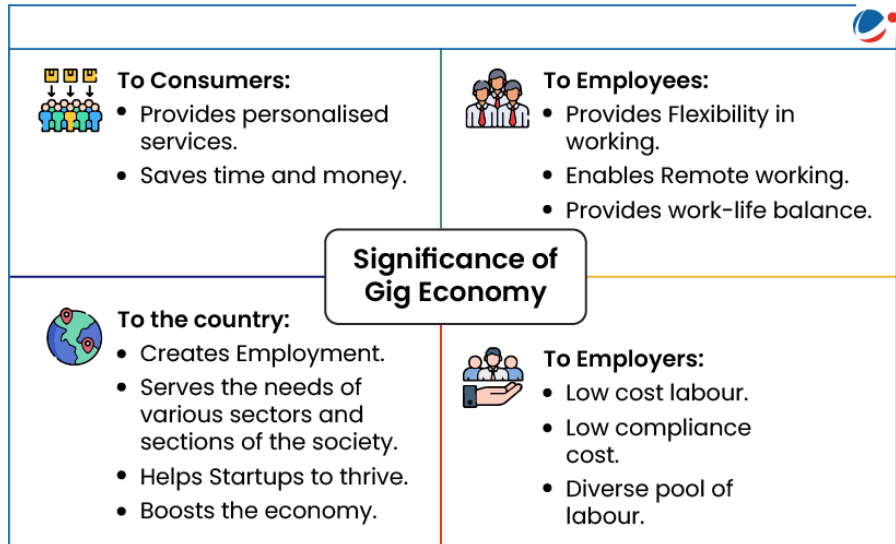
About Gig Economy and Gig Worker

- A **Gig economy** is a free market system in which temporary positions are common and organizations contract **with independent workers for short-term engagements**.
- **Gig Workers** are those engaged in livelihood outside the traditional employer-employee arrangement. **They can be broadly classified into-**
 - **Platform Gig Workers:** Those whose **work is based on online software, apps, or digital platforms** such as food aggregator platforms- Zomato, Swiggy, Ola, and others.
 - **Non-Platform Gig Workers:** They are generally **casual waged and own-account workers** in the conventional sector, engaged part-time or full-time.



Regulatory Framework of Gig Economy in India

- **The Code on Wages, 2019:** It provides for universal minimum wage and floor wage across organized and unorganized sectors, including gig workers.
- **Code on Social Security 2020:** It seeks to protect gig workers' rights by giving them social security protections.
 - It attempts to **define gig, platform, and unorganized workers** while spelling out entitlements.
 - It also proposed to



It also proposed to establish a **Social Security Fund and a National Social Security Board** to supervise and formulate schemes for the well-being of gig and platform workers.

Other Recent Developments Regarding Gig Economy and Gig workers

- The **Standing Committee on Labour, Textiles, and Skill Development** has asked the Ministry of Labour and Employment to formulate and implement welfare schemes for Gig workers in the country.
- The **G20 Labour and Employment Ministers Meeting 2023** concluded by adopting an outcome document on "**Sustainable Social Protection for Gig & Platform Workers.**"
- **Rajasthan State Government** has pioneered in creating a welfare bill for the Gig workers in the state by passing a "**Platform Based Gig Workers (Registration and Welfare) Bill, 2023**".

4. BANKING AND MONETARY POLICY

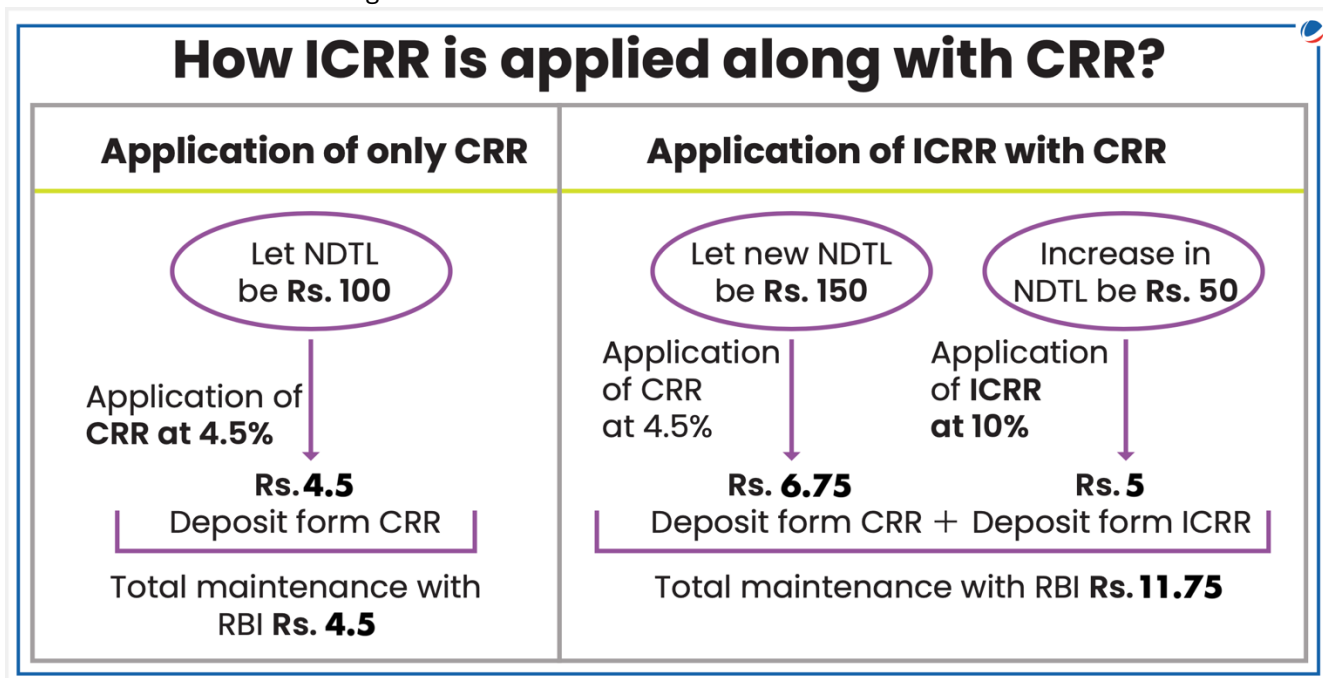
4.1. INCREMENTAL CASH RESERVE RATIO (ICRR)

Why in the news?

The Reserve Bank of India (RBI) used ICRR to absorb surplus liquidity in the system. Further, ICRR was discontinued in phased manner as liquidity situation stabilized.

CRR and ICRR

- Cash Reserve Ratio (CRR):** It is the **share of a bank's Net Demand and Time Liabilities (NDTL)** that is mandated by the Reserve Bank of India (RBI) to be maintained with the latter as reserves in the form of liquid cash.
 - Net Demand and Time Liabilities (NDTL)** shows the difference between the sum of demand and time liabilities (deposits) of a bank (with the public or the other bank) and the deposits in the form of assets held by the other bank.
 - As per the **RBI Act 1934, all Scheduled Commercial Banks** (that includes public and private sector banks, foreign banks, regional rural banks, and cooperative banks) are **required to maintain the CRR**.
- Incremental Cash Reserve Ratio (ICRR):** I-CRR is similar to the CRR, wherein banks need to set aside a certain portion of their money with the RBI. They do not earn any interest on this. It has following differences-
 - RBI has the option to impose ICRR in addition to the CRR.
 - The interest rate charged would be different from CRR.



Effect of ICRR

- Manage Liquidity:** There was a **recent increase in liquidity** in the economy due to a pickup in **government spending, sustained foreign inflows, and withdrawal of Rs. 2000 notes**, among others.
- Inflation Control:** India's **retail inflation** (measured by the Consumer Price Index (CPI)) rose to **7.5%** in July compared with 4.9% in June. Hence requiring a **tighter monetary policy**.
- Banking Resilience:** The incremental CRR increases protection against the potential threat of Bank Run.
 - Bank Run** is when the customers of a bank or other financial institution withdraw their deposits at the same time over fears about the Bank's solvency.
- Decreased Lending:** Lower lending will, in turn, **bring down demand for goods and services**, reducing the **Aggregate Demand of the Economy**.

Other Liquidity Management Tools

- **Standing Deposit Facility (SDF):** SDF allows the RBI to absorb liquidity (deposit) from banks without giving government securities in return to the banks.
- **Altering Repo and Reverse repo rates:** Altering these rates directly affects the deposit rate in banks as well as their lending rates.
- **Open Market Operation (OMO):** OMO refers to **sale or purchase of government securities (bonds)** by the RBI.
- **Ways and Means Advances (WMA):** It is a **temporary loan facility** to the central and state governments.

4.2. SURPLUS TRANSFER BY RBI

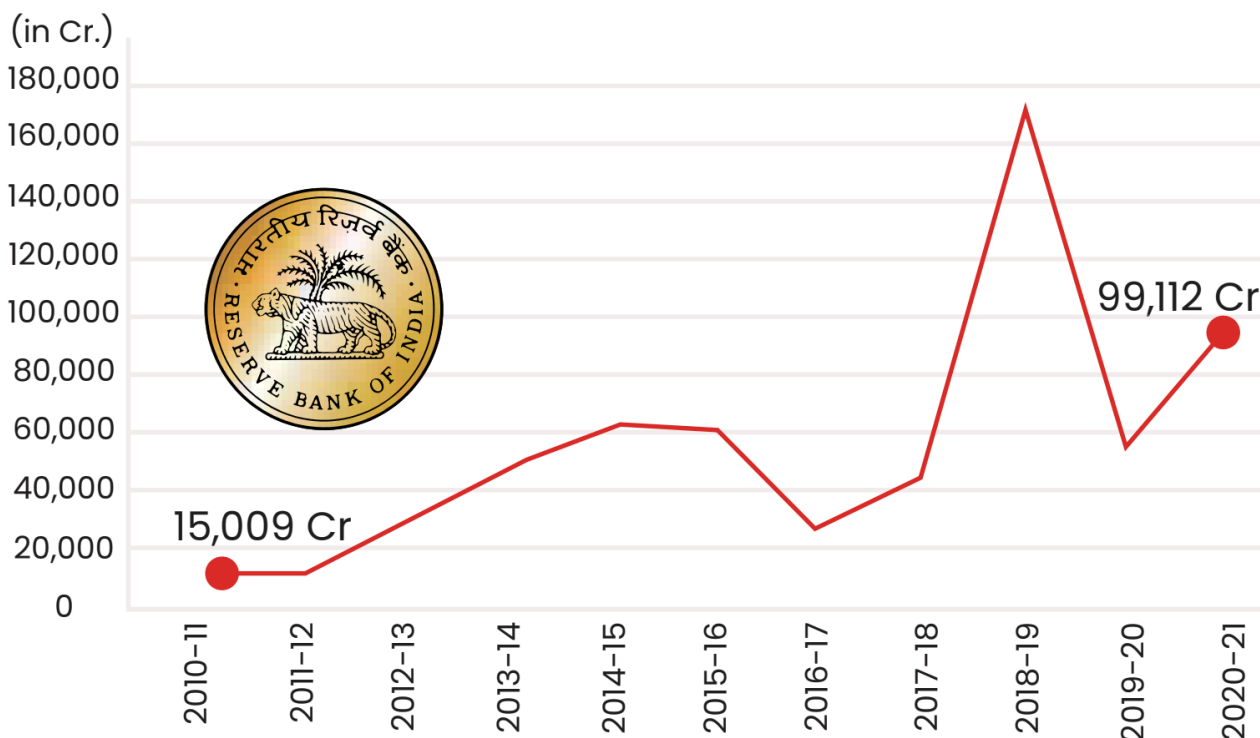
Why in the news?

Recently, RBI to transfer ₹87,416 crore as surplus (188% jump from 2021-22) to the Union government for 2022-23.

More on the news

- As **RBI is not required to pay income tax**, it transfers surplus amount to government in accordance with Section 47 (Allocation of surplus profits) of **RBI Act, 1934**.
 - **RBI's total expenditure is significantly lower** than its total net interest income, **thereby generating surplus**.
- Earlier, **RBI used to keep a major chunk of this surplus** for its Contingency Fund (CF) and Asset Development Fund (ADF).
- However, **after Malegam Committee (2013) recommendations** and later under **revised Economic Capital Framework (2014-15)** by **Bimal Jalan committee**, its transfer of **surplus to government increased**.

RBI SURPLUS TRANSFERRED TO THE CENTRAL GOVERNMENT



4.3. TRANSITION FROM LONDON INTERBANK OFFERED RATE (LIBOR)

Why in the news?

The Reserve Bank of India (RBI) has issued an **advisory to banks and other RBI-regulated entities** asking them to take steps to ensure a complete **transition away from the London Interbank Offered Rate (LIBOR)**.

More on the news

- LIBOR and the Mumbai Interbank Forward Outright Rate (**MIFOR**) will be **phased out**.
 - MIFOR is a domestic interest rate benchmark presently published by **Financial Benchmarks India Pvt Ltd (FBIL)**.
- Banks / Financial Institutions (FIs) have been advised to ensure that **no new transactions** undertaken by them, or their customers **rely on or are priced using the U.S. Dollar LIBOR or MIFOR**.
- The global transition from LIBOR was necessitated after **British financial authorities decided to phase it out in 2017** after discovering that **some large banks manipulated the reference rate up or down by providing false data**.

About LIBOR

- Benchmark rate:** LIBOR is a **global benchmark interest rate** at which major **global banks lend to one another** in the **international interbank market** for short-term loans.
 - Financial Benchmarks** are indices, values, or reference rates for the purpose of pricing, settlement and valuation of financial contracts.
- Regulation:** Before 2014, LIBOR was administered by the British Bankers’ Association (BBA). Later, the maintenance of the benchmark was brought under the **purview of the U.K. Financial Conduct Authority (FCA)**.
- Calculation:** Before 2021, LIBOR was **calculated for five currencies** (U.S. dollar, Euro, Pound, Swiss Franc and Japanese Yen) for **seven tenors**.
 - After the announcement of its **phased rollback** in March 2021, **only U.S.-dollar LIBOR was allowed to be published**.

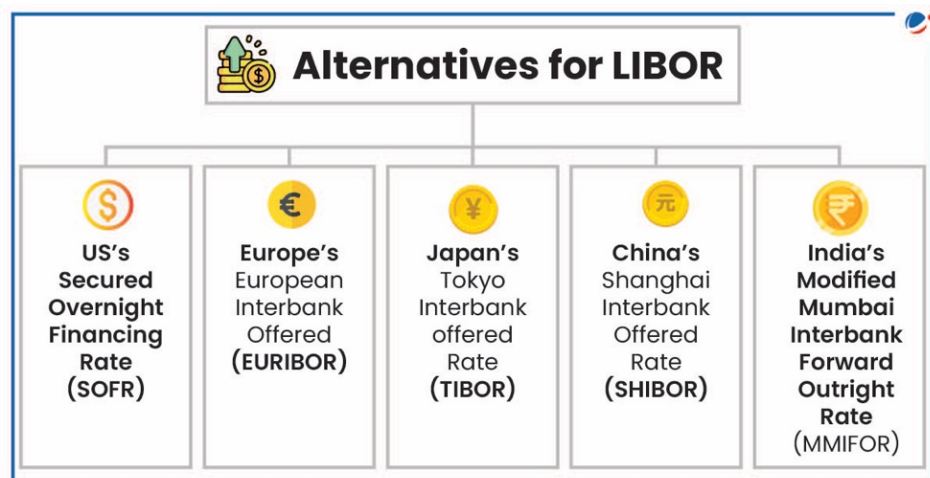
LIBOR transition benefits to India

- Reduction in financing cost** as the **calculation of reference rates going forward** will be more **robust and transparent**.
- Reduced borrowing costs** as lenders and investors may **require lower interest rates or spreads**.
- More competition:** The introduction of alternate reference rates may introduce more **competition in the market for reference rates**.

India’s Transition Scenario

- Alternative Reference Rates (ARRs):** The RBI has established a **system of Alternative Reference Rates (ARRs)** that allows banks to choose rates from a basket of currencies rather than the British pound for international financial transactions.

- RBI has **added Modified MIFOR to the list of significant benchmarks** administered by FBIL.



- **Fallback Clause:** RBI has pushed for the **insertion of fallback clauses** in all remaining legacy financial contracts that reference LIBOR or MIFOR.
 - The fallback clause refers to an agreement for **revised considerations** when the reference rate is no more published – important for transparency and consistency.

Financial Benchmarks India Pvt Ltd (FBIL)

- **Genesis:** It was formed in 2014 as a private limited company under the Companies Act, 2013.
 - It is jointly owned by Fixed Income Money Market and Derivatives Association of India (FIMMDA), Foreign Exchange Dealers Association of India (FEDA) and Indian bank Association (IBA).
- **Objective:** Its aim is to develop and administer benchmarks relating to money market, government securities and foreign exchange in India.
- **Regulation:** FBIL is regulated by the Reserve bank of India.

Functions of FBIL



Collection and submission of market data and information including polled data



Formulation, adoption and periodic review of benchmark calculation methodologies



Calculation, publication and administration of benchmark.

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5. PAYMENT SYSTEMS AND FINANCIAL MARKETS

5.1. CROSS-BORDER PAYMENTS

Why in the news?

RBI and the Bank for International Settlements (BIS) Innovation Hub organized **G20 TechSprint 2023** to promote innovative solutions for **improving cross-border payments**.

Please note, the topic G20 will be covered in detail in International Relations edition of the PT 365 Series.

Cross Border Payments

- It involves financial transactions in which the **sender and recipient are based in separate countries**.
- The cross-border payments **market value is expected to reach \$290 trillion by 2030**.

Types of Cross-Border Payment	
International Wire Transfers like Society for Worldwide Interbank Financial Telecommunication network (SWIFT).	International Money Orders using a third-party provider.
Digital Wallets like PayPal, Google Pay, Apple Pay.	Others like Credit card Transactions, Crypto currencies.

Mechanism of Cross-Border Payments	
<p>Simple cross-border payment using accounts held at each bank.</p>	<p>Cross-border payment using a correspondent bank.</p>
<p>▶ International banks hold accounts with each other, enabling banks to make payments in foreign currency.</p>	<p>▶ Banks not having direct relationship transact via an intermediary, a 'correspondent' bank.</p>

Significance of Cross-Border Payments

- **Globalization:** Cross-border payments are a fundamental element of the globalization process by **improving access to global markets**.
 - It enables participants to diversify their customer base, supplier base, and investment portfolio.
- **Financial Inclusion:** It can enable underserved communities to participate in the global economy.
- **Additional significance for the Indian economy:**
 - **Eases Remittances:** Since 2016, India's cross-border remittances have grown at a CAGR of 8%.
 - **Facilitates Travel & Tourism:** Travel and tourism industry contributed around \$ 178 billion to India's GDP (2021).
 - **Accelerating Foreign Investment:** India received a total FDI inflow of US\$70.97 billion in FY 2023.

Steps Taken in India for Strengthening Cross-Border Payments

- **RBI Payments Vision 2025:** One of its focus areas is to bring ease in cross-border payment.
- **NPCI International Payments Limited (NIPL):** Facilitating cross-border acceptance of UPI at merchant establishments.
 - Singapore, UAE, Mauritius, Nepal, Bhutan etc. have accepted UPI.
- **RBI has allowed access to UPI to foreign nationals and NRIs** visiting India.
- **India-UAE MoU on the use of Central Bank Digital Currency (CBDC)** for Cross-border payments.

5.2. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Why in the news?

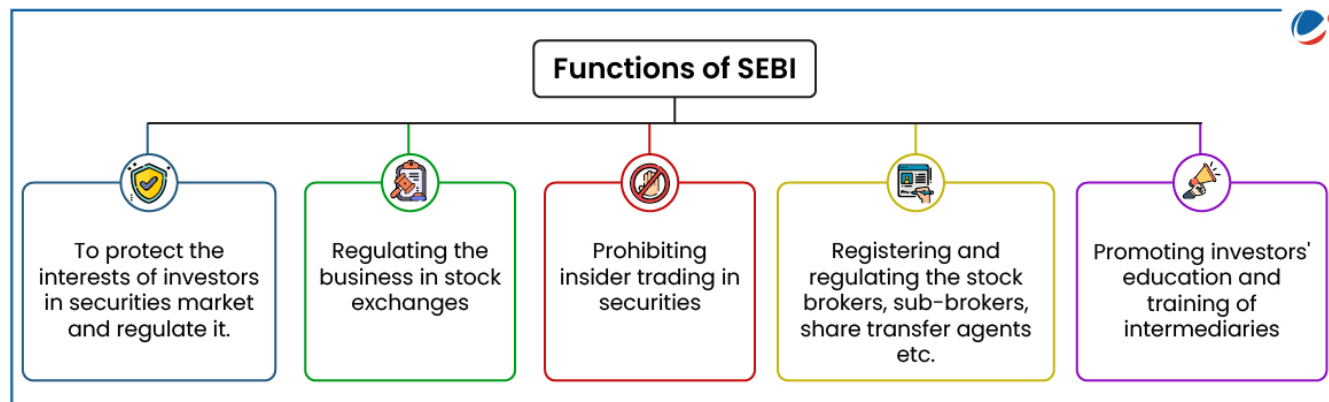
Recently, Securities and Exchange Board of India (SEBI) has launched Investor Risk Reduction Access (IRRA) platform at Bombay Stock Exchange (BSE).

About IRRA platform

- IRRA platform has been developed to **reduce risks faced by investors in eventuality of technical glitches at the trading member's end** at both the primary site and disaster recovery site.
 - It is **available to trading members supporting internet-based trading and security** trading through wireless technology for their investors.
 - It has been **jointly developed by all stock exchanges** – BSE, NSE, NCDEX, MCX and Metropolitan Stock Exchange of India.

About SEBI

- Established in **1988** and made as a **statutory body in the year 1992** as per the **Securities and Exchange Board of India Act, 1992**.
- Organizational Structure:** Board consists of **nine members**:
 - Chairman**, appointed by the Central Government
 - 4 full time members** and **4 part time members** (of which **A board member** is appointed by **RBI** and **2 board members** by the **Ministry of Finance** and 5 members by the Centre)



Powers of SEBI

- A quasi-legislative and quasi-judicial body** which can draft regulations, conduct inquiries, pass rulings and impose penalties to regulate the functioning of Primary and Secondary market in the country.
- Can regulate any money pooling scheme worth Rs.100 cr or more** and attach assets in cases of non-compliance (as per Securities Laws (Amendment) Act, 2014)
- Can seek information**, such as telephone call data records, from any persons or entities in respect to any securities transaction being investigated by it.
- Can undertake any disciplinary proceedings** like imposing fine, barring an entity or person from market temporarily or permanently.
- Can issue directions** to secure the proper management of any such intermediary or person in the interest of investors.

Recent initiatives taken by SEBI

Revised Timeline for Initial Public Offering (IPO)	<ul style="list-style-type: none"> SEBI has halved the time for IPO listing of companies from six days to three days. i.e., from T+6 to T+3. <ul style="list-style-type: none"> IPO refers to the selling of securities to the public in the primary market. It acts as the largest source of funds for the company.
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	<ul style="list-style-type: none"> It will enhance the ease of doing business for issuers and provide investors with quicker access to capital and liquidity. 				
BRSR Core – Framework	<ul style="list-style-type: none"> SEBI introduced BRSR Core – Framework for assurance and ESG disclosures for value chain. Environmental, Social and Governance (ESG) is a framework that helps stakeholders understand how an organization is managing risks and opportunities related to ESG criteria. SEBI amended Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard to bring following changes: 				
	<table border="1"> <tr> <td>BRSR (Business Responsibility and Sustainability Report) Core and updated BRSR</td> <td> <ul style="list-style-type: none"> BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) under 9 ESG attributes. <ul style="list-style-type: none"> Through BRSR reporting, SEBI has defined ESG disclosures in a standardized manner for the listed companies. Keeping in view relevance to Indian / Emerging market context, few new KPIs have been identified for assurance such as job creation in small towns, openness of business, gross wages paid to women etc. </td> </tr> <tr> <td>ESG Disclosures for value chain</td> <td> <ul style="list-style-type: none"> Will be applicable to top 250 listed entities (by market capitalization) from FY 2024-25. Disclosures for value chain will be made by listed company as per BRSR Core as part of its annual report. <ul style="list-style-type: none"> Value chain shall encompass top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively. </td> </tr> </table>	BRSR (Business Responsibility and Sustainability Report) Core and updated BRSR	<ul style="list-style-type: none"> BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) under 9 ESG attributes. <ul style="list-style-type: none"> Through BRSR reporting, SEBI has defined ESG disclosures in a standardized manner for the listed companies. Keeping in view relevance to Indian / Emerging market context, few new KPIs have been identified for assurance such as job creation in small towns, openness of business, gross wages paid to women etc. 	ESG Disclosures for value chain	<ul style="list-style-type: none"> Will be applicable to top 250 listed entities (by market capitalization) from FY 2024-25. Disclosures for value chain will be made by listed company as per BRSR Core as part of its annual report. <ul style="list-style-type: none"> Value chain shall encompass top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively.
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Related News

Dabba (Box) Trading

- National Stock Exchange (NSE) **issued notices naming entities involved in dabba trading**.
- Dabba trading is **informal trading** that takes place **outside the purview of stock exchanges**.
 - Traders bet** on stock price movements **without incurring a real transaction** to take physical ownership of a particular stock as is done in an exchange.
- Since **there are no proper records** of income or gain, it **helps dabba traders escape taxation**.
- It is **recognised as an offence** under **Securities Contracts (Regulation) Act (SCRA), 1956**.

5.3. FOREIGN PORTFOLIO INVESTMENT (FPI)

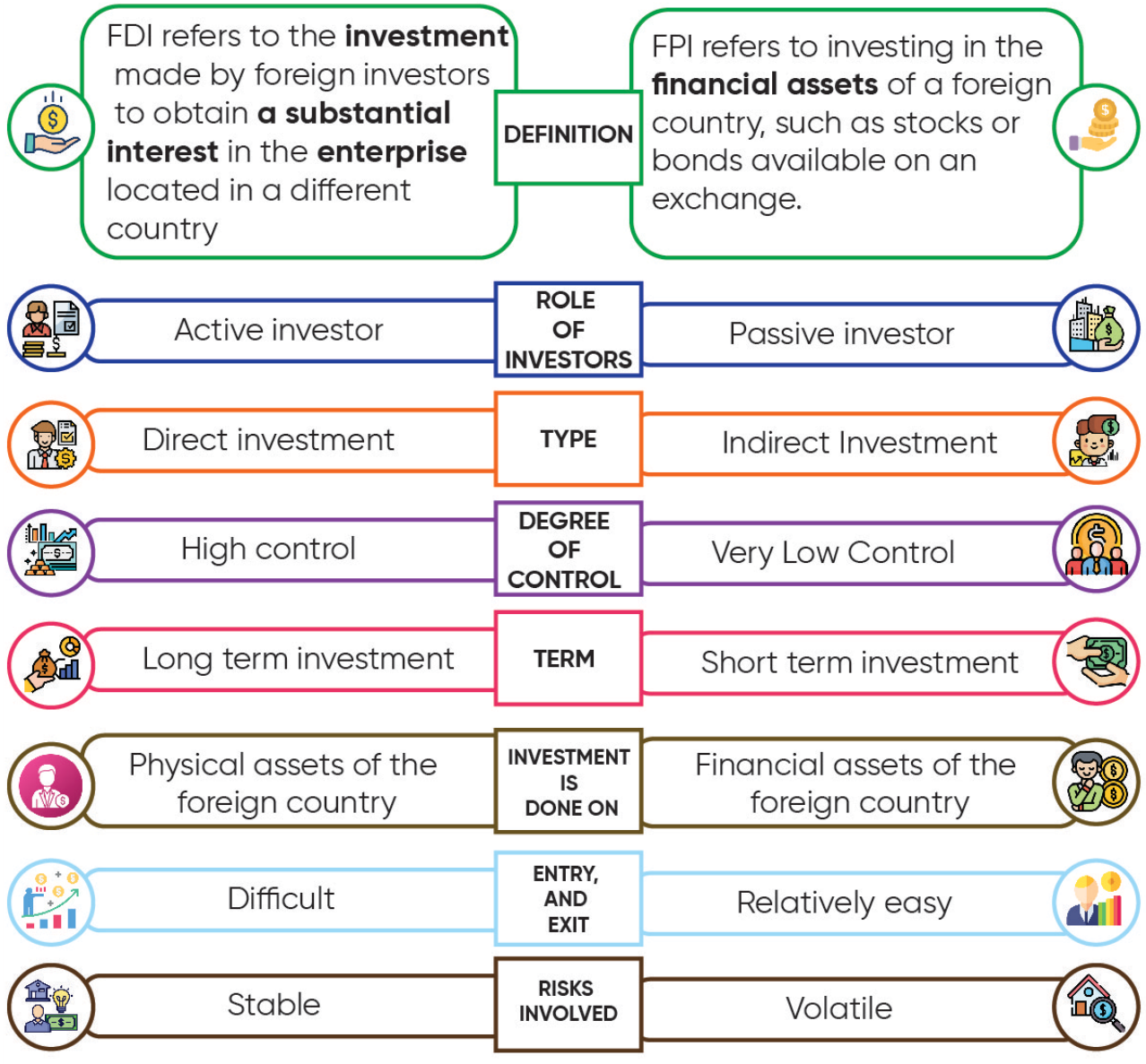
Why in the news?

The Securities and Exchange Board of India (SEBI) released a Consultation Paper on a framework for mandating **additional disclosures from identified high-risk Foreign Portfolio Investors (FPIs)**.

Existing Provisions for FPIs in India

- Regulated by SEBI:** under SEBI (Foreign Portfolio Investors) Regulations, 2019 ('FPI regulations').
 - SEBI has **prescribed certain limits on the investment** that FPIs can make in Indian securities.
- Legislative provision: Foreign Exchange Management Act, 1999 (FEMA)** is the primary legislation governing FPI in India.
 - Prevention of Money Laundering Act, 2002 (PMLA)** and the Prevention of Money Laundering (Maintenance of Records Rules), 2005 (PML Rules) are the additional legislations.

Comparison of Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)



Issues identified with FPIs

- **Circumvention of Press Note 3 (PN3) stipulations:** PN3 requires that an **entity of a country** that **shares a land border** with India **can invest only under the Government route**.
 - Since PN3 does not apply to FPI investments, the **FPI route could potentially be misused to circumvent the stipulations of PN3**.
- **Failure to disclose Related Party Transactions (RPTs):** RPTs are arrangements or deals between entities with a common interest or a relationship – by companies.
 - The framework for **FPI allows indirect circumventing** of the RPT disclosure requirements.

SEBI's proposal for FPI regulation

- **Categorisation of FPIs:** FPIs may be categorised as:
 - **Low-Risk FPIs:** Government and related entities such as central banks, sovereign wealth funds, etc.
 - **Moderate-Risk FPIs:** Pension Funds or Public Retail Funds with widespread and dispersed investors in such funds.
 - **High-Risk FPIs:** All other FPIs.
- **Enhanced transparency measures for high-risk FPIs** such as fully identifying all holders of ownership, disclosure of economic, and control rights etc.
- **Additional Disclosure:** For requiring additional disclosures, the above risk categorisation is to be coupled with either the quantum of **concentrated investments by FPIs** or the **size of the overall Assets Under Management (AUM)**.

5.4. CORPORATE DEBT MARKET

Why in the news?

Recently, SEBI released a framework for rolling out the Corporate Debt Market Development Fund (CDMDF).

About CDMDF

- **Fund:** CDMDF, established as an **alternate investment fund**, will purchase **investment-grade corporate-debt securities** during **market stress**.
 - **Alternate Investment Fund (AIF)** refers to any privately pooled fund established or incorporated in India for investing. (These funds are collected from sophisticated investors such as Angel investors, Venture capitalists etc.)
 - **Investment grade** refers to the quality of a company's credit. The company must be rated at 'BBB' or higher to be considered an investment grade issue.
- **Objective:** During market stress, the Debt Market faces redemption pressures in the open market (especially schemes with long maturity periods). CDMDF will help the market by providing liquidity access in such times.
 - The fund aims to emulate the RBI's liquidity support for the banks in the context of the Corporate Debt Market.
- **Contribution:** Contribution to the fund shall be mandatory for specified debt-oriented MF Schemes and Asset Management Companies (AMCs).
- **Tenure:** Initially **15 years**, it can be extended as per SEBI's mandate.

Corporate Debt Market

- **Bond/credit market or fixed-income market** is the collective name given to all trades and issues of debt securities.
 - Broadly divided into **Government Debt Market** and **Corporate Debt Market**.
- **Issue:** Companies issue **corporate bonds** to finance current operations, expand product lines, or open new manufacturing facilities.
- **Nature:** Corporate bonds usually describe longer-term debt instruments that provide a maturity of at least one year.
- **Regulation:** SEBI has jurisdiction over the **corporate debt market**.
 - The **regulatory jurisdiction between the SEBI and RBI** was clarified in 2000 by an amendment to the **Securities Contract (Regulation) Act 1956**.
 - Under this, **RBI's regulatory jurisdiction** includes **money market** and **government securities**.
- **Status of the Market in India: Outstanding Corporate bonds in India**, as a percentage of GDP, stood around 17% in March 2022.
 - The same figures for other emerging Asian economies are much higher: **South Korea (>80%), Malaysia (>50%), China (~ 40%)**

Significance of Corporate Debt Market

- **Investment needs:** To shift from a **consumption-driven to an investment-led economy**, as emphasised by the **Economic Survey 2018-19**.
- **Efficient allocation of resources:** Additional avenues for corporates to raise funds cost-effectively and reduce reliance on bank finances.
- **Health of corporate balance sheet:** Reduce corporate reliance on External Commercial Borrowing (ECBs), which is subject to volatility in the international market.

5.5. INVESTOR SERVICES FUND (ISF) AND INVESTOR PROTECTION FUND (IPF)

Why in the news?

Securities and Exchange Board of India (SEBI) came out with the comprehensive **guidelines for Investor Protection Fund (IPF) and Investor Services Fund (ISF)** maintained by stock exchanges and depositories.

Investor Protection Fund (IPF)

The objective of establishing an IPF is to **protect the interests of participants** (like stockbrokers and investors) of the Exchange.

- **Establishment:** All stock exchanges and depositories shall **establish an IPF**.
 - A depository is a financial institution or organization that **accepts deposits from businesses & individuals and assists in buying and selling financial instruments**, such as stocks and bonds.
 - ✓ For example, demat accounts can be opened in India only in depositories- Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL).
- **Administration:** The IPF of the stock exchange and depository shall be **administered through separate trusts** created for the purpose.
- **Segregated funds:** The stock exchange and depository shall ensure that the **funds in the IPF are well segregated** and that their **IPF is immune from any liabilities of the stock exchange and depository respectively**.
- **Review:** The stock exchanges and depositories shall conduct a **half-yearly review** to ascertain the adequacy of the IPF corpus.

	Contribution to IPF	Utilization of IPF
Stock Exchanges	<ul style="list-style-type: none"> • 1% of listing fee received. • 100% of interest earned on 1% security deposit kept by the issuer companies at the time of offering of securities for subscription to the public. • Penalty collected from Trading Members and from listed companies for non-compliance with SEBI regulations. • At least 70% of interest or income received out of any investments made from IPF. 	<ul style="list-style-type: none"> • To meet the legitimate investment claims of the clients of the defaulting Trading Managers (TMs). • To pay interim relief to investors.
Depositories	<ul style="list-style-type: none"> • 5% of their profits from depository operations. • All fines and penalties from Depository Participants and other members. • Interest or income received out of any investments made from the IPF. 	<ul style="list-style-type: none"> • Promotion of investor education and investor awareness programmes aimed at enhancing securities market literacy and promoting retail participation in securities market. • To meet the legitimate claims of the beneficial owners.

Investor Services Fund (ISF)

ISF aims to provide **different kinds of services to the investing public** such as investor education and awareness programs, dissemination of companies' information etc.

- **Funding:** The stock exchange shall set aside **at least 20% of the listing fees** received for ISF for providing services to the investing public.
- **Supervision:** Supervision of the ISF will rest with the **Regulatory Oversight Committee.**
 - The Regulatory Oversight Committee is **one of the seven committees for Market Infrastructure Institutions (MIIs)** specified by Stock Exchanges and Clearing Corporations) Regulations, 2018.
 - ✓ MII is a **financial entity that provides essential infrastructure for running the daily operations in the Stock Market/Capital Markets.** For example, Stock exchanges, depositories and clearing houses are all MIIs.
- **Utilization of ISF of Stock Exchange:**
 - Promotion of **investor education and investor awareness** programmes.
 - At least **50%** of the corpus should be spent in **Tier II & Tier III cities.**
 - Cost of **training of arbitrators.**
- **Transfer of un-utilized IPF/ISF:** If a stock exchange or a depository is wound up or derecognized or exits, then the balance in the IPF and/or ISF lying un-utilised with the stock exchange and depository shall be transferred to **Investor Protection and Education Fund (IPEF)** of SEBI.

Investor Protection and Education Fund (IPEF)

- IPEF has been **established by SEBI in 2007** and it is regulated under the SEBI (IPEF) Regulations 2009.
- It is utilized for the **protection of investors and the promotion of investor education and awareness.**
- It is **funded** through contributions made by SEBI, grants and donations by central government or state governments, security deposits and amounts in IPF/ISF of derecognized stock exchanges etc.

5.6. SOCIAL STOCK EXCHANGE

Why in the news?





Recently, the Securities and Exchange Board of India (SEBI) approved certain **flexibility in the framework for the Social Stock Exchange (SSE).**

Flexibilities highlight that funding can done through:

- **Issuance of Zero Coupon Zero Principal (ZCZP) bonds and donations through Mutual funds** for NPOs.
 - ZCZP is **issued only by an NPO** registered on an SSE and has a specific tenure.
 - **It neither offers interest nor returns the principal.** Objectives behind these donations are welfare and tax benefits.
- **Issuance of Equities and debt instruments** for FPEs.

About Social Stock Exchange

- SSE is a **segment of the existing Stock Exchange** that can **help Social Enterprises**, such as NPOs or For-Profit Enterprises (FPEs), to **raise funds from the public** through the stock exchange mechanism.
- **Eligible activities for demonstrating primacy of Social Impact includes Eradicating hunger, poverty, malnutrition, and inequality, promoting education, financial inclusion, slum area development etc.**

Entities not eligible to be identified as a Social Enterprise			
			
Corporate foundations	Political or religious organizations or activities	Professional or trade associations	Infrastructure, and housing companies, except affordable housing

- Eligible criteria to be recognised as Social Enterprises is predominance of any of the following:

Revenues	Expenditure	Beneficiaries
<ul style="list-style-type: none"> At least 67% of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of target population. 	<ul style="list-style-type: none"> At least 67% of the immediately preceding 3-year average of expenditures has been incurred for providing eligible activities to members of the target population. 	<ul style="list-style-type: none"> Members of target population to whom eligible activities have been provided constitute at least 67% of the immediately preceding 3-year average of total customer base and/or total number of beneficiaries.

ENGLISH MEDIUM
15 FEB | 5 PM

हिन्दी माध्यम
23 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, 2023 to April, 2024
- Live** and **online** recorded classes that will help distance learning students and who prefers flexibility in class timing

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6. EXTERNAL SECTOR

6.1. EXCHANGE RATE MANAGEMENT IN INDIA

Why in the news?

Indian rupee's valuation against currencies of major trading partners has **surged to a near two-year high** on central bank intervention and elevated domestic inflation.

What is Currency Valuation?

- It refers to the process of determining the **relative worth or value of one currency in terms of another**.
- The most common method to value currency is through **exchange rates**.
 - It is **influenced by several factors** including interest rates, Inflation, capital flow, money supply etc.

Methods for Exchange Rate Determination

- **Fixed Exchange Rates: Value of a currency is pegged/fixed** to the value of another currency/ basket of currencies/a commodity like gold.
 - Central banks **actively intervene** to maintain the fixed rate.
- **Flexible/Floating Exchange Rates: Determined by the market forces** i.e., demand and supply of currency in international markets.
 - Central Bank **does not intervene** directly.
- **Managed Exchange Rates: Determined by market forces** but central banks **may occasionally intervene** to influence the exchange rates.

Exchange Rate Determination in India	
Currently Nominal and Real Effective Exchange Rate (NEER and REER) evaluations are used.	
NEER is weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies	REER is weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries

Effects of Exchange Rate

- **Inflation:** An **over-valued currency** can contribute to **lower inflation** by reducing the cost of imported goods and services and vice versa.
- **Interest Rates:** Central banks may respond to a strengthening currency by **lowering interest rates** to stimulate economic activity and vice versa.
- **Economic Growth:** While a stronger currency can contribute to lower inflation, it may reduce export-driven sectors, **consequently a decline in overall economic growth**.
- **Trade:** A stronger currency may contribute to **trade deficits as exports become less competitive** and **imports become more attractive** to domestic consumers.
- **Capital Flow:** A stronger currency **may attract more foreign direct investment** as investors seek higher returns due to currency appreciation.

Do you know ?

> **Gresham's Law** says in a fixed exchange rate system, **"bad money drives out good"**. It causes **undervalued currency to go out of circulation**. Overvalued currency remains in circulation but it does not find enough buyers.

6.2. FOREIGN TRADE POLICY 2023

Why in the news?

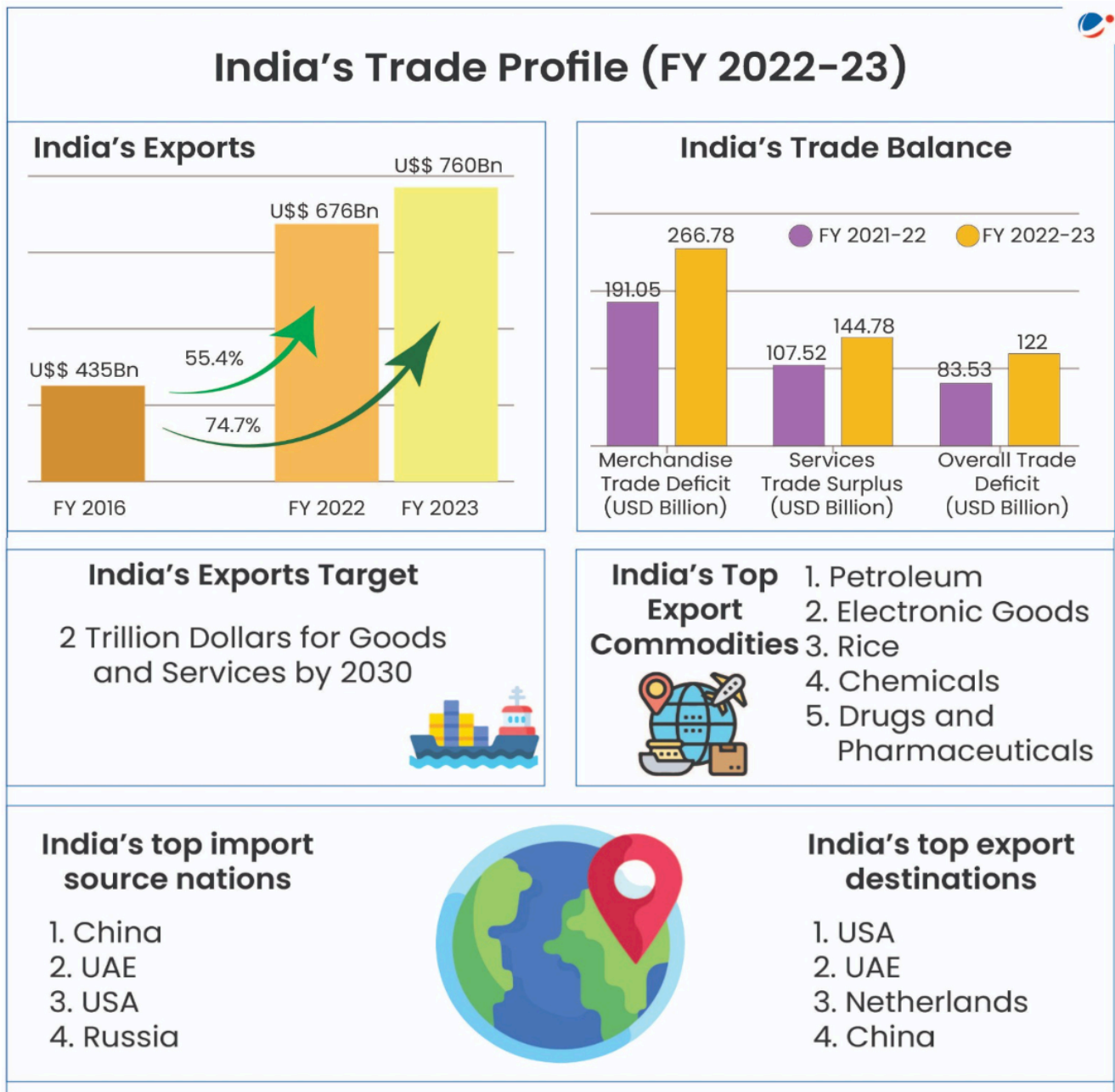
The Union Ministry of Commerce and Industry notified the Foreign Trade Policy 2023.

About FTP 2023

- **Notification:** Notified by the Central Government, in the exercise of powers conferred under **Section 5 of the Foreign Trade (Development & Regulation) Act, 1992**.
- **Based on Principles:** such as **responsiveness to the requirements of trade** and **'trust' and 'partnership' with exporters**.

- **FTP 2015-20:** It was extended due to the COVID-19 pandemic and volatile geo-political scenario **till March 2023.**
 - India has reached **record high Export Performance.**
- **Four Pillars of New FTP Approach**
 - From Incentives to **tax Remission**
 - **Greater Trade Facilitation** through technology, automation, and continuous process re-arranging.
 - **Export Promotion through collaboration:** exporters, states, districts.
 - **Focus on Emerging areas- E Commerce exports,** developing districts as export hubs, streamlining SCOMET Policy.

PT 365 - Economy



***Please note that the data in the infographic pertains to the year 2022-23. Although, updated data on these areas is available for monthly basis, yearly compilations for 2023-24 are not yet available.**

In the subsequent three articles, initiatives stated by the FTP 2023 have been covered.

6.2.1. TRADE FACILITATION AND EASE OF DOING BUSINESS (EODB), FTP 2023

Initiatives taken

- **National Committee on Trade Facilitation (NCTF):** To facilitate coordination and implementation of WTO's Trade Facilitation Agreement (TFA).
 - **WTO's TFA** came into force in **2017** to **address the issue of "red tape" across borders** and streamline the movement of goods.
- **Initiatives by Directorate General of Foreign Trade (DGFT):** Facilitator of exports and imports. It also consults various Export Promotion Councils and Trade and Industry Bodies.
 - **Niryat Bandhu:** Being implemented for mentoring new and potential exporters.
 - **Issuance of e-IEC (Electronic-Importer Exporter Code):** IEC is a 10-character alpha-numeric number allotted to an entity and is **mandatory for undertaking any export/import activity**.
 - **e-Certificate of Origin (e-CoO):** Online facility for CoO. e-CoO has a unique number i.e., **UDIN (Unique Document Identification Number) and a QR code** for validation.
- **Towns of Export Excellence (TEE):** For development and growth of export production centres.
 - Selected towns **producing goods of Rs. 750 Crore or more** may be notified as TEE based on the potential for growth in exports (TEE in Handloom, Handicraft, Agriculture and Fisheries sector, **threshold limit would be Rs.150 Crore**).
- **Rationalization of the criteria of Status Holder Certification:** "Status Holder" certificate is to recognize exporter firms as **business leaders** who have excelled in international trade and have contributed to the country's foreign trade.
 - Ministry of Commerce & Industry unveiled system-based **automatic 'Status Holder' certificates** under **Foreign Trade Policy 2023**.



6.2.2. EXPORT PROMOTION INITIATIVES BY FTP 2023

Districts as Export Hubs Initiative

- **State Export Promotion Committee & District Export Promotion Committee (DEPC)** to strategize exports at the State and district level respectively.
 - **District Export Action Plans (DEAPs)** will be prepared by DEPCs alongwith their online monitoring.
- **Export promotion outreach programs** in districts to focus on branding, packaging, design and marketing of identified products & services.
- **Convergence of ongoing schemes** to support these initiatives.

Export Promotion of Capital Goods (EPCG) Scheme

- **Objective:** To **facilitate the import of capital goods** for producing quality goods and services and enhance India's manufacturing competitiveness.
 - It allows the **import of capital goods at zero customs duty**.
- **Capital goods** are man-made, durable items that businesses use to produce consumer goods and services. **Tools, machinery, buildings, vehicles, computers, and construction equipment** are types of capital goods.
- **Eligibility:** It covers **manufacturer exporters, merchant exporters, and service providers** who are certified as Common Service Providers (CSP) by the DGFT.
 - **Manufacturer Exporter** is a person who exports goods manufactured by him or intends to export such goods.
 - **Merchant Exporter** is a person engaged in trading activity and exporting or intending to export goods.
- **Export Obligation:** Imports under EPCG are subject to Average Export Obligation (AEO). However, some sectors have been **exempted from AEO requirements**.



Export Promotion Units

- **Objective:** To promote exports, enhance foreign exchange earnings, and attract investment for export production and employment generation.
- **Eligible units:** Units which export their entire production of goods and services, may be set up under the **Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme or Bio-Technology Park (BTP) Scheme** for the manufacture of goods.
 - **Trading units are not covered** under these schemes.

Deemed Exports

- **Definition:** Deemed Exports refer to those transactions in which **goods supplied do not leave the country, and payment for such supplies is received either in Indian rupees or in free foreign exchange.**
 - In simpler terms, under deemed export, the goods can be sold within India to anybody who holds a licence for the import of these very goods.
 - ✓ The seller selling the said goods against an import licence is the deemed exporter and the buyer is the deemed importer.
- **Objective:** To provide a **level-playing field to domestic manufacturers** and to promote Make in India.

6.2.3. OTHER KEY INITIATIVES BY FTP 2023

Promoting Cross Border Trade in Digital Economy

- **E-Commerce Export Hubs (ECEHs):** To establish designated areas as ECEHs, which would act as a **centre for favourable business infrastructure and facilities** for Cross Border E-Commerce activities.
 - **Creation:** ECEH may be set up through private initiative and in Public-Private Partnership (PPP) mode.
 - **Nature of ECEH operations:** ECEH will function to achieve **agglomeration benefits** like certification & testing facilities and dedicated logistics infrastructure among others.
 - **Entitlements:** ECEH may be provided with **financial assistance under the Market Access Initiative (MAI) scheme.**
- **Promotion of e-commerce exports through postal route:** **Dak Ghar Niryat Kendras** shall be operationalised throughout the country to work in a **hub-and-spoke model** with Foreign Post Offices (FPOs) to facilitate cross-border e-Commerce.












Duty Exemption / Remission Schemes

- **Advance Authorisation (AA):** Imports under AA are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable.
- **Duty-Free Import Authorization (DFIA):** Duty-Free Import Authorisation shall be **exempted only from payment of Basic Customs Duty (BCD).**
- **Schemes for Remission of Duties and Taxes on Exported Products (RoDTEP):** Its objective is to **refund, currently unrefunded duties/taxes/levies, at the Central, State and local level, borne on the exported product.**
 - It was **notified by the Department of Commerce, Ministry of Commerce and Industry** and is administered by the **Department of Revenue, Ministry of Finance.**

SCOMET: Special Chemicals, Organisms, Materials, Equipment and Technologies

- **Regulation of dual-use items:** In consonance with the guidelines and control lists of international conventions and obligations as well as Multilateral Export Control Regimes (MECRs), India has **regulated the exports of dual-use items, nuclear-related items, including software and technology viz. SCOMET.**
 - It is **either prohibited or permitted under an authorization** unless specifically exempted.
- **SCOMET list:** It is **India's National Export Control List** and is aligned to the control lists of all the MECRs and conventions.
 - SCOMET items are regulated under the **Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005.**
 - Imported goods covered under the SCOMET list are **not permitted for export.**

- **Outreach Programmes on SCOMET:** Will be organized by DGFT in association with Administrative Ministries/Departments and Trade Associations for effective awareness among the exporters/importers dealing with trade and manufacture, in particular, of SCOMET items.

SCOMET Category	 SCOMET items	 Jurisdictional Licensing Authority
0	 Nuclear materials, nuclear-related other materials, equipment and technology	Department of Atomic Energy (DAE)
1	 Toxic chemical agents and other chemicals	Directorate General of Foreign Trade (DGFT)
2	 Micro-organisms, Toxins	DGFT General
3	 Materials, Materials Processing Equipment and related Technologies	DGFT
4	 Nuclear-related other equipment and technology, not controlled under Category '0'	DGFT
5	 Aerospace systems, equipment, including production and test equipment, and related Technology and specially designed components and accessories thereof.	DGFT
6	 Munitions List	Department of Defence Production (DDP)/ Ministry of Defence
7	 'Reserved'	DGFT
8	 Special Materials and Related Equipment, Material Processing, Electronics, Computers, Telecommunications, Information Security, Sensors and Lasers, Navigation and Avionics, Marine, Aerospace and Propulsion.	DGFT

6.3. FREE TRADE AGREEMENTS (FTA) OF INDIA

Why in the news?

Recently, the Union Cabinet approved signing and ratification of Bilateral Investment Treaty (BIT) with United Arab Emirates (UAE).

About BIT


- BIT is a **reciprocal agreement for according protection to investments** by national and companies of One state in another state.

Kindly note that the details of the BIT and India-UAE relations will be covered in International Relations (IR) edition of PT 365.


About Free Trade Agreement (FTA)

- FTA is a **treaty between two or more countries** that reduces or eliminates barriers to trade between the countries.
- **FTAs usually cover** trade in goods or services.


Types of FTAs




Economic Union: Common market where members **integrate monetary** and **fiscal policies**




Common Market: Custom union where members allow the **movement of labor and capital**



Custom Union: Members apply a **common external tariff for non-members**



Free Trade Agreement (FTA): Members **reduce tariffs** on trade among themselves



Preferential Trade Agreement (PTA): Reducing duties on an **agreed number of products**

- FTAs can also cover **other intellectual property rights (IPRs), investment, government procurement, and competition policy.**
- FTA is essentially **a discriminatory system in contrast to the fundamental principle of the WTO.**
 - However, **FTAs are authorised under the WTO.** A country may enter an FTA if it observes certain conditions stipulated in the relevant provisions of the WTO agreements.

India's FTA

- India has signed **13 FTAs with various countries.**
 - These include Sri Lanka, Nepal, Bhutan, Thailand, Singapore, South Korea, Japan, Malaysia, Mauritius, United Arab Emirates and Australia.
- Exports to countries/regions with which India shares trade agreements such as FTAs have registered a **growth of 20.75% in the last five years.**
- **Recent developments in FTAs of India:**
 - **Innovative design:** For the first time, India has included **digital trade within the ambit of its FTA with UAE.**
 - **Addressing NTBs:** Recently, signed FTAs like Australia-India also address the non-tariff barriers (NTBs).
 - **Focus on the services sector:** Previous agreements did not pave for a robust trade in services.
 - **Natural trading partners:** The trade baskets of these nations show a good degree of complementarity, thus classifying them as natural trading partners.
 - **India-ASEAN FTA:** India and the Association of Southeast Asian Nations (ASEAN) have agreed to **conclude the review of the existing FTA in goods by 2025.**

6.4. GLOBAL TRADE BARRIERS

Why in the news?

The World Trade Organization (WTO) flagged **growing fragmentation in international trade** with an **over-ninefold increase in the number of trade concerns** raised between 2015 and 2022.

What are Trade Barriers?

- **Definition:** A trade barrier refers to any **regulation or policy that restricts international trade**, especially tariffs, quotas, licences etc.
- **Types:** There can be **tariff and non-tariff barriers to trade.**
 - **Tariff Barriers:** Simply, a tariff barrier is a tax and it adds to the cost borne by consumers of imported goods.
 - **Non-Tariff Barriers (NTBs):** Non-Tariff Measures (NTMs) are policy measures apart from tariffs that impact imports into a country. When NTMs become arbitrary, beyond scientific justification and create hurdles for trade, they are called NTBs.
 - ✓ The UN Conference on Trade and Development (UNCTAD) classifies **16 types of non-tariff barriers** including-
 - **Technical barriers** like Sanitary and phytosanitary measures etc.
 - **Non-technical barriers** like trade-protective measures, Rules of Origin (RoO), Trade related Investment measures etc.
 - **Export** related measures.

Impact of trade barriers on Indian Industry

- According to an assessment, **80% of India's trade is subject to some NTBs.**
- The **key Indian exports routinely facing high NTBs:**
 - Tea, Basmati Rice, Animal Products, Chemicals Products to the EU;
 - Sesame seed, Shrimps, Medicines, Apparels to Japan;
 - Meat, fish, dairy and industrial products to China;
 - Fruits and Shrimps to USA;
- **Sanitary and Phytosanitary Measures** are main constraints to Indian Exports in advanced economies.

Related news

United Nations Conference on Trade and Development (UNCTAD) released Trade and Development Report 2023.

• **Key Findings of the Report**

- **Global Economic Outlook:** The world economic growth is **projected to be 2.4% in 2023**.
- **India's Economic Projections:** India's economic growth is forecasted to be **6.6% (in 2023) and 6.2% (in 2024)**.

• **About UNCTAD**

- **Genesis:** Established by United Nations Assembly in 1964. A permanent intergovernmental body of the United Nations
- **Membership:** 195 members including India.
- **Mandate:** UNCTAD's work focuses on four main areas – trade and development, investment and enterprise, technology and innovation, and macroeconomics and development policies.
- **Functions:**
 - ✓ Helps **developing countries participate more equitably** in the global economy.
 - ✓ **Supports developing countries efforts** to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development.

Other reports by UNCTAD

- Trade & Development Report**

- World Investment Report**

- Digital Economy Report**

- Technology and innovation Report**

- Review of Maritime Transport**

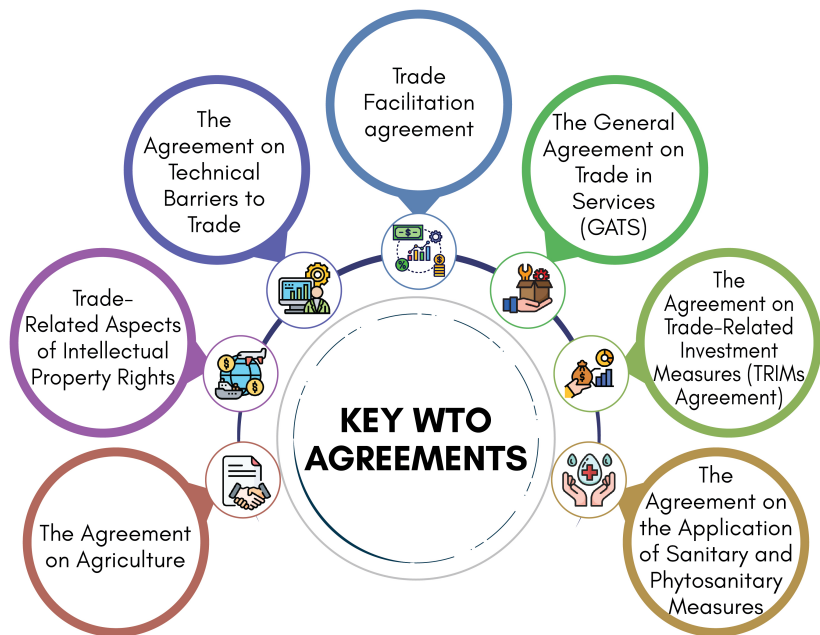
6.5. WORLD TRADE ORGANISATION (WTO)

Why in the news?

India appealed against a ruling by the World Trade Organization (WTO) dispute settlement body that India violated its zero-tariff commitment under the Information Technology Agreement (ITA).

About Dispute Settlement at WTO

- There are **two main ways to settle a dispute** once a **complaint has been filed in WTO**:
 - **Parties find a mutually agreed solution.**
 - **Through adjudication**, including the **subsequent implementation of panel and Appellate Body reports.**
- There are **three main stages to the WTO dispute settlement process**.
 - **Consultations between the parties;**
 - ✓ **If both sides are not able to resolve** the matter through consultation, either of them can approach for **establishment of a dispute settlement panel.**
 - **Adjudication by panels** whose ruling or report **can be challenged at WTO's appellate body;**
 - ✓ At present, **functioning of appellate body is impacted** due to **USA blocking appointments** to Appellate Body.
 - **Implementation of the ruling** which includes possibility of countermeasures in the event of failure by parties in implementing the ruling.



World Trade Organization (WTO)

- WTO is the **only global forum for setting the rules of international trade.**
 - It facilitates trade negotiations, monitors implementation of trade agreements and serves as a forum for settling trade disputes between countries.
- **Marrakesh Agreement** that **established the WTO** was signed in **1994**, at the conclusion of the **Uruguay Round** of Multilateral Trade Negotiations.
 - WTO is the **successor to the General Agreement on Tariffs and Trade (GATT)**, a group founded in 1948 whose rules created the modern multilateral trading system.
- It has **164 members including India.**
- **Investment Facilitation Agreement at WTO:**
 - **Launched in 2017 by a group of developing and least-developed WTO members.** It is a joint initiative aims at developing a multilateral agreement on Investment Facilitation for Development that will improve investment and business climate.
 - **It does not include India.**

Related news

Developing Country Status

- Legislation establishes a **US policy against granting China developing country status** in future treaties and international organisations.
- It has been asserted that **China can no longer be considered** a developing country.
- **World Trade Organization (WTO)** has **not defined ‘developed’ and ‘developing’ countries** and therefore **member countries are free to announce** whether they are ‘developed’ or ‘developing’.
 - **UN also has no formal definition** of developing countries, but still **uses the term for monitoring** purposes.

6.6. DE-DOLLARIZATION

Why in the news?

BRICS (Brazil, Russia, India, China and South Africa) nations are in the process of **creating a new currency** for cross-border payments.

More on the news

- **BRICS currency** will be used for **cross-border trade.**
- Also, India and Malaysia have agreed to **settle trade in Indian rupees in addition to current modes of settlement** in other currencies.
- These are seen as a major step towards **de-dollarization.**

What is de-dollarization?

It refers to the process wherein **countries tend to reduce** their reliance on the **US dollar (USD)** as a reserve currency, medium of exchange and as a unit of account.

Determinants of a Global Currency

Open Economy.	Politico-Economic Stability.
Capital Account Convertibility.	Acceptability and Trust.

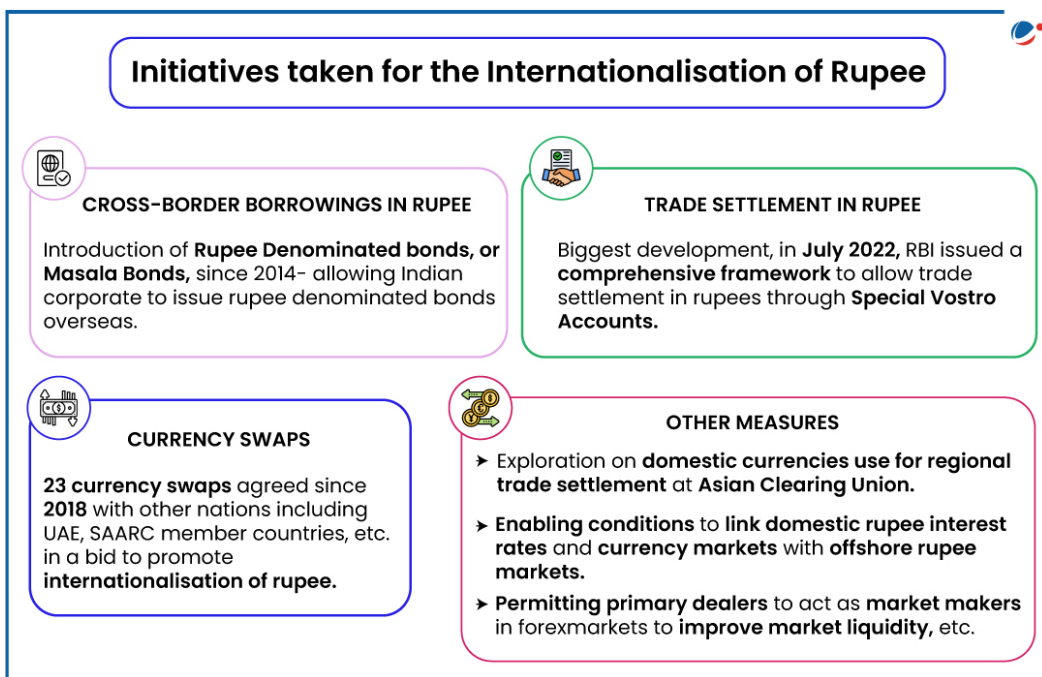
Why De-dollarization is taking root?

- **Weaponization of Trade:** Imposition of **sanctions** and the exclusion from **SWIFT (Society for Worldwide Interbank Financial Telecommunication)** creates impediments for countries to carry out trade. For instance, **sanctions were imposed on Russia after the Ukraine war.**
- **New Emerging Economies: Rise of Asia** as an **economic powerhouse** has raised the importance of currencies like the **Indian rupee** and the **Yuan.**
- **Visible benefits of diversification:** Multi-currency foreign currency reserves reduce the pressure on external sectors.
- **Manipulation by U.S.:** Dominance of the USD allows the U.S. to **manipulate the global financial system** to its **benefit**, often at the expense of others.

Benefits of de-dollarization for India					
Reduction in systemic risks in global financial system	Boost in export competitiveness	Greater control over debt management	Reduction in borrowing costs	Attract foreign investment	Enhanced monetary policy flexibility

Global Initiatives for De-dollarization

- In 2021, the **People’s Bank of China** submitted a **“Global Sovereign Digital Currency Governance”** proposal to the **Bank for International Settlements.**
- **African Continental Free Trade Area (AfCFTA)** is promoting **intra-African trade** using **local currencies.**
- **European Central Bank’s TARGET2 System (2007)** enables EU member countries to conduct trade and financial transactions in euros.



6.7. REMITTANCES

Why in the News?

The World Bank recently released an annual report **“Migration and Development Brief: Leveraging Diaspora Finances for Private Capital Mobilization”.**

Key Findings

- **Global Remittance:** Global remittance flows are estimated at **\$860 billion in 2023** (increase of 3% from 2022).
- **Remittances to Low and Middle-income Countries (LMICs):** Estimated to reach **\$669 billion at 3.8% growth** in 2023.

- Remittances continued to be the **premier source of external finance for LMICs** during 2023, relative to FDI and official development assistance.
- **Remittances' growth in South Asia is projected to be the highest** (\$89 billion) among LMICs in 2024, attributable entirely to remittance flows to India.

Importance of remittances

- **From a macro perspective:** Remittances increase consumption in the economy as the disposable income of families increases. This helps in **pushing up the GDP growth**.
 - Remittances account for a significant chunk of **nearly 3% of India's GDP**. When India's trade deficit widens, remittances provide a much-needed cushion.
 - **Disposable income** is the amount of money that an individual or household has to spend or save after income taxes have been deducted.
- **A Major Source of External Finance for Developing Countries.**
 - Remittances are the **second largest major source of external financing** after service export. (**Economic Survey 2022-23**).

Remittance

Remittance refers to the transfer of money by individuals, typically migrant workers, to family members in their home countries.

Top 3 Recipients of Remittances in 2022 (In Absolute Number) <ul style="list-style-type: none"> ▸ India ▸ Mexico ▸ China 	Top 3 Recipients of Remittances in 2022 (As % of GDP) <ul style="list-style-type: none"> ▸ Tajikistan ▸ Tonga ▸ Lebanon
State wise share of Remittance Receipts (Top 3 in 2020-21) <ul style="list-style-type: none"> ▸ Maharashtra ▸ Kerala ▸ Tamil Nadu 	Country-wise Share in Inward Remittances to India in 2020-21 <ul style="list-style-type: none"> ▸ United States (23.4%) ▸ United Arab Emirates (18.0%) ▸ United Kingdom (6.8%)

The World Bank Group

- **The International Bank for Reconstruction and Development (IBRD)** is a global development cooperative owned by 189 member countries.
 - As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries.
- **The International Development Association (IDA)** is the part of the World Bank that helps the world's poorest countries.
 - Established in 1960, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.
- **The International Finance Corporation (IFC)** is the private sector arm of the World Bank Group and shares its mission to reduce global poverty.
- **Multilateral Investment Guarantee Agency (MIGA)** was created to complement public and private sources of investment insurance against non-commercial risks in developing countries.
- **International Centre for Settlement of Investment Disputes (ICSID)** is an autonomous international institution established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID or the Washington Convention).

Key publications of World Bank Group		
Doing Business Reports	Global Economic Prospects	Global Financial Development Report
Commodity Markets Outlook	Poverty and Shared Prosperity	World Development Reports

6.7.1. LIBERALISED REMITTANCE SCHEME (LRS)

Why in the news?

Under the RBI's Liberalised Remittance Scheme (LRS), the finance ministry has included the overseas use of credit cards by an Indian resident within the \$250,000 limit per financial year (April - March).

More on the news

- **Current status:** Until now, a provision in the **Foreign Exchange Management (Current Account Transactions) (FEM(CAT)) Rules, 2000** excluded resident Indian's overseas use of credit cards during foreign travel from the \$250,000 cap.
 - **Debit card transactions** abroad are **already accounted for in LRS**.
- **FEM (CAT) Rules:** They have been brought out under the **Foreign Exchange Management Act, 1999, (FEMA)**.
 - Under FEMA, **all resident Indians** are free to **buy or sell foreign exchange for any current account transaction** except for those transactions for which withdrawal of foreign exchange has been prohibited by the Central Government.
- **Demographic Affected:** The regulation will impact **spending by High Net-worth Individuals (HNIs)** during foreign visits.

Applicability of Tax Collected at Source (TCS)

- TCS is a type of **tax collected by the seller of selected goods and services from the buyer**, and in the context of foreign remittance transactions, this tax is **collected when individuals send money abroad**.
- Union Budget 2023-24 proposed maintaining **5% TCS for foreign remittances** exceeding Rs 7 lakh towards **education and medical treatment**.
 - Similarly, it proposed **no change in the 0.5% TCS** on foreign remittances **exceeding Rs 7 lakh towards education** through loans from financial institutions.
 - However, for foreign remittances for **other purposes under LRS and purchase of an overseas tour programme**, it proposed **hiking the TCS from 5% to 20%**.

Background of LRS

- **Inception:** The LRS scheme was **introduced in 2004**.
- **Objective:** To **liberalize the existing foreign exchange regulations** and **facilitate the smooth transfer of funds abroad** by Indian residents.
- **Application:** All resident individuals are allowed to **freely remit up to \$2,50,000 per financial year** for any permissible **current or capital account transaction** or a combination of both.
 - Individuals require the **RBI's prior permission** to make any remittance above this threshold.
 - The Scheme is **not available to corporates, partnership firms, HUF, Trusts etc.**
 - The remittances can be made in **any freely convertible foreign currency**.

Prohibited vs. Permissible remittances

Prohibited Remittances

- ▶ For purpose specifically **prohibited under Schedule-I or restricted under Schedule II of FEM(CAT) Rules**.
- ▶ For **trading in forex abroad**.
- ▶ **Capital account remittances** to countries identified by FATF as non-cooperative countries.
- ▶ To those individuals and entities **identified as posing risk of committing acts of terrorism**.
- ▶ For **gifting to another resident in foreign currency**.

Permissible Remittances

- ▶ **Private visits to any country** except Nepal and Bhutan.
- ▶ **Gift or donation**.
- ▶ Going abroad for **employment**.
- ▶ **Emigration**.
- ▶ **Maintenance of close relatives** abroad.
- ▶ Travel for **business or conference or specialised training or for medical expenses**.
- ▶ **Studies abroad**.

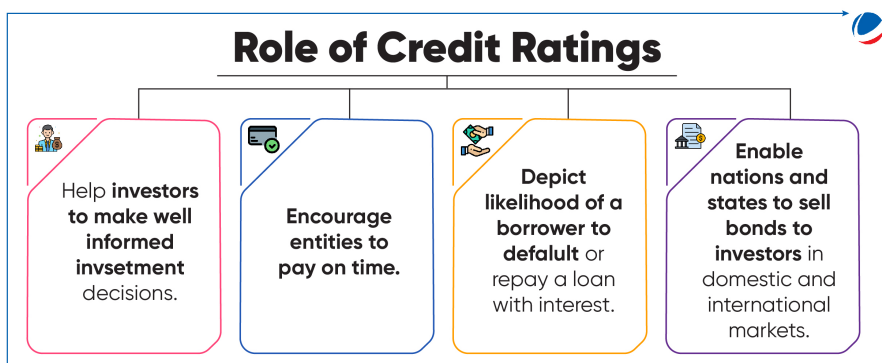
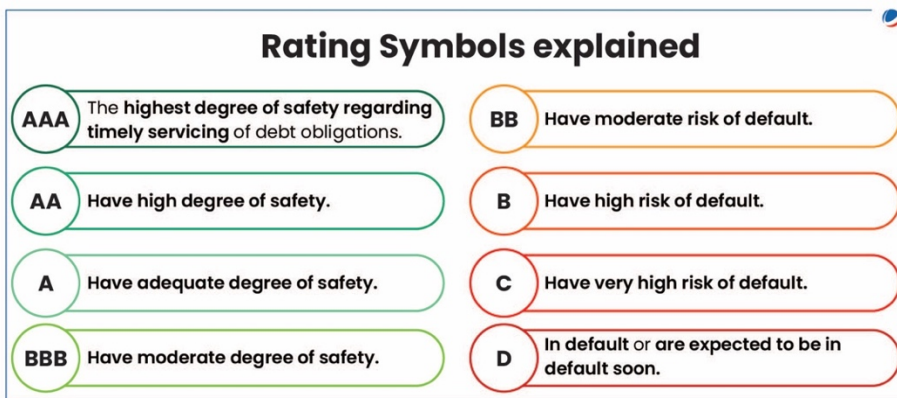
6.8. CREDIT RATING AGENCIES

Why in the news?

Ratings agency **Moody's** has affirmed a **BAA3 rating on India** and maintained a stable outlook on the Indian economy.

Global Credit Rating Agencies (CRAs)

- **Sovereign ratings assess the creditworthiness** of countries and are a key gauge for investors.
- **Covering more than \$66 trillion** in sovereign debt, the **credit ratings agencies** act as gatekeepers to **global capital**.
- Currently, **India is rated investment grade** by three major **Credit Rating Agencies (CRAs)** - **Standard & Poor's(S&P), Moody's and Fitch**.
- There are **several criteria** behind rating a government's creditworthiness -
 - **Political risk, taxation, currency value and labour laws.**
 - **Another is sovereign risk**, where a country's central bank can change its foreign exchange regulations.



Credit Rating in India

- In India, the **Securities and Exchange Board of India (SEBI)** regulates all credit rating firms under the SEBI (Credit Rating Agencies) Regulations, 1999.
- **There are seven credit rating agencies in India:** CRISIL; CARE; ICRA; Acuité Ratings; Brickwork Rating; India Rating and Research Pvt. Ltd., and Infomerics Valuation and Rating Pvt. Ltd.
- **What do they do?**
 - **Empower market participants** with timely information and unbiased opinions.
 - **Help the financial market grow** and be more efficient.
 - Evaluate and assess an **individual's or a company's creditworthiness**.

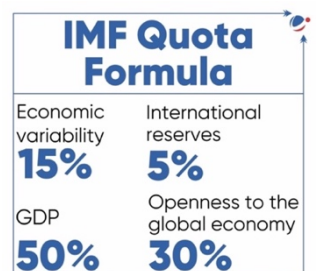
6.9. INCREASE IN IMF QUOTA

Why in the news?

International Monetary Fund (IMF) Executive Board approved a proposal to increase in IMF Quota.

More on the news

- The board **proposes a 50 % quota increase** allocated to members in proportion to their current quotas.
 - Now, the proposal will be considered and voted on by the Board of Governors, after which it will be made effective.
- **Significance of the rise in Quota**
 - Help **safeguard global financial stability** by enhancing the IMF's permanent resources.



- **Reducing reliance on borrowed resources.**
 - ✓ Currently, the Fund relies on **bilateral borrowing arrangements** and pledges to a crisis lending fund called the **New Arrangements to Borrow** for nearly 60% of its lending resources.

About IMF Quota

- Quotas are the **building blocks of the IMF's financial and governance structure.**
 - Quotas are denominated in **Special Drawing Rights (SDRs)**, the IMF's unit of account.
- **Use of Quotas is to determine:**
 - **Resource contribution of a member**
 - **Voting power** in IMF decisions.
 - ✓ Members get **one vote per SDR100,000 of quota** plus basic votes, which are the same for all members.
 - **Amount of loans a member can obtain** from the IMF.
 - **General allocation of SDRs.**
- **India** currently has **Quota of 2.75 %** with voting rights of **2.63%**.

International Monetary Fund (IMF)

- **Genesis:** Founded at the Bretton Woods Conference in 1944.
 - Countries must first join the IMF to be eligible to join the world Bank Group.
- **HQ:** Washington DC
- **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.
- **Member:** 190 including India.
- **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.



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7. AGRICULTURE

7.1. FERTILISERS SECTOR IN INDIA

Why in the news?

Recently, the Cabinet Committee on Economic Affairs (CCEA) has approved a unique package of innovative schemes for farmers with a total outlay of Rs.3.70 Lakh crore.

Key highlights of approved schemes

- **PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother – Earth (PM-PRANAM)**, announced in Budget 2023-24, to incentivize States/ UTs to promote alternate fertilizers and balanced use of chemical fertilizers.
- **Market Development Assistance (MDA) for promoting Organic Fertilizers** from GOBAR-Dhan (Galvanizing Organic Bio-Agro Resources- Dhan) Plants.
 - **GOBAR-Dhan** was launched in 2018 under the Swachh Bharat Mission (Grameen) (SMB-G) to positively impact village cleanliness and **generate wealth and energy from cattle and organic waste**.
- **Introduction of sulphur-coated Urea (Urea Gold)**, for the first time, to address the sulphur deficiency of soil and save input costs for the farmers.
 - **Urea Gold** is **more economical and efficient** than the currently used Neem-coated urea.
- **Urea Subsidy Scheme** (a Central Sector Scheme) has been extended for another three years **till March 2025** to maximize indigenous production of urea to **reach self-sufficiency levels by 2025**.

Fertilizer industry in India

- It is **one of the eight core industries**.
 - **Urea** accounts for over **2/3rd of overall fertiliser consumption**.
 - The major requirement of **potash is met through imports**.
- Fertilizers are classified as **Primary, Secondary and Micronutrients**.
 - **Primary fertilizers** are further classified on the **type of nutrients they supply to soil such as nitrogenous** (urea), phosphatic (Di-Ammonium Phosphate (DAP)) and potassic (muriate of potash (MOP)) fertilizers.
 - **Secondary fertilizer** includes **calcium, magnesium, and Sulphur** while **micronutrients include iron, zinc, boron, chloride** etc.

INDIA'S FERTILISER SECTOR



2nd largest fertiliser consuming country after China.



3rd largest producer



Amongst world's **largest importer** of fertiliser material.

7.1.1. PHOSPHORUS SECTOR

Why in the news?

Several surveys and researches have indicated that India is facing deficiency in obtaining Phosphorus.

More about the news

- **India is the world's largest importer of Phosphorus**, most of it from the cadmium-laden deposits of West Africa.
 - Phosphate rocks are majorly produced **only from two States** in India, namely **Rajasthan and Madhya Pradesh**.
 - Some **deposits** are also present in the central part of peninsular **India, Lalitpur (Uttar Pradesh), Mussoorie syncline, and Cuddapah basin (Andhra Pradesh)**.

Ways to reduce phosphorus paucity



Reduce use of chemical fertilizers through **precision agriculture**.



Adoption of low input **agro-ecological approaches**



Mining urban sewage to produce phosphorus

- **Concerns with Phosphorus availability:**
 - At most places, Phosphorus coexists with **Cadmium**, a heavy metal whose removal is expensive.
 - **Handful of countries** such as Morocco, Western Sahara, China, Algeria etc **control most of the world’s reserves of phosphorus** which is a major geopolitical concern.
- **Harmful effects of phosphorus:**
 - Much of phosphorus is **lost directly to water bodies** as agricultural run-off and through sewage which leads to **growth of toxic algal blooms**.
 - **Cadmium-laden fertilizers** are often applied to the soil, absorbed by crops, and consumed, bioaccumulating in human bodies **accelerating heart disease**.

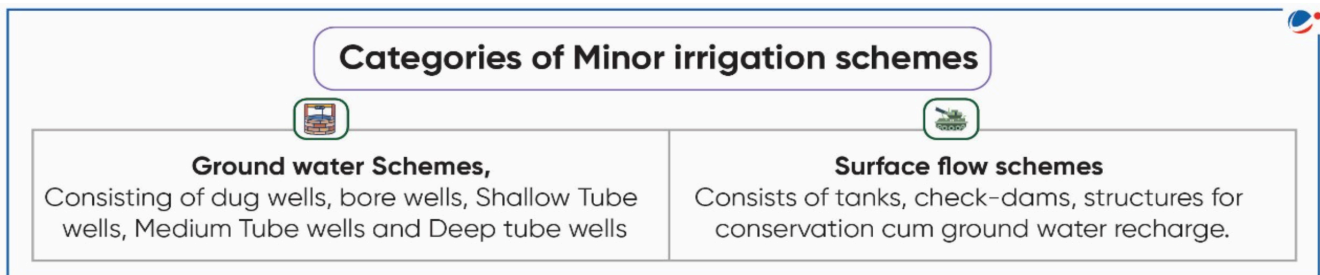
7.2. MINOR IRRIGATION

Why in the news?

Ministry of Jal Shakti recently released the sixth Census Report on Minor Irrigation Schemes. (The First census was conducted with the reference year 1986-87 with the report published in 1993.)

About Minor Irrigation (MI)

- **Classification:** Irrigation Projects in India are classified into three categories, viz. **Major, Medium and Minor Irrigation**.
 - **Major Irrigation Projects:** Cultivable Command Area (CCA) of more than 10,000 hectares.
 - ✓ **Cultivable Command Area (CCA)** is an area which can be physically irrigated from a scheme and is fit for cultivation.
 - **Medium Irrigation projects:** CCA of less than 10,000 hectares but more than 2,000 hectares.
 - **Minor Irrigation Projects:** CCA of 2,000 hectares or less.
- **Sources:** Minor irrigation projects have **both surface and groundwater as their source**, while **Major and Medium projects mostly exploit surface water resources**.
- **Minor Irrigation (MI)** sector as a whole is **implemented by State Governments, and states have state-specific schemes**.



- **Rationalization of Minor Irrigation Statistics (RMIS):**
 - The **Centrally Sponsored Plan Scheme** was launched in 1987-88.
 - Later, it became a part of the **Central Sector Plan Scheme “Development of Water Resources Information System (DWRIS)”**.
 - The main objective of the RMIS scheme is to **build up a comprehensive and reliable database in the Minor Irrigation (MI) Sector** for effective planning and policymaking.

Key Highlights of the Report

- **First Census of Water Bodies:** It was conducted in **convergence with the sixth Minor Irrigation schemes**, using **2017-18 as the reference year**.
 - Its objective was to **develop a national database for all water bodies**.
- **Minor Irrigation Schemes in India:**
 - **23.14 million Minor Irrigation schemes** were reported in the country from 695 districts.
 - **94.8%** of the Minor Irrigation schemes are **groundwater-based**, and the rest, **5.2%**, are **surface-water schemes**.

- **Uttar Pradesh possesses the largest number of Minor irrigation schemes** in the country, followed by **Maharashtra, Madhya Pradesh, and Tamil Nadu.**
- **Dug wells have the highest share in MI schemes** followed by shallow tube wells, medium tube wells and deep tube wells.
- **Increase of 1.42 million in Minor Irrigation schemes** as compared to the fifth Census.
- **Ownership of minor irrigation schemes: 96.6% are privately owned** whereas 3.4% are under public ownership.
 - Out of all the individually owned schemes, **18.1% are owned by women.**
- **Usage of schemes: 97% of the irrigation schemes are 'in use'.**

7.3. BHARATIYA BEEJ SAHAKARI SAMITI LTD (BSSSL)

Why in the news?

Recently, the Bharatiya Beej Sahakari Samiti Ltd (BSSSL) was established in 2023 to provide **certified** and **scientifically** prepared seeds to every farmer in the country.

About BSSSL

- It was established under the **Multi-State Cooperative Societies (MSCS) Act, of 2002.**
- It will contribute to the field of **traditional seed conservation**, promotion and research.
 - **Traditional seeds** have to be conserved and passed on to the coming generations so that the production of healthy grains, fruits and vegetables continues.
- It is **jointly promoted** by-
 - Indian Farmers Fertilizer Cooperative Ltd (IFFCO)
 - Krishak Bharati Cooperative Ltd (KRIBHCO)
 - National Agricultural Cooperative Marketing Federation of India (NAFED)
 - National Dairy Development Board (NDDB)
 - National Cooperative Development Corporation (NCDC)
- **BSSSL and other cooperative societies are playing a key role in ensuring the welfare of farmers.**

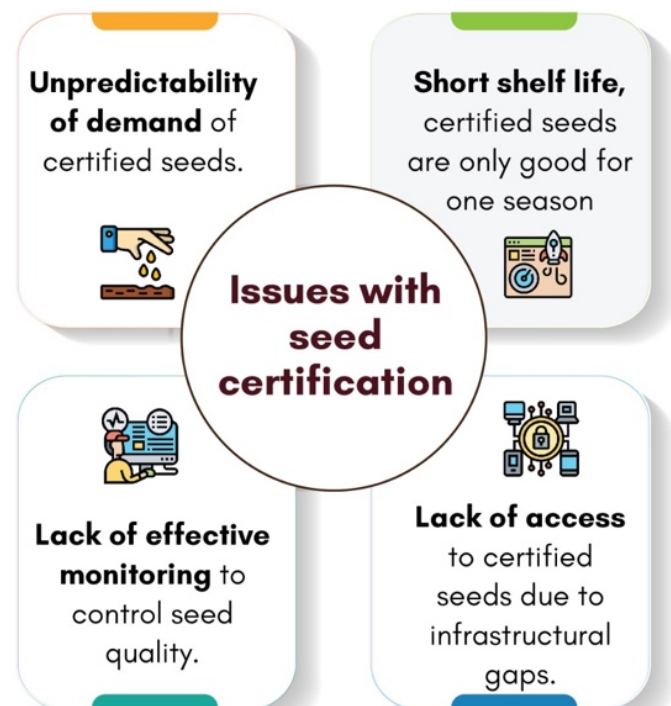
7.4. SEED CERTIFICATION

Why in the news?

Ministry of Agriculture & Farmers Welfare (MoA&FW) launched SATHI (Seed Traceability, Authentication and Holistic Inventory) Portal.

More on the news

- It is a Centralized Online System designed to **deal with challenges of seed production, quality seed identification and seed certification.**
 - **Seeds authenticity can be traced through a QR code system.**
 - Portal has been **developed by National Informatics Centre** in collaboration with **MoA&FW** on theme of '**Uttam Beej – Samridh Kisan.**
 - Seeds with valid certification can **only be sold by valid licensed dealers to centrally registered farmers** who will receive subsidy through DBT directly into their pre-validated bank accounts.



- In India, **legal status to seed certification** was given by **Enactment of Seeds Act, 1966**. Seed certification is **voluntary, but labelling is compulsory in India**.
- India established **Protection of Plant Varieties and Farmers Rights (PPV&FR) Authority**, under PPV&FR Act, 2001 to **ensure availability of quality seeds and planting material to farmer**.

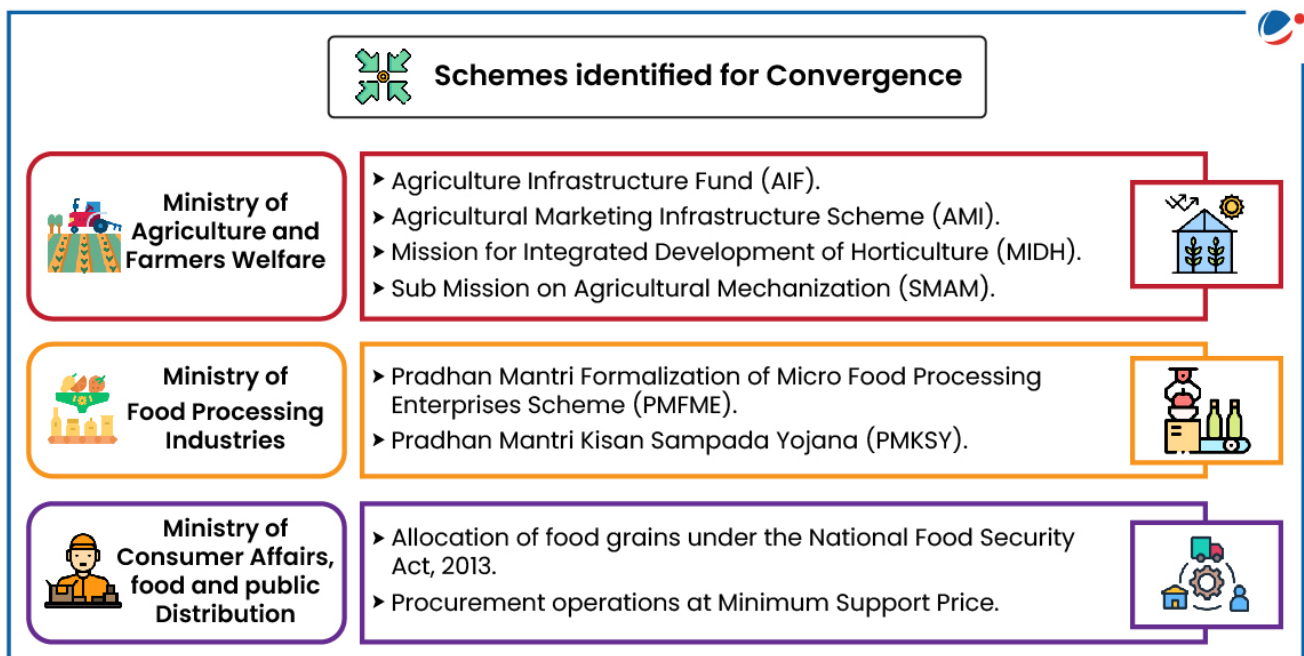
7.5. FOOD STORAGE IN INDIA

Why in the news?

The Union Cabinet approved the constitution and empowerment of an Inter-Ministerial Committee (IMC) for the facilitation of the **“World’s Largest Grain Storage Plan in the Cooperative Sector”**.

More about the news

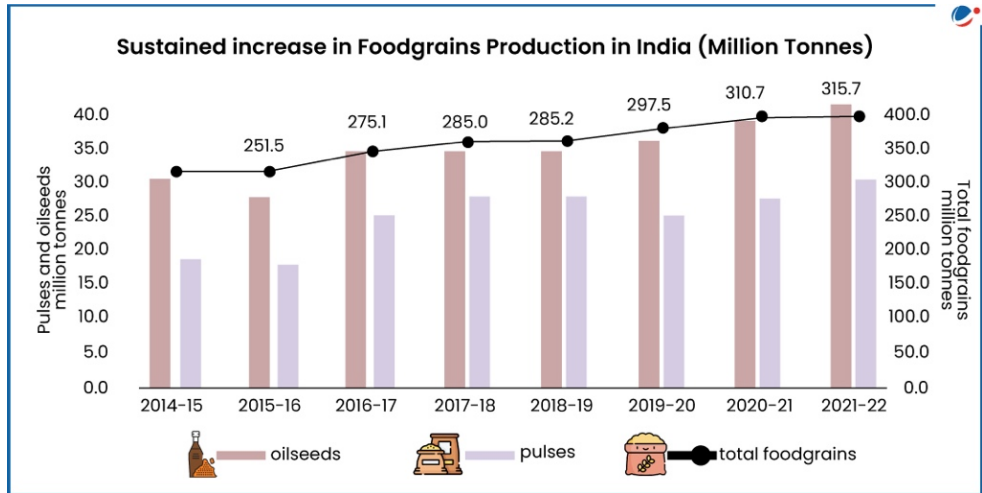
- **Aim:** Strengthening food security, reducing wastage, and empowering farmers by creating **godowns and agricultural infrastructure at the Primary Agricultural Credit Societies (PACS) level**.
 - **PACS are village-level cooperative credit societies** that serve as the last link in a three-tier cooperative credit structure headed by the State Cooperative Banks (SCB) at the state level.
 - **PACS are involved in short-term lending** — or what is known as crop loans.
- **Implementation:** To ensure timely and uniform implementation of the plan, the Ministry of Cooperation would implement a pilot project in at least 10 selected districts of different States.
- **Convergence of several Schemes** under the plan (refer to image).



Food grain management in India

- **Total production:** India has been producing about 310 million tonnes of food grain/year for the last 2 years.
- **Food grain procurement mechanism in India:**
 - **Centralized Procurement System:** The procurement of food grain in the Central Pool is undertaken either by the Food Corporation of India (FCI) directly or by State Government agencies which hand over the stocks to FCI.
 - **Decentralized Procurement Scheme:** Introduced in 1997-98, food grains are procured and distributed by the State Governments themselves.
- **Distribution of food grain**
 - The **Central Government**, through FCI, has assumed the responsibility for procurement, storage, transportation, and bulk allocation of food grain to the State Governments.

- **The operational responsibilities** including allocation within the State, identification of eligible families, issue of Ration Cards, and supervision of the functioning of Fair Price Shops, etc., rest with the **State Governments**.



7.6. MANAGING FOOD INFLATION IN INDIA

Why in the news?

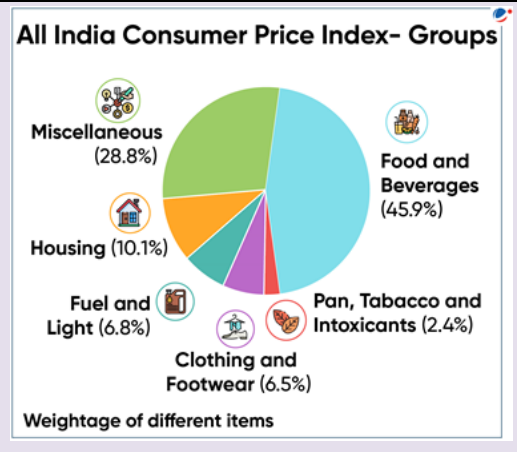
The Indian Council for Research on International Economic Relations (ICRIER) has estimated that measures to curb inflation including **banning cereal exports has cost farmers at least ₹45,000 crore in 2023**.

More on the news

- **To curb food inflation**, Government imposed restrictions on trade of food commodities and imposed export taxes to boost supplies, which have dented farmers' incomes.
- Release of government's own stocks of grain at substantially lower prices than market rates also resulted in **a potential loss of an additional ₹548 a quintal to farmers**.

Inflation Measurement in India

- **Wholesale Price Index (WPI)** measures the inflation at the wholesale level while **Consumer Price Index (CPI)** calculates inflation at the retail level.
- **WPI considers price change of goods only** while CPI considers both goods and services.
- WPI gives more weightage to manufactured goods whereas **CPI gives more weightage to food items**.
- **WPI is released by the Economic Advisor** in the Ministry of Commerce and Industry.
- The **National Statistical Office (NSO)**, Ministry of Statistics and Programme Implementation (MoSPI) releases **All India consumer price index**.



Food Inflation in India

- **Retail Inflation** touched 6.83% with **Food Inflation 9.2%** in August 2023.
- **Major Contributors** to current food inflation include tomatoes, onions, cereals (wheat and rice) etc.
 - **Wheat inflation** is due to domestic and global factors like **heat waves, unseasonal rains** and the **Russia-Ukraine war**.

Factors Affecting India's Food Inflation in the Long Term

- **Monsoon Variability**, which is further aggravated by climate change.
- **Global Commodity prices** include food as well as crude oil prices.
- **Government policies** including the MSP policy.
- **Infrastructure Availability** such as storage and distribution systems.

- **Exchange rate fluctuations** affect agri-trade and thus agri-prices.
- **Outbreak of pests and diseases** can affect crop yields and prices.

The mechanism for Price Monitoring and Control

- **Price Monitoring Division (PMD):** Price Monitoring Division in the Department of Consumer Affairs monitors the prices of selected essential commodities.
 - It analyses the price situation and gives **advance feedback for taking preventive measures**.
 - It implements commodity-specific **market intervention schemes** to give temporary relief.
 - The Centre targets **around 750 PMCs (one in each district)** to monitor the prices of **22 essential food commodities (refer image)**.

22 Essential Commodities for Price Monitoring				
Food Grains	Pulses	Edible Oils	Vegetables	Other items
Rice Wheat Atta	Gram Tur Urad Moong Masur	Groundnut oil Mustard oil Vanaspoti Soya oil Sunflower oil Palm oil	Potato Onion Tomato	Sugar Gur Milk Tea Salt

- **Essential Commodities Act, 1955:** It empowers the central government to control the production, supply, distribution, trade, and commerce of certain commodities.
 - The Act can impose stock limits on essential commodities to regulate their prices and availability in the market.

Other Measures to Manage Food Inflation

- **Operation Greens:** It was launched on the lines of Operation Flood to promote Farmer Producers Organizations (FPOs), processing facilities, price stabilization, and market intelligence to prevent localized gluts.
- **Price Stabilization Fund (PSF):** The intervention aims to regulate price volatility through procurement of selected produce, maintenance of buffer stock and regulated release into the market.
- **Export Restrictions** like Export ban, Minimum Export Price (MEP) etc.
- **Direct Support to Farmers:** Through subsidies, income support and MSP.
- **Supply-Side Measures** like improving agricultural productivity, promoting diversification etc.

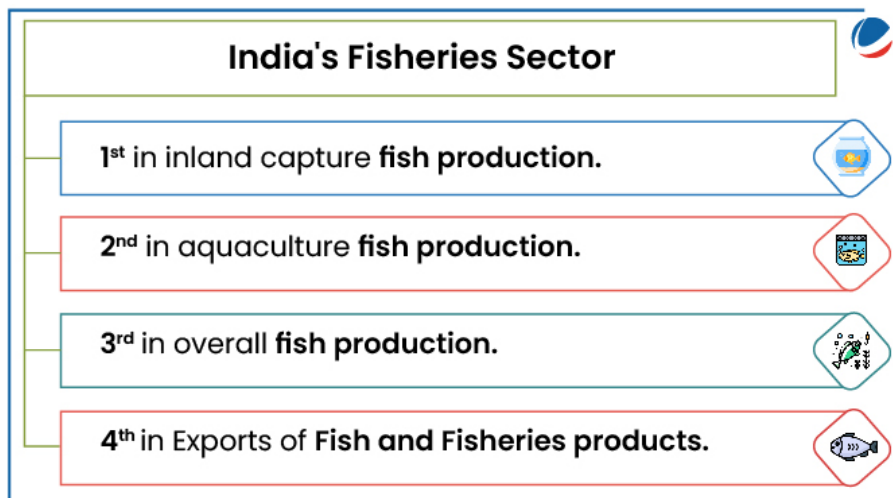
7.7. AQUACULTURE SECTOR

Why in the news?

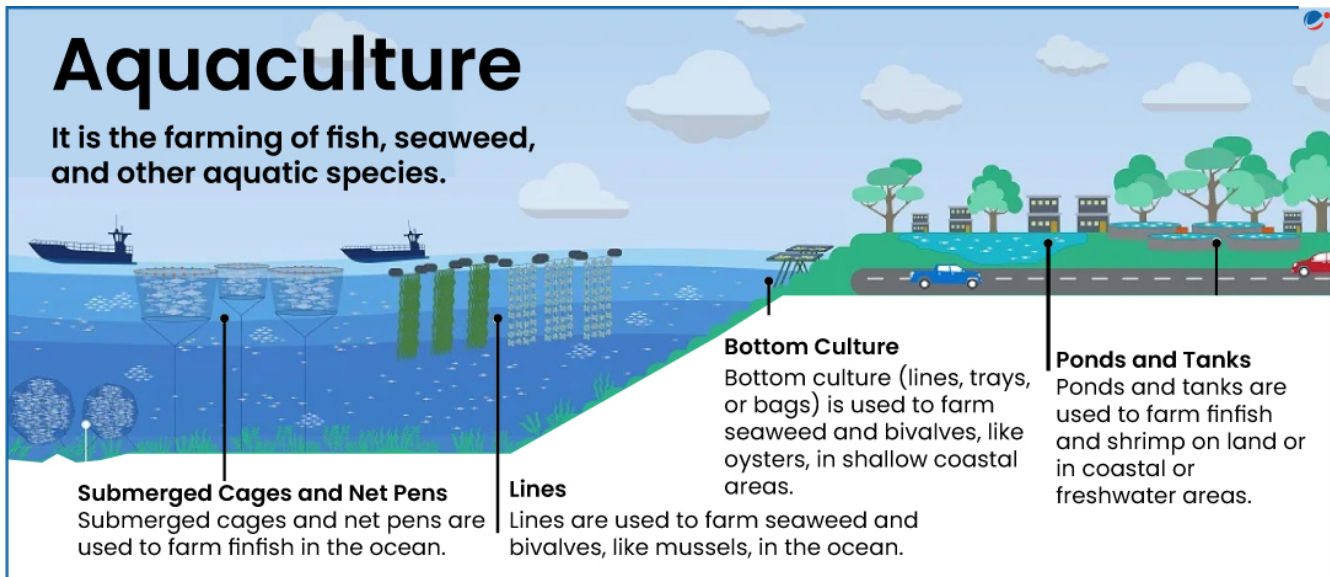
The Parliament has enacted Coastal Aquaculture Authority (Amendment) Act, 2023.

More on the news

- The Act **amends** certain provisions of the **Coastal Aquaculture Authority (CAA) Act, 2005** and **decriminalise offences** under it.



- This 2005 act **established the Coastal Aquaculture Authority** to regulate coastal aquaculture.
- It aims at promoting **ease of doing business** and **fine-tuning the operational procedures** of the Coastal Aquaculture Authority.



Key Provisions of the Act

- **Coastal Aquaculture:** The Act defines “Coastal Aquaculture” as the **rearing and cultivation of any life stages of fish**, including crustaceans, molluscs, finfish, seaweed or any other **aquatic life under controlled conditions**, either indoor or outdoor, in saline or brackish water in coastal areas.
 - It also includes activities such as the production of broodstock, seed, and grow-out, but does **not include freshwater aquaculture**.
- **Scope:** It expands the scope of the CAA Act **beyond coastal aquaculture ‘farms’ to cover all the verticals and activities of coastal aquaculture** for its sustainable development.
- **Regulation of allied coastal aquaculture activities:** The Act prohibits **coastal aquaculture activities** in Ecologically Sensitive Areas (ESAs), No-Development Zones (NDZs) and within Coastal Regulation Zones (CRZs).
 - Although **some allied activities** like Seaweed culture, nucleus breeding centres etc. have **exemptions from these regulations**.
- **Changes to Coastal Aquaculture Authority:**
 - **Composition of CAA:** The Act adds a representative from the Ministry of Fisheries, Animal Husbandry and Dairying as a member.
 - **Increased scope:** The Act enhances the scope of regulation by requiring **any facility that is engaged in coastal aquaculture or any allied activity to be regulated** as a coastal aquaculture unit.
 - **Expanded Functions:** The Act adds that the Authority shall regulate coastal aquaculture inputs, monitor aquaculture units, and fix environmental standards.
- **Decriminalization:** The Act removes the imprisonment provisions of the Act for its contravention and replaces them with suitable monetary and other penalties.
- **Adjudication and Appeals:** Under the Act, the central government may **authorise an officer of at least Under Secretary level** to adjudicate penalties.

7.8. INLAND FISHERIES

Why in the news?

India has recently overtaken China to become the largest contributor of inland capture water fisheries, thereby emerging as one of the top three fish-producing countries in the world.

About Inland Fisheries

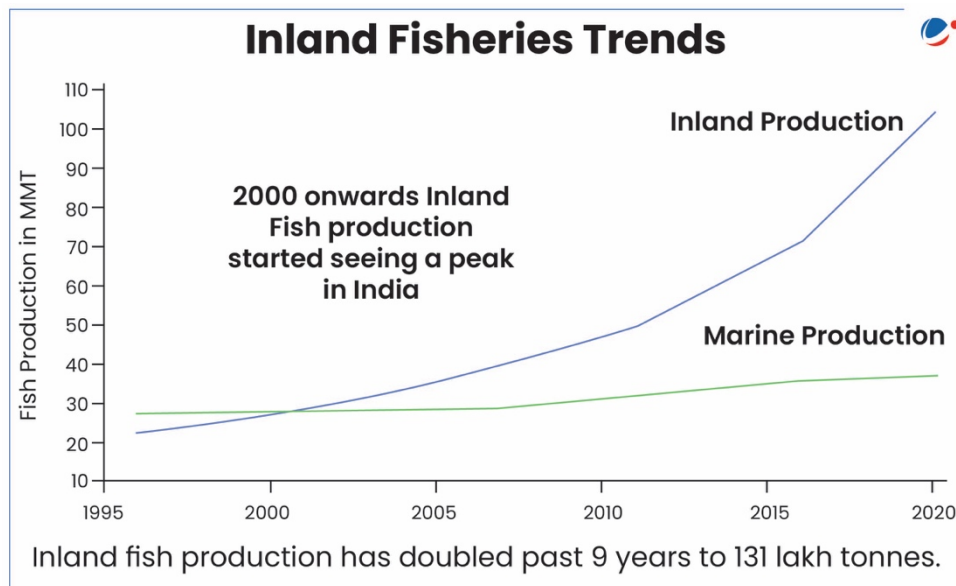
- Inland fisheries refer to the **harvesting, management, and conservation of fishes generally** in freshwater bodies such as rivers, lakes, reservoirs, ponds etc.

- It is mainly done by **two methods:-**

- **Capture fisheries:** Obtaining fish directly from lakes, rivers or ponds with the help of fishing gears or nets etc.
- **Culture fisheries:** Raising and harvesting fish in controlled environments with tools of breeding or feed management etc.

- Types of Inland Fisheries:**

- **Tanks and Ponds-** culture-based fishery is predominant.
- **Cold Water Fisheries-** Opportunity for promotion of omega-packed trouts in Himalayan states.
- **Cage Culture in Reservoirs-** Promoting culture-based fisheries in small and medium reservoirs.
- **Brackish & Saline Aquaculture-** mainly for shrimp aquaculture and transforming ‘Waste land to Wetlands’.
- **Ornamental Fisheries-** India has diverse (>195) varieties of fishes.
- **Riverine Fisheries-** River ranching can be used for conservation of indigenous fisheries resources.



7.9. CREDIT GUARANTEE SCHEME FOR THE LIVESTOCK SECTOR

Why in the news?

Department of Animal Husbandry and Dairying (DAHD), Ministry of Fisheries, Animal Husbandry and Dairying has launched the first-ever **Credit Guarantee scheme for the livestock sector**.

More on News

- DAHD has established a Credit Guarantee Fund Trust** of ₹ 750 crores, which will provide **credit guarantee coverage of up to 25%** of the credit facilities extended to the MSMEs.
- It aims to strengthen credit delivery system and facilitate smooth flow of credit to the **MSMEs engaged in the Livestock sector**.
- It will be under the **Animal Husbandry Infrastructure Development Fund (AHIDF)**.

About AHIDF

- It is a **central-sector scheme** established under the **Atma Nirbhar Bharat Stimulus Package**.
- It incentivizes investments by individual entrepreneurs, private companies, MSMEs, Farmers Producers Organizations (FPOs) and **Section 8 companies** to establish:
 - **dairy processing** and value addition infrastructure
 - **meat processing** and value addition infrastructure
 - **animal feed plant**
 - **breed improvement technology** and **breed multiplication farm**
 - **setting up of veterinary** and **drug production facilities**
 - **animal waste to wealth management (Agri-waste management)**

- **Financial support in the scheme:**
 - **Interest subvention of 3%.**
 - Loans up to **90% of the total project cost** from any Scheduled Bank, National Cooperative Development Corporation (NCDC).

About Livestock Sector

- Animal Husbandry is a **State subject**.
- As per the **20th livestock census**, the **total Livestock increased** by 4.8% over the Livestock Census 2012.
- **Types of Animal Husbandry** include-
 - **Dairy Farming** (caring for dairy animals like cows, buffaloes, sheep, and goats);
 - **Poultry Farming** (commercial rearing and breeding of birds),
 - **Fish Farming;**
 - **Beekeeping** (Apiculture) etc.

Do you know?

- > **Father of White Revolution** in India is Padma Vibhushan **Dr Verghese Kurien**.
- > He led **Operation Flood** to make India the **biggest milk producing nation** in the world.

Basic Animal Husbandry Statistics 2023: Key Findings of the Survey (from 2018-19 to 2022-23)

Commodity	Growth Status	Major Contributors
Milk Production (White Revolution)	Increased by 22.81%	Uttar Pradesh followed by Rajasthan, Madhya Pradesh, and Gujarat
Egg Production (Silver Revolution)	Increased by 33.31%	Andhra Pradesh followed by Tamil Nadu, Telangana, and West Bengal
Meat Production (Pink Revolution)	Increased by 20.39%	Uttar Pradesh followed by West Bengal
Wool Production	Decreased by 16.84%	Rajasthan followed by Jammu & Kashmir

Issues with India’s Livestock Sector

- **Low productivity:** The average annual milk yield of Indian cattle is 1172 kg which is only about **50% of the global average**.
- **Shortage of feed and fodder:** India has 2.3% of the land area of the world to maintain nearly 10.7% of global livestock.
- **Animal Health:** Increased susceptibility of livestock to various diseases including **exotic diseases**.
- **Sub-optimal state support:** Livestock sector received **only ~12% of public expenditure on agriculture and allied sector** against 25.6% contribution of livestock in total agro-GDP.
- **Marketing, processing and value addition:** Absence of necessary infrastructure like dairy processing units, meat processing plants, carcass utilization centres, etc.
- **Livestock and Environment:** **Climate change and global warming** may have serious implications in the form of heat stress, loss of animal habitat vector-borne disease.

7.10. NATIONAL TURMERIC BOARD

Why in the news?

Government of India has notified the **establishment of a National Turmeric Board** in the state of **Telangana**.

About National Turmeric Board

- Established to **increase awareness and consumption of turmeric** and develop new markets internationally to increase exports.
- The proposed board is to work **under the aegis of the Ministry of Commerce**.

Composition of the Board			
Chairperson selected by the Central Government	Secretary appointed to the Board by the Commerce Ministry	Four members representing the Ministries of Commerce, Agriculture, Ayush, and Pharmaceuticals.	Members from national/state institutions involved in research, representatives of turmeric farmers and exporters among others.

Key Objectives of the Board

- **Create demand** in domestic and international markets through promoting new product and value addition.
- **Create and improve infrastructure** and logistics for exports of turmeric and turmeric products.
- **Ensure quality and safety standards** across the supply chain of turmeric.
- **Document the traditional knowledge** related to use of turmeric and its applications.
- **Encourage studies, clinical trials and research** on medicinal, health and wellness-enhancing properties of turmeric.

7.11. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

Why in the news?

The National Bank for Agriculture and Rural Development (NABARD) has successfully raised INR 1,041 crore through its five-year social impact bond.

Social Impact Bond (SIB)

- A SIB is an innovative financing mechanism in which **governments enter into agreements with social service providers, such as NGOs, and investors to pay for the delivery** of pre-defined social outcomes.
- **The Pimpri Chinchwad Municipal Corporation (PCMC)** in Maharashtra's Pune district signed a Memorandum of Understanding (MoU) with the **United Nations Development Programme (UNDP) India to co-create India's first Social Impact Bond (SIB).**

About NABARD

- **Genesis:** It came into existence on the recommendation of B. Sivaraman committee in 1982 by the NABARD Act, 1981 by transferring
 - Agriculture credit functions of RBI and
 - Refinance functions of the Agriculture Refinance and Development Corporation (ARDC).
- **Ministry:** Administered by the Ministry of Finance.
- **Ownership:** Wholly owned by the Government of India.
- **Vision:** Development Bank of the nation for fostering rural prosperity.
- **Mission:** Promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions.

Functions of NABARD	
Credit Related Functions	Non Credit Related Functions
<ul style="list-style-type: none"> • Providing refinance to lending institutions in rural areas. • Facilitating credit flow for promotion and development of agriculture, small-scale Industries, cottage and village Industries, handicrafts, and other rural crafts. 	<ul style="list-style-type: none"> • Supporting the financial inclusion efforts of Regional Rural Banks and cooperative banks.

- | | |
|---|---|
| <ul style="list-style-type: none">• Loans to cooperatives, Farmers Producer's Organisations (FPOs), Primary Agricultural Credit Societies (PACS) or similar institutions | <ul style="list-style-type: none">• Thrust on the promotion of livelihood opportunities and Micro Enterprises.• Support research and development, rural innovations etc. |
|---|---|

Initiatives taken by NABARD

- **Promotion and Development:** Around Rs. 5 lakh crore has been sanctioned under the country's **Rural Infrastructure Development Fund (RIDF)** (created in NABARD).
- **Watershed Development Fund and Tribal Development Fund** are other important livelihood interventions.
 - **The Wadi model** has become a vital livelihood intervention for the tribal population.
- **Refinancing:** In the last 42 years, NABARD has **refinanced Rs 20 lakh crore** in the rural economy. (**Refinancing is taking a newer loan to pay off existing debt.**)
- **Strengthening Rural Financial Institutions (RFIs):** NABARD supervises Rural Cooperative Banks (RCBs) and Regional Rural Banks (RRBs).

7.12. INDIAN COUNCIL OF AGRICULTURAL RESEARCH (ICAR)

Why in the News?

Indian Council of Agricultural Research (ICAR) and **Consultative Group on International Agricultural Research (CGIAR)** Gender Impact Platform hosted 'International Research Conference on 'From research to impact: Towards Just and Resilient Agri-Food Systems'.

About ICAR

- **Ministry:** Autonomous organisation under the **Ministry of Agriculture and Farmers Welfare**.
- **Genesis:** Formerly known as Imperial Council of Agricultural Research.
 - **Established in 1929** as a registered society under the Societies Registration Act, 1860 in pursuance of the report of the Royal Commission on Agriculture.
- **Function:** Apex body for co-ordinating, guiding and managing research and education in agriculture including horticulture, fisheries, and animal sciences in the country.
- **Other Information:** With 113 ICAR institutes and 74 agriculture universities spread across the country this is one of the largest national agricultural systems in the world.

Role of ICAR towards better and resilient agri-food systems

- **Crop Varieties:** Key role in **Green Revolution** developing new high-yielding varieties of crops.
 - **Rice varieties** - Jaya (first rice variety released in India), Swarna, Pusa Basmati 1121 (world's longest basmati rice) etc.
 - **Wheat varieties** - HD 2967, DBW 187 etc.
 - **Fruit varieties** - Amrapali, Pomegranate Bhagwa etc.
- **Seed Programs:** ICAR deposited seeds in **the Svalbard Global Seed Vault** as safety duplicates.
- **Genomics:** Helped to establish **the National Gene Bank** in New Delhi (second largest gene bank in the world).
 - ICAR partnered in the **global genome sequencing of rice, wheat, tomato and potato** and independently sequenced the **genome of pigeonpea, jute, mango and fishes**.
- **Promoted Climate Smart Farming:** Through **rainwater harvesting, climate resilient varieties** such as Rati ML 365, Pigeonpea BRG 1, BRG 2 and BRG 5, and hydroponic cropping.
- **Bio-Technology Solutions:** Biofortified crops like Solapur Lal (first biofortified pomegranate variety), Groundnut Girnar 4 and 5, Pusa Double Zero Mustard 31 (first canola quality Indian mustard variety) etc. to tackle malnutrition.
 - Developed **Pusa decomposer** for in situ and ex situ crop residue decomposition to mitigate residue burning problems.

- India developed **first cloned buffalo** in the world and Pratham, the world's **first in-vitro fertilized buffalo calf**.

Consultative Group on International Agricultural Research (CGIAR)

- Established in **1971**, it is a **strategic partnership of donors** that support 15 international research centres, working in collaboration with government, civil society organizations and private businesses.
- CGIAR is a **global research partnership for a food-secure future** dedicated to transforming food, land, and water systems in a climate crisis.
- It focuses on **five impact areas** (see image).

Impact Area				
Nutrition, Health, and Food Security	Poverty Reduction, Livelihoods, and Jobs	Gender Equality, Youth and Social Inclusion	Climate Adaptation and Mitigation	Environmental Health Biodiversity

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8. MINING AND INDUSTRY

8.1. THE MINES AND MINERALS (DEVELOPMENT AND REGULATION) AMENDMENT ACT, 2023

Why in the news?

Recently, the Parliament passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2023.

More on the news

- It will **amend the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957**.
- MMDR was comprehensively **amended in 2015** to bring several reforms in the mineral sector, such as establishing the **District Mineral Foundation** and **National Mineral Exploration Trust**.
- The Act was further **amended in 2016, 2020 and 2021** to bring further reforms in the sector, such as:
 - **Removing the distinction** between captive and merchant mines,
 - **Removing the restrictions** on the transfer of mineral concessions.

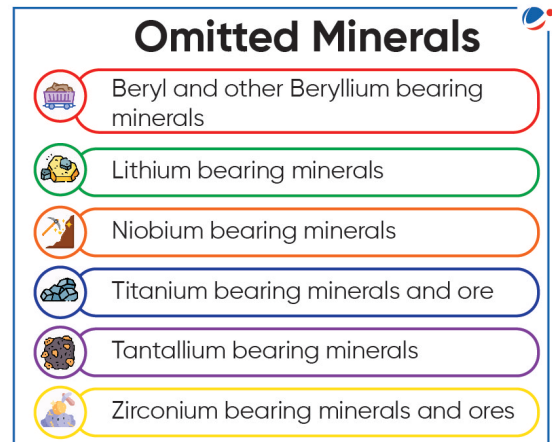
Key Features of the Act

I. Introduction of exploration license for deep-seated and critical minerals

- **License:** to undertake **reconnaissance and prospecting operations** for critical and deep-seated minerals.
- **Auction:** The Exploration License (EL) will be **granted through an auction** for minerals specified in the **Seventh Schedule** of the MMDR Act.
 - The **Seventh Schedule** contains **29 minerals**, including **lithium-bearing, copper-bearing, potash, and zinc-bearing minerals**.
- **Validity of EL: Issued for five years.**
 - Request for an **extension of up to two years** can be applied to the state government.
- **Mining Lease:** The blocks explored by the licensee would be **auctioned for mining lease** within the prescribed timeline, which will fetch better revenue to the State Governments.
 - The exploration agency shall be entitled to a **share in the auction premium** payable by the mining lease holder.

II. Omission of 6 minerals from the list of 12 atomic minerals

- **Omission of Minerals:** From the list of 12 atomic minerals specified in **Part-B of the First Schedule** to the MMDR Act, it proposes to **omit six minerals (refer to infographic)**.
 - These minerals have various applications in the space industry, electronics, communications etc. and are **critical in the net-zero emission commitment of India**.
- **Opening to Private Sector:** The inclusion of minerals in the list of atomic minerals **reserves their mining and exploration to government entities**.
 - Upon removing these minerals from the said list, exploration and mining of these minerals will also be opened up for the private sector.



III. Empowering the Central Government to exclusively auction mineral concessions for critical minerals

- **Role of Central Government:** The amendment empowers the **Central Government to exclusively auction mining leases and composite licenses for certain critical minerals** listed in new Part-D of the First Schedule to the MMDR Act.
 - **Part D of the First Schedule includes critical minerals** such as tungsten, cadmium, minerals of the “rare earth” group, fertilizer minerals, and minerals being removed from the list of atomic minerals.

- **Role of State Government:** Even though the Central Government would conduct the auction, the mining lease or composite license for these minerals to the successful bidders will **only be granted by the State Government**.
 - The auction premium and other statutory payments shall continue to be received by the State Government.

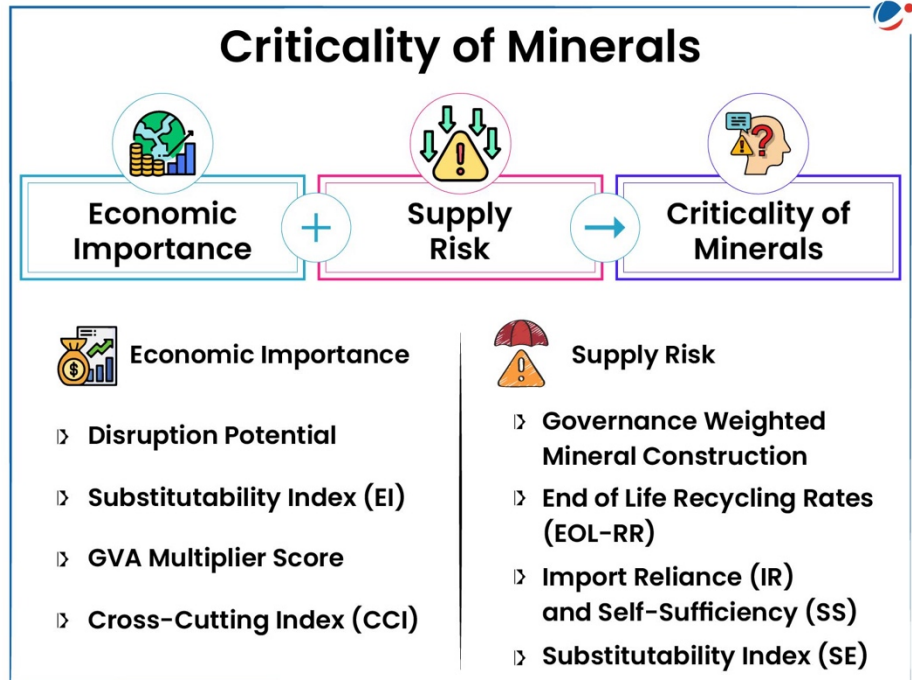
8.2. CRITICAL MINERALS

Why in the news?

Recently, the **Ministry of Mines** released the first-ever report of the country on “**Critical Minerals for India**”.

More on the news

- Ministry of Mines has constituted a committee for the **identification of critical and strategic minerals**.
- The list comprises **30 critical minerals**, including **17 Rare Earth Elements (REEs)** and **6 Platinum-Group Elements (PGE)**,
 - REE include **15 Lanthanides** (atomic numbers **57** — which is Lanthanum — **to 71** in the periodic table) plus **Scandium (atomic number 21)** and **Yttrium (39)**. REEs are classified as Light REE (LREE) and Heavy REE (HREE).
 - The criticality of minerals is **judged mainly by two parameters** (refer to image).
- The list will serve as a **guiding framework for policy formulation, strategic planning, and investment decisions** in the mining sector.



What are Critical Minerals?

- Critical minerals are elements that are the **building blocks of essential modern-day technologies** and are at risk of supply chain disruptions. For example, Antimony, Beryllium, Bismuth, Cobalt, Copper etc.
 - For India, major **import sources** include- **Cobalt (China, US and Japan); Lithium (Chile, Russia and China); Nickel (Sweden and China)** etc.
- These minerals are now **used everywhere from making mobile phones, computers to batteries, electric vehicles** and green technologies like solar panels and wind turbines.
- Based on their individual needs and strategic considerations, **different countries create their own lists**.

Initiatives taken with respect to Critical Minerals

- **India- Australia Critical Minerals Investment Partnership:** It'll build new supply chains underpinned by critical minerals processed in Australia.
- **Minerals Security Partnership (MSP):** India has joined MSP which is a US-led collaboration of 14 countries that aims to **catalyse public and private investment in critical mineral supply chains** globally.
- **Supply Chain Resilience Initiative (SCRI):** India, Japan, and Australia unveiled SCRI to **enhance the resilience of supply chains in Indo-Pacific Region** and reliance on China.

8.3. OFFSHORE AREAS MINERAL (DEVELOPMENT AND REGULATION) AMENDMENT ACT, 2023

Why in the news?

Recently, the **Offshore Areas Mineral (Development and Regulation) Amendment Bill, 2023**, received assent from the President.

More on the news

- The Act has amended the **Offshore Areas Mineral (Development and Regulation) Act 2002**.
 - It provides for the **development and regulation** of mineral **resources** in the **territorial waters, continental shelf, exclusive economic zone (EEZ), and other maritime zones of India**.
- **Offshore mineral resources** are controlled and regulated by the Union.
 - **Offshore mining** is the process of **retrieving mineral deposits** from the deep seabed at a depth of more than 200 meters.

Key Changes in the Act

	Offshore Areas Mineral (Development and Regulation) Act, 2002	Offshore Areas Mineral (Development and Regulation) Amendment Act, 2023
License	Different licenses for reconnaissance, exploration, and production.	Composite license for granting rights for exploration as well as production .
Validity	Production lease is granted for a period of up to 30 years , further renewed for up to 20 years.	Production lease under a composite license will be valid for 50 years .
Auction Process	Provides for the grant of concessions through administrative allocation .	Provides two types of operating rights to the private sector by competitive bidding , viz. production lease, and composite license.
Mining in reserved areas	Allows the government to reserve offshore areas that are not held under any operating right.	Allows the administering authority to grant a composite license or production lease to the government or a government company.
New Provisions in the 2023 Act		
<ul style="list-style-type: none"> • Mining of atomic minerals: Exploration, production, and composite licenses will be granted only to the government or government companies. • Offshore Areas Mineral Trust: Will manage funds under the Public Account of India that will be non-lapsable in nature. <ul style="list-style-type: none"> ○ Funds will be used for specified purposes including exploration in offshore areas, etc. 		

8.4. NATIONAL GEOSCIENCE DATA REPOSITORY PORTAL (NGDRP)

Why in the news?

Recently, the Union Minister of Mines launched the NGDRP.

About NGDRP

- It has been created, as a part of the **National Mineral Exploration Policy (NMEP), 2016**.
- It will make available all **geological, geochemical, geophysical, and mineral exploration data** in the public domain on a digital geospatial platform.
- **The Geological Survey of India (GSI)** was given the responsibility to establish it.

About NMEP, 2016

- It aims at accelerating the **exploration activity in the country** through enhanced participation of the private sector.

Key features

- Auctioning of identified exploration blocks for exploration by the private sector on a **revenue-sharing basis**.
- Creation of **baseline geoscientific data** as a public good.
- To map the **entire country with low altitude and close space flight** to precisely locate the deep-seated minerals such as gold, silver, copper, etc.

Geological Survey of India

- **Genesis:** It was established in 1851.
- **Ministry:** Ministry of Mines.
- **Functions:** Creation and updation of national geoscientific data, mineral resource assessment, and air-borne and marine surveys.
- **Regional Offices:** Lucknow, Jaipur, Nagpur, Hyderabad, Shillong and Kolkata.

8.5. SPECIAL ECONOMIC ZONES (SEZ)

Why in the news?

Recently, the Ministry of Commerce and Industry has notified **Special Economic Zones (SEZ) (Fifth Amendment) Rules, 2023** in the exercise of powers conferred by section 55 of the SEZ Act, 2005.

More on the news

- SEZs (Fifth Amendment) Rules, 2023 **amend SEZ Rules 2006**.
- The Centre has amended the SEZ Rules to allow the **demarcation of a portion of the built-up area in an Information Technology (IT) or Information Technology Enabled Services (ITES) SEZ as a non-processing area**, subject to conditions including repayment of tax concessions attributable to the area.
 - The processing area in an SEZ is **for the manufacture of goods or rendering of services**. The non-processing area is for **supporting infrastructure**.
 - Demarcation of a non-processing area **shall not be allowed if it results in decreasing the processing area to less than 50% of the total area** or less than the area specified.
- The **businesses engaged in IT/ITES SEZ in a non-processing area shall not avail** any rights or facilities available to SEZ Units.

About Special Economic Zones (SEZs)

- SEZ is a specifically **delineated duty-free enclave, deemed to be foreign territory** for trade operations, duties and tariffs.

Objectives of SEZ				
Generation of additional economic activity	Promotion of exports of goods and services	Promotion of investment from domestic and foreign sources	Creation of employment opportunities	Development of infrastructure facilities

- **Any private/public/joint sector or State Government** or its agencies can set up SEZ.
 - SEZs have been **established in several countries**, including China, India, Jordan, Poland, Kazakhstan, Philippines and Russia.
- **SEZ Act 2005** has been enacted followed by **SEZ Rules** which came into effect in 2006.
- The area under '**SEZ**' covers a **broad range of zone types**, including Export Processing Zones (EPZ), Free Zones (FZ), Industrial Estates (IE), Free Trade Zones (FTZ), Free Ports, Urban Enterprise Zones and others.

PT 365 - Economy

- Presently, **276 SEZs** are operational in India.
 - Total **exports from SEZs stood at \$155.8 billion in 2022-23**. These included \$61.6 billion of goods and \$94.2 billion of service exports.

Incentives offered to SEZs				
Duty-free import/domestic procurement of goods for the development, operation and maintenance of SEZ units	Exemption from Central Sales Tax, Service Tax and State sales tax. These have now subsumed into GST	Other levies, if exempted by the respective State Governments.	Supplies to SEZ are zero-rated under the IGST Act, 2017.	Single window clearance for Central and State level approvals.

8.6. PRODUCTION-LINKED INCENTIVES (PLI) SCHEME

Why in the news?

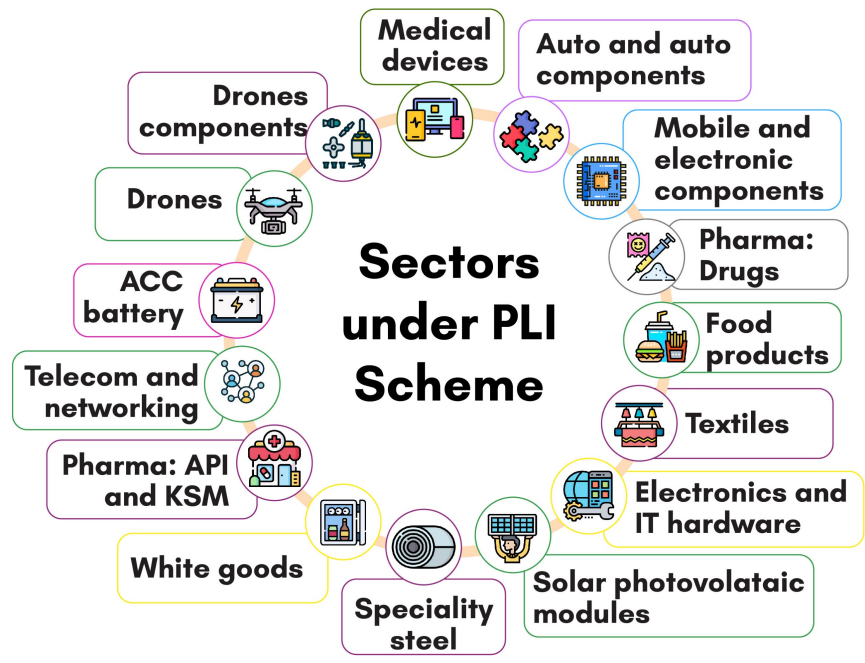
The government has decided not to launch Production Linked incentives (PLI) scheme for new sectors and will assess the need for course correction for some sectors.

About PLI scheme

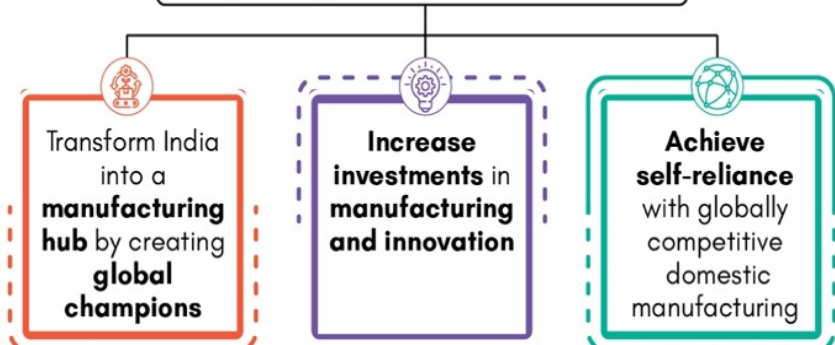
- First introduced in 2020, PLI is a special incentive scheme for producers to **promote manufacturing in multiple sectors**.
 - The incentives are linked to the performance of the organisation i.e., the government provides **incentives for incremental sales**.
- PLI scheme is built on the **foundation of multiple sectors** with an incentive **outlay of Rs. 1.97 lakh crore** to strengthen their **production capabilities and help create global champions**.

Benefits of the PLI scheme

- Strengthen manufacturing sector:** PLI can significantly **restructure India's domestic manufacturing**, push its share in the GDP to **25 per cent**.



Major objectives of PLI Scheme



- It can ensure **Self-reliance and increase in exports**.
- **Capital expenditure:** The implementation of the PLI scheme will lead to a potential capital expenditure (capex) of **Rs 2.5-3 lakh crore** over the scheme period.
 - It will **account for 13-15% of average annual investment spending** in key industrial sectors.
- **Spur green investment:** **Nearly 55%** of the scheme is expected to be in green sectors such as electric vehicles, solar photovoltaics etc.

8.6.1. PLI 2.0 FOR IT HARDWARE SCHEME

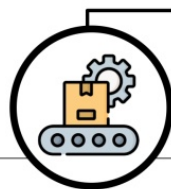
Why in the news?

Ministry of Electronics and Information Technology (**MeitY**) notified **PLI 2.0 for IT Hardware scheme** for Enhancing India's **Manufacturing Capabilities and Enhancing Export**.

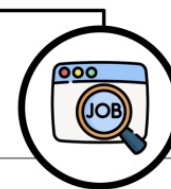
More about the news

- **India's share in global electronics manufacturing** has grown from **1.2% in 2014 to 3.75% in FY 2021-22**.
- **Key Features of the Scheme**
 - **Objective:** Proposes a **financial incentive** to boost domestic manufacturing and attract large investments in the value chain.
 - **Target segment:** Laptops, Tablets, All in-One PCs, Servers and Ultra Small Form Factor (USFF).
 - **Tenure:** Support shall be provided for a **period of six year**.
 - **Budgetary outlay:** Rs 17,000 crore.
 - **Incentive Per Company:** Shall be applicable on **net incremental sales** of manufactured goods over base year (FY 2022-23) subject to different ceilings.

Expected benefits of the Scheme



Total production of about ₹ 3.35 lakh crore, bring an additional investment of ₹ 2,430 crore in electronics manufacturing.



Will lead to generation of 75,000 additional direct jobs.



8.7. SEMICONDUCTOR INDUSTRY IN INDIA

Why in the news?

The government has decided to invite new applications for **setting up Semiconductor Fabs and Display Fabs** in India under the **Modified Semicon India Programme**.

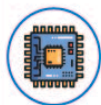
About Modified Semicon India Programme

- The **Ministry of Electronics and Information Technology (MeitY)** launched the programme in 2021.
- It aims to provide **attractive incentive support to companies/consortia** that are engaged in Silicon Semiconductor Fabs, Display Fabs, Compound Semiconductors, Semiconductor Design etc.
 - Support under the scheme will be provided for **6 years**.
- **India Semiconductor Mission**, within Digital India Corporation, **MeitY is the designated nodal agency** for implementing the programme.

India's Semiconductor Market

- **Market Size:** Reports project India's semiconductor market to **value about \$64 billion by 2026**, showing **three times growth** from 2019.
- **Chip Manufacturing:** India has become the **hub for semiconductor design with nearly 2,000 chips** being designed per year.
- **R&D in the Industry:** Research and development (R&D) in this industry, which includes electronic products and embedded systems, **generated about US\$2.5 billion** in revenue.

4 Schemes of Modified Semicon India Programme



Modified Scheme for setting up of Semiconductor Fabs in India



Modified Scheme for setting up of Display Fabs in India



Modified Scheme for setting up of Compound Semiconductors/Silicon Photonics/Sensors Fab/Discrete Semiconductors Fab and Semiconductor ATMP/OSAT facilities in India



Design Linked Incentive (DLI) Scheme

Objective: Nurturing 100 domestic companies of semiconductor design and achieving significant indigenization in semiconductor and electronic products.

Global Semiconductor Scenario and India's role

- **Major Producer:** Presently, **Taiwan is the world leader in manufacturing microchips** with producing over 60% of the world's semiconductors and over 90% of the most advanced ones.
- **India's Role:** India has positioned itself as a **player in the critical semiconductor technology field** providing an opportunity for **companies to diversify their bases from China**.
 - In 2022, India signed **India-US Initiative on Critical and Emerging Technologies (iCET) deal**.
 - **India launched its India Semiconductor Mission (ISM)** in 2021 and **Production Linked Incentive (PLI) scheme** for the semiconductor industry.









8.8. NATIONAL PHARMACY COMMISSION BILL 2023

Why in the news?

The Ministry of Health and Family Welfare (MoH&FW) released **Draft National Pharmacy Commission Bill, 2023** to replace the **Pharmacy Act, 1948**, and the existing Pharmacy Council of India (PCI) with National Pharmacy Commission.

Objectives of the Legislation

- Promote **national health goals**, improving access to quality and affordable **pharmaceutical education**.
- Increase the availability of **high-quality pharmacy professionals** and promote **equitable healthcare**.
- Establish an effective **grievance redressal mechanism** for relevant matters.
- **Transparent assessment** of pharmacy institutions and facilitating the **maintenance of a pharmacy register** for India.

Pharmacy sector of India					
 3rd largest in the world in terms of volume	 Accounts for about 60% of global vaccine production	Major segments of the Indian Pharmaceutical Industry			
		 Generic drugs	 Vaccines	 Bulk drugs	
70% of WHO's vaccines i.e. diphtheria-pertussis-tetanus (DPT), Bacille-Calmette-Guérin (BCG) are sourced from India		 Over-the-counter medicines	 Biosimilars and biologics	 Contract research & manufacturing	

Pharmacy Act, 1948

- **Constituted with the aim of Regulation** of profession of Pharmacy in India.
- **Standardizing uniform training and education** to individuals entering the profession.
- The Central Government shall **constitute a Central Council** namely **Pharmacy Council of India (PCI)**.
 - The Act also specified for constitution and functions of **'State Pharmacy Council'** for registration of pharmacists.

Pharmacy Council of India (PCI)

- **Genesis:** Established as a **statutory body** under the provisions of the **Pharmacy Act, 1948**.
- **Ministry:** Ministry of Health and Family Welfare.
- **Objectives:** Regulation of the **pharmacy education and profession and practice of pharmacy**.
- **Functions:**
 - Prescribe **educational standards** and their uniform implementation.
 - **Inspection** of pharmacy institutions, approve course of study and examination for pharmacists.
 - Maintain **central register of pharmacists**.

Key provisions of Draft National Pharmacy Commission Bill, 2023

- **Creation of a National Pharmacy Commission** with functions including-
 - Frame policies and **regulate standards for governance of pharmacy education**.
 - **Collaborate with industry and other institutions** for the use of cutting-edge technology
 - **Exercise appellate jurisdiction** with respect to decisions of Boards
- **Three boards: Central Government shall constitute three boards** (functioning under NPC) namely Pharmacy Education Board, Pharmacy Assessment and Rating Board and Pharmacy Ethics and Registration Board.

8.9. NATIONAL DEVICES POLICY, 2023

Why in the news?

Cabinet approved National Medical Devices Policy, 2023.

Aim of the policy

- **Make India global leader in manufacturing and innovation of medical devices** over next 25 years.
- **Help medical devices sector grow** from present \$11 Bn to **\$50 Bn by 2030**.
- **Facilitate an orderly growth** of medical device sector to meet **public health objectives** of access, affordability, quality, and innovation.

About Medical devices sector

- **Indian industry is currently 4th largest Asian medical devices market** after Japan, China and South Korea.
- However, it has **significant presence of several multi-national companies** with about **75-80% of the sales generated from imported Medical Devices**.

Salient features of Policy

Regulatory Streamlining	<ul style="list-style-type: none"> • By creation of a Single Window Clearance System for Licensing, enhancing Role of Indian Standards like BIS and designing a coherent pricing regulation.
Enabling Infrastructure	<ul style="list-style-type: none"> • Establishment and strengthening of large medical device parks, clusters equipped with world class common infrastructure facilities in proximity to economic zones.
Facilitating R&D and Innovation	<ul style="list-style-type: none"> • Establishing Centres of Excellence in academic and research institutions, innovation hubs, 'plug and play' infrastructures and support to start-ups.
Attracting Investments in the Sector	<ul style="list-style-type: none"> • Encouraging private investments, series of funding from Venture Capitalists, and Public-Private Partnership (PPP).
Human Resources Development	<ul style="list-style-type: none"> • Leveraging available resources in Ministry of Skill Development and Entrepreneurship for skilling, reskilling and upskilling of professionals. • Develop partnerships with foreign academic/industry organizations. • Multidisciplinary courses for medical devices in existing institutions.
Brand Positioning and Awareness Creation	<ul style="list-style-type: none"> • Creation of a dedicated Export Promotion Council for the sector. • Learning from best global practices of manufacturing and skilling system.

Related news

Assistance to Medical Device Clusters for Common Facilities Scheme

- Scheme was launched with an aim to **strengthen Medical Device clusters** by providing financial assistance and to **strengthen and establish more Testing Laboratories** for Medical Devices.
- **Scheme is under Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers**.
- **Tenure of the Scheme: 2023-24 to 2026-27**.
- **Scheme has two Components:**

Components	Objective	Incentives
Assistance for Common Facilities	To strengthen medical device clusters' capacity for their sustained growth by creating Common Infrastructure Facilities .	<ul style="list-style-type: none"> • Limit of support will be 70% of the approved project cost or Rs. 20 cr., whichever is less. • For Himalayan and North East Region States, grant-in-aid would be Rs. 20 Crore per Cluster or 90% of the project cost, whichever is less.
Assistance for Testing Facilities	To strengthen availability of more Medical Device Testing Laboratories in order to boost manufacturing of quality medical devices.	<ul style="list-style-type: none"> • Limit of support will be 70% of the approved Testing Facilities project cost or Rs. 5 cr., whichever is less. • For Himalayan and North East Region States, grant-in-aid would be Rs. 5 Crore per Cluster or 90% of the project cost, whichever is less.

9. INFRASTRUCTURE

9.1. DIGITAL PUBLIC INFRASTRUCTURE (DPI)

Why in the news?

India launched the **Global Digital Public Infrastructure Repository and a Social Impact Fund**, during the Virtual G20 Leaders' Summit.

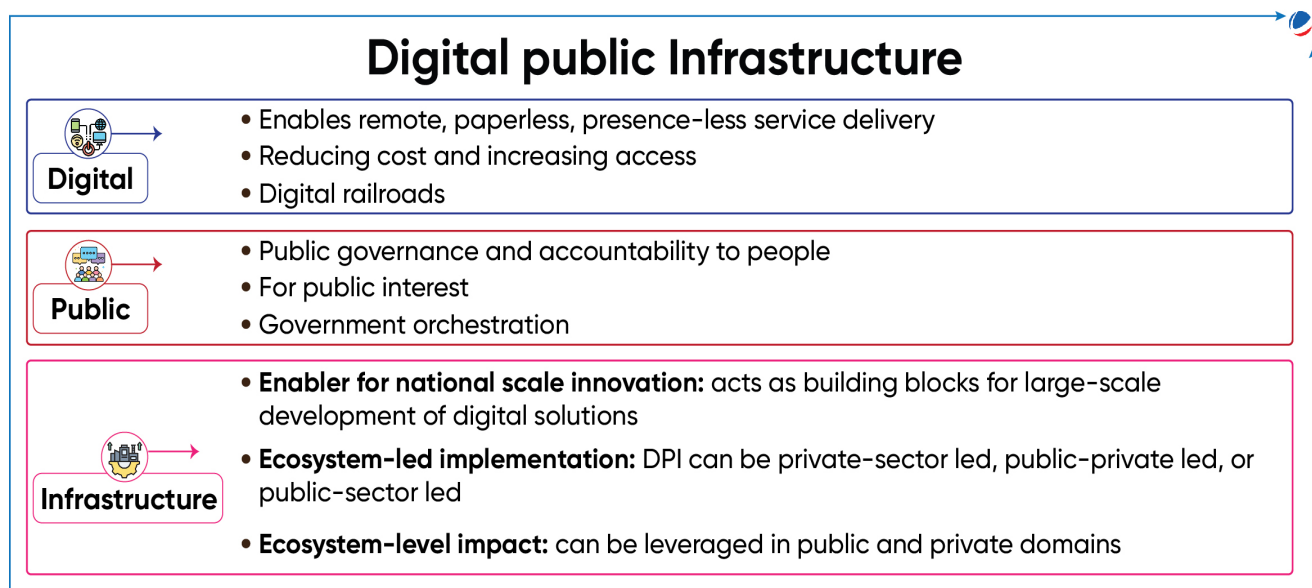
More on the news

- GDPIR is one of the **three DPI deliverables** that were endorsed by the **G20 New Delhi Leaders' Declaration**.
- Other two deliverables include a **Framework for building DPI and mobilizing finances for DPI development in Low- and Middle-Income Countries (LMICs)**.

Global Digital Public Infrastructure Repository (GDPIR)	Social Impact Fund (SIF)
<ul style="list-style-type: none"> • Developed by: Ministry of Electronics & Information Technology. • Aim: To bridge the knowledge gap in the choices and methodologies required for the design, construction, deployment, and governance of DPIs. • Constituents: GDPIR showcases the information in a standardized format from countries and organizations that have developed DPIs at scale, incorporating elements such as maturity scales, source codes, and governance frameworks. <ul style="list-style-type: none"> ○ Currently, the GDPIR features 54 DPIs from 16 countries. 	<ul style="list-style-type: none"> • Aim: Government-led, multi-stakeholder initiative to fast-track DPI implementation in the global south. <ul style="list-style-type: none"> ○ It's a platform for stakeholders to contribute to a fund and help accelerating SDGs achievement in Low- and Middle-Income Countries (LMICs) through DPIs. • Funding: India has pledged an initial commitment of 25 million USD to SIF. <ul style="list-style-type: none"> ○ It will provide financial support for upstream technical and non-technical assistance into countries developing DPI.

What is Digital Public Infrastructure (DPI)?

- DPI is a **set of shared digital systems** which are secure and interoperable, built on open standards and specifications to deliver and provide equitable access to public and/or private services at a societal scale.



- **Key pillars of DPI:**
 - Open, interoperable, extensible, and scalable **technology**.
 - **Robust governance framework** with transparent legal framework, data protection etc.
 - **Resilient local ecosystems** eliminating economic, technical/social barriers, ensuring community participation.
- **Foundational elements:** A strong DPI has three foundational systems—**identity, payments, and data exchange**.
 - India’s **DPI architecture, known as India Stack**, consists of Aadhaar (identity), UPI and Aadhar enabled Payment System (payments), and Digilocker and Account Aggregator (data exchange).

9.2. NATIONAL LOGISTICS POLICY (NLP)

Why in the news?

India recently marked the **first anniversary of the National Logistics Policy (NLP)**.

Logistics Sector in India

- **Logistics’ means Transportation & handling of goods** between points of production and consumption, storage, value addition and allied services.
- The logistics infrastructure **comprises ports, stations, Multimodal Logistics Parks (MMLPs), warehouses, connected by roads, railways, shipping, inland waterways, air routes, pipelines, etc.**

Key Aspects

 \$ 259.5 Billion Value of Indian Logistic Sector in 2022	 38th Rank In World Bank’s Logistic Performance Index 2023	 13-14% of GDP Is the cost of India’s Logistic sector
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About National Logistics Policy (NLP)

- **Announced (in 2022)** to promote **seamless flow of goods across the country** and **improve Indian goods competitiveness** in domestic and global markets.
- **Vision:** To drive economic growth through an **integrated, seamless, efficient, reliable, green, sustainable and cost-effective logistics network** by leveraging best-in-class technology, processes and skilled manpower.
- **Targets of NLP**
 - **Reduce cost of logistics in India** to global benchmarks **by 2030**.
 - **Improve the Logistics Performance Index ranking** – and be among top 25 countries by 2030.
 - **Create data driven decision support mechanism** for a logistics ecosystem.
- **Implementation of the National Logistics Policy:** Through a **Comprehensive Logistics Action Plan (CLAP)**, which consists of interventions divided into specific action areas (see infographic).

8 Action areas of CLAP



Progress under NLP so far

- **Digitalisation: Over 614 industry players** have registered on the **Unified Logistics Interface Platform (ULIP)**.
 - **ULIP** is a data-based platform which **integrates 34 logistics-related digital systems** including GST data, across departments.
- **State Engagement: 22 States** have notified their logistics policies so far.
- **Issues and Grievance Redress: Around 29 business associations** have been empanelled so far in the **Ease of Logistics Services (E-logs) Portal**.

9.2.1. LEADS REPORT 2023

Why in the news?

Recently, the Ministry of Commerce and Industry unveiled the Logistics Ease Across Different States (LEADS) Report 2023.

About LEADS

- Launched by the **Ministry of Commerce and Industry** on the lines of the **Logistics Performance Index (LPI)** of the World Bank in **2018**.
 - **India ranks 38th/139** countries in LPI 2023.
 - **LPI 2023 ranks countries on six dimensions of trade** -- including Customs, Infrastructure, Ease of arranging shipments, Quality of logistics services, Tracking and Tracing, and Timeliness.
- LEADS **ranks States and UTs** on the **efficiency of their logistics ecosystem**.
- **Pillars for measuring** logistics performance:
 - **Objective assessment**
 - ✓ **Support provided by State / UTs** for policy & process improvement of Logistics eco-system.
 - ✓ Enablers of Logistics – stock of **physical infrastructure**.
 - **Perception Assessment**
 - ✓ Logistics Infrastructure
 - ✓ Logistics Services
 - ✓ Operating and Regulatory Environment
- **Key Findings of 2023 Report**
 - **Initiatives undertaken by States and UTs**
 - ✓ 21 States and 2 UTs have notified their respective **State Logistics policies**.
 - ✓ 15 States and 1 UT have given **Industry status to the logistics sector**.
 - **The total length of roads and railway tracks** grew by about **21% and 9%** since 2014-15.

9.3. PM GATI SHAKTI INITIATIVE

Why in the news?

Findings of PM Gati Shakti Initiative highlight that **in two years** (since its inception in October 2021), it has **facilitated the Last Mile Connectivity and decreased logistics costs significantly**.

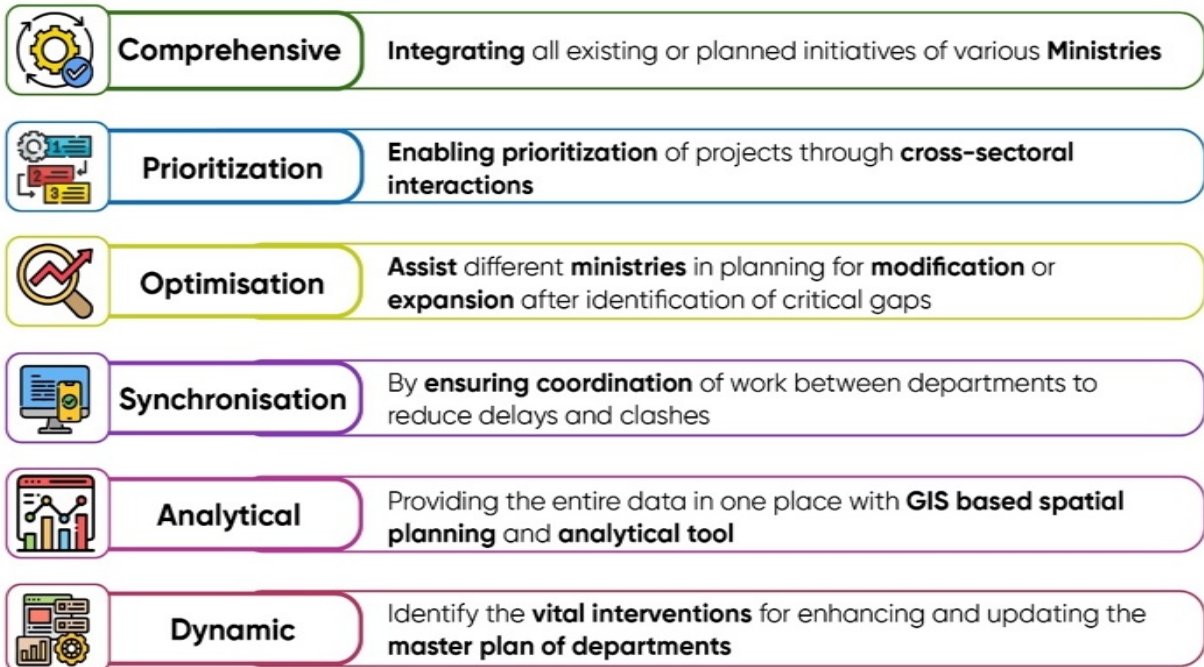
Other impacts of the GATI Shakti Initiatives

- **Expedited Implementation of Processes Across Projects.** E.g. Reduction of the pre-alignment finalization time for infrastructure projects **from 3-4 months earlier to 1 month**.
- **Increasing Information Availability** through provisioning of data on upcoming connectivity projects, industrial areas etc.
 - E.g., Use of **Digital Master Planning tool by BISAG-N** (Bhaskaracharya National Institute for Space Applications and Geo-informatics) in a dynamic Geographic Information System (GIS) platform.
- **Development of Multi-modal Logistics** through infrastructure schemes like **Bharatmala, Sagarmala** etc.

About GATI Shakti

- **PM Gati Shakti National Master Plan (PMGS-NMP)** is aimed to provide **multimodal connectivity infrastructure** to various economic zones of India.
 - **Economic zone** refers to a cluster where any economic activity in the form of manufacturing or value addition services or other services, is being carried out.
- **Objectives of the Plan:**
 - To **incorporate Economic zones** like textile clusters, pharmaceutical clusters, defence corridors, electronic parks etc. in **PMGS-NMP**.
 - To set up a **unified portal** that would bring **16 Ministries** including Railways and Roadways together.
- **Primary Focus:** Strategic planning, innovative financing methods, leveraging technology, and expediting implementation processes.
- **Scope:** It will encompass the **seven engines (Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure)** of the National Infrastructure Pipeline (NIP).

Six Pillars of PM Gati Shakti Initiative



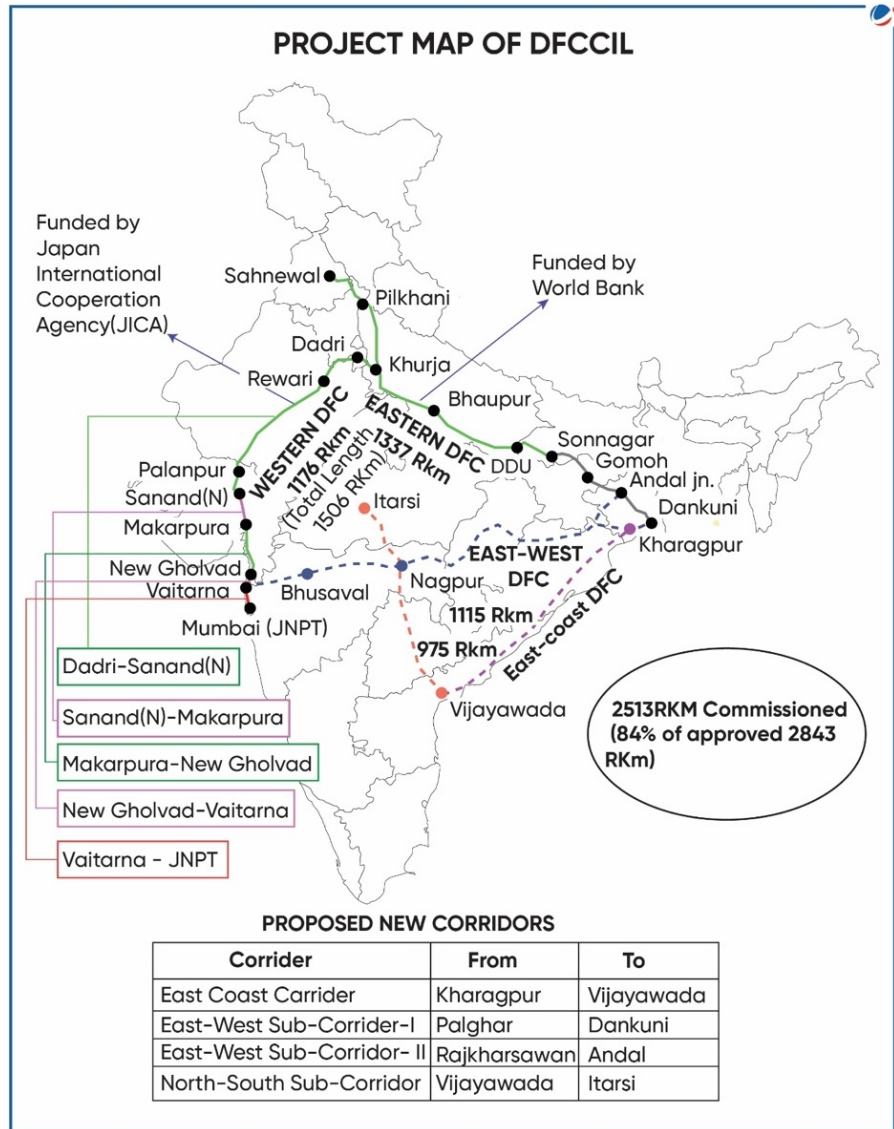
9.4. DEDICATED FREIGHT CORRIDORS (DFCS)

Why in the News?

The **Eastern Dedicated Freight Corridor (EDFC)** has been completed fully in October 2023.

What is a Dedicated Freight Corridor?

- It is a **railway corridor** designed for the rapid and efficient transportation of goods and commodities, characterized by **high speed** and **high capacity**.
- Aim:** Decongesting India's railway network by separating **freight traffic** from **passenger traffic** on the railway network.
- Implementing agency:** Dedicated Freight Corridor Corporation of India Limited (DFCCIL).
 - It is a **wholly owned enterprise of the Ministry of Railways** set up in 2006 for the construction, maintenance, and operation of DFCs.
- Dedicated Coal Corridor:** On a line of **DFC**, **Railway Ministry** developing **DCC** exclusively for coal transportation from Odisha, Jharkhand, and Chhattisgarh to other parts of country.



9.5. REGIONAL RAPID TRANSIT SYSTEM (RRTS) PROJECT

Why in the news?

The **First Regional Rapid Transit System (RRTS)** was launched with **Namo Bharat RapidX** train running from Sahibabad to Duhai Depot in Uttar Pradesh.

About RRTS Project

- It is a new, **dedicated, high-speed, high-capacity, comfortable commuter service** connecting regional nodes in NCR.
- These will operate at a speed of **160 km/hour** but are designed to be able to run at speeds up to **180 km/hour**.
- Different from Metro and Indian Railways:**
 - It caters to passengers looking to **travel relatively longer distances** with **fewer stops** and at **higher speeds**.

- It will provide reliable, high-frequency, point-to-point **regional travel** at high speed along a dedicated pathway.
- **NCRTC** implementing the RRTS in the National Capital Region (NCR).

National Capital Region Transport Corporation (NCRTC)

- **About:** Incorporated in 2013 as a **joint venture company of Govt of India and the States of Delhi, Haryana, Rajasthan and U.P.**
 - It is under the **administrative control of the Ministry of Housing and Urban Affairs (MOHUA)**.
- **Purpose:** Implementing the **Regional Rapid Transit System (RRTS) project** across the NCR of India.
- **Composition:**
 - Secretary (Urban Affairs Department) is the ex-officio Chairman of the Board of Directors.
 - Managing Director, a nominee of the Ministry of Housing and Urban Affairs.
 - 1 nominated Director each from the participating States.
 - 4 nominee Directors from the Government of India.
- **Functions and Responsibilities:**
 - Designing, developing, implementing, financing, operating and maintaining RRTS.
 - Ensuring balanced and sustainable urban development through better connectivity and access.

9.5.1. KOCHI WATER METRO

Why in the news?

Recently, India's first water-based metro, Kochi Water Metro (KWM), was formally inaugurated by Prime Minister.

About Kochi Water Metro

- The Kochi Water Metro is an **innovative and sustainable mode of transportation** that connects various parts of the city through its intricate network of waterways.
- The boats use **Lithium Titanate Oxide (LTO) batteries** that can be charged in 15 minutes using a specially built charging system.
 - LTO batteries are not only the **safest commercially accessible batteries in the world**, but they are also the longest-lasting, with a life cycle of 7-10 years.
- Last year Kochi Water Metro **won the prestigious Gussies Award (France)** for the best commercial passenger electric boat in the world.

Other such Inland Water Transport (IWT) services in India

- **Ro-Ro (roll-on, roll-off) ferry service** for the movement of vehicles and passengers across waterways. The services are available in various locations such as Mumbai, Goa, Kerala, and the Brahmaputra River in Assam.
- **Ro-Pax (Roll on-roll off cum passenger) ferry service** between Mumbai and Mandwa (Maharashtra) developed under Eastern Waterfront Development.
- **River Cruise Service:** World's longest river cruise '**Ganga Vilas**' was recently flagged off to promote river cruise tourism in India. It will cover a distance of more than 3,200 kms across 27 river systems in 5 states in India and Bangladesh.

9.6. NATIONAL COMMON MOBILITY CARD (NCMC)

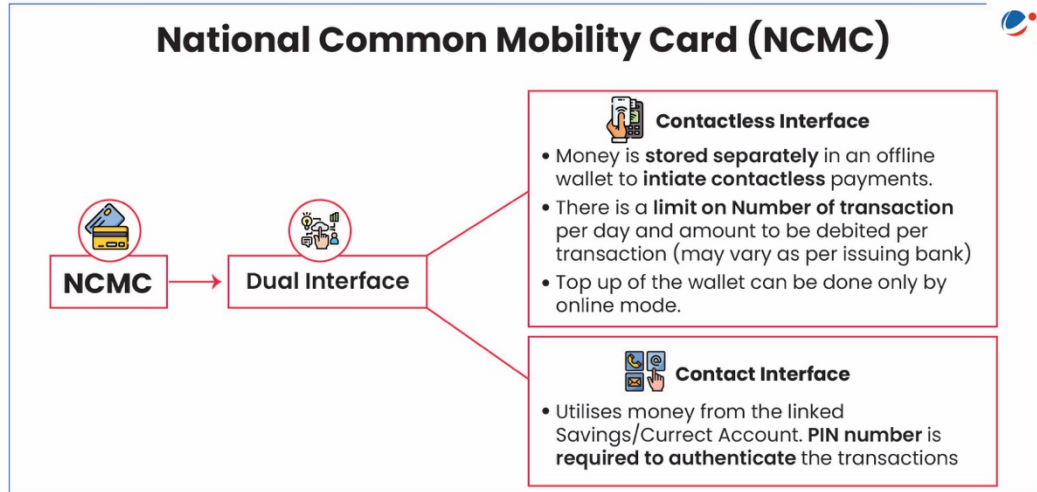
Why in the News?

State Bank of India (SBI) has recently launched the NCMC Rupay prepaid card.

More about the card

- **NCMC launched in 2019**, is also known as **One Nation, One Card** for transport mobility.
 - The customer may use a **single card for payments across all segments including metro, bus, suburban railways, toll, parking, smart city, and retail.**

- These are **chip based, bank issued cards** on Debit/Credit/Prepaid card product platform.
- Unlike other Chip based cards, NCMC's are **dual Interface card which supports both contact and contactless transactions.**



- It was developed by the **Ministry of Housing and Urban Affairs** in association with **National Payments**

Corporation of India (NPCI), Centre for Development of Advanced Computing (C-DAC) and Bharat Electronics Limited (BEL).

How does it work?

- The card utilises **Indigenously Developed Payment Eco-system** for transport which consists of
 - **NCMC Card** (issued by Payment system provider like Rupay, VISA, Master card),
 - **SWEEKAR** (Swachalit Kiraya: Automatic Fare Collection System) developed by **C-DAC**
 - **SWAGAT** (Swachalit Gate) developed by **BEL**.
- The NCMC chip card has an inbuilt radio frequency antenna which **uses Near Field Communication (NFC) technology** to establish a secure connection with SWEEKAR and SWAGAT to transmit payments.
 - **NFC is a short-range wireless connectivity technology** that uses magnetic field induction to enable communication between devices when they are touched or brought within a few centimetres of each other.

9.7. MARITIME AMRIT KAAL VISION 2047

Why in the news?

India launched the **Maritime Amrit Kaal Vision 2047** during the **3rd Global Maritime India Summit 2023, Mumbai.**

More on the news

- It is prepared by the **Ministry of Ports, Shipping and Waterways** for making India the global maritime leader by 2047.
- The **1st Maritime India summit was held in 2016** at Mumbai (with 2nd being held in 2021).

Maritime Amrit Kaal Vision 2047

It is a comprehensive **roadmap to transform India's maritime sector** through **initiatives** under the **11 themes.**

- **Sustainable and Green Maritime Sector:** Aims at making all 14 major ports **carbon neutral, embracing green fuel** and making India a hub for **hydrogen production** and distribution.
 - An **Inland Vessel Green Transition Program** will be launched.
 - 3 ports to set up the **green hydrogen bunkers** - Paradip Port (Odisha), Deendayal Port (Gujarat) and VO Chidambaranar Port (Tamil Nadu).
- **Port Modernisation:** Transforming ports into **smart, automated ports of the future** and placing **Indian ports among the world's top 25 ports.**
- **Global Player in Shipbuilding, Repair & Recycling:** To attain a spot in the top 5 global shipbuilding centres.

- **Improving India’s tonnage: Quadruple port capacity** to reach 10,000 million tons port capacity with **100% PPP** (Public-Private Partnership) model at major ports.
- **Ocean, Coastal & River Cruise Sector:** Develop 25 cruise terminals to Make India a leader in **cruise tourism** in the Asia Pacific region.
- **Enhanced Logistics:** Enhance **modal share** of coastal shipping and inland waterways from **6% to 12%**.
 - GOI aims at increasing **operational waterways more than twofold**.
- **Other themes:**
 - **Offer Maritime Professional Services** in areas like maritime law, finance etc.
 - **World-class education, research & training.**
 - **Maritime Cluster Development** for Streamlining the supply chain.
 - Dedicated IMO cell in India for **Global Maritime Presence**.
 - **Efficiency Enhancement** through a technology-driven innovation ecosystem.

9.7.1. GREEN PORT GUIDELINES 2023

Why in the news?

Ministry of Ports, Shipping & Waterways (MoPSW) launched ‘Harit Sagar’ the Green Port Guidelines 2023.

Objectives of the guidelines

- Harit Sagar Guidelines - 2023 **envisages ecosystem dynamics in port development, operation and maintenance** while aligning with ‘Working with Nature’ concept and minimizing impact on biotic components of harbor ecosystem.
- It lays emphasis on use of **Clean/Green energy in Port operation, developing Port capabilities for storage, handling** and bunkering Greener Fuels viz. Green Hydrogen, Green Ammonia, Green Methanol / Ethanol etc.

Highlights of the guidelines

- Ports must meet at least **60% of electricity needs via renewables by 2030 and 90% by 2047**.
- Ports must have at least one **LNG bunkering station by 2030**.
- Setting up **electric vehicle charging stations** in and around port areas by 2025.
- Provisions for **adopting global Green Reporting Initiative (GRI) standard**.
- Aspects of the **National Green Hydrogen Mission** pertaining to ports.

Green Port Initiatives

Project Green Ports with two verticals–Green Ports Initiative and Swachh Bharat Abhiyaan	National Centre of Excellence for Green Port & Shipping (NCoEGPS)	Pilot project in India under the IMO Green Voyage 2050 project	Draft Green Ports Policy

9.8. RAILWAY SAFETY IN INDIA

Why in the news?

The recent train accident in the Balasore district of Odisha brought to the fore the issue of railway safety in India.

Indian Railways

- Indian Railways is the **World’s 4th largest railway network**, after the US, China, and Russia, with the entire track covering a route length of more than 67,000 km.

Railway Safety Ecosystem in India	
Operational Level: <ul style="list-style-type: none"> • Fire Extinguishers • Track Management System • Kavach • HOTS-3X for track safety • Track Recording Car • Bridge Management System (BMS) • Electronic Interlocking and Ultrasonic Flaw Detection 	Administrative level: <ul style="list-style-type: none"> • Commission of Railway Safety • Railway’s Depreciation Reserve Fund • Rashtriya Rail Sanraksha Kosh • Railway Protection Force (RPF)

Issues in Railway Safety in India

- **Deterioration in the Operating Ratio** limits spending capacity on upgradation and safety
 - The operating ratio (i.e., the ratio of working expenses to traffic earnings) was 107.4% in 2021-22. This implies Indian Railways spent Rs 107 to earn Rs 100 from traffic operations.
- **Derailments:** According to CAG, **69% of railway accidents** in FY18- FY21, were because of derailments.
- **Congestion of tracks:** Capacity utilisation on **about 10,000 km of the Railway’s trunk routes exceeds 125%.**

Commission of Railway Safety (CRS) <ul style="list-style-type: none"> • Genesis: earlier, it was Railway Inspectorate. It was re-designated as the Commission of Railway Safety in 1961. • HQ: Lucknow, Uttar Pradesh • Ministry: Ministry of Civil Aviation <ul style="list-style-type: none"> ○ The rationale of keeping it under administrative control of Ministry of Civil Aviation is, to keep the CRS insulated from the influence of railway establishment and prevent conflicts of interest. • Mandate: <ul style="list-style-type: none"> ○ Deals with matters related to safety of rail travel and operations. ○ Has statutory functions - inspectorial, investigatory, and advisory - under Railways Act, 1989. ○ Investigates serious train accidents
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Steps Taken for Railway Safety

- **Rashtriya Rail Sanraksha Kosh (RRSK):** It was a **dedicated fund** created in 2017-18 to **clear the backlog of critical safety and related works** of railways.
- **Faster deployment of Linke Hofmann Busch (LHB) coaches:** **LHB coaches** are considered far safer than the older Integral Coach Factory (ICF) coaches.
 - Advantages of LHB coaches include higher carrying capacity, lower haulage cost, higher speed, low corrosion, low maintenance, higher passenger comfort, better safety etc.
- **Bridge Management System (BMS):** A web-based IT application developed to facilitate 24x7 availability of information.
- **Electronic Interlocking:** Interlocking is a system meant to **ensure that conflicting signals are not sent** to trains.
- **Introduction of Kavach system:** It is one of the safety devices introduced to eliminate trains colliding with each other. (See box for details)

About Kavach <ul style="list-style-type: none"> • Kavach is India’s automatic protection system in development since 2012, under the name Train Collision Avoidance System (TCAS), which got rechristened to Kavach or “armour”. • It is an indigenously developed by the Research Design and Standards Organisation (RDSO) in collaboration with the Indian industry. • It is a state-of-the-art electronic system with Safety Integrity Level-4 (SIL-4) standards. • Key features: <ul style="list-style-type: none"> ○ Provides protection by preventing trains to pass the signal at Red (which marks danger).
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- **Activates the train’s braking system automatically** if the driver fails to control the train as per speed restrictions.
- **Prevents the collision between two locomotives** equipped with functional Kavach systems.
- **Relays SoS messages during emergency** situations.
- Has **centralised live monitoring** of train movements through the Network Monitor System.
- In Kavach, the **probability of error is 1 in 10,000 years**.

9.9. BHARAT NEW CAR ASSESSMENT PROGRAM (BHARAT NCAP)

Why in the news?

The Ministry of Road Transport and Highways (MoRTH) has rolled out an indigenous star-rating system for vehicles to assess their safety in cases of collision.

More on the news

- It will enable Indian auto manufacturers to get their vehicles **tested and evaluated on a five-star rating scale** as per **Automotive Industry Standard (AIS) 197**.
 - AIS 197 contains the overall assessment method, vehicle selection procedure, various tests and their assessment protocols.
- It is **modelled on the Global New Car Assessment Programme (Global NCAP)** that promotes the universal adoption of the United Nation’s motor vehicle safety standards worldwide.
 - Global NCAP is a major project of the Towards Zero Foundation, which is a UK-registered charity.

Criteria	Bharat NCAP	Global NCAP	Euro NCAP
Frontal impact test	✓	✓	✓
Side impact test	✓	✓	✓
Pole side impact test	✓	✓	✓
Whiplash test	✗	✓	✓
AOP	✓	✓	✓
COP	✓	✓	✓
Safety assist technologies	✓	✓	✓
Pedestrian Occupant safety	✗	✓	✗
Vulnerable road user protection	✗	✗	✓

Features of the Bharat NCAP

- **Applicability:** To passenger vehicles with **not more than eight seats in addition to the driver’s seat (8+1)** with gross vehicle weight not exceeding 3,500 kg, which are either manufactured or sold in India.
 - **Combustion engine vehicles, as well as CNG and Electric vehicles,** can be tested under the program.
- **Testing protocol:** It will evaluate **Adult Occupant Protection (AOP), Child Occupant Protection (COP)** and fitment of **Safety Assist Technologies**.
 - For this, **three tests** will be conducted: a frontal impact test, a side impact test, and a side pole impact test.
 - Based on the assessment, **two separate star ratings** will be awarded for AOP and COP.
 - The **pole impact test** will only be conducted for cars securing 3 stars and above.
- **Format of testing:** Testing will be **voluntary**, and carmakers will be encouraged to offer their models for testing as per the AIS 197.
 - Bharat NCAP team will pick a **base variant of the model** offered through **random sampling**.
 - The **Automotive Research Association of India (ARAI)** is mandated with testing the vehicles under the scheme at its laboratories in Pune and Chakan.

Related news

National Highways Authority of India (NHA) has issued guidelines for rectification of accident-prone spots on the National Highways.

Key highlights of the guidelines

- **NHAI Project Directors** can undertake rectification of accident-prone spots to the tune of up to **Rs. 10 lakh per spot**.
 - Such accident-prone spots are identified and recommended by the respective State Police Chief or by the District Road Safety Committee.
- **Short-term measures** costing more than **Rs.10 lakhs and up to Rs. 25 lakhs** have been delegated to the **concerned Regional Office**.
- **Short Term Measures** include installation of **pedestrian facilities** like zebra crossings with advance warning signs, **Crash barriers & railings, solar lights/ blinkers**, etc.

Dakar Declaration

- It has been **adopted in principle by 21 African countries** after the first African sub-regional conference on **implementing Global Plan for Road Safety**.
- It is a guiding document to support the **implementation of Decade of Action for road safety 2021–2030**.
- It sets the ambitious target of **preventing at least 50% of road traffic deaths and injuries by 2030**.

Blackspots

- **Blackspots:** A Road Accident Black spot is a 500m stretch on a National Highway where
 - either **5 road accidents** with fatalities/grievous injuries occurred in the **past 3 years or**
 - there were **10 fatalities in total** in past 3 years

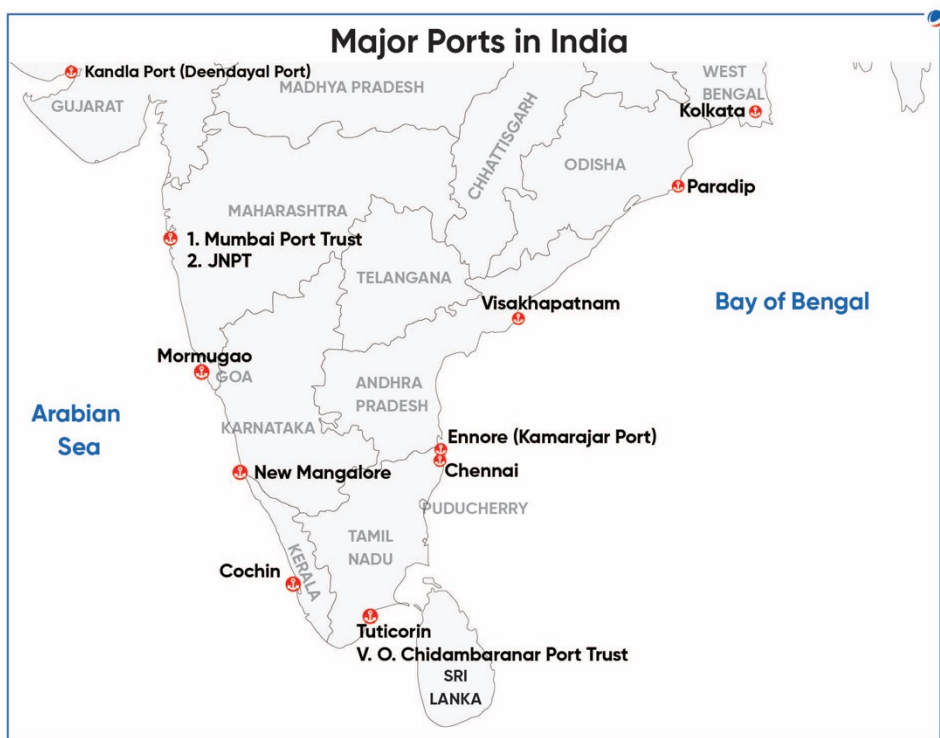
9.10. FUNCTIONING OF MAJOR PORTS IN INDIA

Why in the news?

Recently, the **Department-related Parliamentary Standing Committee on Transport, Tourism and Culture** presented the 352nd Report on **'Functioning of Major Ports in the Country'**.

Ports in India

- Ports in India are broadly categorized into two types based on **traffic they handle**.
 - **Major Ports:** They are under the direct administrative control of the Central Government and fall in the **Union List** in the **7th Schedule** of the Constitution.
 - **Minor Ports:** They fall under the jurisdiction of the respective **State Maritime Board** and fall in the **Concurrent List**.
- There are **12 Government owned major ports** (with 6 on the East Coast and 6 on the West Coast).
- The **Major Port Authorities Act, 2021** and the **Indian Ports Act** are the two principal statutes governing the functioning of Major Ports.



Performance of Ports in India

- **Turn Around Time (TRT):** Time spent by a vessel at the port from its arrival to its departure across Indian ports has been **consistently declining from 94 hours (FY13-14) to 52 hours (FY23-24)**.
- **Traffic:** Indian ports have witnessed a consistent rise in container traffic from **555 million tonnes (FY13-14) to 796 million tonnes (FY23-24)**.
- **Cargo:** Cargo handling of the Major Ports has steadily increased over the years.
- **Operating Ratio:** The operating ratio, the rupee spent for every rupee earned, **has come down** to Rs. 48 from Rs. 53 in 2020-21 (i.e., Rs. 48 is spent for every Rs. 100 earned).

Do you know ?

- > The **Oldest major port of India** is the **Kolkata Port**, now called the **Shyama Prasad Mookherjee Port (Only major Riverine port)**
- > **Mumbai port** is India's **largest Natural port and harbour**.
- > **Kamarajar Port** or the **Ennore Port** in Tamil Nadu is the **only corporatized port registered as a company**.

Efforts that have been taken to improve the functioning of Ports

- **Overall Monitoring: The Sagarmanthan Dashboard** was developed for regular monitoring of projects and the financial and operational performance of the ports.
- **Real-Time Tracking: The Sagar Setu App** has been launched to give real-time information on vessels for better traffic management.
- **Trade Facilitation: The National Logistics Portal (NLP) (Marine)** is a national maritime single window platform facilitating trade between importers, exporters, and service providers.
- **Monitoring of Port Performance Indicators: Sagar Unnati** has been implemented as a Dashboard for monitoring all Major Ports Key performance indicators like Turnaround Time.

PT 365 - Economy



PERSONALITY DEVELOPMENT PROGRAMME

CIVIL SERVICES EXAMINATION - 2023

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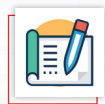
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Answer Writing for **CIVIL SERVICES** **MAINS EXAMINATION**



Answer writing holds paramount importance in the UPSC Mains exam as it serves as the primary means for candidates to demonstrate their knowledge, understanding, analytical ability, and time management skills. Effective answer writing is pivotal in showcasing one's ability to synthesize information, critically evaluate diverse perspectives, and present balanced arguments concisely. Proficient answer writing is instrumental in securing high scores and distinguishing candidates in a competitive environment, ultimately determining their success in the rigorous selection process for the UPSC Mains examination.

COMPONENTS OF AN IMPACTFUL ANSWER



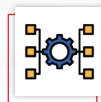
Identification of Context: Understanding the specific theme or topic of the question, and situating the response within its relevant context.



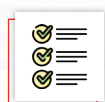
Content Competence: Demonstrating a comprehensive grasp of the subject matter, supported by accurate facts, relevant examples, and insightful analysis.



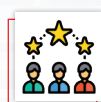
An impactful Introduction: Engagingly setting the stage for the answer, capturing the examiner's attention while providing a brief overview of the discussion to follow.



Structure and Presentation: Organizing the answer coherently with clear headings, subheadings, or bullet points, and presenting information logically and aesthetically for easy comprehension.



Balanced Conclusion: Summarizing key points concisely, offering insights or recommendations if applicable, and providing a satisfying closure to the argument or discussion.



Language: Employing precise, formal language appropriate to the context, avoiding jargon, colloquialisms, or ambiguity, and demonstrating fluency and clarity in expression.

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10. SERVICES

10.1. INSURANCE SECTOR

Why in the news?

Insurance Regulatory and Development Authority of India (IRDAI) is working to introduce a plan termed “Bima Trinity”.

More on the news

- **Bima Trinity** will include following three components -

Bima Sugam	<ul style="list-style-type: none"> • Platform to integrate insurers and distributors on to one platform. • Acts as one-stop shop for customers, who at a later stage can pursue service requests and settlement of claims through the same portal.
Bima Vistar	<ul style="list-style-type: none"> • A bundled risk cover for life, health, property and casualties or accidents, • Will have defined benefits for each risk that can be paid out faster than usual without the need for surveyors.
Bima Vahaks (carriers)	<ul style="list-style-type: none"> • Women-centric workforce in each Gram Sabha that will meet the women heads of each household to convince them about benefits of composite insurance product.

Current Status of the Insurance Sector in India

- **Total Premium:** In terms of total premium volumes, it is the **10th largest market globally**, with an estimated market share of 1.9%.
- **Insurance Density:** In India, it has increased from \$ 11.1 in 2001 to \$ 91 in 2021.
 - **Insurance density** refers to the **ratio of total insurance premiums to whole population** of a given country in a given year.
- **Insurance Penetration:** In India, it has been steadily increasing (from 2.7% in 2000 to 4.2% in 2021).
 - **Insurance penetration** refers to the **ratio of total insurance premiums to gross domestic product** in a given year.
 - Insurance penetration in the **life insurance sector** was 3.2% in 2021 -twice more than emerging markets and slightly above the global average.

Related news

National Insurance Academy (NIA) released a report exploring the Indian insurance landscape.

Key highlights of the report

- India is grappling with a **Health Protection Gap of 73%**, leaving over 40 crore individuals without health insurance (accounting for over **31%** of the country's population).
 - HPG is defined as the difference between the level of healthcare costs which would be required to meet consumer needs, versus the amount that would be available to cover those costs.
- **Protection Gap:** The report found an **87% Life Insurance Protection Gap and a Mortality Protection Gap exceeding 90%** in 26-35 age group across the country.
 - MPG is the difference between the cover typically required by a family and the resources they have available should a wage-earner pass away suddenly.
- **Natural catastrophe insurance:** Almost 95% of the country's population does not have natural catastrophe insurance.
- **Crop insurance:** Insured area and sum insured for crop insurance in India have decreased, accompanied by a decline in the number of insured farmers.

10.1.1. INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA (IRDAI)

Why in the news?

IRDAI has relaxed **norms** for '**surety bonds**' to **expand the surety insurance market** by increasing the availability of such products.

About Insurance Surety bonds

- It is a **three-party contract** by which one party (the surety) guarantees the performance or obligations of a second party (the principal) to a third party (the obligee).
- It act as a **security arrangement for infrastructure projects** and insulate the contractor as well as the principal.
- Insurance Surety Bonds (ISB), **allowed by Insurance Regulatory and Development Authority in April 2022**, has been brought as a **replacement of bank guarantees**.

Insurance Regulatory and Development Authority of India (IRDAI)

- **Genesis:** Formed as a statutory body under an Act of Parliament, i.e., IRDAI Act 1999.
- **HQ:** Hyderabad, Telengana
- **Ministry:** Ministry Of Finance, Department of Financial Services.
- **Mandate**
 - To grant licenses to (re) Insurance companies and Insurance intermediaries.
 - To protect interests of policyholders.
 - To regulate investment of funds by Insurance companies, professional organisations connected with the (re) Insurance business
 - To undertake inspection of, conduct enquiries and investigations of the entities connected with the Insurance business;
- **Entities regulated by IRDAI:**
 - **Life Insurance Companies** - Both public and private sector Companies
 - **General Insurance Companies** - Both public and private sector Companies.
 - **Re-Insurance Companies**
 - **Agency Channel**
 - **Intermediaries** like Corporate Agents, Brokers etc.


10.2. MEDICAL AND WELLNESS TOURISM

Why in the news?

The Ministry of Home Affairs recently notified the creation of a **new category of AYUSH visa for foreign nationals for treatment** under AYUSH systems of medicine.

More about News

- A new chapter, i.e. **Ayush Visa**, has been incorporated under the **Medical Visa of the Visa Manual 2019**, which deals with treatment under the Indian systems of medicine.
- This will boost **Medical Value Travel in India** and strengthen our endeavour to **make Indian traditional medicine a global phenomenon**.
- **AYUSH** is an acronym for **Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy**; however, it also includes other traditional and **non-conventional health care systems such as Sowa Rigpa, etc.**



Data Bank

- **7th** ranked with **56 million trips in wellness tourism** (As per Global Wellness Tourism)
- **\$70 billion** estimated to grow of **Ayush-based healthcare & Wellness by 2025.**

About Medical and Wellness Tourism

- **Medical tourism** is a term used to describe the rapidly growing **practice of travelling across international borders to seek healthcare services**.
- **Wellness Tourism** is a travel associated with maintaining or enhancing one's well-being.
- The Ministry of Tourism has formulated a **National Strategy and Roadmap for Medical and Wellness Tourism**.
 - Aims to provide **an institutional framework, strengthening the ecosystem for medical and wellness tourism**, developing a brand and ensuring quality assurance.
 - **Strategy key pillars include:**
 - ✓ **Enabling digitalisation** by setting up an **Online Medical Value Travel (MVT) Portal**.
 - ✓ **Enhancement of accessibility** for MVT, etc.
 - **Constituted National Medical and Wellness Tourism Promotion Board** for Institutional framework.

Related News

First WHO Traditional Medicine Global Summit

- Recently, the World Health Organization (WHO) and Ministry of AYUSH organized the **First WHO Traditional Medicine Global Summit "Towards health and well-being for all"** in Gandhinagar, Gujarat.
- Summit aimed to harness the potential of the **evidence-based traditional, complementary, and integrative medicine (TCIM)**.
- WHO released the **outcome document** of first WHO Traditional Medicine Global Summit 2023 in form of **"Gujarat Declaration"**.

10.3. OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

Why in the news?

Network Operations and Compliance System (NOCS) platform was launched for ONDCs.

More on the news

- NPCI Bharat BillPay Ltd (NBBL) has launched **NOCS platform will provide reconciliation and settlement services for transactions** undertaken on ONDC network.
 - **NOCS, developed under guidance of RBI**, will enable **smooth, secure, and timely transfer of funds** to network participants.
 - It is **integrated with banks, fintechs and e-commerce players** and will soon go live.

About ONDC



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

- ONDC was launched by **Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry** to control digital monopolies.
 - It **promotes open networks for all aspects of exchange of goods and services** over digital or electronic networks.
 - Task to **integrate e-commerce platforms on ONDC** has been assigned to **Quality Council of India**.
 - ONDC does **not require the use of same platform/application** by buyer and seller to do a business transaction.

11. ENERGY

11.1. NATIONAL ELECTRICITY PLAN (NEP)

Why in the news?

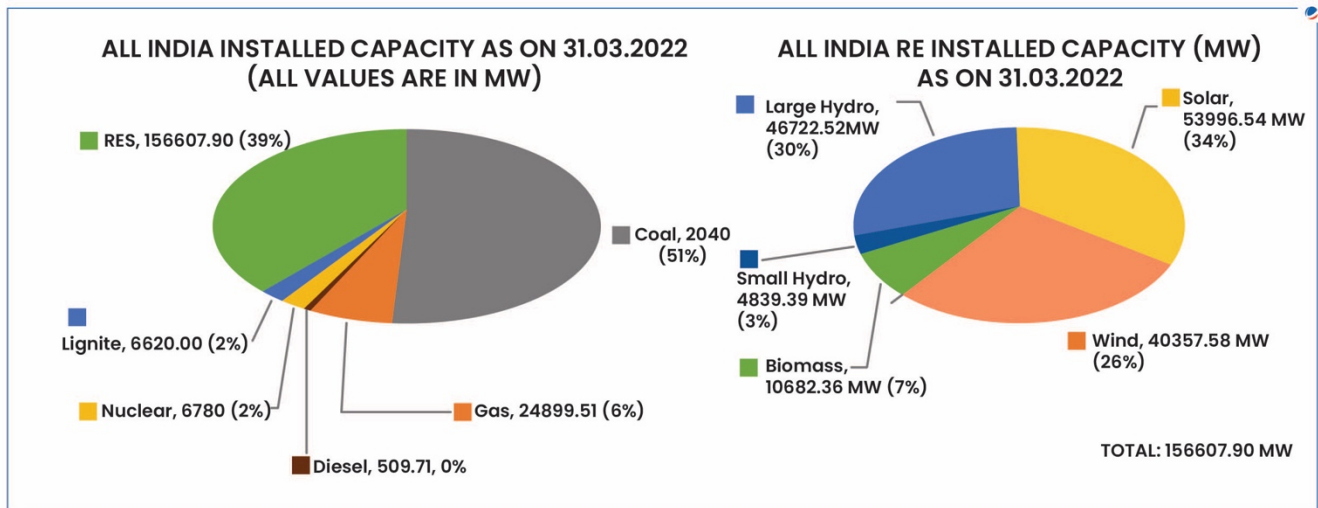
Recently, the **Central Electricity Authority** has notified the National Electricity Plan for **2022-32**.

More about the news

- As per the **Electricity Act 2003**, CEA is required to prepare an NEP in accordance with the **National Electricity Policy** and notify such Plan **once in five years**.
- NEP includes the **review of the last five years (2017-22)**, a detailed plan for the **next five years (2022-27)** and a **prospective plan for 2027-32**. (The **first NEP** was notified in **2007**.)

Key highlights of NEP

- Rising energy demand:** India has witnessed electricity demand **increase at CAGR of around 4.1 % during the last decade**.
- Installed capacity:** Likely installed capacity for the year 2026-27 will be around 610 GW with around 57.4% non-fossil-based capacity (from around 40% as of March 2022).
- Carbon emission:** Average **CO2 emission rate from coal-based stations** has been **on a declining trend**.
- Contribution of Renewable Energy (RE) sources:** Installed capacity of RE sources is expected to contribute **around 35% to the total energy mix by 2026-27**.
- Energy efficiency and conservation:** India has achieved a **reduction in the emission intensity of GDP by 24%** over the period 2005-2016 and is now committed to **reducing emission intensity by 45 % in 2030** against the levels of the year 2005.
 - Emissions intensity is the level of GHG emissions per unit of economic activity, usually measured at the national level as GDP.



Central Electricity Authority (CEA)

- About:** Statutory Organization under Electricity Act, 2003. It works under the Ministry of Power.
- Genesis:** Originally constituted under section 3(1) of repealed Electricity (supply) Act, 1948.
 - In 1951 established as part time body and made full time body in 1975.
 - Superseded by section 70 of Electricity Act, 2003.
- Objective:** To regulate and oversee the development of the electricity sector in the country.
 - To ensure reliable 24*7 power supply of adequate quality to all consumers in the country.
- Composition:** Not more than 14 members (including its chairperson).
 - Not more than the 8 full time members to be appointed by the central government.

- **Function & Responsibilities:**
 - Advise the central government on National Electricity Policy.
 - Specify the technical standards for electrical plants and lines.
 - Specify the conditions for installation of meters.
 - Promote measures for advancing the skill of persons engaged in the electricity industry.
 - Promote and assist in the timely completion of schemes and projects.

11.1.1. INTER-STATE TRANSMISSION SYSTEM (ISTS) CHARGES

Why in the news?

Ministry of Power waives Inter-State Transmission System (ISTS) charges on offshore wind, green hydrogen, ammonia projects for 25 years.

More on the news

- Earlier, government had ordered **waiver of ISTS charges on transmission of electricity generated from new hydro-power projects.**
- **OWP** is the **use of wind farms constructed in bodies of water**, usually in ocean on continental shelf, to harvest wind energy to generate electricity.
- **Green Hydrogen** is hydrogen produced from water using RE sources.
- **Green ammonia** is a derivative of green hydrogen and is used as energy in transport and storage vectors, shipping fuel, and as a fertilizer.

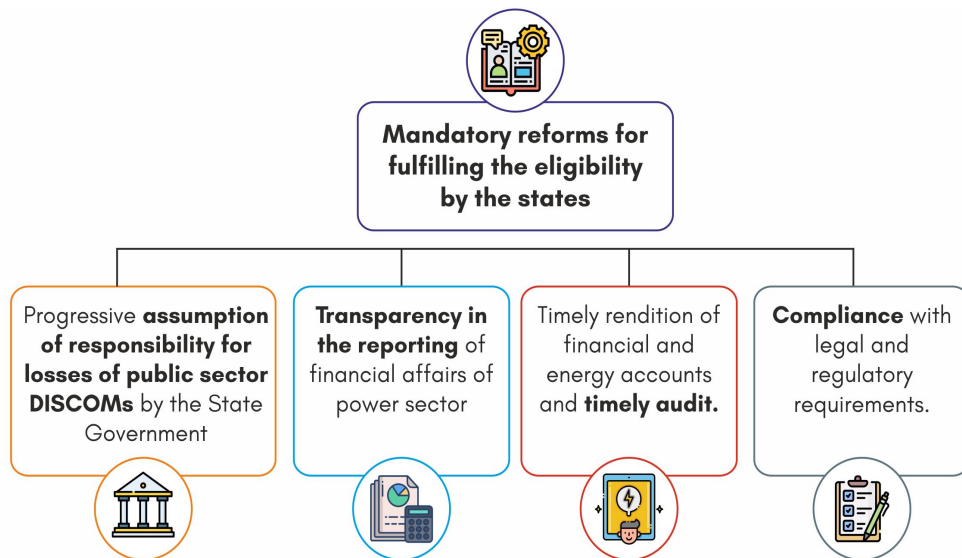
Key decisions

- **Complete waiver** of ISTS charges has been given for **Off-shore Wind Power (OWP) projects** commissioned on or before **31st Dec 2032 (for 25 years from date of commissioning)**.
 - However, **projects commissioned from 1st January 2033** would be given **graded ISTS charges**.
- **Complete waiver** for **Green Hydrogen/Green Ammonia** production units, using **Renewable Energy (RE), Pumped or Battery Storage System** or any hybrid combination.
 - Projects commissioned **on or before 31st Dec 2030** will be eligible for this waiver. **Projects after December 31, 2030, will attract graded transmission charges** thereafter.

11.1.2. OTHER INITIATIVES IN THE POWER SECTOR

11.1.2.1. FINANCIAL INCENTIVES TO STATES FOR REFORMS IN THE POWER SECTOR

- The **Ministry of Finance** has allowed **states additional borrowing ranging from 0.25% to 0.5% of the Gross State Domestic Product (GSDP) annually** in lieu of reforms in the power sector (refer to the infographics).
- The initiative was announced in **Union Budget 2021-22 for a four-year period from 2021-22 to 2024-25.**



11.1.2.2. MARKET COUPLING

- The Union Ministry of Power has directed the Central Electricity Regulatory Commission (CERC) to initiate the process of **“market coupling” of power exchanges**, in order to have uniform prices across multiple exchanges.
- Market coupling refers to the forming of a **single power trading entity owned by the government**.
 - Under it, buy and sell bids from **all power exchanges in the country will be aggregated** and matched to **discover a uniform power price or market clearing price (MCP)**.
 - **At present, MCPs are different** in three **power exchanges that India has** - Indian Energy Exchange Limited (IEX), Power Exchange India Limited (PXIL) and Hindustan Power Exchange Limited (HPX).
 - **IEX currently enjoys a monopoly status** with almost 90% share in the electricity market.
- **Market coupling will pave the way for**
 - **“One Nation, One Grid, One Frequency, One Price” framework** by implementing the **Market-Based Economic Dispatch (MBED) mechanism**.
 - ✓ MBED mechanism envisages **centralised scheduling for dispatching the entire yearly consumption of electricity**, both at the inter-state and intra-state levels.

11.1.2.3. ELECTRICITY (RIGHTS OF CONSUMERS) AMENDMENT RULES, 2023

- Central Government amended Electricity (Rights of Consumers) Rules, 2020 which were **notified by the government to provide reliable services and quality electricity to consumers**.
- **Rules seek to ensure that-**
 - **New electricity connections**, refunds and other services are **given in a time-bound manner**.
 - **Willful disregard for consumer rights** results in **levying of penalties on service providers** and payment of compensation to consumers.
- Ministry of Power has now **introduced Electricity (Rights of Consumers) Amendment Rules, 2023** to bring following changes:

Changes	About
Introduction of Time of Day (ToD) Tariff	<ul style="list-style-type: none"> • Rather than being charged for electricity at same rate at all times of the day, price for electricity will vary according to the time of day. <ul style="list-style-type: none"> ○ Power Tariff to be 20% less during Solar Hours (duration of eight hours in a day as specified by State Electricity Regulatory Commission), 10%-20% Higher during Peak Hours. • It will enable consumers to reduce electricity bills and will help power system to use resources more efficiently.
Amendment made in smart metering provision	<ul style="list-style-type: none"> • Post installation of a smart meter, no penal charges will be imposed on a consumer based on maximum demand recorded by the smart meter for the period before installation date.

11.1.2.4. HIGH PRICE DAY AHEAD MARKET AND SURPLUS POWER PORTAL (PUSHP PORTAL)

- PUSHp portal was **launched by Ministry of Power to ensure greater availability of power during peak demand season**.
 - **Power Distribution Companies (DISCOMS) will be able to indicate their surplus power** in block times / days / months on portal.
 - Those DISCOMs who need power will be able to requisition the surplus power.
 - This will **reduce the fixed cost burden on DISCOMs** and **enable the available generation capacity to be utilise**.

11.2. NATIONAL GAS GRID

Why in the news?

The Bihar portion of the **Barauni - Guwahati pipeline** which connects Bihar to the National Gas Grid has been completed.

About Natural Gas

- Natural gas is a **mixture of gases which are rich in hydrocarbons consisting** of methane, nitrogen, carbon dioxide etc.
- Natural gas reserves are **deep inside the earth near other solid & liquid hydrocarbon beds** like coal and crude oil.
- It is not used in its pure form; it is **processed and converted into cleaner fuel for consumption**.
- India has targeted to increase the share of natural gas in primary energy mix in India **from current 6.5% to 15% by 2030**.
- The subjects of Petroleum & Natural Gas fall under the **Union list**.

National Gas Grid

- It is a **33,764 Km long, Natural Gas pipeline network** that aims to connect all major supply and demand centres in the country.
- It is **under the purview of the Petroleum and Natural Gas Regulatory Board (PNGRB)**.

About Petroleum and Natural Gas Regulatory Board (PNGRB)

- It was established under **The Petroleum and Natural Gas Regulatory Board Act, 2006**.
- It aims to **protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products** and natural gas and to promote competitive markets.
- It also oversees a **Gas Exchange for the trading of Natural Gas in India**.
- It is the authority to **grant authorization to the entities for the development of City Gas Distribution (CGD) network** in Geographical Areas (GAs).
- It is under **Ministry of Petroleum & Natural Gas**.

The advertisement features the text 'CSAT क्लासेस 2024' in large, bold letters. Below it, a banner reads 'ENGLISH MEDIUM Admission Open' and 'हिन्दी माध्यम प्रवेश प्रारंभ'. A central illustration shows a student at a desk with a clock, surrounded by icons representing various subjects and study tools. A QR code is provided for instant personalized mentoring.

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12. BUSINESS, INNOVATION AND ENTREPRENEURSHIP

12.1. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Why in the news?

Recently, Ministry of Corporate Affairs (MCA) in its monthly newsletter had highlighted various insights about CSR.

About CSR Act of 2013

- **Government provides the broad framework of CSR through:**
 - **Section 135 of the Companies Act, 2013** enumerates the provisions regarding CSR.
 - **Schedule VII of the Companies Act, 2013** indicates the **activities** to be undertaken by the company under CSR.
- Companies need to spend a **minimum 2% of its average net profit** for its preceding **three financial years'** amount on CSR activities.
- CSR mandated companies are required to file details of CSR activities **annually in MCA21 registry**.
- **Non Compliance of CSR** provisions have been notified as a **civil wrong** w.e.f. from 22nd January 2021.
- **Contribution to following Funds shall be admissible as CSR expenditure:** Swachh Bharat Kosh, Clean Ganga Fund, Prime Minister's National Relief Fund (PMNRF), PM Citizen Assistance and Relief in Emergency Situations Fund (PM CARES fund).

CSR is applicable to Companies with

- Net profit of Rs. 5 crore or more**
- Net worth of Rs. 500 crore or more**
- Turnover of Rs. 1000 crore or more**

Trends in CSR Spending

<p>150% increase from CSR spending from 2014-15.</p>	<p>Rs. 26,000 crore has been invested by more than 18,000 companies.</p>	<p>29.5% and 24.5% of the total spending was done in Health and Education sector respectively.</p>
<p>Doubling of spending in the Environment sector due to India's global climatic commitments.</p>	<p>Increased spending on sanitation through the Clean Ganga fund, Drinking water, and Slum area development</p>	<p>Less than 0.1% spending towards technology incubators since the inception of CSR</p>

Companies (CSR Policy) Amendment Rules, 2021

- **Impact assessment by an independent agency** for companies spending Rs. 10 Crore or more in the three immediately preceding financial years under CSR.
- **Mandatory transfer** of unspent CSR amount is required.
- **Administrative overheads** shall not exceed 5% of total CSR expenditure of the company for the financial year.
- **"Ongoing Project"** means a multi-year project shall not exceed 3 years (excluding the FY in which it was commenced)

Companies (CSR Policy) Amendment Rules, 2022

- **CSR committee establishment for unspent CSR amount.**
- **Cost of social impact assessments**, which can be considered as CSR spending, cannot be greater than **2% of all CSR expenditures** for the applicable financial year or Rupees 50 lakh, **whichever is higher.**

Framework of Corporate Governance in India

- **The Companies Act, 2013:** Mandates the constitution of board and meetings, audit committees, disclosure requirements in financial statements etc.
- **Securities and Exchange Board of India (SEBI):** Monitors and regulates the corporate governance of listed companies.
- **Institute of Chartered Accountants of India (ICAI):** For issuing guidelines and standards, thereby directing the pathway of disclosing financial data.
- **Institute of Company Secretaries of India (ICSI):** Issues the secretarial standards primarily in terms of “Board of Directors Meetings” and “General Meetings”.
- **Ministry of Corporate Affairs:** Regulates the functioning of the corporate sector in accordance with law.

12.1.1. INDIAN COMPANIES ON INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC)

Why in the news?

Recently, the Finance Minister said that **Indian companies can list directly** on International Financial Services Centre (IFSC).

More on the news

- **Presently**, Indian companies **cannot directly list their securities** abroad **without** getting themselves **listed in domestic stock exchanges**
 - In 2020, **Centre amended Companies Act**, allowing **direct listing of Indian companies on foreign stock exchanges**
- Currently, **Indian companies can raise money abroad through American Depository Receipts (ADR) and Global Depository Receipts (GDR).**
 - Depository Receipt (DR) is an **instrument used by domestic companies** to raise money outside the country. These shares are **held by a foreign bank that provides DRs to companies** in return for shares.
 - **Both GDR and ADR are used to raise funds from foreign market.**
 - ✓ However, **ADRs are traded on US stock exchanges** while **GDRs are traded mostly on European Exchanges.**

About IFSC

- An IFSC **caters to customers outside the jurisdiction** of the domestic economy. Such centres **deal with flows of finance, financial products and services** across borders.
- It can provide several services including **fund-raising, Asset management** and global portfolio diversification, **wealth management** etc.
- **Establishment:** IFSCA has been established in 2020 under the International Financial Services Centres Authority Act, 2019.
 - It is headquartered at GIFT City, Gandhinagar in Gujarat.
- **Role of IFSCA:**
 - The IFSCA is a **unified authority** for the development and regulation of financial products, financial services and financial institutions in the IFSC in India.
 - At present, the **GIFT IFSC is the maiden international financial services centre in India.**

12.2. COMPETITION (AMENDMENT) ACT 2023

Why in the news?

The Centre notified several provisions of the Competition (Amendment) Act (CAA) 2023, which amended the Competition Act (CA), 2002.

Competition Act 2002

- It replaced the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969.
- It provided for the establishment of the Competition Commission of India (CCI).
- The Act forbids anti-competitive agreements, corporate abuse of dominant positions, and combinations (including acquisitions, takeovers of control, and mergers and acquisitions) that have or are likely to have a materially negative impact on competition in India.

Amended definitions in the Act

- **Definition of Combination:** The CAA expands the definition of combinations (mergers, acquisitions, or amalgamation of enterprises) to include transactions with a value above Rs 2,000 crore.
- **Reduction in the time limit for approval of combinations:** From 210 days to 150 days.
 - The CCI is now required to form a prima facie opinion on a combination within 30 days, otherwise, the combination shall be deemed to have been approved.
- **Expansion of Scope of Cartels to Include “Hub and Spoke Arrangements”:** Companies which are not engaged in identical or similar business activities can also be held liable for an anti-competitive horizontal agreement (cartelization).
 - Wherever such companies participate or intend to participate in facilitating such an agreement.

Grievance Redressal and Penalty provisions

- **Limitation Period for Filing Information:** A complaint against anti-competitive conduct needs to be filed before the Competition Commission of India (CCI) within 3 years from the date on which the cause of action arose. The CCI is empowered to condone delays.
- **Increased Penalty:** For false statements/ omission of material information from ₹ 1 crore to ₹ 5 crore.
- **Penalty Based on Global Turnover:** The penalties would be imposed based on the global turnover derived from all products and services by such person or an enterprise.
- **Compounding of Offences:** CAA introduces a provision which allows the compounding of any offence (which does not entail imprisonment).
 - Compounding an offence indicates that the individual with whom the crime has been perpetrated has acquired some compensation from the accused.
- **Decriminalisation of certain offences** such as failure to comply with orders of CCI and directions of the Director General concerning anti-competitive agreements and abuse of dominant position.
- **Leniency provision:** Where a party implicated in a cartel investigation makes a true and vital disclosure of an alleged violation or another undisclosed cartel, CCI is empowered to also grant an additional lesser penalty for the cartel already being investigated.

Other provisions of the CAA

- **Settlement and commitment mechanism:** Under the CAA, CCI may initiate proceedings against enterprises on grounds of entering into anti-competitive agreements.
- **Appointment of Director General (DG):** As per the CAA, the DG shall now be appointed by the CCI with prior approval of the Central Government as against the erstwhile power being vested with the Central Government.

Competition Commission of India

- **Genesis:** It is a statutory body created via the Competition act, 2002.
- **Mandate:**
 - Eliminate practices having adverse effect on competition,
 - Promote and sustain competition,

- Protect the interests of consumers and
- Ensure freedom of trade in the markets of India.
- **Ministry:** Ministry of Corporate Affairs.
- **Composition: Chairperson and at least 2 to maximum 6 other members** to be appointed by the central government.
 - Term of office of chairperson and members is **five years or the age of 65 years whichever is earlier.** They are **eligible for reappointment.**
- **Powers:** The commission can **inquire into certain agreements, combinations and dominant position of enterprise.**
 - It can regulate its own procedure and amend its orders to rectify any mistakes.
 - Failure to follow commission orders or directions can result in **fine or imprisonment.**

International Competition Network

- The **CCI** became a member of the steering group of the ICN for the first time.
- **CCI membership** will be for two years.
- The ICN is a **specialized yet informal network** of 140 competition authorities.
- **The ICN's mission** is to advocate the adoption of superior standards and procedures in competition policy around the world.
- It is guided by its apex body- **the Steering Group of 18 members.**

12.3. JAN VISHWAS (AMENDMENT OF PROVISIONS) ACT, 2023

Why in the news?

Recently, the Jan Vishwas (Amendment of Provisions) Bill, 2023, received the President's assent. The Act aims to give a boost to ease of living and ease of doing business.

Key highlights of the Act

- **Decriminalises 183 provisions across 42 laws** administered by 19 Ministries/Departments.
- **Converts several fines into penalties**, implying that judicial prosecution is not necessary to administer punishment.
- **Removes all offences and penalties** under the **Indian Post Office Act 1898.**
- **Periodic revision** (10% increase of the minimum amount every three years) of fines and penalties for various offences in specified Acts.
- **Changes in grievance redress and appellate mechanisms and appointment of one or more adjudicating officers** for determining penalties under acts such as the Cinematograph Act, 1952, Environment (Protection) Act, 1986, Merchant Shipping Act, 1958, etc.

12.4. TRANSFER PRICING

Why in the news?

Supreme Court altered the approach to resolving transfer pricing disputes in India.

More in the news

- **Supreme Court set aside an earlier Karnataka High Court ruling** which held that in transfer pricing matters, the determination of the arm's length price (ALP) by the Income Tax Appellate Tribunal (ITAT) is final and cannot be subject to judicial scrutiny.
 - In India, **Transfer Pricing and ALP provisions are contained in Chapter X** of the **Income-tax Act, 1961** and arm's length price is determined by the Assessing Officer.
- The apex court **now held that any ALP determined outside the purview of relevant transfer pricing (TP) provisions** in the Income Tax Act **can be considered as 'perverse (unjust)' and in such cases** decision of the tribunal is not final.
 - In such cases, both, the Indian Revenue Authorities (IRA) as well as taxpayers, can approach a HC after a decision by the ITAT.

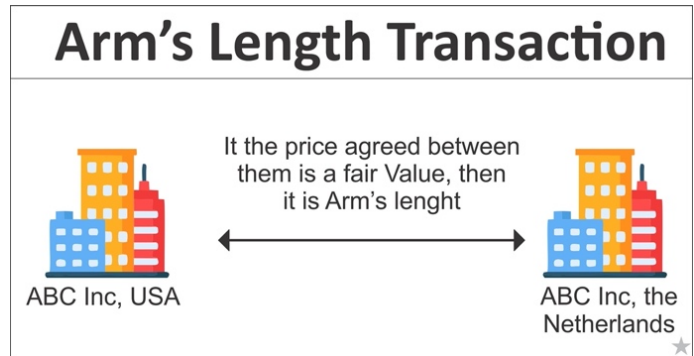
- The SC ruling has **restored TP issues to the same pedestal as other tax issues in India.**

About ITAT

- ITAT is a **quasi-judicial institution** set up in 1941.
- It **specializes in dealing with appeals under the Direct Taxes Acts.**
- The **orders passed by the ITAT are final**, an appeal lies to the High Court only if a substantial question of law arises for determination.
- Starting with three Benches** at Delhi, Kolkata and Mumbai, the numbers of Benches have progressively increased and **presently ITAT has 63 Benches** in 27 different stations.

About Transfer Pricing

- Transfer pricing is an **accounting practice** that allows for the establishment of **prices for the goods and services exchanged between divisions, subsidiaries or affiliates** that are part of the larger enterprise.
- Usually, Companies use transfer pricing to reduce the overall tax burden** of the parent company.
 - This is done by charging a higher price to subsidiaries in high-tax countries (reducing profit) while charging a lower price (increasing profits) for subsidiaries in low-tax countries.



About Arm's Length Principle (ALP)

- It means that **the price a company pays to purchase goods or services from a related company entity should be the same as if the two entities were unrelated** (known as arm's length price).
 - There should be no price adjustment or special conditions for the transaction** simply because the parties are related legal entities.
- Its **objective is to avoid the erosion of the tax base or the transfer of profits** to low-tax jurisdictions.

12.5. GLOBAL INNOVATION INDEX (GII) 2023

Why in the news?

India maintains **40th Rank in the** recently released **GII 2023**, by the **World Intellectual Property Organization (WIPO).**

About GII

- The GII is a **reliable tool for governments across the world to assess the innovation-led social and economic changes** in their respective countries.
- It is co-published annually by **Cornell University, INSEAD Business School, and WIPO.**

Key Findings

- For the 13th consecutive year, **Switzerland ranks first in the GII.**
- Status of Innovation in India:**
 - India **leads the lower middle-income group and is stable.**
 - India continues as a record holder by being an **innovation over performer for a 13th consecutive year.**

Criteria to Measure Innovation



Input pillars

- › Institutions
- › Human Capital & research
- › Infrastructure
- › Market Sophistication
- › Business Sophistication



Output pillars

- › Knowledge and Technology Outputs
- › Creative Outputs

- The **ascent of India in terms of publication output (ranking 4th in 2022)**, overtaking the UK (5th) and Germany (3rd).
- India has **4 technology clusters among the top 100 clusters**: Bengaluru, Delhi, Chennai and Mumbai.

World International Property Organization (WIPO)

- **Genesis:** Specialized Agency of UN, established in 1967.
- **Objective:** Developing a balanced and accessible international Intellectual Property (IP) system.
- **Membership:** It has 193 members (including India).
- **Organizational Structure:** The General Assembly and the Coordination Committee.
- **Major Treaties (India is a member of all three):**
 - Paris Convention for the Protection of Industrial Property (1998).
 - Berne Convention for the Protection of Literary and Artistic Works (1928).
 - Patent Cooperation Treaty (1998)

12.6. STARTUPS IN INDIA

Why in the news?

The Parliamentary Standing Committee on Commerce recently released a report titled ‘**Ecosystem of Startups to Benefit India**’.

Key pointers of the report

- **Access to funding:** Investments in startups are cyclical in nature. They witness market corrections based on various factors such as macroeconomic conditions, investor sentiments, and monetary policies.
- **Single implementation agency:** 42 ministries/departments/bodies are overseeing the implementation of various schemes and initiatives related to startups.
- **Regulatory support:** The Committee noted that easing regulatory/legal framework to facilitate direct overseas listing of unlisted Indian startups could give a boost to the ecosystem.

Startups In India

Definition and Criteria

A company or entity will be referred to as a startup if it fulfills certain criteria/parameters given by Dept of Promotion of Industry and Internal Trade (DPIIT, Ministry of Commerce and Industry) under Start-Up India Scheme.

 Company Age Period of existence and operations should not exceed 10 years from the Date of Incorporation	 Company Type Incorporated as a Private Limited Company a Registered Partnership Firm or a Limited Liability Partnership	 Annual Turnover Should have an annual turnover not exceeding Rs 100 crore for any of the financial years since its Incorporation	 Original Entity Entity should not have been formed by splitting up or reconstructing an already existing business	 Innovative & Scalable Should work towards development or improvement of a product process or service and/or have scalable business model with high potential for creation of wealth & employment
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* DPIIT recognition grants tax exemptions for 3 years to startups

Regulation of Startup Ecosystem in India

- **Ministry of Corporate Affairs (MCA)** has defined “start-up” through an executive order **under the Companies Act 2013** and gives few operational and compliance relaxations for a “start-up company”.
- **The Securities and Exchange Board of India (SEBI)** notifies rules for listing start-ups.

PT 365 - Economy

- **Reserve Bank of India (RBI)** created a **dedicated helpline for start-ups in India to offer guidance/assistance** for undertaking cross-border transactions within the ambit of the regulatory framework.

Issues/Challenges in the Startup Ecosystem of India

- **Less focus on Agriculture:** Out of the total recognised startups, **only 5.18% are in the agriculture sector.**
- **Low Intellectual Property Rights (IPR):** **Only 11%** of the patent applications filed by startups have been granted patents.
- **Flipping (Registering in a foreign country):** The Economic Survey 2022-23 highlighted the **flipping** trend due to more access to **overseas debt, eliminating the risk of angel tax, better IP protection,** etc.

12.7. BUREAU OF INDIAN STANDARDS (BIS)

Why in the News?

The **Union Minister of Consumer Affairs, Food and Public Distribution** informed that the **Bureau of Indian Standards (BIS)** nod must for an additional **115 categories of product from 2024.**

More on News

- Ceiling fans, stainless steel cookware, wrought aluminum utensils; block boards and aluminum cans for beverages will come under the mandatory quality norms notified by the BIS.

Bureau of Indian Standards (BIS)

- **Genesis:** BIS is the **National Standards Body of India**, established under the **BIS Act 1986**, replacing the then **Indian Standards Institution (ISI)** and later restructured by **the BIS Act, 2016**
 - It works under the aegis of **Ministry Of Consumer Affairs, Food & Public Distribution (MoCA, F&PD)**
- **Objectives:**
 - To **satisfy the customer needs for quality**
 - To **achieve harmonious development** of activities of standardization
 - To **provide thrust to standardization and quality control** for growth and development.
- **Organizational Structure:**
 - **A Governing Council** consists of **27 members:**
 - ✓ **President: Minister of MoCA, F&PD**
 - ✓ **Vice President: Minister of State of MoCA, F&PD**
- **Functions:**
 - **Formulation of Standards** through a consultative mechanism and technical committees.
 - **Review of standards** every in five years.
 - **Harmonize Indian standards and publish them.**
 - **Certification** of products, foreign manufacturers and Hallmarking of Gold and Silver jewellery etc.

Existing products under Compulsory certification (ISI) in India

Around **560 Products** falls under compulsory certification requirement, which are clubbed under major heads like








- Cement (Any variety)
- Household electrical goods
- Food and Related Products
- Automobile Accessories
- Medical equipment
- Steel and Iron products
- Air Conditioner and its parts
- Domestic gas stoves and pressure cookers
- Electric and Non-electric toys etc...

Major Achievements of BIS

- BIS has awarded the **Product certification (Voluntary)** to **more than 1000 products** in the country.
- BIS has developed an **online consignment portal (Manakonline)** for foreign licensees through which the conformity to Indian Standards can be easily checked.
- It **unveiled the Standards National Action Plan (2022- 27)** to serve as foundation for standardization in the country.
- **Self-marking rights of the BIS standards mark (ISI mark)** is provided to the manufacturer of a particular product, except for a list of 211 products.

Different Certification Marks in India



Icon of certification mark	Name of certification mark	Detail
	ISI Mark	Issued by BIS for consumer durable goods, electronic items, kitchen appliances, etc.
	AGMARK	Issued by Directorate of Marketing & Inspection (DMI) , Department of Agriculture for agricultural commodities and livestock products.
	BIS Hallmark	Issued by BIS for gold jewellery.
	Woolmark	Signifies 100% pure wool.
	ECO MARK	Issued by BIS for environmental friendly products.
	FPO MARK	Issued by Food Safety and Standards Authority of India (FSSAI) for food products.
	India Organic	Issued by Agricultural and Processed Food Products Export Development Authority for organically farmed food products.

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UPSC TOPPERS PREPARATION APPROACH & STRATEGIES

Insights from Toppers' Talk and Answer Scripts



Ishita Kishore
Rank 1, 2022

Ishita Kishore, the UPSC topper of 2022, serves as a remarkable inspiration for her unwavering determination and relentless efforts making her as a beacon of motivation for aspiring candidates. Through her methodical preparation approach, she emerged triumphant in the esteemed Civil Services Examination securing top rank. Ishita extensively relied on VisionIAS Mains test series to refine her answer writing abilities. To gain further insights into Ishita's answer writing approaches, kindly scan the QR code provided.

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UPSC CSE TOPPERS 2022



**Waseem
Ahmad Bhat**



Waseem Ahmad Bhat, an exceptional achiever who secured an All India Rank 7 in his third attempt in the UPSC Civil Services Examination 2022. He also achieved All India Rank 225 in his first attempt in 2020 and currently, he is training as an Assistant Commissioner Income Tax.

Waseem was a student of the **VisionIAS Foundation Course**, Batch in 2019.

Hailing from Doru Shahabad, Anantnag, Jammu & Kashmir, he completed his schooling in Anantnag and holds a degree in Civil Engineering from NIT Srinagar.

Waseem opted for **Anthropology** as his optional subject. His topper's talk covers vital topics such as preparing for the **changing pattern of Prelims**, essay writing and strategy, writing **quote-based essays**, utilizing topper's answer scripts for preparation, and **effective revision strategies**.

TOPPERS' TALK



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**Aniruddh
Yadav**



Aniruddh Yadav, a remarkable achiever who secured an All India Rank 8 in his fourth attempt in the UPSC Civil Services Examination of 2022.

Aniruddh opted for **Anthropology** as his optional subject. He completed his dual degree course in Biochemical Engineering & Biotechnology from IIT Delhi.

His topper's talk covers crucial aspects such as **creating a schedule** and **subject-wise timetable**, honing answer writing skills through topic-based **practice**, **mastering the structure** and format of answers (Introduction, Body, Conclusion), **managing time effectively** during answer writing practice, and preparing **topic-wise notes** with the help of syllabus analysis and previous year questions.

TOPPERS' TALK



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**Siddharth
Shukla**



Siddharth Shukla, belongs to Uttar Pradesh. He completed his BA in History (H) from Delhi University, which was also his optional subject.

He displayed exemplary resilience by appearing in the exam for the fourth attempt and secured AIR 18 in 2022.

The preparation strategy reflected in his talk and answer scripts include the strategy for Essay, **efficient use of PYQs**, **notes making**, among others.

Additionally, he has also focused upon **non-academic aspects** such as **stress management**, **habit formation**, and **role of meditation** which are critical for this examination.

TOPPERS' TALK



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**Anoushka
Sharma**



Anoushka Sharma hailing from Madhya Pradesh completed her graduation from City University, New York with a bachelor's degree in Economics. She gained job experience through a three-month internship with the United Nations prior to taking the civil service examination.

She passed her CSE with AIR 20 in 2022 on her third attempt. **Economics** is her optional subject.

She has a very good command over ethics paper and she has shared her **insights on time management and strategy for attempting questions** in CSE Mains.

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UPSC CSE TOPPERS 2021



Gamini Singla



Gamini Singla, hailing from Punjab, completed her graduation in Computer Science Engineering from Punjab Engineering College Chandigarh. Thereafter, she honed her skills through a five-month internship as a finance analyst at JP Morgan.

She secured a remarkable All India Rank of 3 in the UPSC CSE 2021 in her second attempt with **Sociology** as her optional subject.

With her strategic **approach to GS Paper IV (Ethics) and Essay**, Gamini demonstrated her ability to **critically analyze ethical issues** and effectively express her thoughts in a coherent manner.

Her expertise in answer writing provided her with a competitive edge, allowing her to convey her knowledge and insights concisely.

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Aishwarya Verma



Aishwarya Verma hails from Madhya Pradesh. After graduating in Electrical Engineering, he opted for Civil Services as a career of choice.

He chose **Geography** as his optional subject and achieved an All-India Rank 4 in UPSC CSE 2021 in his fourth attempt.

Apart from the hard work, determination and resilience shown by Aishwarya, his success can also be attributed to his **short and enriched self-made notes, advanced answer writing skills**, and smart preparation strategy, including S&T.

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Utkarsh Dwivedi



Utkarsh Dwivedi, hailing from historic town of Ayodhya, Uttar Pradesh, a graduate in Mechanical Engineering from VIT Vellore, displayed resilience by attempting the exam for the third time and succeeding with remarkable achievement with the optional subject, **Political Science and International Relations**.

He displayed **exemplary command over Ethics Paper**, specially Case Studies and **quotation-based questions**. With his deep understanding of the demand of the UPSC Examination and excellent time management skills, he not only optimized his efforts, but also maximized his performance at all stages of the UPSC CSE.

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Yaksh Chaudhary



Yaksh Chaudhary, a resident of Amroha, Uttar Pradesh, through unwavering determination secured an All India Rank 6 in the prestigious exam on his third attempt in 2021. With his passion for Sociology, Yaksh opted for it as his optional subject and devised a winning strategy for his preparation.

Yaksh's **exceptional expertise in answer writing** and adeptness in attempting question papers during the mains exam provided him an edge. Moreover, his skill in crafting **well-structured diagrams** for General Studies, Ethics, and Sociology further enriched the quality and visual appeal of his responses. Yaksh's achievements serve as an inspiration to aspiring candidates nationwide, exemplifying the significance of perseverance, dedication, and strategic planning.

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UPSC CSE TOPPERS 2020



**Shubham
Kumar**

1
RANK
2020

Shubham Kumar, hailing from Katihar District in Bihar, completed his graduation in Civil Engineering from IIT Bombay. He achieved the remarkable feat of securing All India Rank 1 in the UPSC examination of 2020 in his third attempt.

His success can be attributed to his **unique approach and meticulous preparation**. Shubham emphasized the importance of **regular mock tests** for prelims and carefully analyzing previous years' UPSC prelims questions.

Shubham was a student of the **VisionIAS Foundation Course**.

He also **utilized topper's copies to enhance his skills in ethics answer writing** and emphasized the **use of diagrams and graphs** in GS papers.

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**Praveen
Kumar**

7
RANK
2020

Praveen Kumar, achieved an impressive All India Rank 07 in the UPSC Civil Services Examination 2020. Hailing from Jammui, Bihar, Praveen holds a degree in Civil Engineering from IIT Kanpur.

His remarkable journey includes clearing the GATE examination with an AIR 5 and securing AIR 3 in the Indian Engineering Services (IES) exam, all while working for the Indian Railway Service.

Praveen's toppers talk provides invaluable insights, covering motivations for pursuing the IAS, **effective booklists and sources for exam preparation, strategies for newspaper reading and content extraction, note-making techniques** for mains, and **utilizing flow charts and diagrams** in answers.

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**Jagrati
Awasthi**

2
RANK
2020

Jagrati Awasthi, from Bhopal, Madhya Pradesh, completed her graduation in Electrical Engineering from NIT Bhopal. She gained two years of valuable work experience at BHEL.

With **Sociology** as her optional subject, she achieved an outstanding All India Rank of 2 in the UPSC examination of 2020.

She has emphasized the **importance of a well-structured daily routine** and shared a **detailed booklist** and recommended sources. Jagrati stressed the significance of thorough reading and utilizing previous years' questions to grasp the exam's demands.

Along with refined **note-making techniques**, she has provided insights on determining the optimal number of questions to attempt in the prelims and leveraging previous year's question papers for **Ethics case studies'** preparation.

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**Satyam
Gandhi**

10
RANK
2020

Satyam Gandhi, an exceptional achiever, secured an All India Rank 10 in the UPSC Civil Services Examination 2020. Hailing from Bihar, Satyam graduated in Political Sciences (H) from Dayal Singh College, University of Delhi.

With **Political Science and International Relations** as his optional subject, he cleared the exam on his first attempt, displaying remarkable determination.

In addition, Satyam achieved an impressive AIR 242 in the NDA Exam. His toppers talk offers invaluable insights into **time management strategies** for a first attempt success, the **significance of flowcharts and diagrams** in mains answers, **effective essay structuring**, and his experience in obtaining a remarkable 201 marks in the interview.

TOPPERS' TALK



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Heartiest Congratulations

to all Successful Candidates

**39 in Top 50
Selections
in CSE 2022**



**1
AIR**
Ishita Kishore



**2
AIR**
Garima Lohia



**3
AIR**
Uma Harathi N

**8 in Top 10
Selections
in CSE 2021**



**2
AIR**
ANKITA AGARWAL



**3
AIR**
GAMINI
SINGLA



**4
AIR**
AISHWARYA
VERMA



**5
AIR**
UTKARSH
DWIVEDI



**6
AIR**
YAKSH
CHAUDHARY




**7
AIR**
SAMYAK S
JAIN



**8
AIR**
ISHITA
RATHI



**9
AIR**
PREETAM
KUMAR

**1
AIR**  **SHUBHAM KUMAR**
**CIVIL SERVICES
EXAMINATION 2020**



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HYDERABAD

JAIPUR

JODHPUR

LUCKNOW

PRAYAGRAJ

PUNE

RANCHI