ECONOMY & AGRICULTURE
PRELIMS SPECIAL

KSG
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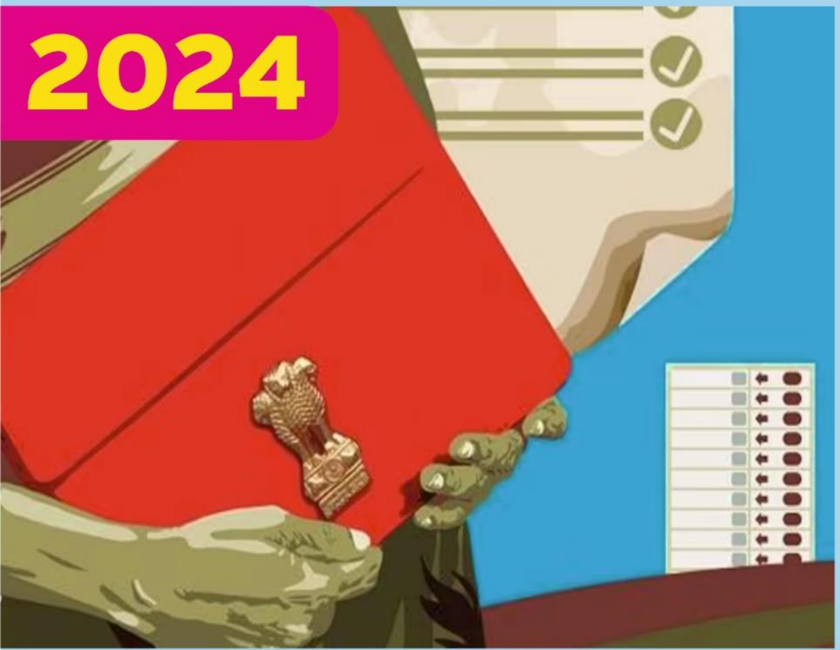
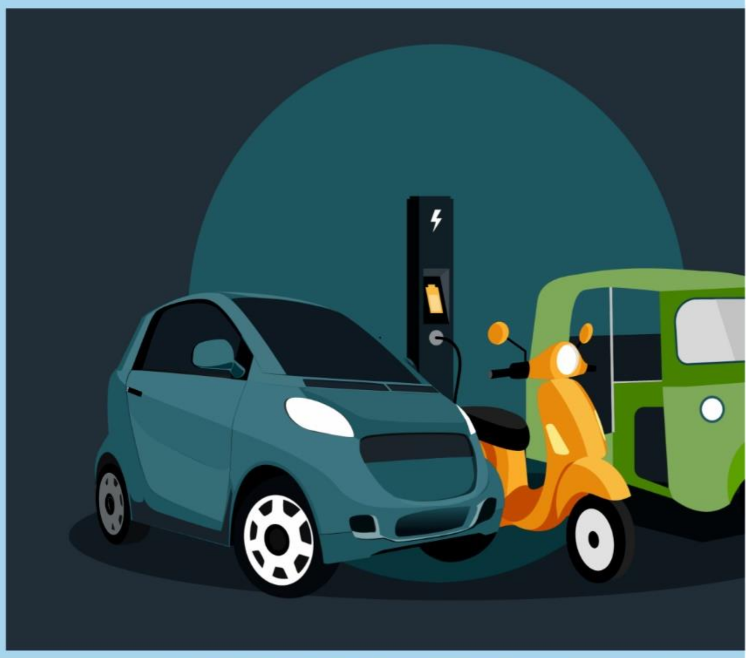
YEARLY COMPILATION
(PART - 2: JANUARY - APRIL 2024)

2024





BOOKLET 3/8

(MAY 2023 - DECEMBER 2023)

PART ONE

Contents

BANKING

Risk of stagflation receding: RBI officials

News Excerpt:

The Reserve Bank of India **(RBI)** has **reduced** the **risk of stagflation** to 1%, down from 3% in August.

About the news:

- The latest estimates, incorporating data up to **Q2: 2023-24**, assign a very **low probability** of **only 1%** to the risk of stagflation.
- The risk was assessed using **two approaches:**
  - Based on phases of **lower economic growth** and **high inflation**.
  - Using the **"at-risk" frameworks** - **"Inflation at Risk"** and **"Growth at Risk"** using quantile regression.
- Significant **determinants** of stagflation risk in India include **supply-side shocks** such as -
  - Spikes in commodity prices.
  - Tighter financial conditions.
  - Higher domestic currency depreciation.

Potential causes of Stagflation:

- **Supply shock:**
  - Stagflation is typically **initiated** by a **supply shock**, such as a disruption in the **oil supply** or a **shortage of essential parts**, as seen during the COVID-19 pandemic.
  - This shock can impact **inflation**, **employment**, and **economic growth** and can be **triggered** by disruptions in **semiconductor flow**, affecting the production of various products, from **laptops** to **cars** and **appliances.**
- **Poor Economic Policies:**
  - The confluence of **stagnation** and **inflation** results from poorly made economic policy.
  - **Harsh regulation** of markets, goods, and labour in an otherwise inflationary environment is cited as the possible cause of stagflation.
- **Loss of the Gold Standard:**
  - Other theories point to **monetary factors** that may also influence stagflation.

Stagflation as a destabilizing factor:

- Stagflation, which could destabilize an economy by **creating uncertainty**, is a **major concern** for the Reserve Bank of India **(RBI)** as it maintains price stability and growth.
  - Stagflation **combines three negatives:** slower economic growth, higher unemployment, and higher prices.
  - **Policy solutions** for **slow growth** tend to worsen inflation and vice versa. That makes stagflation hard to fight.
- **Higher commodity prices** and the **appreciation of the U.S. dollar** post-pandemic have raised concerns about stagflation globally.
  - **Delays in monetary normalization** after the pandemic have also raised concerns about costly stagflation.

Stagflation:

- It is an **economic cycle** characterized by **slow growth**, a **high unemployment rate**, and **high inflation**.
- In other words, it is the **simultaneous appearance** of slow growth, high unemployment, and rising prices.
- **Misery Index:**
- The effects of stagflation can be illustrated using a **misery index.**
- This index, a sum of the inflation and unemployment rates, tracked the real-world effects of stagflation on people.
- Elevated risks of stagflation were experienced during the **Asian Crisis**, the **Global Financial Crisis**, the **taper tantrum**, and the **COVID-19 pandemic.**

RBI Proposes Framework to Rationalize Money Changers' Authorization

News Excerpt:

The Reserve Bank of India (RBI) proposed draft norms to streamline money changers' authorization, consider widespread banking services, and explore alternative models for foreign exchange services.

About the news:

- In a significant move aimed at revamping the foreign exchange landscape in India, the Reserve Bank of India (RBI) has released a draft for a new **'Licensing Framework for Authorized Persons'** under the **Foreign Exchange Management Act (FEMA), 1999.**
  - This draft seeks to rationalize the authorization process for money changers, explore alternative models for foreign exchange-related services, and bolster the services provided by the entities.

Foreign Exchange Management Act (FEMA), 1999

- It is an act to consolidate and amend the law relating to foreign exchange to facilitate external trade and payments and promote the orderly development and maintenance of the foreign exchange market in India.
- It was passed on 29 December 1999 in parliament, replacing the Foreign Exchange Regulation Act (FERA), 1973.

Objective of the RBI proposal:

- **To meet the emerging requirements**: The move aims to meet the rapidly growing Indian economy.
- **To achieve operational efficiency**: In delivering foreign exchange facilities to **common persons, tourists and businesses** while maintaining appropriate safeguards.
- **Progressive liberalization under FEMA**: The central bank's latest decision stems from the progressive liberalization under FEMA.
- **Global economy integration & Digitalization**: To increase integration of the Indian economy with the global economy, digitization of payment systems, and evolving institutional structure.

Money changers:

- A money changer is a person or business that specializes in exchanging currencies. Their primary business is to buy and sell different currencies at a profit.
- They play an important role in the global economy by facilitating international trade and travel.

Rise of AI chatbots in India's Banking Sector

News Excerpt:

The **Reserve Bank of India** (RBI) has released a report on **Trends and Progress of Banking in India 2022-23** that studies the use of Artificial Intelligence (AI) in banks and how it has grown over time.

More details on the report:

- An analytical study was conducted on banks' annual reports by the RBI staff between 2015-16 and 2021-22 to assess the level of awareness and readiness for adopting AI in Indian banks.
- This study employed a textual analysis method by matching keywords specific to the domain and utilizing named entity recognition techniques.
- It leveraged widely recognized AI and **Machine Learning (ML)** dictionaries and glossaries from sources such as Google Vertex AI, Google Developers, IBM, NHS AI Lab, and the Council of Europe.
- Insights from Large Language Models such as ChatGPT and Bard were integrated into the analysis.

Machine Learning: It is a branch of artificial intelligence (AI) and computer science that focuses on using data and algorithms to imitate how humans learn, gradually improving its accuracy.

Chatbot: A chatbot is a computer program that simulates a human conversation with an end user. Though not all chatbots are equipped with artificial intelligence (AI), modern chatbots increasingly use conversational AI techniques like natural language processing (NLP) to understand the user's questions and automate responses to them.

Chatbots take centre stage:

- In FY17, **only 5 banks** had opted for this facility. This grew incrementally in the following years. Now, **26 banks** have this facility.
- Over **78.8%** of the banks have adopted this facility — i.e**., 26 out of the 33** scheduled commercial banks analyzed.
- The share of PVBs with chatbots was significantly higher than the share of PSBs in FY17. However, the situation reversed in the following years, with the trend of large-scale mergers among the PSBs appearing to have influenced the adoption of chatbots, as merged entities often adopt the technology from their acquiring banks.
- According to the RBI study, **non-banking financial corporations** have also started introducing chatbots for customer services.

RBI defines a "Politically Exposed Person"

News Excerpt:

The Reserve Bank of India (RBI) has announced an amendment to the Master Direction (MD) on **Know Your Customer** (KYC) guidelines, aiming to redefine and provide clearer parameters for identifying **Politically Exposed Persons** (PEPs).

New definition:

For KYC purposes, politically exposed persons (PEPs) are **individuals who are or have been entrusted with prominent public functions** by a foreign country, including heads of states/governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

Why did the need arise?

- In 2023, the Government of India amended the **Prevention of Money Laundering Act rules** to **incorporate more disclosures** on non-government organizations and PEPs by reporting entities.
- The open-ended term "PEP" was creating confusion among the banks.
- The parliamentarians and other **legislators had complained about the difficulty in obtaining loans** or opening bank accounts for themselves as well as their close kin.
- The institution must undertake customer due diligence if a bank or any regulated entity does business with a PEP. In such cases, the decision to open the account has to be made at a senior level.
- Screening for a politically exposed person (PEP) is a vital component of the Know Your Customer (KYC) process **due to increased potential risks.**
  - The heightened risks result from several factors associated with their **positions and potential vulnerabilities to financial crimes.**
  - Many PEPs hold positions that can be abused to **launder illicit funds** or other predicate offences such as **corruption or bribery.**

RBI's guidelines on inoperative accounts and unclaimed deposit

News Excerpt:

The **Reserve Bank of India (RBI)** has updated guidelines on inoperative accounts and unclaimed deposits, targeting accounts with no customer-induced transactions.

More details on the news:

- The RBI has revised guidelines for classifying accounts and deposits as **inoperative accounts** and **unclaimed deposits** by banks.
  - **Inoperative accounts**: A savings or current account is treated as inoperative if there are no **'customer-induced transactions'** in the account for **over two years**.
  - **Unclaimed deposits**: Balances in savings / current accounts which are not operated for **10 years**, or term deposits not claimed within **10 years** from date of maturity are classified as '**unclaimed deposits.**
- **Exemptions** are granted for **zero-balance accounts** linked to government schemes or scholarships. Reactivation is possible through **Know-Your-Customer (KYC)** submission at any branch or via video-customer identification.
- **No charges** can be levied for **reactivating accounts**, and there are no penalties for non-maintenance of minimum balances. The RBI ensures that **interest on savings accounts** will be **credited regularly**, regardless of the account's operational status.

Categorization of Direct Benefit Transfer (DBT) under Government Schemes accounts:

- Beneficiaries of State and Central **government programs and scholarship students** can create zero-balance accounts with the banks.
- These accounts are also **categorized as inoperative** since they have not been used for two years.
- Too prevent the specification of **"inoperative"** accounts being applied to these accounts since they have not been operated for more than two years, the banks must separate the aforementioned accounts in their **Core Banking System (CBS)** according to the reason for account opening.

Widening liquidity deficit in the Indian banking system

News Excerpt:

RBI addresses the banking system's increased liquidity deficit by injecting ₹2.50 lakh crore via a **15-day Variable Rate Repo (VRR)** auction.

About the news:

- The Central Bank took this decision as the overall liquidity deficit in the banking system widened to **₹3.34-lakh** crore on January 23, 2024, as compared with ₹**1.29-lakh crore** as of January 1.

Causes of Liquidity Pressure on Banks in the recent time:

- **Outflows due to GST payments and advance tax**: Banks are facing pressure on the liquidity front as there were outflows on account of **GST payments** and **advances tax outflows**.
- **Accumulation of cash balances**: The Central Government has accumulated cash balances (estimated at about ₹2-lakh crore) with the RBI, further restricting available liquidity for banks.
- **Intense competition from NBFC**: Banks are facing stiff competition from non-banking finance companies to garner resources.
  - Non-convertible debentures floated by NBFCs offer relatively higher returns (up to 10%) against Bank term deposit rates of 6.50-7.25 for over a one-year tenor.
- **The surge in equity investment**: The surge in retail investment in **equity markets**, including **initial public offerings (IPOs) and mutual funds,** contributes to the liquidity challenge for banks.
- **Other reasons**: According to the RBI Governor, the overall tightening of liquidity conditions is attributed mainly to **higher currency leakage** during the festive season and the Reserve Bank's market operation, among other factors.

National Common Mobility Card

News Excerpt:

India strides forward with the **National Common Mobility Card (NCMC),** a groundbreaking initiative poised to revolutionize travel experiences nationwide.

About the NCMC:

- Launched by the **Ministry of Housing and Urban Affairs** in **2019**, under the Prime Minister's **'One Nation, One Card'** vision, the NCMC promises to simplify payment processes for transportation, toll taxes, and parking fees, consolidating various modes of travel into a single platform.
- Devised to **encourage cashless transactions** and present a unified payment platform for commuters across the country, NCMC is an **interoperable transport card**.
- It allows holders to **pay for multiple types of public transport** and **withdraw money** using a single card.
- It is available as debit/credit/prepaid RuPay cards from 25+ partner banks.

Key features of the NCMC:

- **Interoperability:** The card is usable across various modes of transport, eliminating the need for multiple cards.
- **Contactless transactions**: Equipped with Near Field Communication (NFC) technology, the NCMC allows for tap-and-go payments, speeding up the transaction process.
- **Secure transactions**: Enhanced security features ensure that your transactions are safe, and your privacy is protected.
- **Offline transaction capability**: The card supports offline payments for low-value transactions, reducing dependency on network connectivity for payments.
- **Multi-purpose use:** Beyond transportation, the card can be used for retail purchases, making it a versatile tool for daily use.

RBI Directs Halt on Paytm Payments Bank Operations

News Excerpt:

The Reserve Bank of India (RBI) has barred Paytm Payments Bank Ltd. (PPBL) from accepting fresh deposits and to stop **onboarding** new customers with immediate effect.

What RBI has said:

- The central bank has barred Paytm Payments Bank from accepting fresh deposits and carrying out transactions, citing **"persistent non-compliance" and "material supervisory concerns** in the bank, warranting further supervisory action."
- The RBI has also said that no further deposits, credit transactions or top-ups will be allowed in customer accounts, prepaid instruments, wallets, FASTags, National Common Mobility Card cards, etc, **other than any interest, cashback, or refunds that may be credited any time.**
- The regulator has issued the directions **under Section 35A of the Banking Regulation Act, 1949.**
    - This Act empowers RBI to prevent any bank's affairs from being seen as detrimental to the interests of depositors and secure proper management in the bank.

New UPI rules for access to prepaid instruments

News Excerpt:

The **Reserve Bank of India (RBI)** has proposed to allow individuals to make payments from **prepaid payment instruments (PPIs)** like digital wallets using UPI through any third-party app.

Current practice:

- **UPI payments** from **bank accounts** can be made by **linking to a bank account** through the **bank's UPI app** or **using any third-party UPI application.**
- However, the **same facility is not available for PPIs.**
    - **PPIs** can currently be used to make UPI transactions **only by** using the **application provided by the PPI issuer.**

What are Prepaid Payment Instruments?

- PPIs are instruments that facilitate the **purchase of goods and services,** conduct of **financial services,** enable **remittance facilities**, etc., against the **value stored** therein.
    - They include **wallets, cards,** and **vouchers, which can be used to purchase goods and services** and **make fund transfers.**
    - They **offer convenience** and **security, promoting digital transactions** and **financial inclusion.**
- **RBI** has introduced PPIs through powers conferred under the **Payment and Settlement Systems Act of 2007**.
- **Banks and non-banks can issue PPIs** after approval from the RBI.
- **PPIs operate independently of a user's bank account.**
    - When you use **PPIs** such as **wallets or cards** to make a payment, the **money is deducted from the associated prepaid account.**
    - Now, **wallets** can only be used to make **UPI payments** using **applications provided** by the **same PPI issuer (like PhonePe or PayTM).**
- PPIs are **integral to modern digital economies, facilitating efficient, accessible monetary exchanges** without physical cash.

What are Closed System PPIs?

Closed System PPIs are issued by an entity to **facilitate the purchase** of **goods and services from that entity only.**

- These instruments **cannot be used** for payment or settlement **for third-party** services or **cash withdrawals.**
- The issuance or operation of such instruments is **not classified as a payment system requiring RBI approval/authorization** and is, therefore, **not regulated or supervised by RBI.**
    - New proposed changes will also not apply to closed-system PPIs.

RBI sets draft norms for web aggregators of loan products

News Excerpt:

RBI released draft guidelines for a regulatory framework for the aggregation of loan products by **lending service providers (LSP)** to enhance transparency and enable borrowers to have prior information about potential lenders.

More about News:

- **The Reserve Bank of India (RBI)** has proposed that banks and non-banking finance companies (NBFCs) should ensure that their **loan service providers (LSPs)** provide a **digital view** of all the loan offers available to the borrower from all the willing lenders that the LSP has arrangements.
- **The digital view** should include details like
    - the name of the lender,
    - loan amount and tenor,
    - annual percentage rate, and
    - other key terms and conditions, enabling **fair comparison between offers.**
- The LSP should follow a consistent approach to ascertain the willingness of lenders to offer a loan, and this approach should be disclosed on their website.
- A link to the **Key Facts Statement (KFS)** must be provided for each regulated entity (bank or NBFC).
- The content displayed by the LSP should be **unbiased** and should not directly or indirectly promote or push a product of a particular lender, including through **deceptive practices or patterns** that might mislead borrowers.

Voluntary conversion of SFBs into universal banks

News Excerpt:

The Reserve Bank of India (RBI) came out with guidelines for the voluntary conversion of small finance banks (SFBs) into universal banks.

Background:

- The RBI granted licenses to the first set of SFBs, totaling 10, in 2015, and most of them began operations in 2016-17. As of the end of June 2023, 12 SFBs with 6,589 domestic branches across the country were operational. With the merger of AU SFB and Fincare, there are now 11 SFBs.
- Some SFBs' chief executives had met with the RBI and requested a glide path to become universal banks, as most of them are eligible for such a conversion **after completing five years of operations.**

NOT SO SMALL

Name	Net worth (₹ cr)	Capital adequacy ratio (%)	FY23 Gross NPA (%)	FY23 Net NPA (%)	Latest Gross NPA (%)	Latest Net NPA (%)
AU SFB	12,496.8	20.1	1.66	0.42	1.7	0.6
Equitas SFB	5,968.7	21.7	2.76	1.21	2.6	1.2
Ujjivan SFB	5,083.0	24.4	2.88	0.04	2.2	0.2
Utkarsh SFB	2,973.2	22.6	3.23	0.39	2.5	0.0
ESAF SFB	2,442.0	21.0	2.49	1.13	4.2	2.2
Jana SFB	2,436.6	16.3	3.60	2.40	2.2	0.7
Suryoday SFB	1,742.7	27.8	3.13	1.55	3.1	1.4
Capital SFB	743.4	20.1	2.77	1.36	3.0	1.5

Data for AU SFB, Equitas SFB and Utkarsh SFB until March 2024; data for the rest until December 2023

All the above listed SFBs reported a net profit in FY23, and also in the trailing 12-month period ended Dec '23/FY24

Source: Capitaline

Compiled by BS Research Bureau

AU SFBs:

- **AU SFB,** the largest amongst SFBs, is seen as the frontrunner to approach the banking regulator for conversion into a universal bank.
- **AU SFB is larger than a few universal banks**, it has to offer a higher interest rate to attract deposits.
- **A change in SFBs' status to a universal bank would,**
    - Enhance their acceptability.
    - Enable them to attract liabilities at lower rates.
- Benefit from lower priority sector lending norms of 40 per cent as opposed to the current 75 per cent applicable to SFBs.

The Guidelines for SFBs:

- The "Guidelines **for 'on-tap' Licensing** of SFBs in Private Sector", dated December 5, 2019, provide a transition path for SFBs to become universal banks.
    - "Such conversion shall be subject to the SFB's fulfilling **minimum paid-up capital/net worth requirement** as applicable to universal banks.
        - Satisfactory track record of performance as an SFB for a minimum period of five years.

  - ■ The RBI's due diligence exercise.
- The banking regulator said a release, stating that these instructions are issued in exercise of the powers conferred on the RBI under Section 22 (1) of the Banking Regulation Act, 1949.

Eligibility criteria:

- To be eligible for conversion into a universal bank, the RBI stipulates that only listed SFBs will qualify.
- Those intending to convert must have a minimum net worth of Rs 1,000 crore.
- Also, the SFBs must have a scheduled status and a satisfactory track record of at least five years with a gross non-performing asset (NPA) of 3 per cent or less and a net NPA of 1 per cent or less in the past two financial years.

RBI's draft rules for payment aggregators

News Excerpt:

The **Reserve Bank of India (RBI)** has come out with draft guidelines for **payment aggregators'(PA) know-your-customer (KYC) requirements, due diligence of merchants**, and **operations of escrow accounts.**

What are the Payment Aggregators (PA)?

- PAs are entities that **facilitate e-commerce sites** and **merchants to accept various payment instruments** from the customers for completion of their payment obligations.
- PAs unburden the merchants from creating a **separate payment** integration **system** of their own.

What exactly are the norms about?

- The **existing guidelines** cover the activities of PAs in **e-commerce sites** and other **online avenues.**
  - The **latest draft guidelines** propose to **extend these regulations to offline spaces**, entailing proximity or **face-to-face transactions.**
  - RBI observed back in June 2022 that the nature of activities carried out by the PAs, both online and offline, is similar.
  - It aspires to bring in **"synergy in regulation covering activities and operations of PAs apart from convergence on standards of data collection and storage."**
- The proposed norms incorporate lessons from what happened this year with **Paytm Payments Bank (PPBL).**
  - The PPBL crisis was triggered by, among other things, major irregularities in the bank's **KYC** adherence.
  - The **Financial Intelligence Unit (FIU-IND)** had imposed a penalty of ₹5.49 crore having found that PPBL **"engaged in a number of illegal acts, including organising and facilitating online gambling."**
  - It added that the money generated from it was **"routed and channelled through bank accounts maintained by these (illegal) entities"** with the PPBL.
- With the expansion of the scope of operations of PAs, the RBI appears to be strengthening the ecosystem against any opacity.

Proposed RBI guidelines for payment aggregators:

- The primary focus of the guidelines is on **non-bank PAs** and within them, the **offline extensions.**
  - **Non-banking entities** providing PA services at the **point of sale (PoS),** that is, offline, would have to **inform the RBI within 60 days (after the circular is issued),** about their **intent to seek authorisation.**
  - As for **non-banking entities providing PA services online** — both those authorised and whose applications are pending — would be required to **seek approval,** about their existing offline PA activity, from the **Department of Payment and Settlement Systems** and the regulator **within 60 days** of the directions being mandated.
    - ■ This would also apply to **any authorised non-banking entity** aspiring to enter the online and/or offline PA space in the future.
- **Banks providing physical PA services would not require any separate authorisation from the RBI.**
  - They are only **expected to comply with the revised instructions within three months** after they are issued.
- The **net-worth norms** for PAs which facilitate **face-to-face, or proximity payment transactions** now need to have a **minimum net worth of Rs 15 crore** while applying to the RBI for authorisation.
  - They should have **a minimum net worth of Rs 25 crore by March 2028.**

Changes in the KYC requirements:

- While KYC is **already mandatory** in the **existing guidelines**, the regulations seek to make the provisions more nuanced.
  - The regulations aim to **ensure that onboarded merchants do not collect** and **settle funds** for **services not offered on their platforms.**
- The RBI's proposed instructions categorise merchants into **small** and **medium merchants.**
  - **Small merchants** would constitute **physical merchants** with an **annual business turnover of less than ₹5 lakh** who are **not registered** under the **GST regime.**

- **Medium merchants**, defined as **physical or online merchants** with **annual business turnover of less than ₹40 lakhs** who are **not registered under the GST.**
- RBI has proposed that the PAs undertake **'contact point verification',** that is, collect information physically to establish the existence of the firm.
  - They must also **verify the bank accounts** in which their funds are settled.
  - Medium merchants would also have to undergo contact point verification.
  - The PA would be expected to **establish their existence** by verifying one official document each of the **proprietor, beneficial owner** or **attorney holder**, and of the stated business.

About SIDBI:

- The Small Industries Development Bank of India (SIDBI) is the apex regulatory body for the overall **licensing and regulation** of India's micro, small, and medium enterprise finance companies.
- It is under the jurisdiction of the **Ministry of Finance**, Government of India, and is **headquartered in Lucknow**. **Overview:**
- The SIDBI, established on **2nd April 1990 under an Act of the Indian Parliament,** acts as the Principal Financial Institution **for the Promotion, Financing, and Development** of the Micro, Small, and Medium Enterprise (MSME) sector and for coordinating the functions of institutions engaged in similar activities.

FINANCIAL MARKET

SEBI's dilemma: Finfluencing & Free speech

News Excerpt:

The Securities and Exchange Board of India (SEBI) has stepped in to protect small investors by proposing to bring a class of "unregistered financial influencers," now termed 'fin-fluencers,' under regulation.

Who are Fin-fluencers?

- Finfluencers are **people with public social media platforms offering advice** and sharing personal experiences **about money and investment in stocks.**
- Their videos cover budgeting, investing, property buying, cryptocurrency advice and financial trend tracking.

SIDBI secures the first green climate fund project

News Excerpt:

The $120 million Avaana Sustainability Fund (ASF), anchored by SIDBI as an accredited entity, was approved by the world's largest climate fund, the **Green Climate Fund (GCF).**

About the Avaana Sustainability Fund (ASF):

- The primary aim of the ASF project is **to invest in early-stage companies harnessing technology-led innovation to spur climate solutions and sustainability in India.**
- Anticipated outcomes include **significant contributions to climate change mitigation, adaptation, and the enhancement of resilience** in vulnerable sectors of the Indian economy.
- This is the first project anchored by SIDBI and the first secured for the country in the past few years.
  - This project is supposed to significantly advance the country's nationally determined contributions by effecting substantial global changes through its proficiency in green and climate finance.

About GCF:

- **The Green Climate Fund,** a pivotal component of the **historic Paris Agreement, is the World's largest climate fund.**
- **Mandated to assist developing countries in raising and realizing their NDC ambitions**, the GCF expedites transformative climate action through a partnership-driven approach, the deployment of flexible financing solutions, and climate investment expertise.

RBI allows FIIs to invest in green bonds

News Excerpt:

In a significant move towards promoting India's green initiatives, the **Reserve Bank of India (RBI)** has allowed **Foreign Institutional Investors (FIIS)** to invest in **Sovereign Green Bonds (SGrBs).**

Foreign Institutional Investor:

- A foreign institutional investor is an investor in a financial market outside its official home country.
- Foreign institutional investors can include **pension funds, investment banks, hedge funds, mutual funds, nation-states' sovereign wealth funds** etc.

Sovereign Green Bonds (SGrBs):

- Sovereign Green Bonds (SGrBs) are a type of **government bond** specifically earmarked to **finance environmentally sustainable projects.**
- By investing in SGrBs, investors **contribute directly to these green causes** while **still receiving financial returns** in the form of interest payments on their investment.
- **SGrBs yield lower interest** than conventional G-Secs, and the **amount foregone** by a bank by investing in them is called a "**greenium".**

Financial Services Institutions Bureau (FSIB)

News Excerpt:

FSIB, the **headhunter for directors** of **state-owned banks and financial institutions**, has recommended the name for the **new SIDBI head.**

About Financial Services Institutions Bureau:

- It's a **government body** set up under the **Department of Financial Services.**
- It replaced the **Bank Board Bureau (BBB)**, which had been declared an incompetent authority, and was put in place with the approval of the Appointments Committee of the Cabinet, headed by the **Prime Minister.**

Structure:

- **The Financial Services Institutions Bureau** is **headed by a chairman**, **a central government nominee.**
- The board comprises of:
  - The **Secretaries of the Department of Financial Services (DFS),**
  - **The chairman of the Insurance Regulatory and Development Authority of India (IRDAI)**,
  - A **deputy governor of the RBI.**
- Additionally, it will have **three part-time members** who are experts in **banking** and **three more** from the **insurance sector.**

Digital India Trust Agency

News Excerpt:

The Reserve Bank of India (RBI) is considering setting up a **Digital India Trust Agency (DIGITA)** to combat the growing menace of **illegal lending apps** in the country.

About the news:

- The proposed agency is **part of RBI's efforts** to **curb growing cyber fraud** and to **stop the mushrooming of illegal lending apps.**
- This proposed agency would **target the rise of illegal loan apps** by **verifying** legitimate ones and creating a public registry.
- Apps **not carrying** the **'verified' signature** of DIGITA will be considered **unauthorized** for the purpose of law enforcement.
- Only verified apps would receive a **"DIGITA-approved" seal**, making them **easily identifiable for borrowers.**
- It would also help **instil transparency and accountability** within the growing **digital lending sector,** which has witnessed a surge in fraudulent activities and unscrupulous practices in recent times.

RBI modifies AIF norms

News Excerpt:

The **Reserve Bank of India (RBI**) relaxed the norms it announced on investments in **Alternative Investment Funds (AIFs**) last year.

Key points of modified AIF's Norms:

- RBI said that its **regulated entities (REs)** will now be required to make provisioning only to the extent of the amount invested by the AIF scheme in the debtor company and not the entire investment.
- Equity shares of the **debtor company** are **excluded** from the definition of **"downstream investments,"** allowing banks and NBFCs to invest in AIFs even if the scheme has equity investments in the company to which they have already lent.
  - The term **'debtor company'** has been defined to include any company to which the RE currently has or previously had a loan or investment exposure anytime during the preceding 12 months.
- The above instructions have been issued in exercise of the powers conferred by Sections 21 and 35A of the **Banking Regulation Act, 1949,** read with **Section 56 of the Act** ; Chapter IIIB of the **Reserve Bank of India Act, 1934** and Sections 30A, 32 and 33 of the **National Housing Bank Act, 1987.**
- These instructions are applicable to all -
  - **Commercial banks** (including Small Finance Banks, Local Area Banks, and Regional Rural Banks)
  - **Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks**
  - **All-India Financial Institutions**
  - **Non-Banking Financial Companies** (including Housing Finance Companies)

About AIF:

- Alternative Investment Fund, or AIF, means any fund established or incorporated in India that is a privately pooled investment vehicle that collects funds from sophisticated investors, whether Indian or foreign and invests them in accordance with a defined investment policy for the benefit of its investors**.**

RBI allows gold hedging in overseas markets

News Excerpt:

The Reserve Bank of India (RBI) has introduced a significant policy amendment, **enabling residents** to **diversify their hedging strategies** against **gold price volatility** in overseas markets.

About the news:

- With growing **geopolitical tension** in the **Middle East,** gold prices have skyrocketed.
- RBI has now decided to give resident entities more **flexibility** in hedging their **exposures to gold price risk.**

- Resident entities are now allowed to do so with **OTC derivatives** in the **IFSC** in addition to derivatives on the **IFSC exchanges,** effective immediately.
- These derivatives can be used **alongside the existing exchange-traded derivatives,** adhering to the stringent guidelines outlined by RBI.
- The updated hedging regulations **will take effect immediately.**

PUBLIC FINANCE

Finance Commission & the Fiscal Maze

News Excerpt:

As the recently appointed 16th Finance Commission, led by **Arvind Panagariya,** takes charge, it is confronted with a daunting task, amplified by an unnoticed fiscal crisis and the delicate nature of federalism. **The Center's assertive stance, especially in limiting states' fiscal autonomy, emphasizes a growing trust gap between New Delhi and the states.**

About 16th Finance Commission:

- The former Vice Chairman of NITI Aayog, **Arvind Pangariya**, has been appointed as the Chairman of the **16th Finance Commission**.
- The Finance Commission, set up under Article 280, is a Constitutionally mandated body at the centre of fiscal and cooperative federalism.
- This panel will have an open mandate, unlike finance commissions in recent years, where the Centre provided a large set of terms of reference.
- The 16th Finance Commission will have less than two years to finalize its recommendations for five years, starting April 2025.
- The commission will submit its report for the five-year period (2026-27 to 2030-31) to the President by October 31, 2025.
- This time, the government has also refrained from providing a base year for the Commission, which uses population as a key parameter for working out the devolution formula.

Hedging:

- It refers to the practice of **reducing** or **mitigating** the **risk of adverse price fluctuations in assets.**
- It involves taking a position in a financial instrument that is **opposite to an existing or anticipated position** in another asset, to offset potential losses.

Over-the-Counter (OTC) Derivative:

- It is a **financial contract** that **does not trade on an asset exchange,** and which can be tailored to each party's needs.

RBI's Guidelines on 'State Guarantees' on Borrowings

News Excerpt:

A working group constituted by the Reserve Bank of India (RBI) made certain recommendations to address issues relating to guarantees extended by State governments.

What is a State Guarantee?

- A 'State guarantee' is like a safety net provided by a state government through an agreement to protect the creditors from the risk of defaulting.
- It is a promise by the State to be responsible for the debt if the borrower cannot pay.

Guidelines of RBI on State Guarantees:

- **Uniform reporting framework and definition**: The RBI suggests a uniform reporting framework and a broadened definition of guarantees. Guarantees, legal obligations for states, may pose fiscal risks during **economic downturns**. The term 'guarantee' should encompass all instruments creating state obligations for future payments.
- **Restrictions on financing through state-owned entities**: The Working Group has recommended that government guarantees should not be used to obtain finance through **State-owned entities**, which substitute budgetary resources of the State Government. Additionally, they should not be allowed to create direct liability/de facto liability on the State.
- **Limitations on guaranteed extension**: The guarantee must not be extended for external commercial borrowings, must not be extended for more than **80% of the project loan,** and must not be provided to private sector companies/ institutions.

Anti-profiteering provisions under GST

News Excerpt:

The Delhi High Court upheld the constitutional validity of **anti-profiteering provisions** in the Goods and Services Tax (GST).

Key Points:

- More than 100 companies, **including Hindustan Unilever, Patanjali, Jubilant Foodworks, and Phillips,** filed petitions against the provisions.
  - The court held that the provisions pertain to a commensurate reduction of prices when GST rates are reduced or due to input tax credit; hence, these provisions are in the public interest. They are in line with legislative powers given under the Constitution.
- The court also provided a breather to the **companies.**
  - It did not rule out the possibility of them hiking prices due to cost escalation, skewed **input tax**

credit (ITC), and arbitrary use of power beyond jurisdiction by anti-profiteering bodies in some cases, which would now be determined based on facts and numbers.

Anti-profiteering measures/Provisions:

- **Section 171 of the Central Goods & Services Tax (CSGT) Act 2017** deals with anti-profiteering measures.
- **Any reduction in the GST rate or benefit of input tax credit should be passed on to the end consumer and not retained by the business. This is the basis of anti-profiteering provisions under GST.**
- Under the anti-profiteering provisions, it is **illegal** for a business to not pass on benefits of GST rate benefits to the end consumer, thereby indulging in illegal profiteering.

India's Tax-to-GDP ratio to hit a record high

News Excerpt:

As per the Revenue Secretary, India's Tax-to-GDP ratio is expected to hit a record high of 11.7% of GDP in 2024-25.

Reasons for the increase in India's Tax-to-GDP ratio:

- **Equitable Direct Taxes**: Direct taxes have increased from 6.1% of GDP in 2022-23 to 6.6% this year and are expected to be 6.7% next year, which is more equitable.
- **Government's Simplification Efforts**: The Government is actively working to simplify and rationalize the tax regime, aiming to reduce disputes, litigation, and intrusive enforcement methods.
- **Reduction in Corporate and Personal Income Taxes**: Corporate and personal income taxes have been recently reduced, and it is hoped that a high proportion of income taxpayers will opt for the new tax regime that doesn't allow deductions but offers a higher tax-free income threshold.
- **Economic Growth and Per Capita Income**: As the economy grows and per capita income increases, as per other countries' experience, the Tax to GDP ratio also increases, especially when a country is developing, with the pace of increase in taxes more than that of the GDP.

States boosting growth through increased CapEx

News Excerpt:

The state governments in India, after pandemic-induced deficits, are now focusing on higher capital expenditure, expecting it to drive economic growth.

Shift in Fiscal Policies of State Governments:

Deficits and Borrowing Space of states:

- In both 2021-22 and 2022-23, state governments' aggregate fiscal deficit was under **3 percent of GDP,** despite the Union government providing them greater space to borrow, capping their deficits at **4.5 percent and 4 percent** respectively.

Change in Spending Priority 2023-24:

- **Dominance of State Expenditure**: State governments, put together**, spend more than the central government**. They account for over **three-fifths** of total general government expenditure.
- **Shift towards Capital Expenditure**: In recent years, states have focused more on **revenue expenditure**. However, in 2023-24, there has been a **shift in their spending** priority with more allocated towards capital expenditure. (Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc.)
- **Surge in Capital Outlay**: The capital outlay of states (excluding Arunachal Pradesh, Goa, Manipur and Meghalaya) jumped **45.7%,** while their revenue expenditure grew by a modest 9.3% during April-November 2023.
- **The quality of their expenditure**, ratio of **capital outlay to total expenditure**, which effectively implies the proportion of funds channeled towards productive assets stands at 14.1 %, an **eight year high**, during this period.
    - This is growth enhancing. A one per cent increase in the capital outlay effectively leads to a 0.82-0.84% increase in the states' GDP.

Indian multinationals have to pay a 15% global minimum tax in Europe

News Excerpt:

Indian multinationals with a presence in **18 European Union nations, the UK, Vietnam, and South Korea**, will be subject to a **15% global minimum tax rule** after they implemented rules for the tax reform.

More on the news:

- Some **130 countries**, including **India**, have **signed off on the global tax reform**.
- However, the countries (European Union nations, the UK, Vietnam and South Korea) mentioned above have **implemented domestic rules,** which are **effective from 1 January 2024 or later.**

What is the global minimum tax?

- The global minimum tax was **agreed upon by 137 countries** and jurisdictions as **part of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)**.
- The **aim** of the global minimum tax is to **ensure** that **multinational enterprises (MNEs) pay a minimum tax rate of 15% in each country** where they operate, thus **preventing profit shifting and tax avoidance.**
- It consists of **two pillars**.

- **Pillar, one** focuses on addressing tax challenges arising from the digitalization of the economy.
- **Pillar two**, known as the **Global Anti-Base Erosion (GloBE) rules**, establishes the base rate approach for the global minimum tax.
  - It sets a minimum tax rate of 15% for MNEs with a turnover above a certain threshold.
- The intention is to **prevent MNEs from shifting profits to low-tax jurisdictions** and **engaging in harmful tax competition**.

What is the top-up tax?

- The top-up tax is the **difference between the globally agreed minimum tax rate of 15%** and the **effective tax rate (ETR) the entity in the low-tax jurisdiction is subject to.**
- **If the low-tax country does not neutralise its tax advantage** by introducing what is called a **Qualified Domestic Minimum Top-up Tax (QDMTT),** the intermediate holding company or the ultimate parent in other jurisdictions will be subject to a top-up tax.

- Given the implementation of the **Global Anti-Base Erosion (GloBE) rules** in these countries from 1 January, **Indian-headquartered multinational business groups** with a presence there will be **required to comply with the GloBE rules even if India** has **yet to implement them.**
- Accordingly, **Indian multinational groups** will have to **provide** for **top-up tax**, if applicable, in their financial statements for the year ending 31 March 2024.
- **Eighteen of the EU's 27 nations** have put in place **domestic laws** for the **global minimum tax** as per the **EU directive.**
- The **15% global minimum tax rule** - agreed to by the 130 countries in 2021 to prevent tax avoidance by multinationals - **allows them to levy a 'top-up tax' on the intermediate holding company or the ultimate parent of an entity which artificially shows profits in a low-tax jurisdiction.**
- **Even in cases** where the **intermediate holding company** or the **ultimate parent** is in a **low-tax jurisdiction**, the **global tax deal allows** a way of **neutralizing the tax advantage** by subjecting group entities in countries with above 15% tax rates to **additional tax.**
- The **consequences of failure to pay up the new tax** "would be a **top-up tax** in the jurisdiction applicable
- Ideally, **most headquarters jurisdictions** would **impose the top-up tax**, but under some circumstances, it could be **other jurisdictions** that the **multinational enterprise operates in.**
  - Or **alternatively,** the **tax jurisdiction** where the **income arises** could **impose** a Qualified Domestic Minimum Top-Up Tax (QDMTT).

Transfer pricing refers to the **valuation of multinational firms' intra-group transactions across different countries** that have a bearing on how income is recognized in these countries.

Inheritance Tax in India

News Excerpt:

The use of inheritance tax as a tool for the redistribution of wealth to address income inequality.

What are Inheritance Tax and Estate Tax?

- **Estate** and **inheritance taxes** are two types of taxes that are imposed when a person passes away. Although they are both **related to death**, they have different targets.
- **Estate taxes** are applied to the **total value of the deceased person's property** as **of the date of death**, whereas **inheritance taxes** are **charged to the beneficiaries who inherit the property.**
- The tax amount is generally calculated based on the **value of the assets** that remain once all the exemptions and deductions have been made.

The taxes on wealth in India:

- The now abolished estate duty was **inheritance tax** with a **threshold of Rs 1 lakh,** and **progressive rates from 5% to 40%** on the principal value of the estate exceeding **Rs 20 lakh.**
  - The **Estate Duty Act, 1953** was **amended in 1958** to change the definition of an accountable person, lower the applicable threshold, and redefine slabs.
- The Union government announced the **abolition of wealth tax** and its replacement with a **surcharge** on the super-rich in the Budget for 2015-16.
  - The then Finance Minister said **while wealth tax was 1% on assets** of Rs **30 lakh** and **above** (**excluding equities, bonds, and first house**), the **total wealth collection in 2013-14 was only Rs 1,008 crore.**
  - An additional surcharge of **2%** was levied on individuals with taxable income of Rs 1 crore and above, which was expected to bring revenues of **Rs 9,000 crore.**

INDUSTRY

Oil Industry in India

News Excerpt:

As per **Petroleum Planning and Analysis Cell (PPAC),** in November, India exported more refined petroleum, with a 32.1% increase compared to the same month last year.

About the news:

- The boost in exports continued from April to November, mainly because of **higher shipments of different oil products**, such as a rise in the outbound shipment of **vacuum gas oil (VGO), motor-spirit (MS), and aviation turbine fuel (ATF).**

- The country's natural gas consumption increased, and its production also saw a rise. Indian refineries processed more crude oil, showing a 10.7% increase from November 2022.
- **Ethanol blending with petrol** for November 2023 was recorded at **10.24%** during the first month of the **Ethanol Supply Year (ESY)** 2023-24.

India's reliance on imported crude oil is deepening:

- The PPAC data indicated that India's reliance on imported crude oil is deepening.
- The country's self-sufficiency in petroleum **products declined to 11.5% in** November from **13.1%** in the same month a year earlier.
- Correspondingly, crude oil imports surged to 232.7 MMT in the fiscal year 2022-23 from 212.4 MMT in the previous year, indicating a growing import bill amid efforts to manage inflation.

State of Petroleum Refinery in India:

- From a deficit scenario in 2001, the country achieved self-sufficiency in Refining and is a major exporter of **Quality Petroleum Products** today.
- Today, India is the **global refining hub** with a refining capacity of 248.9 MMTPA and is the **fourth** largest in the world after the United States, China, and Russia.
- There are a total of 23 refineries in the country, 18 in the **Public Sector**, 2 in the **Joint Venture**, and 3 in the **Private Sector**, well spread geographically and connected with cross-country pipelines.

Steps taken to reduce dependence on imported crude oil:

- To reduce the country's dependence on imported crude oil, the government has adopted a **five-pronged strategy**, including:
  1. Increasing domestic production of oil and gas
  2. 2.Promoting energy efficiency and conservation measures
  3. Emphasizing demand substitution,
  4. Promoting biofuels and other alternate fuels/renewables
  5. Implementing refinery process improvements.
- In addition, the government launched the **National Biofuel Policy** in 2018 to promote the use of alternative clean fuels like ethanol, biodiesel, and bio-CNG.
- **Ethanol blending** in petrol during the **Ethanol Supply Year (ESY)** is estimated to have had an impact of over Rs. 22,600 crores on the import bill of crude oil and petroleum products.
- **As amended, the National Policy on Biofuels -2018** targets 20% blending of ethanol in petrol by ESY 2025-26.

India's Textile Sector: ESG Challenges

News Excerpt:

The Indian textile industry faces challenges from the EU's CBAM and ESG norms, prompting sustainability shifts.

More about the news:

- There is a palpable concern in India's textile sector, dominated by small businesses, about the impact of new rules like the EU's **Carbon Border Adjustment Mechanism (CBAM)** and complying with **environmental, social, and governance (ESG)** norms.
- There is also recognition that this might be the moment to attempt a paradigm shift in sourcing, production, pricing and supply processes.

Carbon Border Adjustment Mechanism (CBAM):

- Carbon Border Adjustment Mechanism (CBAM) is a European Union (EU) regulation.
- The introduction of the CBAM significantly impacts businesses importing goods into the EU.
- The EU needs the Carbon Border Adjustment Mechanism to achieve its ambitious emission reduction targets and achieve climate neutrality by 2050.
- The CBAM will tackle the risk of carbon leakage non-discriminatively and fully comply with WTO rules.

Sustainable practices in India's textile sector:

Some sustainable practices that India's textile and clothing sector has invested in over the past two decades. **For example:**

- The textile and apparel sector in Tamil Nadu contributes more than 50% of installed renewable energy capacity in the State; nearly 300 textile processing units in Tirupur are connected to common effluent treatment plants with zero liquid discharge.
- In Panipat, Haryana, open-end spinners use only recycled fibre, and India recycles almost 90% of its used PET bottles into the fibre.

EU's Environmental, Social, and Governance (ESG) goals:

- The European Union (EU) has introduced the CBAM as part of its ESG goals.
- CBAM aims to address carbon emissions associated with imported goods by imposing charges on products from countries with lower environmental standards.
- This mechanism encourages adherence to sustainable practices, aligning with the EU's commitment to the European Green Deal.
- The CBAM rules impact India's textile sector, particularly small businesses, requiring compliance with stringent environmental norms to continue accessing the EU market.
- This underscores a need for a significant shift in the sector's sourcing, production, and supply processes.

Tea Board directive to tea producers

News Excerpt:

The Tea Board India has asked tea estates and small tea growers across India **to avoid using chemicals or pesticides** that have no label claim for tea in their plantations.

Tea Board:

- The present Tea Board, set up under section 4 of the **Tea Act 1953,** was constituted on 1st April **1954.**
- The Tea Board has wide functions and responsibilities under the direction of the Central Government.
- The primary functions of the board include:
    - Rendering financial and technical assistance for cultivating, manufacturing, and marketing tea.
    - Export Promotion
    - Aiding Research and Development activities for augmentation of tea production and improvement of tea quality.
    - Extend financial assistance in a limited way to **the plantation workers and their wards** through labour welfare schemes.
    - To encourage and assist both financially and technically the unorganized small growers sector.
    - Collection and maintenance of Statistical data and publication

About the news:

- The Food Safety and Standards Authority of India (FSSAI) has highlighted the presence of various **banned chemical pesticides** in tea that are detrimental to the health of consumers.
- Additionally, the FSSAI also circulated a list of **20 banned insecticides**.
- The Tea Board also urged all tea producers' associations and small tea growers' associations to **sensitize their members** accordingly.

State of the tea industry in India:

- According to PIB, India is the **second-largest producer of tea globally.**
- India is also one of the world's top tea-consuming countries, with 80% of the tea produced in the country consumed by the domestic population.
- **The Assam Valley and Cachar are the two tea-producing regions in Assam. In West Bengal, Dooars, Terai and Darjeeling are the three major tea producer regions.**
- The southern part of India produces about 17% of the country's total production with the major producing states being Tamil Nadu, Kerala, and Karnataka.

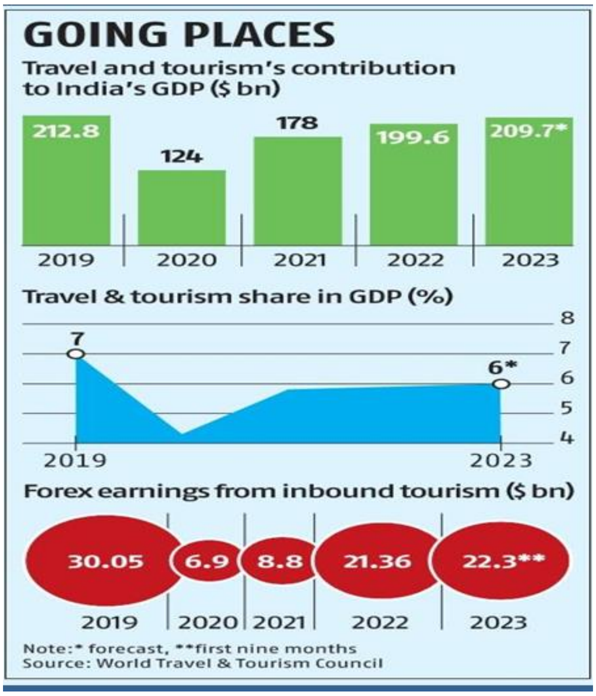
Tax roadblock to tourism drive

News Excerpt:

Despite its diverse attractions, India faces obstacles in becoming the first choice for foreign tourists.

About India's Tourism Sector:

- **Potential of India's Tourism Sector**: The country boasts a rich tapestry of attractions, including iconic landmarks like the Taj Mahal, historical sites, pilgrimage destinations, attractive beaches, and diverse wildlife sanctuaries.
- **Economic impact of tourism**: Travel and tourism (T&T) was projected to contribute **$209.7 billion** to the Indian economy in 2023, a little less than the **$212.8 billion** in 2019, according to the 2023 Economic Impact Research report by the World Travel & Tourism Council.



Mineral (Auction) Amendment Rules, 2024

News Excerpt:

The Ministry of Mines has notified the Mineral (Auction) Amendment Rules, 2024.

Key Points:

- It will replace **Mineral (Auction) Rules, 2015.**
- **Introduced by the Ministry of Mines,** these rules mark a significant shift in the regulatory landscape governing mineral auctions.
- These changes are meant to **improve transparency, promote competition, and boost state revenue** from mineral auctions.

Major changes:

- The amendments introduce an **upper limit of Rs 500 crore** on the one-time upfront payment made by the successful bidder for a mineral block. **Earlier, there was no cap,** which led to aggressive upfront commitments.
- Bids placed by affiliates of companies who have explored a block being auctioned will be made public to ensure a level playing field for other bidders.

- These rules also allow the state government to grant **Exploration Licenses** (EL).
- The license holder can explore mineral reserves before potential mining leases. This boosts **upfront investment in comprehensive mineral exploration.**
- According to the rule, the **State Government shall specify** the maximum percentage share (known as ceiling price) of the auction premium that shall be payable by the future lessee of the mining lease.

On Unemployment in Indian States

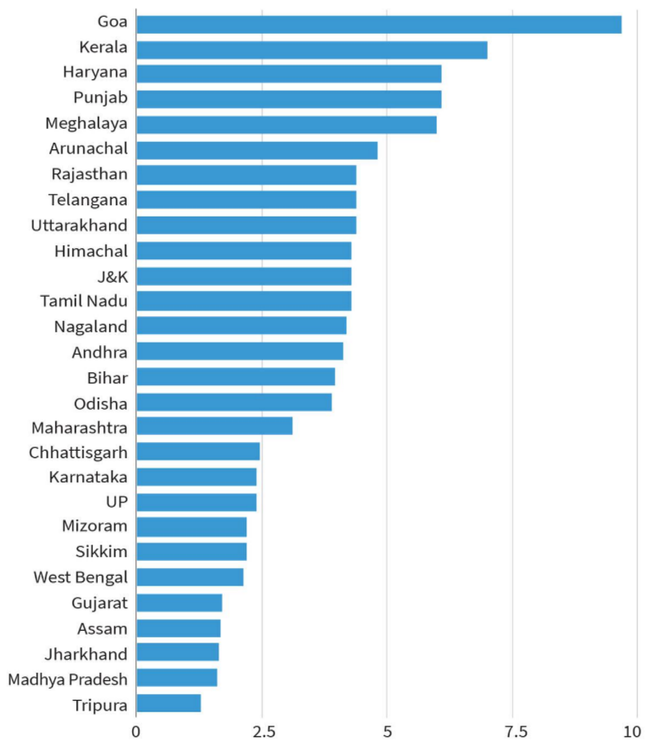
News Excerpt:

A recent report released by the **International Labour Organization (ILO) and the Institute for Human Development (IHD)** revealed that two out of every three unemployed individuals were young graduates, highlighting the need for urgent policy intervention.

An analysis of unemployment:

- This analysis looks at unemployment in the major States of India — **excluding the Union Territories** —among individuals aged 15 and above as measured by the **Usual Principal and Subsidiary Status (UPSS)**, uses data from **the Periodic Labour Force Survey (PLFS) of 2022-23.**
- Goa has the highest unemployment rate (around 10%) among Indian states in 2022-23, over 3 times the national average (3.17%).
- Interestingly, four of the top **five States—Goa, Kerala, Haryana, and Punjab**—are comparatively richer states.

FIGURE 1: UNEMPLOYMENT ACROSS INDIAN STATES



- Most northern and southern states (**except Karnataka)** have **unemployment rates higher than the national average.**
- Larger states **have lower rates,** like 3% in **Maharashtra, 2.4% in Uttar Pradesh and 1.6% in Madhya Pradesh, bringing down the national average**.

Institute for Human Development (IHD):

- It was established in 1998 under the aegis of the Indian Society of Labour Economics (ISLE).
- It is a **non-profit autonomous institution** that conducts studies on labour and employment, poverty, health and nutrition, education, and other aspects of human development.
- It aims to contribute towards building a society that fosters and values an inclusive social, economic, and political system that is free from poverty and deprivation.

International Labour Organization (ILO):

- The ILO was created in **1919** as part of the Treaty of Versailles, which ended World War I.
- In 1946, the ILO became a specialised agency of the United Nations.
- It is devoted to promoting social justice and internationally recognised human and labour rights, pursuing its founding mission that labour peace is essential to prosperity.
- At present, the ILO has 187 Members. India is a founder member of the Organisation.
- A unique feature of the ILO is its tripartite character.

Periodic Labour Force Survey (PLFS):

- The National Sample Survey Office (NSSO) brings out the Periodic Labour Force Survey (PLFS).
- The **objective of PLFS** is primarily two-fold:
  - To estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, Unemployment Rate) in the short time interval of three months for the urban areas only in the 'Current Weekly Status' (CWS).
  - To estimate employment and unemployment indicators in both 'Usual Status' (ps+ss) and CWS in both rural and urban areas annually.
  - The PLFS also estimates Labour Force Participation Rates (LFPR), Worker Population Ratios (WPR), Unemployment Rates (UR), and other related statistics.

India's Electronics trade amid declining Chinese export

News Excerpt:

India lags far behind global competitors like **Vietnam, Taiwan, and Mexico** in leveraging the US's tariff measures against China to boost electronics exports.

U.S.-China trade war:

- In 2018, the US imposed a **25% punitive duty** on a range of **Chinese electronics** items.
- The trade duties led to a **sharp fall in Chinese electronics** exports to the US from **$207 billion** in **2018 to $140.2 billion in 2019.**
- The fall created a vacuum as the **US is the largest importer of electronics** products globally.

India's Electronic Export to the USA:

- India's electronics exports to the US rose by **$7.6 billion** in absolute terms between **2018 and 2023,** up at **$8.9 billion from $1.3 billion in 2018.**
- Despite this **seven-time increase,** it represented **only 5.5%** of the total **non-Chinese incremental electronics exports** to the US in this period.

New Electric Vehicle (EV) Policy

News Excerpt:

To promote the manufacturing of electric vehicles in India, the Union Government has approved a new **EV policy** that will pave the way for global EV manufacturers to manufacture locally.

Objectives of the policy:

- The central goal of this policy is to **enable transitioning to localized production** of **EVs** in a commercially viable manner and plan as per local market conditions and demand.
- The move attempts to combine two goals - **localizing production and an annual EV car sale of 30% by 2030.**

Major provisions of the new EV Policy:

- Automakers are permitted to import a **maximum of 8,000 electric vehicles (EVs)** annually, priced at **$35,000 or more**, with a reduced **import duty of 15%.**
  - **Presently**, India imposes **70% to 100% customs duty** on imported vehicles, depending on their value.
  - To qualify for this benefit, automakers must pledge to **invest a minimum of ₹4,150 crore (~$500 million**) in **India** within the **next three years.**
- They are required to achieve a **50% Domestic Value Addition (DVA)** in vehicles manufactured in India **within five years.**
  - A localization level of **25%** by the **3rd year** and **50% by the 5th year** will have to be achieved.
- A maximum of 40,000 EVs can be imported under the scheme at not more than 8,000 units a year, provided the minimum investment made is $800 million.
  - Carryover of unused annual import limits is permitted.
- The scheme will be administered by the **Ministry of Heavy Industries (MHI).**

Rising raw material costs hits Indian plastic industry

News Excerpt:

Rising prices of raw materials could further **burden the Indian economy and lead to a hike in the prices of plastic goods**, said an official of the **Plastics Export Promotion Council (PLEXCONCIL).**

About the news:

- Raw materials used for manufacturing plastics, such as ethylene and propylene, are **primarily sourced from** countries with abundant petrochemical resources, such as **Russia, Iran, the United Arab Emirates, and Saudi Arabia**. These countries have significant oil and gas reserves, which are the primary sources of these raw materials.
- Being **import-dependent and facing a 20% rise in raw material prices,** Indian products are struggling to remain globally competitive, especially at a time when India is seen as an alternative to China.

About PLEXCONCIL:

- The **Plastics Export Promotion Council (PLEXCONCIL)** was established by the **Ministry of Commerce & Industry, Department of Commerce,** Government of India on 15th July 1955.
- It is the apex body of the plastics industry in India and represents over 3,000 exporters who manufacture or export plastics products ranging from raw materials to semi-finished and finished items.
- It is a non-profit organization registered under section 25 of the Companies Act, 1956 (or section 8 of the Companies Act, 2013). It was one of several Export Promotion Councils (EPCs) launched by the Government to project India's image abroad as a reliable supplier of high-quality products to boost the country's exports.

New corporate governance charter for startups by CII

News Excerpt:

The Confederation of Indian Industry (CII), a leading industry body, has come up with a **Corporate Governance Charter** for startups to serve as a **self-governing code** in their compliance journey.

What is Corporate Governance?

Corporate Governance in India is a set of rules, practices, and processes by which a company is guided and controlled. It ensures that the company is run fairly to achieve the best interests of all stakeholders such as shareholders, investors etc.

About the Corporate Governance Charter:

- It will provide suggestions on corporate governance tailored for startups and offer guidelines suitable for different stages of a startup aiming to **enhance governance practices.**

- The charter includes an **online self-evaluative governance** scorecard that startups can use to evaluate their **current governance status** and its improvement over time.
- The tool allows startups to measure their **governance progress,** with score changes indicating improvements in governance practices as assessed against the scorecard from time to time.
- The charter is aimed at helping startups become **responsible corporate citizens** and enabling them to establish themselves as **well-governed entities.**

Confederation of Indian Industry (CII):

- It is a non-government, not-for-profit, industry-led, and industry-managed organization.
- The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society, through advisory and consultative processes.
- Its primary goal is to develop Indian industry and to ensure that the government and society as a whole, understand both the needs of industry and its contribution to the nation's well-being.

China's share in India's industrial goods

News Excerpt:

According to the **economic think tank Global Trade Research Initiative (GTRI) report**, the growing trade deficit with China is a cause for **concern**.

- This dependency has profound **strategic implications**, affecting economic and **national security dimensions**.

Key highlights of the report:

- From 2019 to 2024, **India's exports to China** have stagnated at around **$16 billion annually.**
    - Meanwhile, **imports from China** have **surged from $70.3 billion** in 2018-19 to over **$101 billion in 2023-24**, resulting in a cumulative trade deficit exceeding $387 billion over five years.
- Over the last 15 years, **China's share in India's industrial product imports** has **increased** significantly, **from 21% to 30%**.
- The **key sectors** where **India's dependence** is **rising** significantly include **electronics, telecom** and **electrical**; **machinery**; **chemicals** and **pharmaceuticals;** products of **iron, steel** and **base metal; plastics; textiles** and **clothing; automobiles; medical, leather, paper, glass, ships, aircraft** and remaining categories**.**

GoI initiatives to support indigenous manufacturing:

- **Production-linked Incentives (PLI) schemes** can **make India** a more **attractive location** for companies looking to diversify their supply chains away from China.
- The Indian government is striving to **simplify the compliances in businesses and improve the overall business environment in the country.**
    - **Ministries and States** have **decriminalised more than 3,500 provisions**, and the **Jan Vishwas Bill** to **amend 42 Central Acts** has been introduced to **enhance trust-based governance.**

Authorised Economic Operator (AEO) status.

News Excerpt:

The Centre has given the Authorised Economic Operator (AEO) status to the gem and jewellery sector.

More about the News:

The AEO is a programme under the World Customs Organisation (WCO) SAFE Framework of Standards to secure and facilitate global trade.

Why AEO started: The inception of the AEO scheme can be traced back to the **aftermath of the September 11, 2001, events in the US**, which prompted governments worldwide to recognize the vulnerability of the supply chain to terrorist activities.

AEO Programme:

- The Government has developed the Authorized Economic Operator (AEO) Scheme in alignment with the World Customs Organization's (WCO) SAFE Framework of Standards (FoS) adopted in 2005.
- Its objective is to **bolster security along the international supply chain while facilitating the movement of legitimate goods.**

World Customs Organisation: The World Customs Organization (WCO), initially formed in 1952 as the Customs Co-operation Council (CCC), operates as an autonomous intergovernmental entity with the primary goal of improving the efficacy and productivity of Customs administrations worldwide.

INFRASTRUCTURE

Payments Infrastructure Development Fund (PIDF) scheme

News Excerpt:

The Reserve Bank of India (RBI) has announced extending the Payments Infrastructure Development Fund (PIDF) scheme until December 2025.

About the news:

- Initially launched in **2021** for **three years**, this extension aims to continue fostering **financial inclusion** and supporting the country's payment infrastructure.
- Under this extended scheme, beneficiaries of the **PM Vishwakarma Scheme** nationwide have been incorporated as merchants eligible for deployment under PIDF.

- This move aims to diversify and broaden the range of supported payment acceptance infrastructure.
- Additionally, the **subsidy for specific focus areas,** including the **North Eastern states** and Union Territories of Jammu & Kashmir and Ladakh, has been **standardized at 90% of the device cost,** irrespective of the device type.
  - This uniform subsidy allocation aims to boost infrastructural development in these regions.

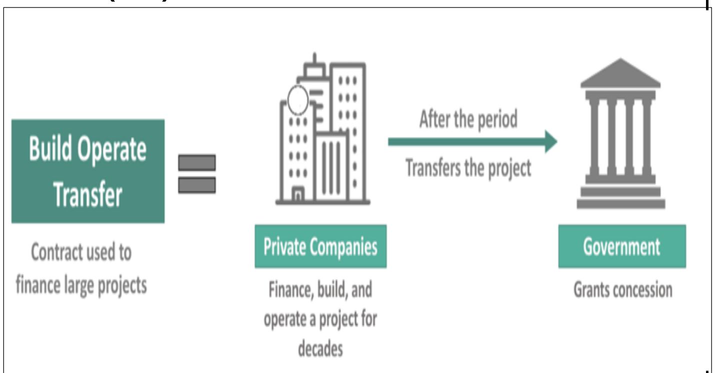
About the PIDF scheme:

- The Payment Infrastructure Development Fund (PIDF) is a fund set up by the **Reserve Bank of India (RBI)** in consultation with major authorized card networks.
- The RBI is responsible for operationalizing the scheme, with the Chairman of the Payments Council of India at the helm.
- PIDF shall be governed by an ex-officio Advisory Council (AC).
- The PIDF scheme is designed to offer financial aid to banks and non-bank financial companies (NBFCs) to deploy point-of-sale terminals and other payment acceptance infrastructure.
- It will **facilitate the development of payment acceptance infrastructure in tier-3 to tier-6 cities and North-Eastern states of India**.
- This government initiative will allow merchants engaged in services such as transport and hospitality, government payments, fuel pumps, public distribution system (PDS) shops, healthcare and kirana shops to accept payments through debit and credit cards.

Build Operate Transfer (BOT) Model

News Excerpt:

The National Highways Authority of India (NHAI) has created a list of high-traffic density corridors for private developers to build and operate under the **Build Operate Transfer (BoT)** model.



About the BOT model:

- It is an arrangement between **private companies and the Government.**
- Under this model, the private company is granted concessions to finance, design, construct, and operate large infrastructure projects for a specific period, typically several decades.
- Eventually, the ownership of the project will be transferred to the Government.

Difference between BOT and HAM:

Aspect	Build Operate Transfer (BOT)	Hybrid Annuity Model (HAM)
Risk Distribution	All revenue projection risks are on the developer.	Revenue projection risks are passed on to the government agency.
Payment Structure	Revenue is generated through toll collection by the developer.	The government pays a fixed annuity to the developer for a specific period, providing revenue stability.
Capital Commitment	Requires higher capital commitment from the developer, as all funds are invested by the concessionaire.	Requires comparatively less capital commitment from the developer, with 40% of the project cost provided by the government.
Ownership Transfer	Ownership of the project is eventually transferred to the government after the concession period.	The concessionaire retains ownership during the concession period, with tolling rights eventually transferred to the employer.

As BoT fell into disuse after 2014 due to challenges such as massive losses, excess debt raising, and abandoned projects, the Government developed the Hybrid Annuity Model (HAM) in 2016.

Newly proposed Highway toll collection system.

News Excerpt:

The Ministry of Road Transport and Highways said that the government **plans to implement a new highway toll collection system** based on the global navigation satellite system **before the model code of conduct for the 2024 election kicks in.**

About the newly proposed highway tolling system:

- **Global navigation satellite system's (GNSS) implementation** will involve an **On-Board Unit (OBU), or a tracking device, fitted inside a vehicle** whose location can be mapped using GAGAN, the Indian satellite navigation system with an approximate accuracy of 10 meters.
- The coordinates of the entire length of the country's national highways will have to be logged with the help of **digital image processing.**
- **The software will be used to assign the toll rate** on a particular highway, calculate the toll amount for a vehicle as per the distance traveled by it, and then deduct it from a **wallet linked to the OBU.**
- The system will additionally have gantries, or arches mounted with CCTV cameras, at various points on a highway for enforcement purposes.

- These will capture an image of the vehicle's high-security registration plate and cross-verify if a road user is trying to trick the system by either removing the tracking device or traveling without an OBU onboard.

- The technology aims to **provide users with the benefit of paying toll only for the actual distance travelled on a highway** or (pay-as-you-use), eventually allowing barrier-free movement.
- **It will lower the operational cost** as compared to FASTags due to the absence of toll plazas and a smaller number of entities in the toll collection process.

Small and Medium REITs

News Excerpt:

The **Securities and Exchange Board of India (SEBI)** has issued regulations to establish guidelines for the creation of **Small and Medium Real Estate Investment Trusts, or SM REITs.**

Real Estate Investment Trust (REIT):

- A **REIT** is a company that **owns and manages real estate** properties to generate **income.**
- REITs provide an **investment opportunity**, like a **mutual fund**, that makes it possible for investors to benefit from valuable real estate.
- Real Estate Investment Trusts (REITs) have been a game-changer in the global investment landscape, providing investors with a unique proposition to participate in the commercial real estate market.

Small and Medium REITs:

- In a bid to catalyze the growth of the real estate sector in India, the Securities and Exchange Board of India **(SEBI)** has introduced an innovative concept – the **SM REITs.**
- The concept was introduced through new regulations called **SEBI (REIT) (Amendment) Regulations 2024.**
- This move aims to regulate the **fractional ownership industry** and safeguard investor interests, incorporating both commercial and residential properties within the new framework.

New solar power rules

News Excerpt:

The Ministry of New and Renewable Energy (MNRE) has brought into effect **the Approved Models and Manufacturers (AMM) of Solar Photovoltaic Modules (Requirements for Compulsory Registration) Order, 2019** to incentivize India's solar module manufacturing industry**.**

About the executive order:

This order was first issued by the MNRE in 2019 and requires makers of solar modules to **voluntarily** submit to an inspection of their manufacturing facilities by the **National Institute of Solar Energy,** a Ministry-affiliated body.

- Being on the list as an **'approved'** manufacturing facility certifies a company **complies with the BIS standards** as **a legitimate manufacturer of solar panels** and not a mere importer or assembler.

TRAI releases Recommendations on Telecommunication

News Excerpt:

Telecom Regulatory Authority of India (TRAI) has released recommendations on **'Telecommunication Infrastructure Sharing, Spectrum Sharing, and Spectrum Leasing'.**

The salient features of the recommendations are as follows:

- Allowing telecommunication service licensees to share passive infrastructure like buildings, towers, and electrical equipment.
- Permitting sharing of active infrastructure elements among licensees.
- Including provisions in future Universal Service Obligation Fund (USOF) projects for sharing infrastructure with other telecom providers.
- Mandating roaming access in remote areas for providers funded by the Government.
- Allowing inter-band access spectrum sharing and exploring authorized shared access (ASA) technique-based spectrum sharing.
- Conducting field trials and permitting leasing of access spectrum among service providers.

Telecom Regulatory Authority of India:

- The Telecom Regulatory Authority of India (TRAI) was established with effect from **20th February 1997** by an **Act of Parliament**, called the **Telecom Regulatory Authority of India Act, 1997**, to **regulate telecom services**, including **fixation/revision of tariffs for telecom services** which were earlier vested in the Central Government.
- TRAI's **mission** is to **create and nurture conditions for growth of telecommunications in the country** in a manner and at a pace which will enable India to play a leading role in emerging global information society.
- One of the main objectives of TRAI is to **provide a fair and transparent policy environmen**t which promotes a level playing field and facilitates fair competition.
- The **TRAI Act was amended by an ordinance**, effective from 24 January 2000, establishing a **Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT)** to **take over the adjudicatory and dispute functions from TRAI**.

Thermal power plants can sell surplus power from 'linkage coal' in market

News Excerpt:

The Ministry of Power has clarified that the coal-based thermal plants can use **linkage coal** to offer **surplus power** in the power market.

More about the news:

- The clarification was issued to ensure **"optimum utilization of generating stations"** as India braces for a **hotter-than-normal summer,** which is set to push **peak demand** to a record **260 GW.**
- The clarification referred to **Section 9(5)** of the **Electricity (Late Payment Surcharge and Related Matters) Rules, 2022.**
    - The rules **"provides for sale of surplus power, which is within the declared generation capacity but not requisitioned by distribution companies".**

What is coal linkage policy?

- Coal linkage policy is a **central government designed guidelines** for the **allocation of coal** among thermal power firms.
    - The central government designated the **Central Electricity Authority** to design and issue **methodology for coal linkage.**
- Under the coal linkage policy, a **state's coal requirement** would be **clubbed** and **assigned** to the respective **state or state-nominated agencies.**
- Coal linkages would be awarded to designated state-owned power distribution companies (DISCOMs).

SHAKTI Policy:

- The Union Government on 17th May 2017 cleared the New Coal Linkage Policy known as SHAKTI **(Scheme to Harness and Allocate Koyla (Coal) Transparently in India).**
- The Policy provides coal linkages to power plants which lack **fuel supply agreements (FSAs)** through **coal auctions.**
- SHAKTI Policy is a **transparent way of allocating coal** to the **Power Plants** including stressed power plants.

EXTERNAL SECTOR

India should reverse its tariff barrier uptrend

News Excerpt:

India's trade policy reorientation in late 2019, away from the Regional Comprehensive Economic Partnership (RCEP) and towards the Western Free Trade Agreements (FTAs), faces criticism due to growing trade deficits.

Global challenges to free trade:

- There are currently issues with free trade on a worldwide scale. A number of nations, mostly in the **West, are raising trade barriers**, indicating a departure from the **ideals of free trade**.
- After three decades, globalization is running low due to geopolitical tensions, and the **World Trade Organisation (WTO) is perceived as largely ineffective.**

Free Trade Agreements (FTA):

- FTAs are treaties between two or more countries designed to reduce or eliminate certain barriers to trade and investment and to facilitate stronger trade and commercial ties between participating countries.

Regional Comprehensive Economic Partnership (RCEP):

- Signed in 2020, the RCEP is a free trade agreement (FTA) between the then 10 member states of the Association of Southeast Asian Nations (ASEAN) and its five FTA partners- Australia, China, Japan, New Zealand and South Korea.
- India had also planned to join the deal but pulled out in 2019.

Concerns of Global investors regarding the Indian economy

News Excerpt:

In a recent research note, economists at **Morgan Stanley,** which is one of the biggest and most influential investment banks in the world, detailed the three main concerns of the Indian economy.

Pace of India's GDP growth:

- **Remarkable growth amid global struggles**: The pace of India's GDP growth has been a remarkable standout feature amid the global economic challenges.
- **China's economic slowdown:** China was until recently the main country receiving the attention of global investors, face an economic slowdown, further enhancing India's appeal.
- **Global investors seeking alternatives**: Since the start of the COVID-19 pandemic, global investors have started looking for ways to diversify into other economies in a bid to find China's substitute. Other countries, such as Mexico and Vietnam, also growing with faster rate but none of them come with the unique advantage of sheer size that India has.

Concerns global investors have about the Indian economy.

1. **Weakening private consumption demand:**

- **Concerns about Private Consumption:** The sustained weakness in India's private consumption demand, a crucial driver of economic growth.
- **Weakness predating the pandemic**: The trend, evident since before the COVID-19 pandemic, has persisted, with recovery being sluggish, especially in the low- and medium-income segments.

- **Limited government support to households:** Unlike many European countries or the US, the government did not provide as much direct financial help to households in India. This meant that people either ran down their savings or cut expenditure.

2. Government-led investment dominance:

This investment demand makes India's spectacular success in the current financial year. After private consumption demand, this is the second biggest engine of India's GDP, accounting for around **30% of India's GDP.** However, several issues remain:

- **Dominance of government**: However, concern centers around the dominance of government-led investment in driving India's economic growth.
- **Surge in Investment tied to public capital expenditure**: While investment demand, a significant contributor to GDP, has surged in the current financial year, much of it is attributed to robust public capital expenditure (CapEx).

Capital Expenditure (CapEx):

- It is the money spent by the government on the development of **machinery, equipment, buildings, health facilities, education**, etc.
- It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividends in the future.
- Capital expenditure, which leads to the creation of assets, is long-term in nature and allows the economy to generate revenue for many years by adding or improving production facilities and boosting operational efficiency.
- It also increases **labour participation**, takes stock of the economy, and raises its capacity to produce more in the future.

- **Government's unprecedented Capex levels**: The central government's capex to GDP ratio reaching an 18-year high indicates substantial government involvement.
- **Limited private sector participation raises concerns:** Global investors worry about the sustainability of this growth model, as private sector participation remains limited.

3. **RBI Policy:**

- **Hawkish Stance of RBI:** The latest policy documents from RBI were somewhat hawkish, prompting some investors to ask what if RBI does not cut rates.
- **Disincentive effect of persistently high-interest rates:** When interest rates are low, it incentivizes businesses to borrow money from the banks and create fresh assets.
- By the reverse logic, persistently high-interest rates disincentive borrowing and drag down economic activity in the economy.

Hawkish and dovish policy stances

- A hawkish policy stance favours **hiking interest rates aggressively.** The RBI may take a hawkish stance to keep inflation in check by raising the policy rate.
- Contrary to hawkish is the dovish stance, the RBI may **lower interest rates** or go slow in raising interest rates. This stance is taken when the country needs to push economic growth and avoid deflation.

Japan & UK enter recession

News Excerpt:

The economies of the UK and Japan have slipped into recession, with the latter losing the third-largest economy title to Germany.

What is a recession?

When an economy suffers **two consecutive quarters of negative growth in real GDP,** accompanied by a significant rise in the **unemployment rate** and a decline in **macroeconomic stability**.

Japanese Recession	UK Recession
• Japan's gross domestic product (GDP) fell an annualized **0.4%** in the October-December period after a **3.3% decrease in the previous quarter**.	• Britain's economy has been stagnating for nearly two years. • It has shrunk for two consecutive quarters, and throughout 2023, the economy has been **broadly flat.**

Main causes of Recessions:

- Recessions can stem from various factors, including **sudden economic shocks** like oil price spikes or the COVID-19 pandemic.
- **Excessive debt**, as seen in the Great Recession of 2008, can also trigger economic downturns.
- **Asset bubbles**, driven by **irrational exuberance**, can burst and lead to market crashes.
- Both **excessive inflation**, as in the 1970s, and **deflation,** like in Japan in the 1990s, can harm the economy.
- While beneficial in the long term, **technological changes** can cause short-term disruptions, as seen during the Industrial Revolution.

WTO 13th Ministerial Conference

News Excerpt:

The World Trade Organization's **13th Ministerial Conference (MC13)** took place in **Abu Dhabi, United Arab Emirates.** Ministers from across the world attended to review the functioning of the multilateral trading system and to take action on the future work of the WTO.

What are the Key Outcomes of WTO's 13th Ministerial Conference?

- **Accessions:** On the first day of MC13, ministers endorsed the accession to the WTO of two least-developed countries—**Comoros** and **Timor-Leste**. This brings the organization's membership to 166, representing 98 percent of world trade.
- **WTO reform:** At MC13, ministers endorsed progress on the WTO reform process, which covers the organization's deliberative, negotiating, and dispute settlement functions.
  - **Dispute settlement reform:** At MC13, ministers reviewed the valuable contributions made towards fulfilling the reform commitment. This includes a 36-page draft setting out reforms to the **WTO's dispute settlement system.**
  - **Reform of the deliberative and negotiating functions:** At MC13, ministers welcomed the work already undertaken to
    - Improve the functioning of WTO Councils, Committees, and Negotiating Groups.
    - Enhance the organization's efficiency and effectiveness.
    - Facilitate Members' participation in WTO work.
- **E-commerce:** At MC13, ministers decided to renew the e-commerce moratorium until MC14 or 31 March 2026, whichever is earlier.
- **TRIPS non-violation and situation complaints:** The ministers also decided to **extend a moratorium** on so-called "non-violation" and "situation" complaints under the **TRIPS Agreement.**
- **Special and differential treatment (S&DT):** Ministers adopted a decision to improve the use of **S&DT** provisions, particularly those in the Agreement on Technical Barriers to Trade and the Agreement on Sanitary and Phytosanitary Measures.
- **Plurilateral agreements and initiatives:** At MC13, Members failed to reach consensus on agriculture and food security and further disciplines fisheries subsidies. **Plurilateral initiatives (covering less than the full Membership)** are, therefore, becoming more prominent.
- **COVID-19-related TRIPS waiver:** At MC12, ministers broadened compulsory licensing for COVID-19 vaccines and mandated negotiations for expanding coverage to diagnostics and therapeutics. At MC13, due to a lack of consensus, these rules won't apply to diagnostics and therapeutics. Ministers urged ongoing work on pandemic lessons and future solutions.
- **Fisheries subsidies:** At MC13, ministers welcomed the progress over the past 20 months towards the **Agreement on Fisheries Subsidies (AFS)'s** entry into force. As of 1 March 2024, 71 Members have ratified the agreement. A further 39 ratifications are needed to reach the threshold of 110 for the agreement's entry into force.

Mauritius Approves DTAA Amendment

News Excerpt:

The Mauritius Government has decided to amend the Double Taxation Avoidance Agreement (DTAA) with India to go with OECD's proposal on Base Erosion and Profit Shifting (BEPS).

About the news:

- This move by Mauritius is seen as a significant stride towards harmonizing with global tax norms. The amendment focuses on preventing **tax avoidance through exploitative tactics**.
- This modification would now elevate the India-Mauritius tax treaty to the **status of a covered tax agreement** under **BEPS MLI (Multilateral Instrument),** ushering in a new era of **anti-abuse** and limitation of benefit rules, principal-purpose test and inclusion of arbitration in the mutual agreement procedure.

Base Erosion and Profit Shifting Multilateral Instrument (BEPS MLI)

- Base erosion and profit shifting (BEPS) refers to **tax planning strategies used** by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax.
- **The BEPS MLI** is a convention created by the Organization for Economic Co-operation and Development (**OECD**) and endorsed by the G20 to prevent base erosion and profit-shifting (BEPS) practices.

BEPS Minimum Standards compliance

- The **BEPS MLI** allows governments to implement **agreed minimum standards** to counter treaty abuse and to improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies.

Double Taxation Avoidance Agreement (DTAA)

- The DTAA is a tax treaty signed between India and another country (or any two/multiple countries) so that taxpayers can avoid paying double taxes on their income earned from the source country as well as the residence country.
- The need for DTAA arises out of the imbalance in tax collection on individuals' global income.

Treaty shopping

- Treaty shopping typically involves the attempt by a person to **indirectly access the benefits of a tax treaty** between two jurisdictions without being a resident of one of those jurisdictions.
- There are a wide number of arrangements through which a person **who is not a resident o**f a jurisdiction that is a party to a tax agreement may attempt to obtain benefits that a tax agreement grants to a resident of that jurisdiction.
- Taxpayers engaged in treaty shopping and other treaty **abuse strategies undermine tax sovereignty** by claiming treaty benefits in situations where these benefits were not intended to be granted.

New space FDI norms

News Excerpt:

The Department for Promotion of Industry and Internal Trade (DPIIT) has notified us of changes in the **foreign direct investment norms (FDI) in the space sector**.

Amendment in FDI Policy:

- Currently, FDI is permitted only in the establishment and operation of Satellites **through the Government approval route.**
- In line with the vision and strategy under the **Indian Space Policy 2023**, the Union Cabinet has **eased the FDI policy on the Space sector** by prescribing liberalized FDI thresholds for various sub-sectors/activities.
- The proposed reforms seek to **liberalize the FDI policy provisions** in the space sector by prescribing a **Liberalized Entry Route** and providing clarity for FDI in the following:
  - Satellites, Launch Vehicles, and associated systems or subsystems.
  - Creation of Spaceports for launching and receiving Spacecraft.
  - Manufacturing of space-related components and systems.
- With increased investment, internal stakeholders like IN-SPACe, ISRO, and NSIL would be able to achieve the sophistication of products, global scale of operations, and enhanced share of the global space economy.

Current status of the Indian Space industry:

- At present, the Indian space economy is valued at around $8.4 billion, with a 2% share in the global space economy.
- As per IN-SPACe's projection, India's space economy has the potential to reach $44 billion by 2033 with about 8% of the global share.
- At present, the share of the domestic market is $8.1 billion. The export market share is $0.3 billion. The aim is to increase the domestic share to $33 billion and the export share to $11 billion.
- Besides, an investment of $22 billion is envisioned for the next 10 years in the industry.

Government of India and ADB sign $23 million loan agreement

News Excerpt:

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

About the "GoI and ADB Agreement" Project:

- This project will establish an **International Fintech Institute (IFI)** to strengthen fintech education, boost start-up success rates, and drive fintech research and innovation.

What Is Fintech?

- Fintech refers to the application of software and hardware to financial services and processes, making them faster, easier to use and more secure.
- The fintech industry includes everything from payment processing solutions to mobile banking apps. Examples of fintech companies are Paytm, Lendingkart, Bharat Pe, PhonePe, etc.

  - The IFI, set to be established in **partnership with globally reputed institutes and universities**, will offer industry-aligned fintech training programmes that meet **international standards.**
  - The IFI will **strengthen innovation and entrepreneurship** by supporting startups, especially women-led, through incubation and acceleration services.
  - The IFI will also **collaborate with industry and venture capital funds** to support the growth of fintech startups.
- **The ADB project's emphasis will be on:**
  - Market-driven fintech skills programmes.
  - Creating an enabling environment for private sector investment and enhancing collaboration between industry,
  - Skills development institutes and development partners will promote holistic growth of the fintech ecosystem in India.

Reverse Flipping of Unicorns

News Excerpt:

The startup ecosystem in India is experiencing a notable **rise in reverse flipping**.

About Reverse Flipping:

- **Reverse Flipping** is a term for the trend of overseas **startups shifting their domicile to India** and **listing on Indian stock exchanges.**

- Indian startups are now opting to reverse flip back into the country due to its **favourable economic policies**, **burgeoning domestic market,** and **growing investor confidence** in the country's startup ecosystem.
- At the time some of these companies were set up, quick and adequate funding was hard to come by locally.
  - As a result, many startups turned to **foreign investors**, which required them to set up holding companies overseas.

Recent Cases of Reverse-Flipping of Unicorns:

- Several high-profile startups have successfully executed reverse flipping to India, solidifying the country's position as a startup hub.
  - **Walmart-owned PhonePe** moved its headquarters from **Singapore to India,** leveraging the country's vast user base and digital payment potential.
  - **Pine Labs, Meesho, and Zepto** are the latest new-age companies looking to move headquarters to India.

How is Reverse-Flipping done?

- Structuring a reverse flip is not easy, and startups considering this journey must navigate a maze of regulations.
- Some popular methods include **share swaps and mergers**, which may also require **National Company Law Tribunal (NCLT) approval.**
- The **Economic Survey of 2022-23** acknowledged the **concept of reverse flipping** and has listed possible measures, such as
  - simplifying the processes for **tax holidays**,
  - **taxation of Employee Stock Ownership Plans (ESOPs)**,
  - **capital flows**,
  - **reducing layers of tax** to accelerate the reverse flipping process.

BUDGET 2024

News Excerpt:

The Government of India presented its Interim Budget on February 1, 2024. The finance minister asked for Parliament's approval for the Government's expenditure for the first four months of this fiscal year.

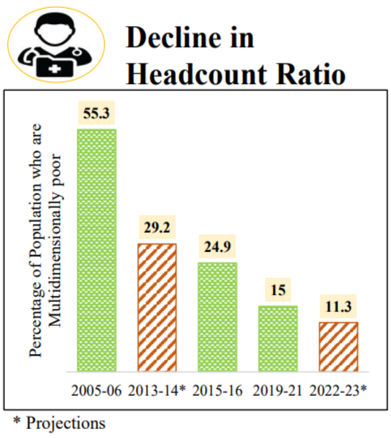
Difference between Vote on Account and the Interim Budget:

- **Article 116** of the Constitution allows the Lok Sabha to make any **grant in advance** for the **estimated expenditure** for a part of any financial year by voting and passing such legislation, i.e. **vote on account**.
- The Lok Sabha is empowered to authorize the withdrawal of required funds from the **Consolidated Fund of India** for such expenditure.
- A **simple vote on account** includes presenting the Centre's fund requirements for the transitional period, which is then passed via the Lok Sabha **sans debate**.
- It cannot make any changes to tax rates. It is also valid only for **two months** and can be extended up to **four months.**
  - However, it has been the trend for **outgoing governments to present an interim budget instead of a simple vote on account.**

Interim Budget	Union Budget
• It is a **temporary** financial plan announced **before a new government** is set to come in after general elections. • A **provisional arrangement** to meet the Government's **expenditure for a short period** until the new Government comes in and makes the new full budget. • It allocates funds for **essential government operations**, ongoing schemes and urgent requirements. • It refrains from policy reforms.	• It is a **full-year** comprehensive financial plan that **covers all aspects of government spending, revenue generation, policy reforms**, and more for an **entire fiscal year.**

Interim Budget Key Highlights:

- The size of Budget 2024-25 has increased **by 6.1 %** to Rs **47.66 lakh crore** because of a rise in expenditure and higher allocation for capital expenditure and social sector schemes. The graphic shows the sector-wise budgeted expenditure (₹ crore) in FY25.
- The bigger the rectangle, the higher the proposed spending in FY25.



Part A- Social Justice

- Prime Minister to focus on the upliftment of four major castes that is **'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata'(Farmer).**

'Garib Kalyan, Desh ka Kalyan':

- The Government has assisted 25 crore people in overcoming multi-dimensional poverty in the last 10 years.

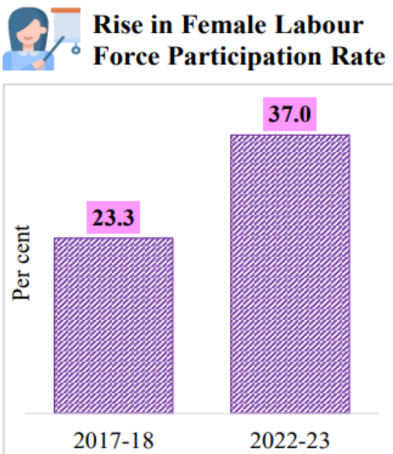
- DBT of Rs. 34 lakh crore using PM-Jan Dhan accounts led to savings of Rs. 2.7 lakh crore for the Government.
- **PM-SVANidhi** provided credit assistance to 78 lakh street vendors. 2.3 lakh have received credit for the third time.
- **PM-JANMAN Yojana** will aid the development of particularly vulnerable tribal groups (PVTG).
- **PM-Vishwakarma Yojana** provides end-to-end support to artisans and craftspeople engaged in 18 trades.

Welfare of 'Annadata':

- **PM-KISAN SAMMAN Yojana** provided financial assistance to 11.8 crore farmers.
- Under **PM Fasal Bima Yojana**, crop insurance is given to 4 crore farmers.
- **Electronic National Agriculture Market (e-NAM)** integrated 1361 mandis, providing services to 1.8 crore farmers with a trading volume of Rs. 3 lakh crore.

Momentum for Nari Shakti:

- 30 crore **Mudra Yojana loans** given to women entrepreneurs.
- Female enrolment in higher education has gone up by 28%.
- In STEM courses, girls and women constitute 43% of enrolment, one of the highest in the World.



- Over 70% of houses under PM Awas Yojana are given to women from rural areas.

PM Awas Yojana (Grameen):

- Despite COVID challenges, the target of three crore houses under **PM Awas Yojana (Grameen)** will be achieved soon.

Rooftop solarization and 'muft bijli':

- 1 crore households obtain 300 units of free electricity monthly through **rooftop solarization.**
- Each household is expected to save Rs.15000 to Rs.18000 annually.

Ayushman Bharat:

- Healthcare coverage under the **Ayushman Bharat scheme** is to be extended to all ASHA workers, Anganwadi Workers and Helpers.

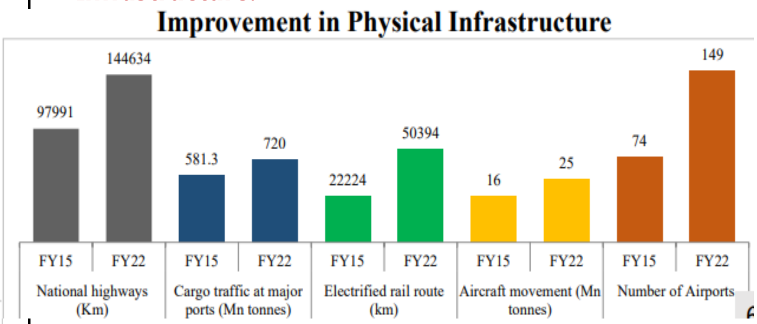
Agriculture and food processing:

- **Pradhan Mantri Kisan Sampada Yojana** has benefitted 38 lakh farmers and generated 10 lakh employment.
- **Pradhan Mantri Formalisation of Micro Food Processing Enterprises Yojana** has assisted 2.4 lakh SHGs and 60000 individuals with credit linkages.

Research and Innovation for catalyzing growth, employment and development:

- A corpus of Rs.1 lakh crore is to be established with a fifty-year interest-free loan to provide long-term financing or refinancing with long tenors and low or nil interest rates.
- A new scheme is to be launched to strengthen deep-tech technologies for defence purposes and expedite 'atmanirbharta'.

Infrastructure:



- Capital expenditure outlay for Infrastructure development and employment generation is to be increased by 11.1 per cent to Rs.11,11,111 crore, which will be 3.4 per cent of the GDP.

Railways:

- 3 major economic railway corridor programmes identified under PM Gati Shakti to be implemented to improve logistics efficiency and reduce cost.
  - Energy, mineral and cement corridors
  - Port connectivity corridors
  - High-traffic density corridors
- Forty thousand normal rail bogies are to be converted to **Vande Bharat standards**.

Aviation Sector:

- The number of airports in the country doubled to 149.
- Five hundred and seventeen new routes are carrying 1.3 crore passengers.
- Indian carriers have placed orders for over 1000 new aircraft.

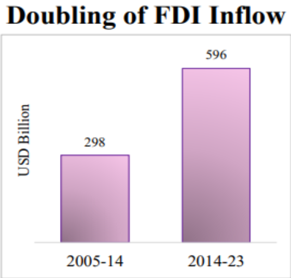
Green Energy:

- Coal gasification and liquefaction capacity of 100 MT to be set up by 2030.
- The phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes to be mandated.

Tourism sector:

- States are to be encouraged to take up comprehensive development of iconic tourist centres, including their branding and marketing at a global scale.

- A framework for **rating tourist centres** based on the quality of facilities and services must be established.



Investments:

- FDI inflow during 2014-23 of USD 596 billion was twice the inflow during 2005-14.

Reforms in the States for 'Viksit Bharat':

- A provision of Rs.75,000 crore rupees as a fifty-year interest-free loan is proposed to support milestone-linked reforms by the State Governments.

Revised Estimates (RE) 2023-24:

- RE of the total receipts other than borrowings is Rs.27.56 lakh crore, of which the tax receipts are Rs.23.24 lakh crore.
- RE of the total expenditure is Rs.44.90 lakh crore.
- Revenue receipts at Rs.30.03 lakh crore are expected to be higher than the Budget Estimate, reflecting strong growth momentum and formalization in the economy.
- RE of the fiscal deficit is 5.8 per cent of GDP for 2023-24.

Budget Estimates 2024-25:

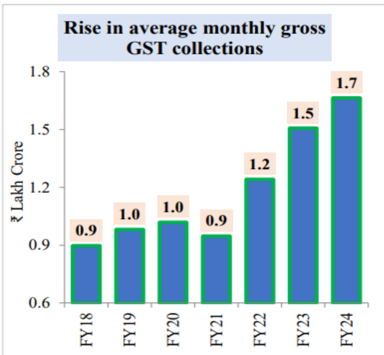
- Total receipts other than borrowings and the total expenditure are estimated at Rs.30.80 and Rs.47.66 lakh crore, respectively.
- Tax receipts are estimated at Rs.26.02 lakh crore.
- The scheme of a **fifty-year interest-free loan for capital expenditure to states** is to be continued this year with a total outlay of Rs.1.3 lakh crore.
- Fiscal deficit in 2024-25 is estimated to be 5.1 per cent of GDP.
- Gross and net market borrowings through dated securities during 2024-25 are estimated at Rs.14.13 and Rs.11.75 lakh crore, respectively.

Part B- Direct taxes

- FM proposes to **retain the same tax rates** for direct taxes.
- Direct tax collection tripled, and return filers increased to 2.4 times in the last 10 years.
- Government to improve taxpayer services.
  - Outstanding direct tax demands up to Rs 25000 pertaining to the period up to FY 2009-10 withdrawn.
  - Outstanding direct tax demands up to Rs 10000 for financial years 2010-11 to 2014-15 withdrawn.
  - This will benefit one crore taxpayers.
- Tax benefits to Startups, investments made by Sovereign wealth funds or pension funds extended to 31.03.2025.
- Tax exemption on certain income of IFSC units extended by a year to 31.03.2025 from 31.03.2024.

Indirect taxes:

- FM proposes to retain the same tax rates for indirect taxes and import duties.
- Average monthly gross GST collection doubled to Rs 1.66 lakh crore this year.
- The GST tax base has doubled.
- State SGST revenue buoyancy (including compensation released to states) increased to 1.22 in the post-GST period (2017-18 to 2022-23) from 0.72 in the pre-GST period (2012-13 to 2015-16).
- 94% of industry leaders view the transition to GST as largely positive.
- GST led to supply chain optimization.
- GST reduced the compliance burden on trade and industry.
- Lower logistics costs and taxes helped reduce the prices of goods and services, benefiting the consumers.



Tax rationalization efforts over the years:

- No tax liability for income up to Rs 7 lakh, up from Rs 2.2 lakh in FY 2013-14.
- The **presumptive taxation threshold** for retail businesses increased to Rs 3 crore from Rs 2 crore.
- The presumptive taxation threshold for professionals increased to Rs 75 lakh from Rs 50 lakh.
- **Corporate income tax decreased** to 22% from 30% for existing domestic companies.
- The corporate income tax rate at 15% for new manufacturing companies.

GIST OF THE INDIAN ECONOMY: A REVIEW

News Excerpt: Every year, a day before the presentation of the budget document, the central Government presents an Economic Survey. However, a survey was not presented on January 31, the budget being of an interim nature and in light of the upcoming elections.

Summary:

- In the recently released mini-annual Economic Survey titled **'The Indian Economy: A Review,'** Chief Economic Adviser outlined India's potential to reach a $7 trillion economy by 2030.
- The review signals **GDP will grow close to 7% in 2024-25**, with the scope to go 'well above' 7% by 2030. From about $3.7 trillion this year, India's economy will expand to $5 trillion in three years, making it the World's third largest, and could hit the $7 trillion mark by 2030.

- The review expects an '**all-inclusive welfare approach'** to help enlarge the consumption base by expanding the middle class.
- The report rightly mentions **reforms** in learning outcomes, health, and easier compliance for smaller firms as priorities, with some **critical changes at the 'sub-national government' level** to accelerate growth.
- It is also essential that **flaws in reforms such as GST are fixed** and some of the blunt policy tools deployed, for instance, import licenses and price controls on deregulated products that send convoluted signals about India's 'open market with predictable policies' pitch, are reconsidered.

Drivers of India's growth in the last decade:

- **Financial Sector Reforms:** From the recapitalization and merger of **Public Sector Banks (PSB)** and the amendment of the **SARFAESI Act 2002** to enacting the **Insolvency and Bankruptcy Code 2016 (IBC)**, these reforms have helped clean up the balance sheets of banks and corporates.
- **Regulatory Simplification:** Simplification of regulatory frameworks has been integral to all the reforms undertaken since 2014. For instance, enacting the **Real Estate (Regulation and Development) Act 2016**, adopting a **unified Goods and Services Tax (GST)**, reducing **corporate and income tax rates**, and removing the **Dividend Distribution tax**.
- **Private Sector as a co-partner in development**: Initiatives **like Aatmanirbhar Bharat, Make in India**, and **Production Linked Incentives (PLI)** were introduced to boost manufacturing capabilities and exports and attract domestic and foreign investments.
- **Decriminalization and Policy Certainty: Decriminalizing** minor economic offences under **the Companies Act of 2013** has significantly enhanced the ease of doing business over the past years.
    - Eg- Abolishing the **Angel tax** and removing retrospective taxation.
- **Support for MSMEs and Startups:** Progressive reforms were introduced for **Micro, Small, and Medium Enterprises (MSMEs)**, including initiatives like the **Emergency Credit Line Guarantee Scheme (ECLGS)**, revised definitions of MSMEs, and startup incentives.
- **Digitalization:** The use of technology and digital platforms, lead to efficiency gains, greater formalization, higher financial inclusion, and increased economic opportunities.

Inclusive Growth policies have also been at the core of India's policy over the last decade. Over 10.11 crore women have been given **free gas connections,** 11.72 crore **toilets have been built** for the poor, 51.6 crore **Jan Dhan accounts** have been opened, 3.24 beneficiaries have been registered, and 2.6 crore **pucca houses** have been built for the poor people, and 6.27 crore **hospital admissions** have been done under the **Ayushman Bharat Scheme.**

Decade of transformative growth: 2014-2024-

Structural Reforms

- The structural reforms have strengthened its macroeconomic fundamentals and have led to India emerging as the fastest-growing economy among G20 economies.

Impact of Global Pandemic & its recovery

- Real GDP contracted 5.8% but the economy is estimated to have grown 7.3% on top of the 9.1 % (FY22) and 7.2 % (FY23) in the previous two years.

Extension of Pradhan Mantri Gharib Kalyan Anna Yojana

- The government has extended the scheme for 80 crore citizens for five more years until December 2028.

Infrastructure Development

- The government is actively building a robust road network while expanding rail and air networks at a record pace.

Gender Inclusivity in Higher Education

- More girls are now in higher education than boys. The Gross Enrolment Ratio (GER) for girls is 27.9 in 2020 vis-à-vis 12.7 % in FY10.

Strategic Crude Oil Management

- The government, despite the conflict in Ukraine, has managed crude oil purchases at the right price to maintain the prices of petrol and diesel.

Government's Financial Support to States

- The government gave a 50-year interest-free loan of ₹1 lakh crore to states in FY23 and announced another ₹1.3 lakh crore of 50-year Interest-free loan in FY24.

What Made the Indian Economy Resilient?

Domestic economy-

Resilience of consumption demand:

- The share of **Private Final Consumption Expenditure (PFCE)** in GDP at current prices increased from an average of 58.4 % in the eight years preceding the onset of the pandemic to 60.8 % in the last three years ending FY24. It emerged as a major growth driver post-pandemic.
- Robust growth in **Per Capita Real Gross National Income (GNI)** in the nine years before the pandemic established a secure consumption base. With a **Compound Annual Growth Rate (CAGR) of 5.3%** from FY12 to FY20, this growth is attributed to government vision, market-friendly reforms, and reduced compliance burdens, fostering macro-level growth.
- A substantial shift in the household income profile of India, with the middle class increasing from 432 million in 2021 to 715 million in 2031.

Enabling investment-led economic growth-

- **Government-Led Balance Sheet Strengthening**: The Government helped banks strengthen their **balance sheets** by recapitalizing them and restructuring the industry. With stronger balance sheets, growth in investments and credit are poised to increase in this decade.
- **Private Corporate Investment Crowding-in**: With numerous investment-boosting reforms, private corporate investment has begun to **crowd in,** and banks are responding with greater credit disbursement.
- **Surge in Public Sector Capital Expenditure**: Public sector capital expenditure, including Union government capex, grants to states, and resources of Central PSEs, surged from **₹5.6 lakh** crore in **FY15 to ₹18.6 lakh crore in FY24**, emphasizing infrastructure development.
- **Addressing Supply-Side Deficiencies**: The emphasis on infrastructure investments has further addressed the supply-side deficiencies that have bedeviled the Indian economy for a long time.
- **Facilitating Private Capex**: Structural and process reforms, such as the **Pragati/Project Monitoring Group (PMG) mechanism**, streamlined project approvals and created a supportive tax ecosystem. These reforms have facilitated private investment avenues, expedited the execution of delayed projects and stimulating a private capex upcycle.
- **Indicators of Private Capex Upsurge**: Multiple proxy indicators and industry reports point towards the emergence of the **green shoots** of a private capex upcycle in the post-pandemic years. The capital goods index and infrastructure/construction goods index exhibited robust growth, indicating an upswing in private investment.

Agricultural Sector Policies Ensuring Food Security-

- **Agricultural Sector's Contribution**: The agricultural sector is estimated to constitute 18 % of India's GVA in FY24.
- **Production and Export Growth**: The total food grains production for FY23 saw a rise of 14.1 million tonnes compared to the previous year. The improved performance is also reflected in a substantial surge in agriculture exports, reaching ₹ 4.2 lakh crore in FY23, surpassing the previous year's records.
- **Minimum Support Prices (MSPs) Increase**: The Indian Government has implemented several strategic measures to bolster the agriculture sector's growth and resilience. One notable intervention is the consistent increase in Minimum Support Prices (MSPs) for **22 Kharif and Rabi crops.**
- **Financial Support Initiatives**: The policy initiatives, such as **Pradhan Mantri Kisan Maandhan Yojana (PM-KMY)**, **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN),** and **Pradhan Mantri Fasal Bima Yojana (PMFBY)**, have played a pivotal role in providing financial and income support to farmers.
- **Digital Inclusion and Mechanization**: The launch of the digital platform **e-NAM (National Agriculture Market)** in 2016 has facilitated the integration of **Agriculture Produce Marketing Committees (APMC)** mandis and has provided multi-faceted benefits to farmers, farmer-producer organizations (FPOs) and buyers.
- **Cooperative Movement Strengthening**: Efforts include computerizing **Primary Agricultural Credit Societies (PACS)** and creating **Agristack** for effective planning, monitoring, and implementation of schemes, as well as improving credit delivery systems in rural areas.

Reform push to the Indian industry:

- **Industrial Growth and Reforms:** Industrial growth accelerated to **7.1 %** per annum from FY15 to FY19, compared to 5.5 % in the preceding five-year block of FY10 to FY14. However, on the strength of the multi-pronged reforms in the recent triennium ending March 2024, as indicated by the first advance estimates of National Accounts for FY24. The strategic initiatives undertaken by the Government, before and in the wake of the pandemic, mitigated challenges and propelled the sector's growth.
- **Make in India Initiative**: The Government's **'Make in India'** initiative, particularly the **Production Linked Incentive (PLI) scheme** covering 14 sectors, has successfully incentivized manufacturing, leading to significant investments, production/sales, and employment generation.
- **Startup India Impact**: The Startup India initiative, with 1.14 lakh recognized startups, has created over 12 lakh jobs, and the Open Network for Digital Commerce recorded more than 6.3 million transactions in November 2023.
- **Regulatory Reforms**: Decriminalization of 3,600 compliances and the **Jan Vishwas Amendment Bill 2023,** proposing to decriminalize 183 provisions, have improved the ease of doing business.
- **MSME Support Measures**: Supportive measures for Micro, Small, and Medium Enterprises (MSMEs) include timely payment facilitation, **the Udyam portal, the Udyam Assist Platform (UAP),** and the **PM Vishwakarma scheme** for artisans, with 48.8 lakh enrolments.
- **Credit Facilitation and Guarantees**: Under the **Pradhan Mantri Mudra Yojana**, loans amounting to ₹25.98 lakh crore have so far been disbursed to non-corporate, non-farm small and micro enterprises. The credit guarantee limit under the **Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)** was raised from ₹2 crore to ₹5 crore in April 2023, and its corpus increased to enable additional credit.
- **Logistics Efficiency Improvements**: Under the National Logistics Policy, the **Unified Logistics Interface Platform (ULIP)** is integrated with 35 systems of 8 different Ministries and has 699 industry players registered on it. The platform intends to simplify and improve the efficiency of logistics processes for registered users. **Reduction in logistics**: There has been a significant reduction in logistics cost (as a per cent of total value) for trucks after the implementation of the GST, accompanied by a rise in the distance travelled per day.

Digital Infrastructure and Delivery of Citizen-Centric Services

- **Digital Public Infrastructure (DPI) Impact**: As the economic recovery gathered Momentum and the pandemic ebbed, newly acquired strengths became visible. India's world-class digital public infrastructure (DPI), honed and widely used during the pandemic, is a perfect example.
- **Financial Inclusion and PMJDY**: The **Pradhan Mantri Jan-Dhan Yojana (PMJDY),** launched in 2014, put to great use the Indian Stack to enable direct benefit transfers straight into the bank account of the beneficiary using the Aadhar and the mobile connect. The DBT has led to the removal of duplicate/fake beneficiaries and the plugging of leakages.
- **Digital Response to Pandemic**: During the pandemic, **the Aarogya Setu** and **CoWin apps** helped to track and contain the spread of the virus and facilitate the vaccination of many people in a short period. Using this digital infrastructure, India was able to provide support to many households quickly.
- **Enabling Policies and Telecommunications** Growth: Demonetization and policies like **100% FDI in telecom** fostered India's Stack growth. Telecommunications sector competition increased with lower data costs, significantly increasing data consumption and reducing mobile data tariffs.

Improved Credit creation

- **Phenomenal Bank Credit Growth**: The growth in non-food bank credit at 15 % in FY23 was the highest in the last ten years. This would not have been possible without significantly improving the banking sector's health.
- **Low NPA**: Even as credit growth surged, asset quality across all SCB groups kept improving, with GNPAs (gross non-performing assets) and Net NPAs relative to the total advances dropping to a multi-year low in September 2023.
- **Reforms and Resilience**: Government and RBI reforms, including the **'Asset Quality Review' (AQR), prompt corrective action (PCA),** and the enactment of the **Insolvency and Bankruptcy Code (IBC)** played a crucial role in cleaning up the balance sheets of banks and corporates.
- **IBC Impact:** The IBC has successfully resolved 808 corporate debtors, achieving realizations of 168.5% against the liquidation value and significant performance improvement in post-resolution periods for resolved firms.

Evolving financial markets to support the investment needs of a growing economy

- **Strong Equity Market Performance:** India's equity markets have outperformed major global markets. The Indian benchmark equity indices, the BSE Sensex and the Nifty 50, delivered a CAGR of about 13.5 % in the period January 2014 to December 2023.
- **Digital Technology Adoption:** Increased adoption of digital technology has enhanced retail investor access to financial markets, leading to a remarkable 536% growth in demat accounts from March 2014 to December 2023.
- **Rise in IPO Issuances:** Accelerating activity in the equity markets has led to companies significantly increasing the number of IPO issuances, particularly in the small and medium enterprises (SME) segment.

Safeguarding Macroeconomic stability

- **Inflation Management**: The period between FY09 and FY14 experienced high retail inflation, prompting the adoption of flexible inflation targeting within a 4 +/- 2 % band since FY16. The Price Stabilization Fund (PSF) effectively tackled price volatility in agri-horticultural commodities.
- **COVID-19 Impact:** The COVID-19 pandemic disrupted production, supply chains, and trade, challenging the fiscal balance. Supply disruptions led to elevated food prices, and global economic fragility affected India.
- **Post-Pandemic Revival**: FY22 saw an economic revival with growth and inflation moderation. However, by the end of FY22, global economic conditions worsened due to geopolitical conflicts and sanctions.

Human Resources: Dovetailing Growth with Capacitating Welfare

A New Approach to Welfare

- **Productivity of Social Sector Spending**: From the lens of spending, the rising productivity of social sector spending has been coupled with a focus on universal access to basic amenities.
    - The Union government expenditure on social services has increased at a CAGR of 5.9 % between FY12 and FY23, while the capital expenditure on social services has grown by 8.1 % CAGR over the same period, indicating the creation of societal assets.
- **Universal Access to Basic Amenities**: Programmes for universal access to basic amenities (such as Ujjwala Yojana, PM-Jan Aarogya Yojana, PM-Jal Jeevan Mission, and PM AWAS Yojana, among others) have gained prominence.
- **Fiscal Efficiency through Digital Initiatives**: The DBT scheme and Jan Dhan Yojana-Aadhaar-Mobile (JAM) trinity have been boosters of fiscal efficiency and minimization of leakages, while the 'One Nation One Ration Card' program institutionalizes digital goods in welfare.

Women-led development: Tapping the Gender Dividend for India@100

- **Legislative Progress**: The passage of the **women's reservation Bill** (Nari Shakti Vandan Adhiniyam (NSVA)) in September 2023 coincided with the year of India's G20 Presidency, listing "women-led development" as one of its six priorities.
- **Financial Inclusion**: Initiatives like **PM Jan Dhan Yojana** have significantly increased women's access to financial services, improving control over household resources and enhancing credit and insurance accessibility. Female participation in **Skill India Mission**, **PM Mudra Yojana**, and **Stand-Up India** has been encouraging, with significant certification, loan sanction, and entrepreneurship opportunities for women.
- **Empowerment through SHGs**: The Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM), which is the Government's SHG programme covering nearly nine crore women through 83 lakh SHGs, has been empirically associated with women empowerment, self-esteem enhancement, reduced social evils; and additionally, medium impacts in terms of better education, higher participation in village institutions and better access to government schemes.

Eyes on the long-term

- **Holistic Approach to Nutrition**: The Government's focus on addressing malnutrition through **Mission Saksham Anganwadi and Poshan 2.0** involves a broader perspective, encompassing sanitation, clean drinking water, basic medicines, and housing.
- **Progress in Nutrition Indicators**: Implementing cost-effective strategies under the **POSHAN Abhiyaan**, such as technology-based monitoring and behavioural change, has shown positive results.
- **Focus on Learning Outcomes**: With universal access to elementary education achieved, the emphasis shifts to enhancing learning outcomes. The **National Education Policy**, including components like the national credit framework, teacher training, community participation, and pedagogical changes, aims to improve the quality of education in schools.

Employment situation in the past decade

- **Unemployment Decline**: Over the past decade, India has seen a significant reduction in the unemployment rate, from 6% in 2017-18 to 3.2% in 2022-23, observed across genders and rural-urban areas.
- **Labor Force Participation**: The LFPR has risen from 49.8% in 2017-18 to 57.9% in 2022-23, with a notable surge in rural female LFPR, indicating increased participation in the workforce. Steep rise in the enrollment of females in education.
- **Gig Economy's Role**: With the profusion of affordable access to the internet and smartphones in the last decade, the rise of the gig economy has emerged as a noteworthy job generator, employing 77 lakh workers in FY21, as per a NITI Aayog report.
- **Youth Employment**: Over the years, youth employment has been rising in tandem with the youth population. According to the PLFS, youth (age 15-29 years) unemployment rate has declined from 17.8 % in 2017-18 to 10 % in 2022-23, while youth LFPR has expanded from 38.2% to 44.5% over the same period.

Skill Development and Entrepreneurship

- The Indian Government initiated the establishment of a Central Ministry, the **National Skill Development Mission**, and the **National Policy on Skill Development and Entrepreneurship**.
- The **Skill India Mission**, launched in 2015, has played a central role in improving youth employment by training nearly 1.4 crore candidates under **PM Kaushal Vikas Yojana**.
- The Skill India Digital platform, introduced as a **Digital Public Infrastructure**, aims to simplify skill acquisition in India, aligning with the Government's emphasis on integrating vocational education with general education and mainstreaming vocational education as outlined in the **National Education Policy (NEP) 2020.**

India's External Sector: Safely Navigating Through Uncertainties

Merchandise trade depicted resilience-

- **Export Performance and Trends:** India's exports have been showing remarkable performance, logging record-high levels since FY22, with merchandise exports rising by more than 50 % and services exports by 120 % over the past decade (FY13 to FY23).
- **Export Mix and Diversification**: While the export mix has not changed significantly, progressive diversification in India's export basket has presented opportunities for adding more quality and complexity.
- **Services Sector:** In the export of services, India has carved a niche for itself as a **knowledge-based economy**. Business services and financial services have experienced **double-digit growth since FY22**, contributing to the overall expansion of the services export sector.
- **Changing Work Dynamics and Work-From-Home Culture**: The increased presence of **Global Capability Centres** in India reflects a shift in work dynamics, reducing costs for BPOs and ITeS firms.

Comfortable balance on current account-

- **Service exports,** with a CAGR of 7.1% from FY12 to FY23 and the CAGR of remittances of 4.5 % during the same period, enabled India's current account balance to remain within a comfortable range, especially after FY14.
- The **current account deficit** (CAD) for H1 of FY24 **dropped** to USD 17.5 billion from USD 48.8 billion during the same period in the previous year, declining by 64.1 %.
- India is the **World's largest recipient of worker remittances**, receiving USD 125 billion in the year 2023.
- During April-September 2023, the **private transfer receipts** amounted to USD 55.2 billion, an **increase** of 4.1 % from their level during the corresponding period a year ago.

Capital account-

- **Foreign Exchange Reserves Growth**: The negative balance on the current account was compensated by the positive balance on the capital account, resulting in the **accretion of foreign exchange reserves** of USD 27 billion since the end of FY23.
- **Rupee Stability**: The stability of the Indian rupee against other currencies in FY24 is linked to global factors such as **easing inflation and expectations of future rate cuts.**
- **FPI Inflow**: FPIs increased their exposure by USD 28.8 billion in H1 of FY24, a significant turnaround from the outflow of USD 7.8 billion in H1 of FY23, driven by the attractive investment climate.
- **Government Measures**: Various measures, including **regulatory simplification, participation of FPIs in currency derivatives, and easing exit processes**, have been implemented to streamline foreign investments.
- **External Debt Management**: India's external debt, placed at **USD 635.3 billion** by the end of September 2023, is considered comfortable and has been prudently managed over time.

Climate Action-

- **Nationally Determined Contributions (NDCs):** Announced in 2015 and updated in 2022, NDCs include reducing emission intensity, increasing non-fossil fuel capacity, and creating additional carbon sinks.
- **National Action Plan on Climate Change (NAPCC):** It comprises **nine missions** in specific areas of solar energy, energy efficiency, water, sustainable agriculture, the Himalayan ecosystem, sustainable habitat, green India, strategic knowledge for climate change, and includes the recent Health Mission.
- **Renewable Energy Growth:** The speedy implementation of the targets has been possible due to the ambitious expansion in India's installed non-fossil fuel capacity, which has more than doubled in the last nine years.
  - Non-fossil fuel increased from 80.3 GW in March 2014 85 to 187.06 GW86 in November 2023, an increase of around 106.76 GW as against an increase of only 46.2 GW between 2004-2014.
  - India's installed solar energy capacity has increased by more than 25 times, from 2.63 GW in March 2014 to 72.3 GW in Nov 2023.
- **Energy Efficiency Measures:** Initiatives like the **PAT scheme and the amended Energy Conservation Act** drive energy savings, with the introduction of the **Carbon Credit Trading Scheme (CCTS) in 2022** to further incentivize emissions reduction.
- **Diverse Policy Incentives**: Multiple schemes post-2014, such as **PM-KUSUM, UJALA, and PMUY**, promote energy efficiency with fiscal incentives, priority sector lending, and regulatory frameworks supporting renewable energy adoption.
- **Transport Sector Actions**: Policies like the **National Policy on Biofuels and the FAME scheme**, along with the rapid expansion of electric vehicle charging stations and metro networks, contribute to emissions reduction in the transport sector.
- **Global Leadership and Balance**: In addition to ambitious domestic actions, several international initiatives since 2014, such as **the International Solar Alliance (ISA),** the **Coalition for Disaster Resilient Infrastructure (CDRI**), **Infrastructure for Resilient Island States (IRIS), Green Grids Initiative-One Sun One World One Grid (GGI-OSOWOG)** have been led by India. India also co-leads the Leadership Group for Industry Transition (LeadIT) with Sweden.

Outlook:

- **Future Outlook**: In the next three years, India is expected to become the third-largest economy in the World, with a GDP of USD 5 trillion. Under a reasonable set of assumptions concerning the inflation differentials and the exchange rate, India can aspire to become a USD 7 trillion economy in the next six to seven years (by 2030).
- **Growth Drivers**: Investments in physical and digital infrastructure, manufacturing, and institutional efficiency will be the growth drivers of economic activity. Factors include declining Investment Capital Output Ratio (ICOR), strengthened balance sheets via the Insolvency and Bankruptcy Code (IBC), and improved human capital formation.
- **Favourable Investment Climate**: The ease of doing business has improved, and the unification of domestic markets through GST incentivizes large-scale production while reducing logistics costs.
- **Future Reform Priorities**: Priority areas for future reforms include skilling, learning outcomes, health, energy security, reduced compliance burden for MSMEs, and gender balancing in the labour force.

MISCELLANEOUS

Reforming Sovereign Credit Rating Process

News Excerpt:

The Chief Economic Adviser's (CEA) office has published a report titled "**Re-examining Narratives - a Collection of Essays"**, which has raised questions about the methodology of top rating agencies while rating a sovereign.

About the news:

- Comments of the Chief Economic Adviser coincide with India **seeking to upgrade** its sovereign credit ratings as India has seen its economic metrics improve considerably since the pandemic.
- **S&P and Fitch rate India at BBB**, and **Moody's rates it at Baa3**, the lowest investment grade.
- The CEA says that to get a better rating, developing countries have to show progress in areas that might not be important, which is not fair.

What is Sovereign credit rating?

- It **measures a government's ability to repay its debt**, with a low rating indicating high credit risk.
- Typically, rating agencies use various parameters to rate a sovereign. These include **growth rate, inflation, government debt, short-term external debt as a percentage of GDP, and political stability.**
- Sovereign credit ratings, primarily by Fitch, Moody's, and Standard & Poor's (S&P), are important metrics for countries looking to raise financial resources through domestic and international financial markets.

Default Loss Guarantee guidelines by RBI

News Excerpt:

RBI issued the **Default Loss Guarantee (DLG)** guidelines. As per the guidelines, any arrangement between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving DLG or First Loss Default Guarantee (FLDG) will have to adhere to these guidelines. These guidelines apply to **NBFCs, Commercial banks, Urban co-operative banks, State co-operative banks, and central co-operative banks.**

The guidelines are as follows:

- The overall DLG cover under the upfront guarantee arrangements for any active loan portfolio shall **not exceed 5%** of that loan portfolio's value.
- The DLG provider shall not bear a performance risk of more than the **equivalent amount of 5%** of the underlying loan portfolio for implied guarantee arrangements.
- The RE will accept DLG only in **cash deposits, fixed deposits** maintained with Scheduled Commercial Banks, and lien marked in favour of RE.
- The Timeline for DLG invocation will be a **maximum overdue period of 120 days**.
- Disclosure requirements: The RE with a DLG agreement can publish their details on the website, like the total number of portfolios, number of portfolios, etc.

First loss default guarantee (FLDG):

- In India, banks and non-banking financial companies ('NBFCs') are permitted to extend loans, whilst Fintechs such as lending service providers ('LSPs') specializes in ancillary functions such as customer acquisition, underwriting and pricing support, servicing, recovery and technological support and infrastructure.
- If banks and NBFCs are hesitant to extend loans in certain instances, the LSPs may guarantee a part of the loss (up to a certain percentage) if the borrower defaults on repayment.
- This concept in the digital lending space is called **First Loss Default Guarantee ('FLDG')** or **Default Loss Guarantee ('DLG').**

SBI Report Challenges K-Shaped Recovery Claims

News Excerpt:

The State Bank of India (SBI) report says that the ongoing debate on India's K-shaped recovery post-pandemic seems flawed and incomplete.

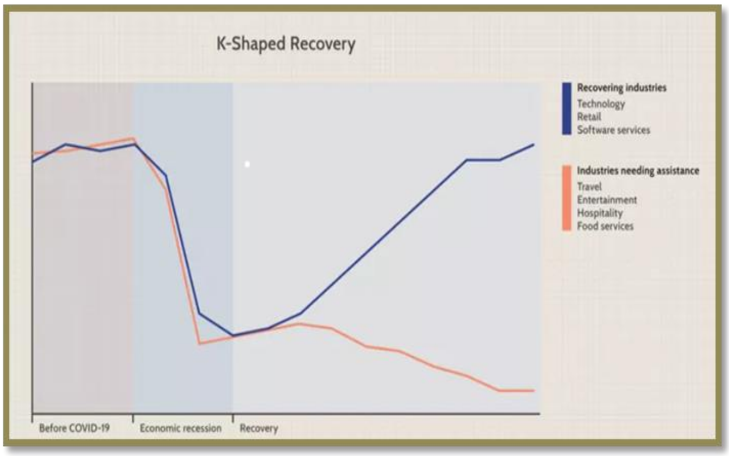
How does the SBI report challenge the K-shaped recovery narrative?

- The SBI report challenges the K-shaped recovery narrative by emphasizing **income, savings, consumption, and expenditure** patterns.

The report added its research on **ITR (income tax return)** data of taxable income of individuals using the **Gini coefficient** (It is a measure of how different groups of households receive differing shares of total household income) estimate showed that individual income inequality has significantly declined from 0.472 to 0.402 during FY14-FY22.

What is a K-shaped recovery?

- K-shaped recovery signifies a distinctive **divergence in the economic rebound of various sectors** post the pandemic.
- While overall economic growth numbers may appear positive, the K-shaped pattern suggests that **different segments of the economy recover disparately.**
- This divergence implies that certain sectors or groups may experience growth and prosperity while others face challenges and stagnation.
- Essentially, it underscores the **underlying inequality** within the economic recovery process, revealing disparities in the fortunes of different economic segments.



- The decline in income inequality is because of a **Great Migration at the bottom** of the pyramid; 36.3% of individual ITR filers belonging to the lowest income in FY14 have left the lowest income group and shifted upwards, resulting in 21.1% more income for such individuals during FY14-FY21.
- It cites policy measures to empower the masses, such as **Ujjwala, Ayushman Bharat, Awas Yojana**, and maternal/neo-natal welfare, as evidence of a more inclusive recovery.
- The report suggests that **traditional proxies** like low two-wheeler sales or fragmented land holdings are outdated and do not accurately reflect India's economic well-being.
- It highlights the muted post-pandemic sales of two-wheelers, attributing it to households reallocating savings toward physical assets like real estate and a shift to used/entry-level cars.

New patent rules

News Excerpt:

The Patent Rules 2024 have been notified, marking a significant milestone in the journey towards fostering innovation and economic development.

About New Patent rules:

- These rules introduce several provisions aimed at **simplifying the process of obtaining and managing patents**, thereby facilitating a conducive environment for inventors and creators.

What is a patent?

- **It is a statutory right to the inventor** or the applicant by the government for his invention which is either a new process or product.
- **It protects intellectual property for 20 years**, during which time no one else can manufacture the product. Royalties can be paid to use the product.
  - After 20 years, technology enters the public domain.
- It is granted in lieu of sufficient disclosure to the patent offices.
- **It is only a territorial right.**
- A patent is **not an absolute right; this** is **subject to certain conditions like-**
  - Government Use: Importation or manufacturing by or on behalf of the government.
  - Experimental purpose; Research purpose; Teaching purpose.
  - Drugs or medicine are distributed by the government in dispensaries, hospitals, or other medical institutions, rendering public service or on behalf of the government.
  - Used for Foreign vessels, aircraft, and land vehicles that have temporarily or accidentally come to India.

Patent system in India:

- The patent system in India is governed by the Patents Act, 1970, as amended by the Patents (Amendment) Act 2005 and the Patents Rules 2003.
- The Patent Rules are regularly amended in consonance with the changing environment, the most recent being in 2016.
- An invention is patentable subject matter **if it meets the following criteria –**
  - i) It should be novel.
  - ii) It should have inventive steps, or it must be non-obvious
  - iii) It should be capable of Industrial application.
  - iv) It should not attract the provisions of sections 3 and 4 of the Patents Act 1970.
- All the patent applications are kept secret upto 18 months from the date of filing or priority date, whichever is earlier, and thereafter, they are published in the Official Journal of the Patent Office, which is published every week and also available on the Indian patent office (IPO) website.
- After its publication, the public can inspect the documents and also may take a photocopy thereof on payment of the fee as prescribed.

Salient features of the new rules:

- A unique provision for a New **'Certificate of Inventorship'** has been introduced to acknowledge the contribution of inventors in the patented invention.
- Provision for **claiming benefits of Grace period** under section 31 has been **streamlined** by incorporating new forms, i.e., Form 31.
- **Time limit to furnish foreign application** filing details in Form 8 has been changed from six months from the date of filing of application to **three months from the date of issuance** of the first examination report.
- Considering the fast pace of technology, the **time limit for filing request** for examination has been reduced from **48 months to 31 months** from the date of

priority of application or from the date of filing of application, whichever is earlier.

- The provision to extend the time limit and condone delay in filing has been further simplified and made more explicit to ease in practice. Now, the time for doing any act/proceeding **may be extended any number of times** up to six months **by a request in the prescribed manner.**
- **The renewal fee has been reduced by 10%** if paid in advance through electronic mode for a period of at least 4 years.

Consumption Expenditure Survey data

News Excerpt:

For the first time in about 11 years, the government released the broad findings of the **All-India Household Consumption Expenditure Survey (HCES**) carried out between August 2022 and July 2023.

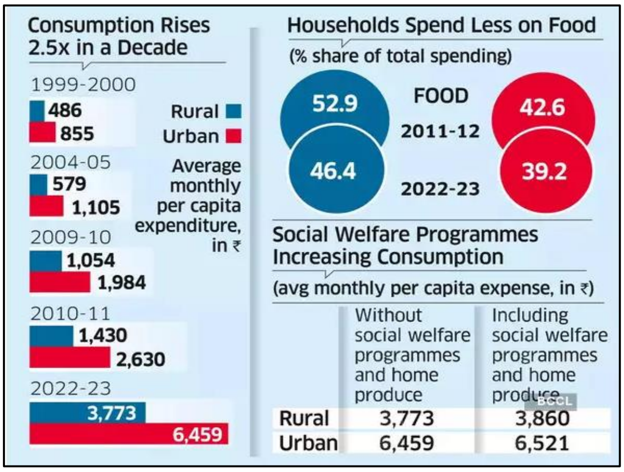
About the news:

- The data will play a key role in **reviewing critical economic indicators**, including the Gross Domestic Product (GDP), poverty levels, and the Consumer Price Inflation (CPI).
- The HCES is usually conducted by the **National Statistical Office (NSO) every five years**, but the findings of the last Survey, conducted in 2017-18 soon after the demonetization of high-value currency notes and the implementation of the Goods and Services Tax (GST), were never released after the government cited **"data quality" issues.**
- The estimates of the monthly **per capita consumption expenditure (MPCE)** are based on data collected from **2,61,746 households**, of which 1,55,014 were in rural areas, spread over all States and Union Territories.

Details of the survey:

Overall Consumption Expenditure:

- The difference in average **monthly per capita consumption expenditure (MPCE)** between rural and urban households has narrowed to 71.2 % in 2022-23 compared with 83.9% in 2011-12, 88.2% in 2009-10, and 90.8% in 2004-05.



- The survey report does reveal that rural average monthly consumption spending per person increased to Rs **3,773 per month** in 2022-23 from **Rs 1,430 per person in 2011-12**, a jump of 164 %.
  - This is higher than the 146 % increase in urban average monthly consumption expenditure per person to Rs 6,459 in 2022-23 compared with Rs 2,630 per person in 2011-12.

Consumption-based on states: Among the States, the MPCE is the highest in **Sikkim** for both rural (₹7,731) and urban areas (₹12,105). It is the **lowest in Chhattisgarh,** where it was ₹2,466 for rural households and ₹4,483 for urban household members.

Expenditure on Food:

Food spending

Share of cereals and food in average monthly per capita consumption expenditure decreased in both rural and urban areas

Period	RURAL		URBAN	
	% share of cereals	% share of food	% share of cereals	% share of food
1999-00	22.23	59.4	12.39	48.06
2004-05	17.45	53.11	9.63	40.51
2009-10	13.77	56.98	8.16	44.39
2011-12	10.75	52.9	6.66	42.62
2022-23	4.91	46.38	3.64	39.17

- The proportion of spending on food has dropped to **46.4%** for rural households from 52.9% in 2011-12, while their urban peers spent just **39.2%** of their overall monthly outgoes on food compared with 42.6% incurred 11 years earlier.
  - This reduction could translate into a lower weightage for food prices in the country's retail inflation calculations.
- The MPCE numbers cited above do not take into account the imputed values of items received free of cost by individuals through various social welfare programs such as **the PM Garib Kalyan Ann Yojana (PMGKAY)** or **State-run schemes**, which were calculated separately.
- The average MPCE, at 2011-12 prices, was a tad higher when these items were included while excluding free **education and healthcare** sops — at ₹2,054 for rural households and ₹3,544 for urban homes.

Expenditure on Non-Food Items: Consumption expenditure on non-food items in both rural India (54 %) and urban India (61%) was mainly driven by a rise in the share of spending on conveyance, consumer services, and durable goods in 2022-23 as against 2011-12.

Household Consumption Expenditure Survey (HCES):

- HCES was conducted between **August 2022 and July 2023** and published by the **National Sample Survey Office**.
- The **aim** is to calculate the monthly per capita expenditure **(MPCE)** at current/nominal prices.
- It collected information from 8,723 villages and 6,115 urban blocks covering 2,61,745 households (60% in rural areas and 40% in urban areas).

Observed realities:

- HCES revealed that the **share of food** in consumption had **reduced** to **46%** in **rural areas** and **39%** in **urban areas**.
  - That is probably true because of **rising income/expenditure** and the value of food consumption remaining the same or rising at a slower rate.
- **Scheduled castes** and **Scheduled tribes** are the **poorest** social groups. They are below the average. **OBCs** are near the **average.**
  - It is the **'others'** who are above the average.
- The **poorest citizens** are those who live in **Chhattisgarh, Jharkhand, Odisha, Madhya Pradesh, Uttar Pradesh, West Bengal** and **Meghalaya** — their MPCE is below the all-India average MPCE for rural areas.
- **Gujarat's score** is **slightly above** that of the all-India average MPCE in rural areas (Rs 3,798 vs Rs 3,773) as well as in urban areas (Rs 6,621 vs Rs 6,459).

International Narcotics Control Board

News Excerpt:

India has been re-elected for a third term to the International Narcotics Control Board.

More about the news:

- **India was re-elected** by **secret ballot** for the third term for five years from **March 2025-2030**, getting the highest number of votes in the highly competitive election.

About the International Narcotics Control Board (INCB):

- Established in **1968**, it is the **independent and quasi-judicial monitoring body** for the implementation of the **United Nations international drug control conventions.**
- It consists of **13 members who are elected by the Economic and Social Council** and who serve in their personal capacity, not as government representatives.
- **Three members with medical, pharmacological or pharmaceutical experience** are elected from a list of persons nominated by the World Health Organization (WHO), and 10 members are elected from a list of persons nominated by Governments.
- According to information about its mandate, **INCB endeavours, in cooperation with governments**, to ensure that adequate supplies of drugs are available for medical and scientific use and that the diversion of drugs from licit sources to illicit channels does not occur.
- INCB also **monitors Governments' control over chemicals used** in the illicit manufacture of drugs and assists them in preventing the diversion of those chemicals into illicit traffic.

Omnibus Framework for SROs in Regulated Entities

News Excerpt:

The Reserve Bank of India (RBI) has finalized the Omnibus Framework for recognizing **Self-Regulatory Organisations (SRO)** for its **Regulated Entities**.

Key frameworks for SROs in regulated entities:

- Each **regulated entity sector (RE)**, including fintechs, will have a **separate SRO**.
  - With the finalization of the framework, the RBI will receive applications from various entities seeking to get SRO status.
- The omnibus framework contains **broad parameters** viz., **objectives, responsibilities, eligibility criteria, governance standards, application process, and other basic conditions for grant of recognition**, which will be common for any SRO proposed to be recognized by the Reserve Bank.
- Other sector-specific guidelines, such as the **number of SROs, membership,** etc., will be **issued separately by the respective departments of the Reserve Bank** wherever a sectoral SRO is intended to be set up.

Need for an Industry Standard:

- To develop better industry standards for self-regulation of the industry.
- Growth of the REs in terms of number as well as scale of operations.
- Increase in adoption of innovative technologies and enhanced customer outreach.

About Self-Regulatory Organisations (SRO):

- An SRO is expected to **operate with credibility, objectivity, and responsibility under the oversight of the regulator to improve regulatory compliance** for the healthy and sustainable development of the sector to which it caters.
- The SRO **aims to** work **transparently, professionally, and independently, increasing trust in the sector's integrity.**
- **Compliance with the highest governance standards** is a prerequisite for an effective SRO.

- The **SRO directors need to fulfil the 'fit and proper' criteria as framed by the Board on an ongoing basis**, have relevant expertise/experience, and be persons of high integrity.
  - **At least one-third of the members of the Board of Directors**, including the chairperson, shall be independent and without any active association with the category/class of REs for which the SRO is established.
  - The **Board will ensure that the SRO has adequately skilled human resources** and robust technical capability to monitor the sector.
    - The Board will follow transparent practices to establish its governance processes.

IMF concerned about debt, fiscal challenges facing low-income countries

News Excerpt:

Shareholders of the International Monetary Fund (IMF) agreed on the importance of addressing challenges faced by low-income countries, many of which face unsustainable debt burdens.

More about the news:

- Multiple reports from the **IMF** and the **World Bank** have sounded the alarm about **economic developments** and **prospects** in **low-income developing countries.**
  - These countries are still grappling with the aftermath of the **COVID-19** pandemic and other shocks.
- The **IMF** lowered its **2024 growth forecast** for **low-income countries** as a group to **4.7% from an estimate of 4.9% in January.**
- In a separate report, the **World Bank** said **half of the world's 75 poorest countries** were experiencing a **widening income gap with the wealthiest economies** for the first time this century in a historical reversal of development.
- Almost **40 countries** saw **external public debt outflows in 2022**, and the flows likely worsened in 2023.

World Bank and MeitY to come up with state-level DPI adoption index

News Excerpt:

The World Bank, along with the **Ministry of Electronics & Information Technology (Meity),** is working on developing a state-level **Digital Public Infrastructure (DPI) adoption index** that will help **boost the digital economy** and **support financial inclusion.**

What is Digital Public Infrastructure (DPI):

- DPI is a **digital network** that **enables countries** to safely and efficiently deliver **economic opportunities** and **social services** to all residents.
- It is a **set of shared** and **interoperable digital systems** built on open standards and specifications.
- DPI can be **compared to roads**, which form a physical network that connects people and provides access to a huge range of goods and services.
- It allows people to **open bank accounts** and receive wages faster and more easily.
- It also **allows governments** to **support citizens** more quickly and efficiently, especially during emergencies.
- It **enables entrepreneurs** to **reach customers** far and wide.

State-level DPI Index:

- The state-level DPI index will help analyse gaps to **strengthen the digital economy, support financial inclusion,** and **increase public-private innovation.**
- The Index would **evaluate different states** based on the **level of adoption of DPIs.**

India's DPI:

- India's DPI, also known as **India Stack,** has been appreciated widely for **improving financial inclusion** and **increasing formalisation in the economy.**
- It consists of digital identity through **Aadhaar,** real-time payment through the **UPI** platform and other services like **account aggregator.**

India's DPIs had led to the inclusion of **half a billion people** into the **banking system** and enabled the **direct transfer of benefits to millions.**

REPORTS

Report	Details
RBI's Financial Stability Report **News Excerpt:** The Reserve Bank of India released the 28th issue of the Financial Stability Report (FSR).	• The report reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the Indian financial system. • It is published by the RBI **twice a year** after the **Financial Stability and Development Council (FSDC)** Sub-Committee approves. • It takes inputs from financial sector regulators i.e. RBI, SEBI, PFRDA, IRDAI including the Ministry of Finance.
Global Financial Stability Report **News Excerpt:** The latest global financial stability report **warns** about the **risks** to the **global financial system** from persistent **high inflation**, **rising lending** in the **unregulated credit market**, and **increasing cyber-attacks** on **financial institutions.**	• This report is released by the International Monetary Fund (IMF). • The **IMF** has flagged **rising enthusiasm among investors** that the fight against **high inflation** over the last few years has **almost come to an end.** • **Investors** have been **pushing up the prices of financial assets** such as stocks in recent months, **hoping** that **central banks** will soon begin **lowering interest rates** as inflation comes under control.
World Employment and Social Outlook: Trends 2024 Report **News Excerpt:** As per the World Employment and Social Outlook: Trends 2024 report by the International Labour Organization (ILO), there is a likelihood that the worldwide unemployment rate will rise in 2024. Rising social inequalities and stagnant productivity remain the main causes of concern.	• The report stated that while joblessness and the jobs gap have decreased below pre-pandemic levels, global **unemployment is expected to rise in 2024.** • **ILO** release**s the report.** It examines the impacts of the crisis on **global and regional trends in employment,** unemployment and labour force participation, as well as on job quality, informal employment and working poverty. • The report pays particular attention to the **impact of the different crises on productivity**, job quality and job opportunities and how these trends risk undermining social justice worldwide. • It also offers an extensive analysis of trends in temporary employment **both before and during the COVID-19 crisis.**
International Debt Report **News Excerpt:** According to the latest **International Debt Report**, India and China follow contrasting external lending strategies	• According to the report, India has increasingly become an important player as a bilateral creditor, with special focus on its **immediate neighborhood.** • The International Debt Report 2023 highlights a concerning trend of **rising fears about unsustainable debt** in developing countries. • **One in four developing nations** is effectively excluded from international capital markets, with 18 sovereign debt defaults in the past three years, surpassing the total of the previous two decades. • International Debt Report is released by the World Bank.
World Economic Situation and Prospects 2024 Report **News Excerpt:** In 2024, India is projected to grow at 6.2%, supported by robust domestic demand and strong growth in the manufacturing and services sectors, according to United Nations report.	• Global economic growth is **projected to slow** from an estimated **2.7% in 2023 to 2.4% in 2024,** trending below the pre-pandemic growth rate of 3%. • The UN revised **India's Gross Domestic Product (GDP)** growth forecast for the 2024 calendar year **to 6.2% from 6.7%**. • The World Economic Situation and Prospects 2024 is a report produced by the **United Nations Department of Economic and Social Affairs (UN DESA)**, in partnership with the **United Nations Conference on Trade and Development** (UNCTAD) and the five United Nations regional commissions etc.

AGRICULTURE

India's Great Grain Mystery

News Excerpt:

The economists and authors Jean Drèze and Christian Oldiges explore the perplexing factors contributing to the significant discrepancy between India's annual cereal production and consumption numbers.

Production-Consumption Discrepancy:

- According to the official Foodgrains Bulletin, cereal **production** (mainly rice and wheat) crossed **300 million tonnes** for the first time in 2022-23, reaching 304 million tonnes.
- The three-year average of annual **production** in the most recent years for which data are available (2020-21 to 2022-23) comes to 292 million tonnes — close to 300 million.
- Combining the second **India Human Development Survey (IHDS-2) and National Sample Survey (NSS)** data, the **consumption** requirements are only about **200 million tonnes.**

Per Capita Cereal Consumption (PCCC) Trends:

- The PCCC trends in India reveal a perplexing scenario. The latest estimates from 2011-12 indicate figures of 11.6 kg per month (**India Human Development Survey-2)** and 10.7 kg per month (**National Sample Survey**).
- All data indicate a **steady decline in monthly PCCC** from the late 1970s onwards.
- The declining PCCC trend **challenges assumptions of rising poverty as the primary cause.** Instead, urbanization, increasing education levels, diversification of food intake, and potential reductions in activity levels are identified as factors contributing to this decline among **better-off sections of the population**.
- The evolving consumption patterns underscore the complexity of addressing the production-consumption gap in India's cereal economy.

Economic Survey's Estimates and SFW Allowance:

- The Economic Survey's "**Net Availability"** estimates are inflated by an insufficient **seed, feed, and wastage (SFW)** allowance. The traditional allowance of 12.5% consists of 5% for seed, 5% for feed, and 2.5% for wastage.
- Independent experts have argued for some time that the 5% norm for feed is too low.
- Doubling the feed allowance from 5% to 10% of gross production would reduce the cereal gap by 15 million tonnes or so.

Can India become self-sufficient in producing dal?

News Excerpt:

The government has launched a portal to boost pulse production, targeting **self-sufficiency by 2027** through farmer support and trade policies.

Launch of the new portal:

- The government launched a new portal where farmers growing pulses can register and sell their produce directly to central agencies at the **minimum support price (MSP).**
- The promise of **assured purchase** through the portal addresses farmers' concerns about uncertain market conditions, encouraging increased cultivation.

Indian Human Development Survey-II	National Sample Survey (NSS)
• The India Human Development Survey-II (IHDS-II), 2011-12 is a **nationally representative, multi-topic survey** of 42,152 households in 1,503 villages and 971 urban neighborhoods across India. • These data are primarily **re-interviews of households** interviewed for IHDS-I in 2004-05. • Each **household's interviews covered health, education, employment, economic status, marriage, fertility, gender relations, social capital, village infrastructure, wage levels, and panchayat composition.** • The goal of IHDS is to document changes in the **daily lives of Indian households** in an era of **rapid transformation.**	• The National Sample Survey Office (NSSO), headed by a Director General, is responsible for conducting **large-scale sample surveys in diverse fields on an All-India basis.** • Primarily, data are collected through **nationwide household surveys** on various socio-economic subjects, etc. • NSSO also collects **data on rural and urban prices** and plays a significant role in improving crop statistics through supervision of the area enumeration and **crop estimation surveys** of the state agencies. • It also maintains a frame of **urban area units** for use in sample surveys in urban areas.

- Economic benefits through direct sales at MSP may incentivize farmers to prioritize pulse cultivation over other crops. The move follows a spike in consumer prices, which were **18% higher year-on-year in November 2023.**

- Under the initiative, the produce of farmers who get themselves registered even before the production of toor dal will be procured by the **National Agricultural Cooperative Marketing Federation of India Ltd (NAFED)** and **National Cooperative Consumers' Federation of India (NCCF).**
- A similar facility will also be unveiled for other pulses such **as urad (black gram) and masoor (lentil)**.
- The government's clear goal of becoming a **net exporter of pulses by 2027** demonstrates a commitment to reducing import dependency.

Pulses as Climate Smart Crop:

- Pulses are vital in developing sustainable food systems and are key players in food security and nutrition in India.
- The Global Pulse Confederation (GPC) emphasizes their significance in **developing sustainable food systems, addressing food security, and promoting nutrition.**
- Pulses are crucial in **reducing greenhouse gas emissions** and are adaptable to arid conditions, **requiring less water for cultivation.**
- As a superfood, pulses offer a **nutritious and healthy dietary choice.** Their **ability to fix nitrogen in the soil enhances soil fertility**, making them environmentally friendly.

Recommendations of Arvind Subramanian on pulses

- In his 2016 report on incentivizing pulse production, Chief Economic Advisor **Dr. Arvind Subramanian** emphasized the need to boost domestic production to meet the rising demand.
- The report outlined key recommendations, including **increased procurement efforts for pulses like moong, toor, and urad at Minimum Support Prices (MSPs) and allocating additional funds for procurement agencies.**
- Efficient disposal policies, removal of stock limits and export bans, and revising MSPs for pulses were also proposed. Subramanian called for a review of the **Essential Commodities Act** to enhance market competitiveness.
- Additionally, he suggested establishing a **new institutional arrangement** for pulses, owned by the government and private players, to facilitate trading operations for various crops.

Litchi Cultivation Expansion

News Excerpt:

According to official data, Litchi cultivation for commercial purposes has expanded to 19 Indian states.

Litchi Cultivation in India:

- Litchi is a sweet and juicy fruit of India's hot summers and grows mainly in the foothills of the Himalayas in Uttarakhand, Bihar, West Bengal, and Jharkhand.
- Litchi cultivation is spread across **over 32,000 hectares in Bihar alone.** This accounts for nearly **40% of India's litchi production.**
- Bihar is followed by West Bengal (12% of the total) and Jharkhand (10%).
- Litchi cultivation for commercial production has started in **Andhra Pradesh, Tamil Nadu, Karnataka, Uttar Pradesh, Himachal Pradesh, Madhya Pradesh, Odisha, Manipur, Assam, Punjab, Maharashtra, Jammu and Kashmir, Gujarat, Arunachal Pradesh, Rajasthan and Mizoram.**
    - More than 0.1 million hectares of land are under litchi cultivation in India.
- The litchi cultivation expansion plan was based on a scientific study that found suitable soil and climate for the fruit's cultivation in other states.

National Research Centre on Litchi (NRCL)

- The ICAR-National Research Centre on Litchi was established on 6th June **2001 in Muzaffarpur.**
- The NRCL is the premier national institute for conducting **research and developments** on litchi and provides **leadership at the national level.**
- It acts as a **national repository of information** on litchi production, processing, and value addition and provides consultancy services to end users.
- The NRCL prepares thousands of litchi saplings at its nursery each year. The centre provides saplings of its **famous Shahi litchi, besides popular varieties like China, Gandki Lalima, Gandki Sampada, and Gandki Yogita, to farmers in other states.**
- NRCL scientists pointed out that litchi is considered to be a susceptible fruit as far as **temperature, rainfall, and humidity are concerned.**

High-Value Aromatic Crops

News Excerpt:

In Odisha, high-value aromatic crops have become a viable and sustainable alternative for the tribal communities as a means to supplement their livelihood.

About the news:

- With the help of the **Central Institute of Medicinal and Aromatic Plants (CIMAP)** in Lucknow, two districts in Odisha have recently introduced different aromatic plants such as **menthol mint** (the CIM-Unnati variety), **rosemary** (Hariyali variety), etc.

Aromatic plants:

- Aromatic plants are those that contain **aromatic compounds** – basically, **essential oils** that are volatile at room temperature.
    - These essential oils are **odorous**, **volatile**, **and hydrophobic** and can be obtained from different

parts of a plant, such as **flowers**, **leaves**, **bark,** etc.

- India has favourable **agro-climate conditions** for cultivating various medicinal and aromatic crops. These have an **immense potential** for providing **livelihood support** to **marginal and small farmers** in general and to **farm women** in particular.
- **Medicinal & Aromatic Plants (MAPs)** will be helpful for the **health security** and the **economic security** of farm families in horticulture.

Copra Production- MSP

News Excerpt:

The **Cabinet Committee on Economic Affairs (CCEA)** has decided to increase Copra's minimum support price (MSP) for 2024.

Key Points:

- The new MSP for milling Copra will be **₹11,160 a quintal — an increase of ₹300 per quintal,** and the new MSP for ball Copra will be **₹12,000 per quintal — an increase of ₹250 per quintal from the 2023 season.** The rate will be effective from next year.
- According to a government release, the new rates would ensure a margin of 51.84% for milling Copra and 63.26% for ball Copra.

Production and procurement:

- **Kerala and Tamil Nadu** are significant producers of milling copra, whereas ball copra is produced predominantly in **Karnataka.**
- In 2023, the government procured over 1.33 lakh metric tonnes of Copra at a cost of ₹1,493 crore.

About Copra:

- Copra is the dried section of the meat of the coconut, the kernel of the fruit of the coconut palm (Cocos nucifera).
- It is valued for the coconut oil extracted from it and the resulting residue, coconut oil cake, used mainly for livestock feed.
- Naturally, growing coconut palms are a significant source of Copra, but commercial estates and plantations now predominate.

No farm issues until food stocks issue is resolved: India before WTO talks

News Excerpt:

The developed nations have claimed that the Indian subsidies—in the form of Minimum Support Prices (MSP) for farmers and free food for people experiencing poverty—breach WTO subsidy thresholds.

About the news:

- According to government officials, India will not negotiate on any farm issue at the World Trade Organization (WTO) until it finds a permanent solution to the issue of public foodgrain stock.
- Besides public stockholding for food grains, WTO members, particularly developed countries, want India to provide information on export restrictions in advance, which is not possible.
- According to government officials, the **public stockpiling of food grain is the most prolonged pending issue.**
  - The members of the Bali ministerial made the promise and later endorsed it at subsequent conferences.
- India wants the matter settled as it prepares for the **WTO's 13th ministerial meeting in Abu Dhabi from 26-29 February.**

What is a Core issue?

- Developed countries have red-flagged India's food security programs, such as buying rice and wheat from farmers at an MSP for distribution through the Public Distribution System (PDS). They have been alleging that procurement of grains at subsidized rates and storage distorts global agriculture trade.
- Under global trade norms, a WTO member country's food subsidy bill **should not breach the limit of 10% of the value of production** based on the External Reference Price (ERP) of 1986-88.

Peace Clause:

- At the Bali ministerial meeting in 2013, WTO members agreed to put in place a mechanism popularly called a '**Peace Clause**' and committed to negotiating a permanent solution.
- Under the Peace Clause, WTO members agreed to refrain from challenging any breach in the prescribed ceiling by a developing nation at the dispute settlement forum of the WTO. This clause **is in force until a permanent solution is found.**
- India has also suggested changing the formula to calculate food, the subsidy cap, and the inclusion of programs implemented after 2013 under a 'Peace Clause'.

Concerns over low wheat stocks

News Excerpt:

Although wheat stocks in the government godowns have been over and above the minimum buffer levels, they have plunged to the lowest in the last seven years.

Seven-Year Low Wheat Stocks:

- According to the Food Corporation of India (FCI) and state agencies, the godowns had 163.5 lakh tonnes (lt) of the cereal as of January 1, the lowest for this date since the 137.5 lt of 2017.
- This is a significant decline, raising questions about the adequacy of reserves to meet future demands.

- The depletion in wheat stocks came when retail cereal prices rose 9.93% year-on-year in December 2023, preceded by 15 consecutive months of double-digit inflation from September 2022 to November 2023.

Conditions for wheat cultivation:

- Wheat is a rabi crop that requires a cool growing season and bright sunshine during ripening.
- It requires **50 to 75 cm of annual rainfall** evenly distributed over the growing season.
- There are two important wheat-growing zones in the country – the Ganga-Satluj plains in the north-west and the black soil region of the Deccan.
- The major wheat-producing states are Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan.

Wheat production:

- Wheat production stood at a record **110.55 million tonnes** in the **2022-23 crop year (July-June),** compared to 107.7 million tonnes achieved in the previous year.
- The main varieties of wheat grown in India are **Shresth (HD 2687), Aditya (HD 2781), DBW 296 (Karan Aishwarya), DBW 327 (Karan Shivani),** etc.

Wheat exports:

- India was one of the major wheat exporters until May 2022, when the government decided to ban wheat exports.

Crop Residue Management Guidelines 2023-24

News Excerpt:

The Government of India released Crop Residue Management (CRM) operational guidelines 2023-24 for **Uttar Pradesh, Haryana, Punjab, Madhya Pradesh, and the national capital territory (NCT) of Delhi** in July 2023.

Aim of the CRM guidelines:

- The main objectives of the CRM guidelines are to **reduce the amount of pollution generated when stubble is burnt** and to **encourage more industry-farmer participation in the agri-residue supply chain to support bioenergy plants**.
- Burning one tonne of paddy straw releases 3 kilograms of particulate matter, 60 kg CO, 1,460 kg CO_2, 199 kg ash, and 2 kg SO_2 into the environment.

Key highlights of the guidelines:

- Under the scheme, the **machinery required for biomass aggregation** includes **tractors, balers, and rakers,** which would need a **65% investment from the government, 25% from the industry** and the remaining **10% from the farmer-producer organization.**
- According to the guidelines, the **indicative expenditure for setting up the paddy straw supply chain machinery** comes up to around **Rs 1 crore (for 3,000 tonnes of paddy straw per season)** and **Rs 1.8 crore (for 4,500 tonnes of paddy straw per season)**, out of which the **government will give subsidy** on the rounded off amount of **Rs 1.5 crore.**
- The **Department of Agriculture & Farmers Welfare (DA&FW)** and **State Agricultural Departments** have been chosen as the **central regulatory bodies for this scheme.**
- The scheme **aims to collect 1.5 million tonnes of paddy straw in the next three years** by establishing **333 collection centres** with a total financial assistance of Rs 600 crore.
- Centre has approved **financial assistance of Rs 564.75 crore from FY 2023-24 to FY 2026-27 for compressed biogas producers to buy biomass machinery** aiding biomass collection, with a **subsidy cap of 50% on the procurement cost.**
  - The scheme is expected to **support 100 CBG plants in the first phase.**

Framework for voluntary carbon markets in agriculture

News Excerpt:

The Ministry of Agriculture and Farmers' Welfare launched the 'Framework for Voluntary Carbon Market in Agriculture Sector and Accreditation Protocol of Agroforestry Nurseries'.

More on the news:

- The Accreditation Protocol of Agroforestry Nurseries will strengthen the **institutional arrangements** for large-scale planting material production and certification to promote agroforestry in the country.
- The Ministry has directed all the stakeholders to adopt it so that quality planting material can provide assured returns and the objectives and goals of the **National Agroforestry Policy** can be achieved.
- The government asked the **Indian Institute of Agricultural Research (ICAR)** to play an active role in this direction.
- The Ministry of Agriculture and Farmers' Welfare also urged cooperation from the **related ministries** of the Centre and the states and other organizations to promote the carbon market in the interest of farmers.

Recent measures by the government:

- The **Energy Conservation (Amendment) Act 2022** has been enacted in India to develop domestic carbon markets, avoid carbon debt risks, and position the country as the world's largest exporter of carbon credits.
  - This initiative can promote the **adoption of sustainable farming practices**, establish a regulated ecosystem for voluntary carbon markets, and ultimately enhance agricultural output, farmer income, and environmental sustainability.

- In line with these efforts, the Uttar Pradesh Government initiated an agroforestry project in collaboration with **The Energy and Resource Institute (TERI)** in April 2023.
  - The project aims to integrate **nature-based systems** into agriculture, leveraging carbon sequestration to mitigate climate change and generate additional income opportunities for farmers.

Low food value and high toxins in rice and wheat: ICAR study

News Excerpt:

According to a recent report, the rice and wheat consumed by Indians today **may be of low nutritional value.**

Key findings of the study:

- **The ICAR-led** study has examined the **food value of rice and wheat** and reported that breeding programmes focused on **developing high-yielding varieties have altered the nutrient profiles of rice and wheat** to the extent that their dietary and nutritional value has gone down.
- In the past 50 years, the concentration of **essential nutrients like zinc and iron** has decreased by 33 percent and 27 percent in rice, and by 30 percent and 19 percent in wheat, respectively.
- **The study looked into the causes of zinc and iron deficiency in cereal-dependent populations**. Zinc and iron grain density decreased when high-yielding rice and wheat cultivars were tested.
- Experiments showed that modern-bred cultivars of rice and wheat are **less efficient in sequestering nutrients like zinc and iron** despite their availability in soil.
- Evaluation of the nutrient profiles of the harvested grains showed that rice and wheat, which meet over 50 percent of the daily energy requirements of people in India, have **lost up to 45 percent of their food value in the past 50 years**.
  - At this rate, the **grains will become impoverished for human consumption by 2040.**

Major reasons behind decreasing nutrient value:

- The goal of the Green Revolution in India was to feed the country's rapidly growing population and become self-sufficient in terms of food production.
- Hence, **the main motive of agricultural scientists was to improve yield.**
- After the 1980s, **breeders shifted their focus** to developing varieties that were **resistant to pests and diseases and tolerant of stresses such as salinity, moisture and drought**.
- Breeders were not thinking **whether the plants were taking in nutrients from the soil or not**. Hence, over a period of time, **plants have lost their capacity to take up nutrients from the soil.**

Steps taken to improve the nutritional profile of foodgrains:

- **Agricultural scientists have started using landraces and wild species of cultivated varieties.**
- Under a **special project on bio-fortification** launched by the Union government, scientists at ICAR and other agriculture universities have undertaken **germplasm exploration to find donor varieties that are high in nutritional content.**
- So far, institutes under **ICAR have developed 142 bio-fortified varieties,** but farmers haven't adopted these varieties on a large scale yet.

India elected as vice-chair of UN fisheries body

News Excerpt:

For the first time in 59 years, India has been appointed as the first Vice-chair of the **UN Food and Agriculture Organization (FAO) Committee on Fisheries (COFI)** Sub-Committee on Fisheries Management.

More on the news: India's appointment as the first Vice-Chair comes at a time when numerous countries are calling out China's illegal, unreported, and unregulated (IUU) fishing practices in international waters, often violating Exclusive Economic Zones (EEZs) of other states.

The growing dominance of Chinese fishing vessels:

- **Widespread incursion into foreign EEZs**: Between 2019 and 2021, China fished in the EEZs of over 80 other countries for more than 3 million hours and spent nearly 10 million hours outside its own EEZ in the high-seas and the EEZs of other nations.
- **European concerns on IUU fishing practices**: In October 2023, the European Parliament released a report highlighting China's distant-water fishing fleet, the largest globally, and its **Illegal, Unreported, and Unregulated (IUU)** fishing practices. China is the leading country in the IUU rankings.
- **China's overwhelming role in global fisheries**: Over 60% of Beijing's vessels are involved in **IUU fishing worldwide**. According to UN data, China also consumes around 36% of total global fish production and catches 15.2 million tonnes of marine life annually, a massive 20 percent of the world's annual catch.
- **Top Ranking in Global Capture Production:** According to the FAO, China ranked among the **top ten** global capture producers in 2020 from marine sources. However, there have also been growing instances of its involvement in friction in the high seas.
- **Rising tensions**: In December 2023, the Philippines accused Beijing of attacking its fishing vessels near the **Scarborough Shoal** with water guns in the South China

Sea. The two countries have been locked in a tense standoff over the past year over Beijing's sweeping claims in the **South China Sea** as well as the contested **Second Thomas Shoal** in the Spratly Islands.

Need for global fisheries management:

- **Ecosystem restoration through enhanced management**: Fisheries management will help in improving global fisheries management and remains crucial to restoring ecosystems to a healthy and productive state.
- **Safeguarding long-term aquatic food supply**: It requires protecting the long-term supply of aquatic foods.
- **Combating illegal fishing**: The improvement includes eliminating illegal, unreported, and unregulated fishing.
- **Mitigating biodiversity degradation impacts:** There is a need to address the impacts of the climate crisis and biodiversity degradation, which also heavily impact aquatic and coastal ecosystems and dependent communities.

Aquaculture & related issues

News Excerpt:

Unauthorized shrimp farming has resulted in **contaminated water**, leading to **health complications,** rendered hundreds of **coconut trees lifeless**, and made people dependent on **water tankers** in several districts of Andhra Pradesh.

Background:

- **India** is the **2nd largest aquaculture nation** in the world after **China.** The sector is still considered a **sunrise sector.**
- In the recent past, **Indian fisheries** have witnessed a **paradigm shift** from marine-dominated fisheries to inland fisheries, with the latter emerging as a major contributor to fish production from **36% in the mid-1980s** to **70% in the recent past.**
- Within inland fisheries, a shift **from capture to culture-based fisheries** has paved the way for a sustained blue economy.
- Andhra Pradesh, with a 974-kilometre coastline, is the second longest in the country and has 2.12 lakh hectares of aquaculture area as of 2021, according to the National Fisheries Development Board.
- Andhra Pradesh produced 46.23 lakh metric tonnes (MT) of fish and shrimp in 2021, the highest in the country, and 6.40 lakh MT of the country's overall shrimp production of 8.52 lakh MT in the same year.
- Shrimp from here is exported to **America and Europe.**

Risks to human health from aquaculture related pollution:

- Frequent disease outbreaks **(Bacterial, fungal, parasitic, and viral) affecting fish in Indian aquaculture have been reported repeatedly, with almost no attention given to them.**
  - For instance, in October 2023, **India's first tilapia parvovirus (TiPV) was reported in the Ranipet district of Tamil Nadu, making India the third country to report the occurrence of TiPV after China and Thailand.**
- Antimicrobials are used indiscriminately to deal with frequent disease outbreaks.
  - As a result, there is a **severe risk of Antimicrobial Resistance (AMR)** in fish consumers, a problem increasingly recognized by many health experts in India.

About Aquaculture:

- Aquaculture is the **breeding, rearing, and harvesting of fish, shellfish, algae, and other organisms** in all types of water environments.
- **Shrimp farming** needs **brackish water.**
- In **inland areas**, the other way of **accessing the salinity required for shrimp farming** is to **sink borewells 40-50 feet.**
- Aquaculture in coastal areas comes under the purview of the **Coastal Aquaculture Authority Act of 2005.**

Government brings non-urea fertilizers under price control, fixes profit margins

News Excerpt:

The Department of Fertilisers **(DoF)** issued detailed **guidelines** for the evaluation of **the "reasonableness"** of the Maximum Retail Price **(MRP)** for all non-urea fertilizers covered under the Nutrient-based Subsidy **(NBS)** scheme**.**

- The government has brought diammonium phosphate **(DAP)**, muriate of potash **(MOP),** and all other such fertilizers that receive **NBS support** under **"reasonable pricing"** controls.

Department of Fertilisers (DoF) guidelines:

- **Profit margins:** The guidelines, to be **effective retrospectively** from April 1, 2023, have **prescribed maximum profit margins** that will be allowed for fertilizer companies – 8% for importers, 10% for manufacturers, and 12% for integrated manufacturers (those producing finished fertilizers as well as intermediates such as phosphoric acid and ammonia).
  - Companies earning **"unreasonable profit**," i.e. over and above the stipulated percentages, in a particular financial year (April-March) will have to **refund** the same to the DoF by **October 10** of the following fiscal year.
- **Indirect MRP:** The new guidelines impose indirect MRP control on non-urea fertilizers by **capping the profits** that companies can earn from their sales. These will be based on their **"total cost of sales"**, which would cover the cost of production/ import, administrative

overheads, selling and distribution overheads, and net interest and financing charges.
   - **Deduction** for **the dealer's margin** will be allowed to the extent of **2%** of the MRP for DAP and MOP and **4%** for all other NBS fertilizers.
- **Reasonability of MRPs:** The guidelines have mandated **fertilizer companies** to **"self-assess"** unreasonable profits based on the **cost auditor's report** along with **audited cost data** approved by their board of directors.
   - The DoF will then scrutinize the **"reasonability of MRPs"** as per a report submitted by the companies; following that, it will finalize a report on unreasonable profits earned, if any, to be **recovered from the companies**.

Wheat Blast could reduce production by 13%.

News Excerpt:

Researchers at the Technical University of Munich have found how wheat blast spread in the future could reduce global wheat production by 13% until 2050.

About the Wheat Blast (WB) disease:

- First officially identified in Brazil in 1985, the disease is widespread in South American wheat fields.
- It is a fast-acting fungal disease caused by the fungus Magnaporthe oryzae pathotype Triticum (MoT) that spreads through infected seeds and survives on crop residues, as well as by spores that can travel long distances in the air.
- In recent years, WB has been introduced to Bangladesh (2016) and Zambia (2018) via international wheat trade.
- The seriousness of the disease is indicated by the fact that crops are burnt to avoid this disease.

World's largest grain storage plan

News Excerpt:

The government announced a plan to set up the "world's largest grain storage plan" in the cooperative sector.

About the news:

- Under the largest grain storage plan, a pilot project has been inaugurated in **11 Primary Agricultural Credit Societies (PACS)** in **11 states**.
- The government plans to set up a storage infrastructure of **700 lakh metric tons** over the next five years at **Rs 1.25 lakh crore**.
   - This will enable farmers to store their produce and sell it at the right time according to their needs. It will also help them to obtain loans from banks.
- The government also laid the foundation stone for an additional **500 PACS** for the construction of godowns and other Agri infrastructure.
- A project to computerize **18,000 PACS across** the country has been inaugurated, aligning farming with cutting-edge technology and shifting to fully digital payments.

Primary Agricultural Credit Societies (PACS)

- Primary Agricultural Credit Societies are the **grassroots-level** arms of the short-term cooperative credit structure.
- PACS deals **directly with rural (agricultural) borrowers**, gives those loans, collects repayments of loans given, and also undertakes distribution and marketing functions.
- It serves as the **final link between the ultimate borrowers on the one hand and the higher financing agencies,** namely the Scheduled Commercial Banks, and the RBI/NABARD on the other hand.

Objectives of the plan:

- **Create 100% storage capacity:** The grain storage scheme aims to create storage capacity for **storing 100%** of India's grain production.
- **Integrate PACS godowns with the food grain supply chain:** It aims to seamlessly integrate **PACS godowns** with the food grain supply chain, with a collaborative effort of NABARD and spearheaded by the National Cooperative Development Corporation (NCDC).
- **Convergence of various existing schemes**: The initiative is being implemented through the convergence of various existing schemes, such as the **Agriculture Infrastructure Fund (AIF), Agriculture Marketing Infrastructure (AMI),** etc., to enable PACS participating in the project to avail of subsidies and interest subvention benefits for undertaking infrastructure development.

World's first Pigeon Pea speed breeding protocol by ICRISAT

News Excerpt:

ICRISAT announced a new protocol that promises to **substantially cut the time required to develop new pigeon pea lines** (Toor Dal) with desirable traits, effectively bringing food to dryland communities faster.

About the news:

- The new protocol developed by **Hyderabad-based International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)** shortens the breeding and increases control over factors like **photoperiod, temperature, humidity, and breeding cycle** to **2 to 4 years.**
   - Traditional pigeon pea breeding takes **up to 13 years.**
- The Pigeon pea's **long growth cycle and sensitivity to day length have hindered breeding efforts**, with only about 250 varieties released globally over six decades.

- This new speed breeding protocol addresses these challenges head-on, enabling researchers to develop **climate-resilient, nutritionally superior, and higher-yielding pigeon pea varieties at an unprecedented pace.**
- The new protocol represents a significant advancement for major pigeon pea-producing regions, paving the way for **self-reliance in pulse production** and meeting the dietary necessities of nations like **India, Myanmar, Kenya, Tanzania, Myanmar, and Mozambique.**

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)

- ICRISAT is a **drylands agricultural research institute** dedicated to uplifting smallholder farmers and ensuring **food security in the semi-arid tropics.**
- ICRISAT was established in **1972** in **Hyderabad, Telangana.**
- Its charter was signed by the **FAO** and the **UNDP**.
- ICRISAT has achieved numerous groundbreaking milestones in the field of dryland agriculture.
  - The first-of-its-kind mapping of the genome code for cultivated groundnut.
  - Releasing the inaugural commercial pigeon pea hybrid in India.
  - Introducing Africa's pioneering biofortified pearl millet.

Indigenous rice varieties of Chotanagpur

News Excerpt:

Chotanagpur, with its rich agricultural heritage, has seen a revival of native rice varieties by the indigenous Adivasi communities.

Rice cultivation in India:

- Rice is being cultivated in the broad region from the foothills of the **Eastern Himalayas** in **India to China** about 6,500-7,000 years ago.
  - Over the past five decades, rice has undergone i**rreversible genetic erosion**, with thousands of native rice seed varieties disappearing from farms in India.
- Half a century ago, more than **1,10,000 distinct varieties** of rice grew in India.
  - This included rice that could survive on **dry land farms** without irrigation, **deep-water farms,** and those that could **withstand saline water** on coastal farms.
  - The advent of the **Green Revolution** meant the government subsidized and heavily promoted a few imported **high-yielding varieties** based on applying **petrochemical inputs**, such as **pesticides and fertilizers**.
  - Within years, the number of native rice landraces that took thousands of years to evolve had dwindled from over **one lakh to around 6,000**, a **loss** of more than **90%** of indigenous rice varieties.

Native varieties of rice:

- The native seed varieties, which have survived several environmental conditions in their evolutionary history, do better in unpredictable weather and ensure food security.
  - There are varieties such as **Kolamaliphool** that can survive in excess water from flooding.
  - Rice varieties like **Matla, Getu and Kallurundai** can grow even on saline soil and survive the incursion of rising sea levels.
  - **Kelas, Rangi, Gadaba, and Kaya** may give greater yields than even the modern HYVs (High Yielding Varieties).
- There are rice plants like **Luchai** that develop a red-coloured sheath that has high medicinal properties.
  - According to natives, Luchai rice is good to eat as it helps control blood sugar levels.
- Rice such as **Dudhe Bolta** and **Garib-Sal rice** have abundant micronutrients such as **iron and zinc.**
  - These native rice varieties hold the capacity to provide reliable means of providing food security to smaller farmers.
- They also aid in alleviating the rising costs associated with input-intensive modern hybrid varieties of rice.

The Global Pulses Conference: Pulses 2024

News Excerpt:

The Global Pulses Conference, an annual meeting of pulses producers, processors, and traders, suggested that India augment its pulse production to meet nutritional requirements.

More on the news:

- India is the **largest producer, consumer, and importer of pulses in the world.**
- Pulses are one of the important food crops globally due to their higher protein content. Pulses are 20 to 25 percent protein by weight, which is double the protein content of wheat and three times that of rice.
- Pulse **production** has grown **60% in 10 years**, from 171 lakh tonnes in 2014 to 270 lakh tonnes in 2024.
- Government **procurement** of pulses **increased 18 times in 10 years.**
  - **Bharat Dal** now has a 25% market share of gram lentils within 4 months of its launch in October 2023.
  - The government has launched the **sale of chana dal** under the brand name Bharat Dal at highly subsidized rates of Rs.60 per kg.
  - **Bharat Dal** is being distributed through NAFED, NCCF, Kendriya Bhandar, and Safal retail outlets.
- India had become self-reliant in chickpeas (chana) and many other pulse crops, with only a slight deficiency

remaining in pigeon peas (tur) and black gram. **Consistent efforts are being made to attain self-sufficiency in pulses by 2027.**

About the Convention:

- The **Global Pulse Convention 2024, Pulses: 2024**, was organized in New Delhi from February 14th to 17th.
- The **National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) and the Global Pulse Confederation (GPC) jointly organised the four-day conference.**
- Organizers said that more than 40 countries participated in the conference this year.
- The 2023 conference was held in Sydney, Australia.

Colombo Accord:

- The Colombo Accord was signed during the 2018 Global Pulses Conference.
- The Accord calls for free and fair trade in the global pulse industry.

World Pulses Day:10 February:

- The **United Nations General Assembly (UNGA) designated 10 February as World Pulses Day (WPD) to further achieve the 2030 Agenda for Sustainable Development.**
  - Pulses stand out as nutritional powerhouses, contributing significantly to **SDG 2 (Zero Hunger)** by providing a rich source of proteins, fiber, and essential nutrients.
  - Beyond their nutritional value, pulses contribute to environmental sustainability, aligning with **SDG 13 (Climate Action)** and **SDG 15 (Life on Land).**
  - Pulses encourage responsible consumption and production patterns, supporting **SDG 12 (Responsible Consumption and Production).**

World Pulses Day 2024 theme, 'Pulses: nourishing soils and people'

Cocoa Production in West Africa

News Excerpt:

A shortage of cocoa beans has led to a near shutdown of processing plants in **Ivory Coast and Ghana**, the two countries responsible for **60% of global production.**

Demand & Supply of Cocoa Production:

- The global market for chocolate and chocolate products is on the rise. It is projected to **grow faster than 4% annually** over the next few years.
- This growing demand for cocoa underscores the urgency of **addressing the intertwined issues that relate to the industry's sustainability**.
- Three factors are at play:
  - **Environmental factor**: The impact of **the El Nino** weather phenomenon has caused drier weather in West Africa. It has contributed to problems on farms, such as the swollen shoot virus disease. As a result, Ghana has lost harvests from nearly 500,000 hectares of land in recent years.
  - **The economic cycle of cocoa production** refers to the inherent **patterns of expansion and contraction in cocoa farming**. For example, as cocoa trees age, they become susceptible to diseases, requiring high maintenance costs.
    - Historically, farmers have tended to abandon old farms and start anew in fresh forests.
    - Unfortunately, finding new forests is now increasingly difficult. Perhaps the most severe issue of all is the **lack of fair compensation** for sustainable cocoa production.
  - **The human factor** includes challenges such as **illegal mining**, which has overtaken numerous farms in Ghana. Sometimes, farmers lease their land to illegal miners in exchange for payment. These mining activities **degrade the quality of the land**, making it unsuitable for cocoa cultivation.

About Cocoa:

- Cocoa is the **dried and partially fermented fatty seed** of the cacao tree from which **chocolate** is made.
- The word cocoa is also used to refer to **cocoa powder,** the dry powder made by grinding cocoa seeds and removing the cocoa butter from the dark, bitter cocoa solids.
- While bean products are known by different names, typically, cocoa is considered the solids of the **cacao seed (bean),** cocoa butter is the fat component, and chocolate is the combination of the solids and the fat.

Condition of Production for Cocoa:

- Cocoa can be grown up to **300 m** above mean sea level.
- It requires a minimum of **90-100 mm rainfall** per month, with an annual rainfall of **1500-2000 mm.**
- The plants need an equitable climate with well-distributed rainfall. If dry periods are prolonged, irrigation scheduling is necessary.
- The temperature range of **15°-39°C** with an optimum of **25°C** is considered ideal.

Soil for Cocoa:

- Cocoa requires deep and well-drained soils.
- The majority of the area under Cocoa cultivation is on clay loam and sandy loam soil.
- It grows well in the **pH range of 6.5 to 7.0.**

Shade Requirement:

- Cocoa evolved as an under-storey crop in the Amazonian forests.
- Commercial cultivation of cocoa can be done on plantations where 50 per cent of light is ideally available.

Major producing Region:

- Africa is the world's leading producer of cocoa, with **Côte d'Ivoire and Ghana** being the top two producers.
- Other major producing regions include:
  - **Africa:** Cameroon, Nigeria
  - **Southeast Asia**: Indonesia, Malaysia
  - **Latin America:** Ecuador, Brazil, Peru

In India, Cocoa is being cultivated in the States of **Kerala, Karnataka, Andhra Pradesh and Tamil Nadu**. **Andhra Pradesh** ranks first in area with 39,714 ha and production of 10,903 MT.

Paira Rice Cropping System

News Excerpt:

Odisha is capitalizing on the Paira Rice Cropping technique to promote climate-resilient agriculture and nutrition sensitivity in the state.

What is the Paira Rice Cropping System?

- Traditionally, coastal areas of the state have practised the Paira cropping system, where pulse crops were sown in standing paddy fields prior to harvest, utilizing available moisture and requiring **minimal intervention and cost.** However, climate change has dwindled this conservation agricultural practice in recent years.
- This practice **saves time and money (to be spent on land preparation, etc.) and utilizes residual fertility.** This practice is common in both upland and lowland rice cultures. It is also known as **Relay or Utera cropping**.

CDP-SURAKSHA

News Excerpt:

The government launched a new platform that will allow instant disbursal of subsidies to **horticulture farmers** in their bank accounts by utilizing the **e-RUPI voucher** as part of the **Cluster Development Programme (CDP)**.

About CDP-SURAKSHA

- CDP-SURAKSHA, a digital platform, stands for **"System for Unified Resource Allocation, Knowledge, and Secure Horticulture Assistance."**
- It facilitates the instantaneous transfer of subsidies to farmers' bank accounts using **e-RUPI vouchers from the National Payments Corporation of India (NPCI)**.
- This platform integrates various features, including database linkage **with PM-KISAN, cloud-based server space provided by NIC, UIDAI validation, eRUPI integration, local government directory (LGD),** content management system, geotagging, and geo-fencing.
- This initiative aims to **boost the growth of India's horticulture sector**, which accounts for nearly **one-third of the agricultural gross value addition (GVA)** and significantly contributes to the economy.
- Over the years, the **total production** of horticulture crops has considerably increased, from **240.53 million tonnes in 2010-11 to 334.60 million tonnes in 2020-21**.

What is the Cluster Development Program (CDP)?

- It is a **key component of the central sector scheme managed by the National Horticulture Board (NHB)**.
  - Its primary objective is to **capitalize on the geographical specialization of horticulture clusters and promote integrated, market-led development across various stages of production.**
- Currently, **55 horticulture clusters have been identified, with 12 selected for pilot projects.** These clusters are at different developmental stages. Additionally, plans are underway for four more clusters, including **a floriculture cluster in West Bengal, coconut clusters in Kerala and Tamil Nadu, and white onion clusters in Gujarat.**
- Each cluster will **have both an implementing agency and a cluster development agency (CDA).**
- The government aims to cover approximately 9 lakh hectares of area across all 55 clusters, benefiting around 10 lakh farmers.
- The initiative is expected to **attract private investment** of Rs 8,250 crore, **supplemented by government assistance** tailored to the cluster's size. This assistance ranges up to Rs 25 crore for mini clusters (up to 5,000 ha), up to Rs 50 crore for medium clusters (5,000 to 15,000 ha), and up to Rs 100 crore for mega clusters (over 15,000 ha).

Mushk budiji - Indigenous Kashmiri rice

News Excerpt:

The **Kashmir Himalayas** are known for cultivating **Mushk budiji,** an indigenous rice variety distinguished by its **rich aroma and unique taste.**

About the Mushk budiji rice:

- Scientists at the Sher-e-Kashmir University of Agricultural Sciences and Technology (SKUAST), Srinagar, reported that **altitude and temperature play an important role in developing this aroma.**
- A recent study in Nature Scientific Reports identified **35 aromatic compounds at altitudes between 5,000 and 7,000 feet across the valley.**
  - Of these, the **concentration of aldehydes** ranged from **6.33% to 29.09%** and **alcohols** from **0.47% to 30.34%.**
- Due to various factors, Mushk budiji was **on the verge of extinction.** Chief among them was the **prevalence of rice blast disease, its low yield, and lack of profitability.**
- Scientists at SKUAST studied selected locations on the flavour profile of Mushk budiji using **gas chromatography-mass spectroscopy (GC-MS)** and an **'electronic nose'** to revive the crop.

Krishi Integrated Command and Control Centre.

News Excerpt:

The Agriculture Minister inaugurated a **Krishi Integrated Command and Control Centre (ICCC)**, a **big-screen dashboard of all digital innovations** in the sector.

What is the Krishi ICCC?

- It is a **tech-based solution** involving multiple IT applications and platforms.
- The integrated visualization of the data will help make informed decisions.
- The centre is housed in the **Ministry of Agriculture & Farmers' Welfare**, which is responsible for **legislation, policy formation, and the implementation of initiatives** in the agriculture sector.
- It uses **state-of-the-art technologies** such as **artificial intelligence, remote sensing,** and **Geographic Information Systems (GIS)** to collect and process large amounts of granular data.
- It uses platforms, including **the Krishi Decision Support System (DSS)**, to **collect micro-level data,** process it, and present **the macro picture.**
- **It can also generate customized farmer-specific advisories through an** AI machine learning-based system.
- It will identify a farmer through his/ her mobile number or Aadhaar and **match it with the farmer's field information obtained through**:
  - Land records
  - Historical crop sowing information from the crop registry,
  - Weather data from IMD, etc.
- It will then generate a customized advisory in the **farmer's local language**.
- The system will use the **Bhashini platform**, which allows translation into **several Indian languages.**

The Gas chromatography-mass spectroscopy (GC-MS) and an 'electronic nose.'

- GC-MS is an analytical method used to **reveal the presence of volatile compounds in organic mixtures extracted from geological, environmental, and biological samples.**
- The **e-nose** is a tool **fitted with various sensors and an artificial intelligence (AI) component**; it assesses the flavour attributes of rice samples.

Visual input and output:

- **Input: Geospatial information is** received from **multiple sources,** including:
  - Remote sensing
  - **Plot-level data** received through **soil surveys**
  - Weather data from the **India Meteorological Department (IMD)**
  - Sowing data from the **Digital Crop Survey**
  - Farmer and farm-related data from **Krishi MApper**
  - An application for **geo-fencing** and **geotagging of land**
  - Market intelligence information from the **Unified Portal for Agricultural Statistics (UPAg);**
  - Yield estimation data from the **General Crop Estimation Survey (GCES).**
- **Output: Relevant trends and estimates on crop yields, production, drought situation, and cropping patterns** (geographic region-wise and year-wise) in **map, timeline, and drill-down views.**

New dwarf coconut and coca varieties

News Excerpt:

The **Ministry of Agriculture and Farmers Welfare** released a new dwarf coconut variety named **'Kalpa Suvarna'** and **two new hybrid cocoa varieties** developed by the **Central Plantation Crops Research Institute (CPCRI).**

About the newly developed varieties:

- **The Kalpa Suvarna variety** is ideal for tender coconut and copra production.
  - The variety starts blooming 30-36 months after planting. Its fruits are **large-sized, oblong, and green in colour.**
  - Its tender nut water content is 431 ml, the copra content is around 186 grams, and the oil content is 64.5%.
  - Under good management, the variety yields 108 to 130 nuts per palm annually. It is recommended for cultivation in Karnataka and Kerala.
- **Coca varieties**
  - The newly released coca varieties, **VTL CH I and VTL CH II,** have **high fat and nutrient content.**
  - **The VTL CH I** is a high-yielder and **can be cultivated as an intercrop** in areca nut and coconut plantations.
    - It suits traditional **Karnataka and Kerala belts, Tamil Nadu, and Andhra Pradesh.**
  - **The VTL CH II** is also a high-yielder. It is tolerant of black pod rot, which is common in high-rainfall regions.
    - It is **suitable for Karnataka and Kerala** and will also be released for **Gujarat and Tamil Nadu**.

About CPCRI:

- It was established in 1970 as **one of the agricultural research institutes** in the National Agricultural Research System (NARS) **under the Indian Council of Agricultural Research (ICAR).**
- At its establishment, the institute was **mandate**d to undertake research on coconut, areca nut, cocoa, cashew, oil palm, and spices.
- **The research on cashews, oil palm, and spices was later delinked from CPCRI to form separate institutes.**
- In 2023, a new mandate crop, **Palmyra Palm, was added**.
- CPCRI Headquarters is located in the **Kasaragod district of Kerala**.