



ECONOMY

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Note to Students

Dear Students,

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

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



Macroeconomic Developments: The document provides a **comprehensive yet concise** overview of all significant macroeconomic trends, enriched with the **latest facts, figures, and data**.



Key Reports and Indices: The document effectively presents **key reports and indices released over the past year** in a clear and concise format, enhanced with **visually engaging elements** for easy comprehension.



Organizations: The document also covers relevant organizations that have been in the news, providing concise insights into their **roles, functions, and significance** for UPSC preparation.



Infographics: Relevant infographics have been provided in respective articles to **simplify complex concepts**, present **data** etc. helping aspirants **enhance their visual memory** and **make learning easy**.



Integration of PYQs: The PT 365 Economy document effectively integrates Previous Year Questions (**PYQs**) to provide a focused approach for UPSC preparation in line with the trend.



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BRIEF GLANCE AT INDIAN ECONOMY

Overview of Indian Economy

Size of Economy



India is **5th largest economy** by nominal GDP & **3rd largest economy in the world by Purchasing Power Parity (PPP)**, after China & USA.

Tax Collection



Direct taxes accounted for 56.72% of total tax revenue in 2023-24 in which personal income tax contributes highest followed by corporate tax.

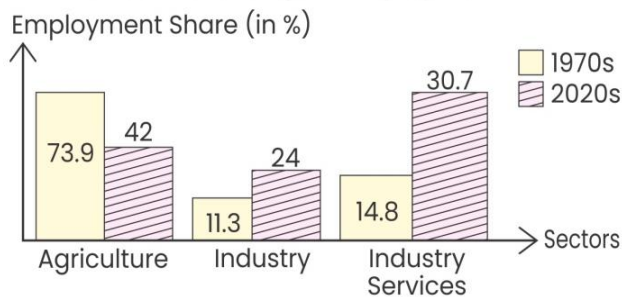
Infrastructure



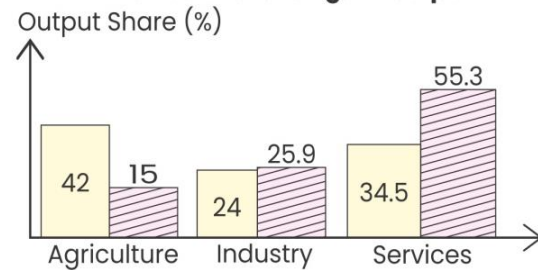
India has **Second-Largest Road Network & largest Rail Network in Asia.**

India's Structural Transformation

Structural change in Employment



Structural change in output



India's External Debt (March 2024)



India's External Debt: US \$663.8 billion of which long term loan is \$541.2 billion.



India's External Debt to GDP Ratio: Declined to 18.7% from 19% in 2023.



Components: US Dollar (53.8% share) remains largest component followed by Indian rupee, yen, SDR etc.

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1. BANKING AND MONETARY POLICY

1.1. MONETARY POLICY OF RBI

Why in the news?

Reserve Bank of India (RBI) released study on Monetary Policy Transmission.

What is Monetary Policy?

- **Monetary Policy:** It is a **set of actions** available to a **nation's central bank (RBI in India)** to achieve **sustainable economic growth & Maintaining price stability** by adjusting money supply.
- **Monetary Policy Transmission:** It is process through which **monetary policy decisions** i.e., policy rate changes by RBI's monetary committee, **impact economic variables**, price level, & overall economy.
- **Statutory Basis:** RBI, Act, 1934 (amended in 2016).
- **Monetary Policy Framework: Central Government**, in consultation with RBI, **determines inflation target** in terms of Consumer Price Index (CPI) every 5 years.
 - **Flexible Inflation Targeting:** Currently, it is **4% (with a tolerance of +/- 2%)** till March, 2026.

Tools of Monetary Policy

Quantitative Tools	Qualitative Tools
» Known as the general tools of monetary policy . » These instruments are indirect in their nature and are used to influence the quantity of credit in the economy. » Ex: Open Market Operations (buying and selling of government securities), Bank Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Marginal standing facility, Liquidity Adjustment Facility (Repo & Reverse Repo).	» Also known as selective instruments of the RBI's monetary policy . » These measures help to control the distribution and direction of the loans to different sectors of the economy. » Ex: Rationing of Credit, Regulation of Credit for consumption Purposes, Variation of Margin Requirements, Moral Suasion, Direct Action.

(Note: RBI's sterilizations involve managing excess liquidity in the economy to stabilize inflation & currency fluctuations. It uses tools like **OMOs, CRR, Market Stabilization Scheme** etc.)

Types of Monetary Policy

Expansionary Monetary Policy	Contractionary Monetary Policy
<ul style="list-style-type: none"> • The central bank lowers interest rates, and banks also reduce interest rates, making loans cheaper. Businesses and Individuals borrow more. • It increases market liquidity, boosts demand, and stimulates economic growth. • RBI Action: <ul style="list-style-type: none"> ○ RBI Buys G-securities from Market under Open Market Operations. ○ Reduces CRR, SLR, Repo Rate, Reverse Repo Rate and Bank Rate 	<ul style="list-style-type: none"> • Central Bank increases interest rates; Banks also charge a higher interest rate, making loans more expensive. • Leads to a decline in liquidity, money supply, aggregate consumption, inflation, investment, output, capital stock, etc. • Leads to a decrease in borrowing by businesses and individuals, accompanied by rise in unemployment rates. • RBI Action: <ul style="list-style-type: none"> ○ RBI sells G-securities from Market under Open Market Operations. ○ Increases CRR, SLR, Repo Rate, Reverse Repo Rate and Bank Rate

Monetary Policy Committee (MPC)



About: Under Section 45ZB of the amended (in 2016) **RBI Act, 1934**, the **central government is empowered** to constitute a MPC.



Objective: To **maintain price stability** while keeping in mind the objective of growth.



Members: **6 Members**– Governor, RBI (ex-officio chairperson); five other members (2 from RBI and 3 appointed by the Government).



Voting: Each member has one vote (**Governor exercises casting vote**).



Meeting: At least **4 times** in a year



Quorum: **4 members**

1.1.1. VARIABLE REPO RATE (VRR)

Why in the news?

The RBI injected ₹25,000 crore via Variable Rate Repo to address liquidity deficit in the banking system.

About Variable Rate Repo (VRR)

- VRR is a **market-determined rate is generally lower than the Repo Rate** (but not below the Reverse Repo Rate) and applies to loans with durations exceeding one day **usually up to 14 days**.
- When the RBI wants to infuse liquidity but **banks are reluctant to borrow at the Repo Rate** due to lower market interest rates, it allows banks to borrow at the **Variable Rate Repo (VRR)**.
 - Repo Rate is the rate at which Banks **borrow money from RBI which is fixed by Monetary Policy Committee**.
- It is a tool to inject **short-term liquidity into the banking system**.
- Similarly **Variable Rate Reverse Repo (VRRR) is conducted to absorb the excess liquidity** from the system.

1.2. REVISED PRIORITY SECTOR LENDING NORMS

Why in the news?

Recently, RBI revised Priority Sector Lending (PSL) guidelines to promote small loan in economically disadvantaged districts with low average loan sizes.

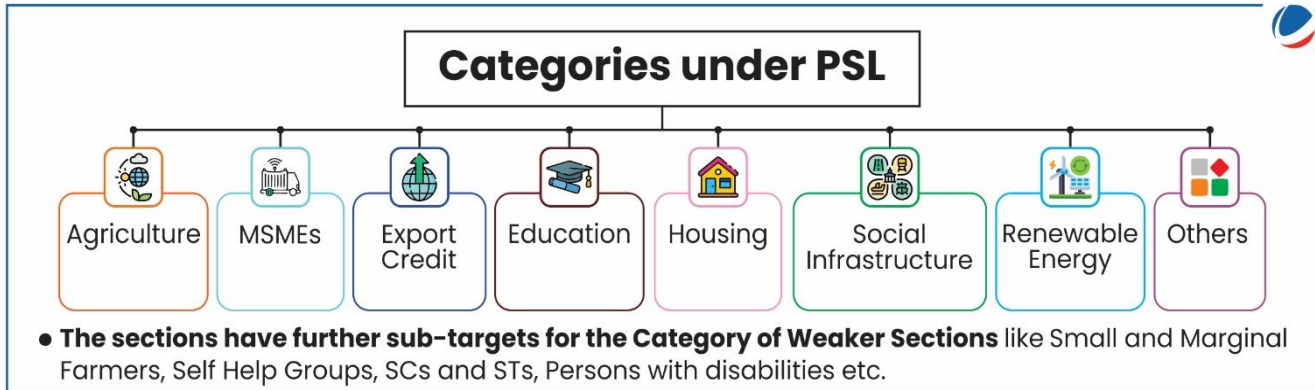
Revised Priority Sector Lending Norms

- **Incentive framework:** It establishes an **incentive framework for districts with lower credit flow** starting from FY25.
 - **More weight (125%) will be given to fresh priority sector loans** in districts where **loan availability is low** (less than Rs 9,000 per person).
- **Disincentive framework:** In districts with **high loan availability (more than Rs 42,000 per person)**, the loans will have a weight of **90%**.
- **Other districts:** With **exception of outlier districts with low credit availability** and those with high loan sizes, all other districts will continue to have the current importance level of **100%**.
- **MSME loans:** All bank loans to MSMEs shall **qualify for classification under PSL**.

What is Priority Sector Lending (PSL)?

- **Definition:** **Priority Sector** means those sectors **which Government and RBI consider important for development of the country** and are to be given priority over other sectors.

- **Objective:** To ensure that **vulnerable sections of society and underdeveloped areas get access to credit. PSL was formalized in 1972.**
- **Committees associated with PSL: Gadgil Committee (1969), Ghosh Committee (1982).**
- **PSL Certificates (PSLCs):** PSLCs are **tradable certificates** issued against priority sector loans of banks.
 - PSLCs aim to **enable banks to achieve the priority sector lending target** by purchase of these instruments in the event of shortfall and incentivize surplus banks.



Targets /Sub-targets for PSL for Different Types of Banks

Categories	Domestic commercial banks & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher	Same as Domestic commercial bank	75% of ANBC or CEOBE whichever is higher	75% of ANBC or CEOBE whichever is higher.
Agriculture	18% of ANBC or CEOBE, whichever is higher; out of which a target of 10% is prescribed for Small and Marginal Farmers	Not applicable	Same as Domestic commercial bank	Same as Domestic commercial bank
Micro Enterprises	7.5% of ANBC or CEOBE, whichever is higher	Not applicable	Same as Domestic commercial bank	Same as Domestic commercial bank
Same as Domestic commercial bank	12% of ANBC or CEOBE, whichever is higher	Not applicable	15% of ANBC or CEOBE, whichever is higher	Same as Domestic commercial bank

Note: Priority Sector Lending guidelines is also applicable on Primary Urban Co-operative Banks.

1.3. MUMBAI INTERBANK OUTRIGHT RATE (MIBOR)

Why in the news?

Recently, the RBI recommended changes in the methodology for computing MIBOR and proposed transitioning to a new secured money market benchmark for popular product derivatives.



India's Transition from London Interbank Offered Rate (LIBOR)

- Last year, the RBI had issued an advisory to banks and other RBI-regulated entities asking them to take steps to ensure a **complete transition away from the LIBOR**.
 - LIBOR is a global benchmark interest rate** at which major global banks lend to one another in the international interbank market for short-term loans.
 - Call Money Market** is a financial market where financial institutions and banks lend and borrow funds for short-term needs.
- The RBI has established a **system of Alternative Reference Rates (ARRs)** that allows banks to choose rates from a basket of currencies rather than the British pound international for financial transactions.

Alternatives to London Interbank Offered Rate (LIBOR)

- Secured Overnight Financing rate (**SOFR**), USA, **Mumbai Modified Interbank Forward Overnight Rate (MIFOR)**, India, **Shanghai Interbank Offered Rate (SHIBOR)** in China, **Tokyo Interbank Offered Rate (TIBOR)**, Japan.

Financial Benchmarks India Pvt Ltd (FBIL)

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

1.4. RBI SURPLUS TRANSFER

Why in the news?

Reserve Bank of India (RBI) **approved highest-ever surplus transfer of Rs 2.11 lakh crore to government** for FY24 which is more than double the previous year's ₹86,416 crore.

About RBI Surplus

- Surplus implies **excess of income over expenditure**. RBI's total expenditure is only about 1/7th of its total net interest income, thereby generating surplus.

RBI's Income and Expenditure



RBI's Income

- » Interest on holding of **Rupee Securities (RS)**
- » Interest earned on **Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF)** operations
- » Interest earned on **Loans & Advances** extended to Central and State Governments, banks and financial institutions and employees.
- » **Interest earned from Foreign Sources:** Consists of Interest Income from Foreign Currency Assets (FCA).

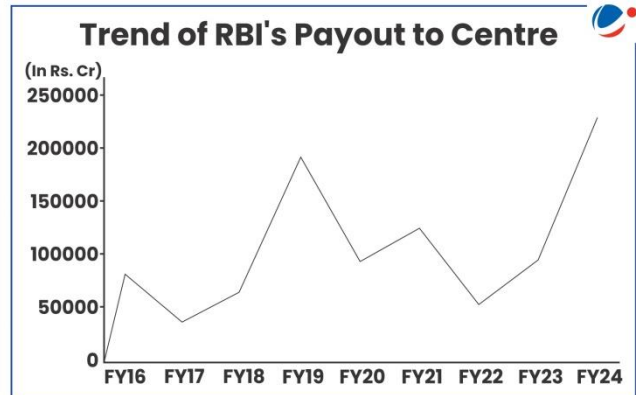


RBI's Expenditure

- » RBI incurs a **major chunk of its expenditure in making Risk Provisions** viz., Contingency Fund (CF) and Asset Development Fund (ADF).
 - **CF: kept for unforeseen contingencies** like depreciation of securities values, risks from monetary rate policy, etc.
 - **ADF: Provisions made towards investments in subsidiaries and associated institutions** and to meet internal capital expenditure.
- » **Printing of notes, agency charges, and employee cost** etc.

Provisions regarding RBI transfer surplus to the government

- **RBI Act, 1934:** Section 47 mandates RBI to transfer its profits to the Centre.
- **Committees' recommendations:** Following the **Malegam Committee (2013)**, surplus transfers increased.
- **Economic Capital Framework (ECF):** As per the **Bimal Jalan Committee**, surplus transfer depends on:
 - **Realized equity:** Maintained between 5.5% and 6.5% of the balance sheet; excess transferred to the government.
 - **Economic capital (CGRA):** Kept between 20.8% and 25.4% of the balance sheet; excess transferred to the government.
- > **Currency & Gold Revaluation Account (CGRA)** includes capital, reserves, and unrealized gains or losses.



1.4.1. WAYS AND MEANS ADVANCES SCHEME

Why in the news?

Recently, Reserve Bank of India (RBI) has increased the **Ways and Means Advance (WMA) limit** of States/UT to Rs 60,118 crore from existing Rs 47,010 crore.

About Ways and Means Advance (WMA)

- **Definition:** Advances to States/UTs provided by RBI to meet temporary mismatches in the cash flows of receipts and payments are known as Ways and Means Advance (WMA).
 - Facility is also available for the Union Government.
- **Types:** Normal WMA and Special WMA (now known as **Special Drawing Facility (SDF)**).
 - First, a state/UT is provided with a **special WMA** and after its exhaustion, it gets a normal WMA.
 - Special WMA has lower interest rate than Normal WMA
- **Interest Rates:** linked to **Repo rate**.
- Apart from WMA, **Special Drawing Facility (SDF)**, and **Overdraft (OD) facility** are important financial accommodation instruments availed by States/UTs.
 - These **instruments are governed by** under the **RBI Act, 1934**.

Special Drawing Facility (SDF)	Overdraft Facility
<ul style="list-style-type: none"> • Availed by State against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), Auction Treasury Bills (ATBs), etc. <ul style="list-style-type: none"> ○ CSF and GRF are reserve funds maintained by some State with the RBI. 	<ul style="list-style-type: none"> • Facility is provided whenever financial accommodation to a State exceeds its SDF and WMA limits. • Generally, State Governments/UTs can avail overdraft on 14 consecutive days (relaxation can be provided by RBI).

1.4.2. OTHER KEY DEVELOPMENTS RELATED TO RBI

1.4.2.1. CREDIT-DEPOSIT (CD) RATIO

The Reserve Bank of India (RBI) raised concerns over bank's high CD Ratio and asked them to reduce it.

What is CD Ratio?

- CD Ratio is a financial metric representing the **percentage of loans a bank has issued relative to its total deposits.**
 - It is the ratio of how much **a bank lends out of the deposits it has mobilised.**
 - A higher CD Ratio suggests that a **significant portion of the bank's resources are allocated to loans.**
 - > It could potentially **stimulate economic growth** but also implies **higher risk.**
- According to the **RBI's Financial Stability Report: CD ratio peaked at 78.8%** (highest since 2005) in December 2023 and **Over 75% of the banks with CD ratios above 75% are private sector banks.**

Key Reasons for high CD ratio

- **Higher credit growth: Rising retail credit** & increasing loans to **businesses and MSMEs.**
- **Slower deposit growth:** Customers are transitioning from savers to investors and **diverting funds to capital markets**, slowing deposit growth.

Impact of High CD Ratio on Banks

- **Pressure on Net Interest Margins (NIM):** NIM is a measure of the **net return on the bank's earning assets** like investment securities, loans, etc.
- **Liquidity risk:** Banks' may be unable to timely meet payment obligations.
- **Credit risk:** Borrowers could default on their contractual obligations.

1.4.2.2. FINANCIAL INCLUSION INDEX

The Reserve Bank of India (RBI) has announced that the Financial Inclusion Index (FI-Index) has risen to 64.2 in March 2024, up from 60.1 in March 2023.

About Financial Inclusion Index:

- It is a comprehensive index incorporating details of **banking, investments, insurance, postal as well as the pension sector.**
- It captures the extent of **financial inclusion across the country.**
- Single value index (0 to 100), where **0 is complete exclusion and 100 is full inclusion.**
- It includes three broad parameters viz., **Access (35%), Usage (45%), and Quality (20%).**
- It is published **annually** in July.

1.4.2.3. RESERVE BANK – INTEGRATED OMBUDSMAN SCHEME

RBI released the **Annual Report of the Ombudsman Scheme 2022-23**, the **first stand-alone report** under the Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2021.

Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2021

- **About:** Launched in 2021 as part of the **Alternate Grievance Redress (AGR) Framework of RBI** for resolving customer grievances in relation to services provided by the Regulated Entities of RBI.
- **Formation:** Under Banking Regulation Act, 1949, RBI Act, 1934, and Payment and Settlement Systems Act, 2007.
- **Objective:** To provide **cost-free redress of customer complaints**.
- **Coverage:** Scheme covers the following Regulated Entities:
 - All **commercial banks**, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of ₹50 crore and above.
 - All **Non-Banking Financial Companies** (except Housing Finance Companies), authorized to accept deposits or have customer interface, with an assets size of ₹100 crore and above.
 - All **Payment System Participants** and **Credit Information Companies (CICs)**.
- **Appointment of Ombudsman:** RBI may appoint one or more of its officers as Ombudsman and Deputy Ombudsman for a tenure not exceeding three years at a time.
- **Handling of complaints:** Redressal/adjudication of complaints is presently handled by **24 Offices of the RBI Ombudsman (ORBIOs)** and **Centralized Receipt and Processing Centre (CRPC)**.

1.4.2.4. OMNIBUS FRAMEWORK FOR RECOGNISING SELF-REGULATORY ORGANISATIONS (SROS) FOR REGULATED ENTITIES (RES)

Reserve Bank of India (RBI) finalised the Omnibus Framework for recognising **Self-Regulatory Organisations (SROs) for Regulated Entities (REs)**.

About SROs

- **Objectives of SROs** include promoting compliance culture, support to smaller entities, act as collective voice of members, collect sectoral information, and encourage R&D culture.
- **Eligibility:** An SRO shall be setup as a **not-for-profit company** registered under Section 8 of the Companies Act, 2013.
 - It should have **adequate net worth**, sufficiently **diversified shareholding** and must **represent the sector**.
- **Characteristics:** SRO shall have **sufficient authority** derived from membership agreements along with **strong governance mechanisms**.
 - It shall develop standards for **improving compliance culture** and surveillance methods for **sector monitoring**.
- **Governance framework:**
 - **Articles of Association (AoA)/ bye-laws** shall provide for manner of functioning of Governing Body and specify the functions of SRO.
 - At least **one-third of members in Board of Directors** including Chairperson shall be **independent**.
 - **Compliance with relevant Acts, regulations, guidelines, directions or circulars** issued by RBI.

1.5. UNIVERSAL BANKS

Why in the news?

RBI sets Eligibility Criteria for Small Finance Banks (SFB) to transit into Universal banking under on-tap licensing.

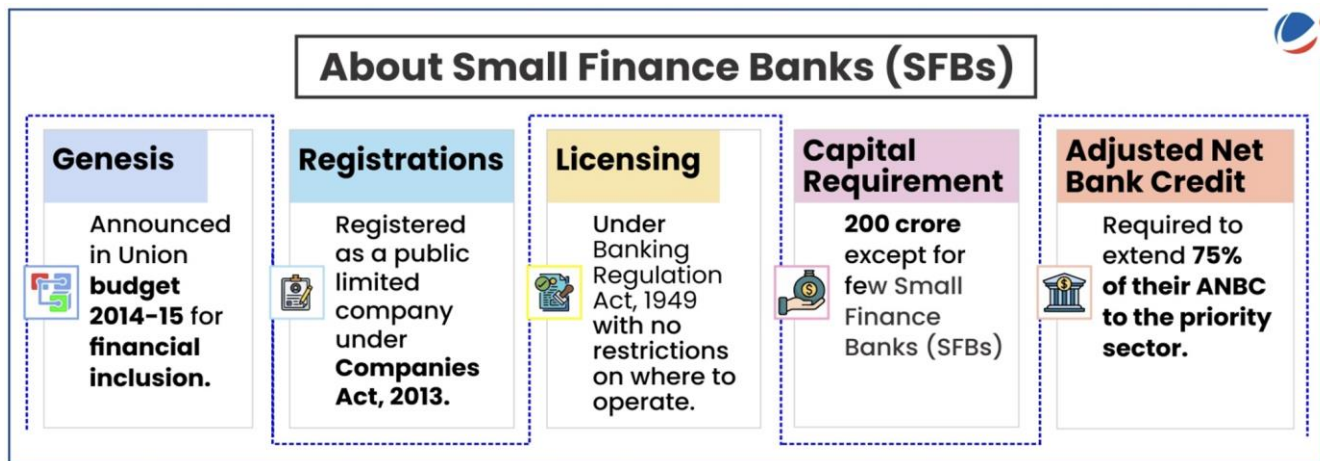
About Universal banks

- **'Universal banks (UBs)** are banks that offer a wide range of **financial services, beyond commercial banking and investment banking**, such as insurance.
 - Until now, **SFBs were allowed to primarily undertake basic banking activities** of acceptance of deposits and lending to unserved and underserved sections
- **On-tap licensing:** It was **introduced in 2016** for allowing banks to apply for banking licenses with the RBI throughout the year.

- Prior to this, banking licenses were granted **upon invitation of applications by RBI to prospective players.**

Eligibility for SFBs to transitioning into UBs

- **Net Worth:** SFBs must have a **minimum net worth of Rs 1,000 crore.**
- **Status:** SFBs must be **scheduled banks** with a **satisfactory track record of performance** for a minimum of **5 years.**
- **Financial Health:**
 - **Profitability:** Should have **net profits in the last two Financial Years.**
 - **Asset Quality:** Gross non-performing assets (G-NPA) and net NPA (N-NPA) must be **less than or equal to 3% and 1%,** respectively, over the **last two FYs.**
- **Stock Listing:** Shares **must be listed on a recognized stock exchange.**
- **Promoter Requirements:** **No addition of new promoters** or changes to existing promoters is permitted during the transition.
 - No changes are allowed to the promoter **shareholding dilution plan** previously approved by the RBI.
- **Preference:** SFBs with a **diversified loan portfolio** will be preferred.



1.6. URBAN COOPERATIVE BANKS

Why in the news?

The RBI asked Urban Cooperative Banks (UCBs) to stop the practice of setting up a Dividend Equalisation Fund (DEF).

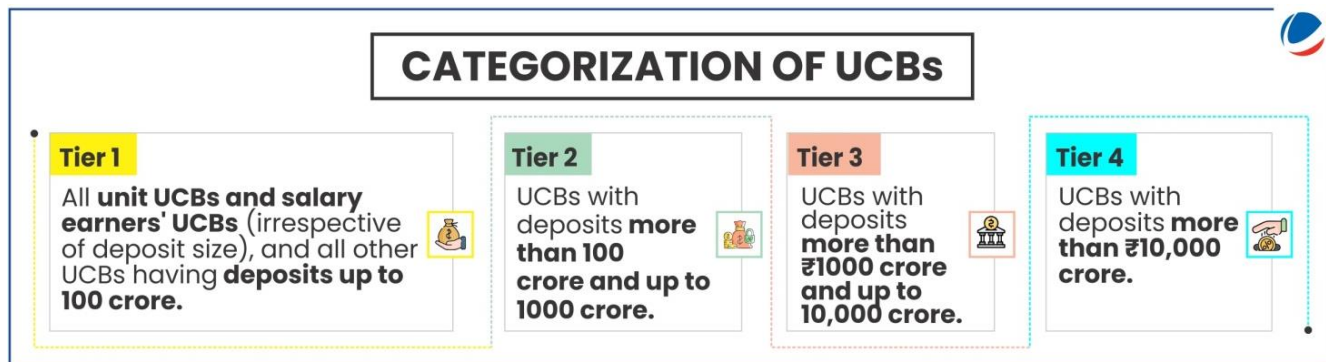
About DEF

- DEF are **set up by UCBs** through appropriation of profits to pay dividends in future years, when profits are insufficient or where the bank has posted a net loss.
 - However, current **rules distinctly prohibit making such payments from previously accumulated profits or reserves.**
- As a one-time measure, **RBI also permitted UCBs to transfer the money in the DEF to general reserves/free reserves** to provide better treatment of these balances for regulatory capital purposes.

About Urban Cooperative Banks (UCBs)

- **Legal status:** Registered as cooperative societies either under the **State Cooperative Societies Act** of the State concerned or the **Multi-State Cooperative Societies Act, of 2002.**
- **Dual Regulation:**
 - **RBI** regulates and supervises banking functions under the Banking Regulation Act, of 1949.
 - **State/ Central Registrar of Cooperative Societies** supervises managerial, administrative, and, other matters.

- **Lending:** Mandated to achieve **priority sector lending target 75% by March 2026** and are allowed to lend money for agricultural purposes.
- RBI's regulatory framework categorizes **UCBs into 4 tiers (See Infographic).**



Initiatives taken to strengthen UCBs

- **Banking Regulation (Amendment) Act, 2020:** Gives RBI powers to supersede boards of the Cooperative banks.
 - It brought management, governance, winding up, etc. under RBI's purview.
- **Ease of expansion:** Some UCBs are allowed to open new branches up to 10% (maximum 5 branches) of the existing number of branches in the previous financial year without prior approval from RBI.
- **NUCFDC:** National Urban Cooperative Finance and Development Corporation Limited (NUCFDC) is an umbrella organisation for the UCBs.

About NUCFDC

- **NUCFDC is an Umbrella Organisation (UO)** registered with RBI as a **Type II Non-Banking Financial Company (NBFC-ND)**.
 - Type II NBFC-ND accepts public funds or has a customer interface.
 - It will operate as a Self-Regulatory Organization (SRO) for the sector.
- The need for a UO for India's UCB sector was first highlighted by an RBI Working Group chaired by **Shri N.S. Viswanathan** in 2006, & model was recommended in 2009 by working group led by Shri V.S. Das.
- **Major functions:**
 - **Liquidity and capital support:** Raise **capital (target Rs. 300 crores)** and offer fund management and consultancy services to UCBs.
 - **Regulatory compliance:** Prepare **UCBs for compliance** with the Banking Regulation Act (BRA), 1949, and facilitate communication with regulators.
 - **Technology platform:** Develop a shared platform **to help UCBs expand services** at lower costs.

1.6.1. PROMPT CORRECTIVE ACTION (PCA) FRAMEWORK FOR PRIMARY URBAN CO-OPERATIVE BANKS (UCBS)

Why in the news?

RBI issued Prompt Corrective Action (PCA) framework for Primary Urban Co-operative Banks (UCBs).

Key features of the new PCA framework

- **Objective:** To address the financial health of UCBs with greater precision and flexibility.
- **Implementation:** It will be effective from **April 1, 2025**, replacing existing Supervisory Action Framework (SAF).
- **Application:** To all UCBs in tier 2, tier 3, and tier 4 categories, with the exception of those under All Inclusive Directions (AID).
- **Capital, Asset Quality and Profitability** of UCBs will be the key areas for monitoring.
- **A financially unsound and ill-managed UCB can be brought under PCA** if it breaches the risk thresholds.

- **The exit from PCA and withdrawal of Restrictions:** if no breaches in risk thresholds in any parameters are observed as per four successive quarterly financial statements.

1.7. 50 YEARS OF INDIAN MICROFINANCE SECTOR

Why in the news?

India's first Microfinance Institution (MFI), **Self Employed Women's Association (SEWA) Bank** established in 1974, completed 50 years.

What is Microfinance (Microcredit)?

- **About:** It offers financial services like small value loans to marginalized and poor individuals who lack access to formal banking services.
 - All collateral-free loans to individual/s belonging to low-income households, i.e., households having annual income up to ₹3, 00,000 are treated as microfinance loans (RBI).
 - Microfinance Institutions usually charges higher interest rates compared to those charged by commercial banks.
- **Background:** Nobel Laureate Muhammad Yunus laid the foundation of modern MFIs with establishment of Grameen Bank in Bangladesh in 1976.
- **Regulation in India:** RBI is regulatory body for MFIs operating in country.
 - RBI's Malegam Committee (2010) recommended for framework to regulate NBFC –MFI.

Initiatives taken by Government for Microfinance in India

- **Pradhan Mantri Mudra Yojana (PMMY):** Providing loans up to 10 lakh to non-corporate, non-farm small/micro enterprises through commercial banks, NBFCs, etc.
 - Loans under MUDRA are categorized as Shishu, Kishore and Tarun.
 - 2024 Union Budget enhanced limit to ₹20 lakh (Tarun Plus) from current ₹10 lakh for those who have availed and successfully repaid loans previously taken under Tarun category.
- **Recognition of Self-Regulatory Organizations (SROs):** In 2014, the RBI recognised the Microfinance Institutions Network (MFIN) and Sa-Dhan as SROs.
- **Harmonised Regulations:** In 2022, RBI introduced harmonised regulations for all regulated entities (REs) engaged in microfinance.
- **SHG-Bank Linkage Program:** Initiated by NABARD in 1992, is one of the largest microfinance programs in the world to provide financial services to the unreached and underserved poor households.
 - In an SHG, all members of a group take responsibility for a loan that an individual member takes.
 - The Regional Rural Banks and Scheduled Commercial Banks support SHGs.

1.8. NON-BANKING FINANCIAL COMPANIES (NBFCs)

Why in the news?

Recently, the Reserve Bank of India (RBI) banned four NBFCs from Granting Loans exercising its powers under **Section 45 L (1)(b) of the Reserve Bank of India Act, 1934.**

What is Non-Banking Financial Company (NBFC)?

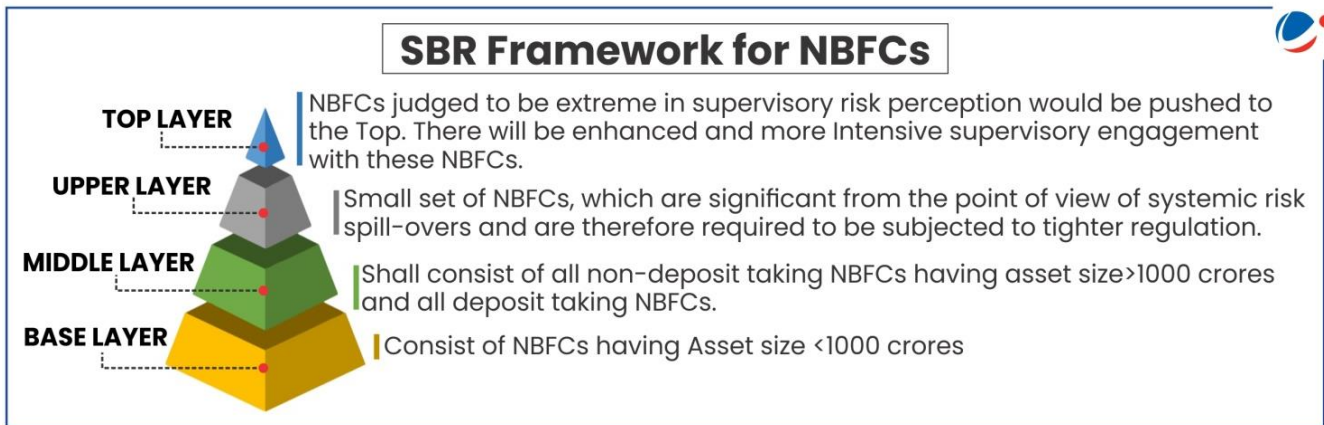
- It is a company registered under the Companies Act, 1956/2013, primarily engaged in lending activities, but excludes institutions mainly involved in agriculture, industrial activity, trading goods (except securities), and providing any services and sale/purchase/construction of immovable property.
- **Regulation:**
 - **National Housing Bank:** Regulates Housing Finance Companies.
 - **SEBI:** Regulates Merchant Banker/Venture Capital Fund Company/stock-exchanges/stock brokers/sub-brokers.
 - **Insurance Regulatory and Development Authority:** Regulates Insurance companies.
 - **State Governments:** Regulates Chit Fund Companies.
 - **Ministry of Corporate Affairs:** Nidhi Companies are regulated by Ministry of Corporate Affairs.

What is difference between banks & NBFCs?

- NBFCs **cannot accept demand deposits**.
- NBFCs do not form part of the **payment and settlement system** and **cannot issue cheques** drawn on itself.
- The deposit insurance facility of **Deposit Insurance and Credit Guarantee Corporation (DICGC)** is **not available** to depositors of NBFCs.
 - Established under DICGC act, 1961, **DICGC covers all commercial banks** including branches of foreign banks functioning in India, local area banks, and regional rural banks.
 - > DICGC insures all bank deposits upto a **maximum amount of Rs. 5 lakhs**.

What is Scale-based Regulation (SBR) for NBFCs?

- **Segregation of NBFCs:** NBFCs are **segregated** into four layers **based on their size, activity, and perceived level of riskiness. (Refer to Infographic)**.
- **Differential regulations:** Each tier is subject to different regulatory requirements, tailored to its size and risk profile.



Related News

NBFC-P2P lending regulation – master circular by RBI

- P2P lending involves **individual lending and borrowing money directly through digital platforms**, without the involvement of traditional financial institutions like banks.
- **Key Regulation**
 - **NBFC—P2P lending platforms** are supposed to act as an intermediary for P2P lending participants.
 - **Limiting exposure of a lender** across all P2P platforms to **Rs.50,00,000**.
 - **Prohibits P2P platforms from promoting P2P lending as an investment product** and cross-selling any insurance product.

1.9. NON-PERFORMING ASSETS (NPAS)

Why in the News?

RBI’s biannual **Financial Stability Report (FSR)** highlights achievements in Non- Performing Assets (NPA).

About Financial Stability Report

- It is based on assessment of **Sub-Committee of Financial Stability and Development Council (FSDC)**.
- It highlights that Scheduled commercial banks **Gross NPAs (GNPAs)** and **Net NPA ratios fell** to multi-year lows of 2.8% and 0.6% respectively at March-end 2024.

What is NPA?

- A Non- Performing Assets (NPA) is a **loan or advance that is overdue for more than 90 days.**
- **Gross Non- Performing Assets (GNPA) refers to the sum of all loan assets** that are classified as **NPAs.**

Financial Stability and Development Council (FSDC)

- **About: FSDC** was setup as **apex level forum in 2010** to strengthen and institutionalise the mechanism for maintaining financial stability, enhancing inter-regulatory coordination & promoting financial sector development.
- **Composition: Chairman** of FSDC is the **Finance Minister.**
 - Its members include heads of financial sector regulators (RBI, SEBI, PFRDA, and IRDAI), Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, and Chief Economic Adviser.

Classification of NPAs

Loss Assets



Assets with identified losses not fully written off

Substandard Assets



Assets classified as substandard for up to 12 months

Doubtful Assets



Assets remaining substandard for over 12 months

Steps Taken to Reduce NPAs

- **SARFAESI Act, 2002:** Allows secured creditors to take possession of collateral upon a default in repayment.
- **Insolvency and Bankruptcy Code (IBC), 2016:** For reorganization and insolvency resolution of corporate, partnership firms and individuals.
- **National Asset Reconstruction Company Limited:** To resolve stressed assets above Rs. 500 crore.
- **PRAVAAH portal (Platform for Regulatory Application, Validation, and Authorisation):** Secure and centralized web-based portal to seek authorisation, license, or regulatory approval.
- **RBI revised NPA Provision Norms for Co-operative Banks:** These new norms (applicable to Urban, state and central co-operative banks).
 - Provisions for **Bad & Doubtful Debt Reserve (BDDR)** under **Income Recognition, Asset Classification, and Provisioning (IRACP)** norms must be charged as an expense to the Profit and Loss Account.
 - After complying with IRACP norms and other regulations, co-operative banks may allocate net profits to BDDR.
 - > **Provisioning** means that the **bank sets aside a prescribed amount from profits to cover probable losses**

Co-Lending

- The Finance Ministry has asked the State Bank of India to form a committee to tackle co-lending issues.
- **About Co-lending/Co-origination**
 - It is an arrangement where **multiple lenders partner to provide loans to borrowers.**
 - > This helps increase lending capacity and reduces risk for individual lenders.
 - As per RBI, **banks and NBFCs can co-lend loans to priority sectors**, with a minimum 20% credit risk on NBFCs, and the rest on banks.
 - **Banks are not allowed** to enter into co-lending arrangement **with an NBFC belonging to the promoter Group.**

1.9.1. WILFUL DEFAULTERS

Why in the news?

RBI issues direction on Treatment of Wilful Defaulters (WD) and Large Defaulters under **Reserve Bank of India Act, 1934, Banking Regulation Act, 1949** and **Credit Information Companies (Regulation) Act, 2005.**

Key Provisions of the Direction

- **Wilful Defaulter:** Wilful default with outstanding amount of ₹25 lakh and above.
 - **Wilful default occurs when** borrower defaults in meeting payment/ repayment obligations to the lender and any one or more features are noticed
 - > borrower has the capacity to pay,
 - > diversion of funds and siphoned off the funds,
 - > disposal of immovable or movable assets provided for securing credit, or
 - > failure to infuse equity despite having the ability to do so.
- **Large defaulter:** Default with an **outstanding amount of ₹1 crore and above**, and where suit has been filed or whose account has been classified as doubtful or loss.
- **Identification:** Lenders have to establish **Identification Committee** to examine the evidence of wilful default.

Related News

Inter Creditor Agreement (ICA)

- Default by Government-owned Rashtriya Ispat Nigam (RINL) forced lenders to seek cover through an Inter Creditor Agreement (ICA).
- **About ICA**
 - It describes **terms and allocation of collateral between common lenders** in the event of a default by borrower.
 - It **establishes borrower's rights and positions** concerning **collateral, payment, and payment priority**, as well as the hierarchy between various creditors.
 - According to **Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019**, any decision agreed by lenders representing **75% by value of total outstanding credit facilities** and **60% of lenders by number** shall be **binding on all lenders**.

1.10. INSOLVENCY AND BANKRUPTCY CODE, 2016

Why in the news?

Recently, The IBBI issued new guidelines to streamline the process of appointing Insolvency Professionals (IPs) as resolution professionals.

What is Insolvency and Bankruptcy Code, 2016?

- **About:** It is India's **bankruptcy law** that consolidated the existing framework for **insolvency and bankruptcy into a single law**.
 - **Insolvency** refers to a financial state where an **individual or entity is unable to pay its debts** when due, or their liabilities exceed their assets.
 - **Bankruptcy** is the **legal process that follows insolvency**, wherein the court or a tribunal declares an individual or business legally unable to pay off their debts.
- **Objective:** To promote a **time-bound resolution process for distressed businesses**, improve recovery rates for creditors, and provide an **exit mechanism** for companies facing financial distress.

Pillars of IBC Code:

- **Insolvency Professionals (IPs):** An IP is appointed to **conduct the insolvency resolution process** for all categories of persons. They Manage insolvency, liquidation and bankruptcy process.
 - **Corporate Insolvency Resolution Process (CIRP)** or withdrawal of CIRP or liquidation process is largely **executed through IPs**.
 - IPs are regulated through **Insolvency Professional Agencies (IPAs)**.
- **Information Utilities (IUs):** They **collect, authenticate, and disseminate financial information** of companies to facilitate the insolvency resolution process.

- **Adjudicating Authority (AA):** NCLT and Debt Recovery Tribunal.
 - **National Company Law Tribunal (NCLT):** For CIRP and liquidation of corporate persons, including corporate debtors (CDs) and their personal guarantors.
 - > IBC mandates completion of the CIRP within 180 days, extendable to a maximum of 330 days.
 - **Debt Recovery Tribunal (DRT):** For individual or partnership insolvency and bankruptcy.
 - > For **DRT**, the timeline to resolve a debt recovery case is **180 days**.
- **Appellate Tribunal:**
 - **National Company Law Appellate Tribunal (NCLAT):** For hearing appeals against the orders passed by NCLT's and IBBI. NCLAT's decisions can be further appealed in the Supreme Court.
 - **Debt Recovery Appellate Tribunal:** Appeals from DRTs are filed before the Debt Recovery Appellate Tribunal. It can be further **appealed in SC within 45 days**.



INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI)



About: Statutory body under the **Insolvency and Bankruptcy Code, 2016**



Ministry: Ministry of Corporate Affairs



Functions:

- ↳ It has **regulatory oversight over the service providers** in the insolvency ecosystem.
- ↳ It has responsibility **to provide a regulatory framework for insolvency and resolution** processes of corporates and individuals.



Governing Board: Functioning of IBBI is governed by a **Governing Board constituted by Central Government. It consist of –**

- ↳ **Chairperson,**
- ↳ **3 members** from amongst the officers of Central Government **not below rank of Joint Secretary** or equivalent,
- ↳ **1 member to be nominated by RBI,**
- ↳ **5 other members** to be **nominated by Central Government**, of whom at least 3 shall be whole-time member.

About Pre-Packaged Insolvency Resolution Process (PPIRP)

- It was introduced in the **IBC, 2016** through an amendment in 2021. It provides for the **resolution of stress of corporate MSMEs**.
- It is initiated voluntarily by the debtor and is available for **defaults of at least ₹ 10 lakh**.
- PPIRP envisages a **hybrid process**, where pre-initiation phase is largely informal and post-initiation stage is formal.
- PPIRP is required to be completed within a **period of 120 days**.

1.11. ASSET RECONSTRUCTION COMPANIES (ARC)

Why in the news?

Reserve Bank of India (RBI) has issued **master Direction – RBI (Asset Reconstruction Companies) Directions, 2024** under (SARFAESI) Act, 2002.

About ARCs

- **Definition:** It is a **financial institution that buys Non-Performing Assets (NPAs)** from banks & financial institutions so that the latter can clean up their balance sheets. E.g., **National Asset Reconstruction Company Limited**.
 - ARCs are required to **resolve the assets within a maximum of 8 years of acquisition** of financial assets and redeem the security receipts representing the assets.

Functioning of Asset Reconstruction Companies (ARCs)

Asset Acquisition



ARCs acquire financial assets from banks or financial institutions.

Security Receipts



ARCs issue security receipts for stressed loans sold at a discount

Management Fee



ARCs charge a management fee of 1.5% to 2% of asset value annually.

- **Genesis: SARFAESI Act in 2002** envisaged that ARCs would be registered and regulated by RBI.
 - **Narasimham Committee – II** (1998) proposed asset reconstruction companies, on the similar lines of asset management companies' prevalent globally.
- **Significance: Free up stressed assets & help banks to focus on their core lending function** by removing bad loans from their books, **facilitate asset recovery & revive businesses** by restructuring their loans etc.

Key Provisions

- **Net Own Fund (NOF):** To commence the business, an ARC is required to have a **minimum NOF of Rs 300 crore**.
- **Registration:** Before commencing business, ARC shall obtain a certificate of registration (CoR) from the RBI.
- **Leadership Positions:** It set age limit of **70 for MD/CEO or Whole-time Director** & tenure of 5 years at a time, with a **maximum tenure of 15 years** continuously.
- **ARCs shall report to IBA:** Details of CAs, advocates & valuers (who committed serious irregularities) for including in **Indian Banks' Association (IBA)** database.
- **Internal audit:** ARCs shall put in place a system for periodical **checks and review** of the asset acquisition procedures and asset reconstruction measures.
- **Other Provisions:** ARCs are prohibited from raising money by way of deposit.
 - **Mandated to maintain a capital adequacy ratio** of a minimum of 15% of its total risk-weighted assets.

Other Recent Changes by RBI

- **Strengthened corporate governance of ARCs:** RBI mandated that the chair of the board and at least half the directors in a board meeting must be **independent directors**.
- **Member of CIC:** Every ARC shall become a **member of at least one Credit Information Company (CIC)** having certificate of registration from the RBI.
 - CICs **collect public data, credit transactions and payment histories of individuals and companies** regarding loans, credit cards, among others. E.g. TransUnion CIBIL Limited etc.
 - ✓ **RBI increases the frequency of reporting of credit information by lenders to CICs from monthly intervals to fortnightly basis or shorter intervals** to boost transparency in system.
 - CICs are **licensed by RBI** and **regulated by CIC Regulation Act, 2005** along with RBI guidelines.

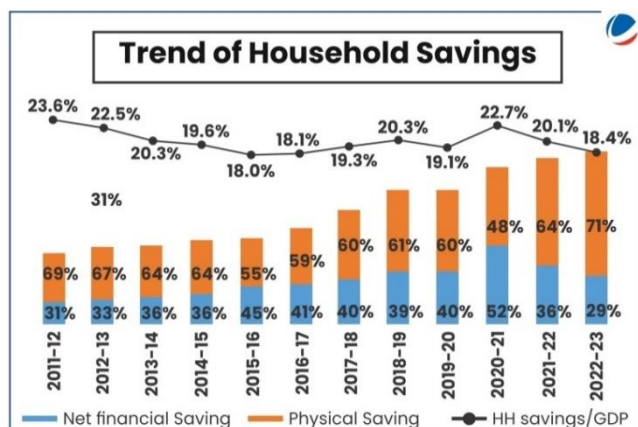
1.12. HOUSEHOLD SAVINGS RATE

Why in the News?

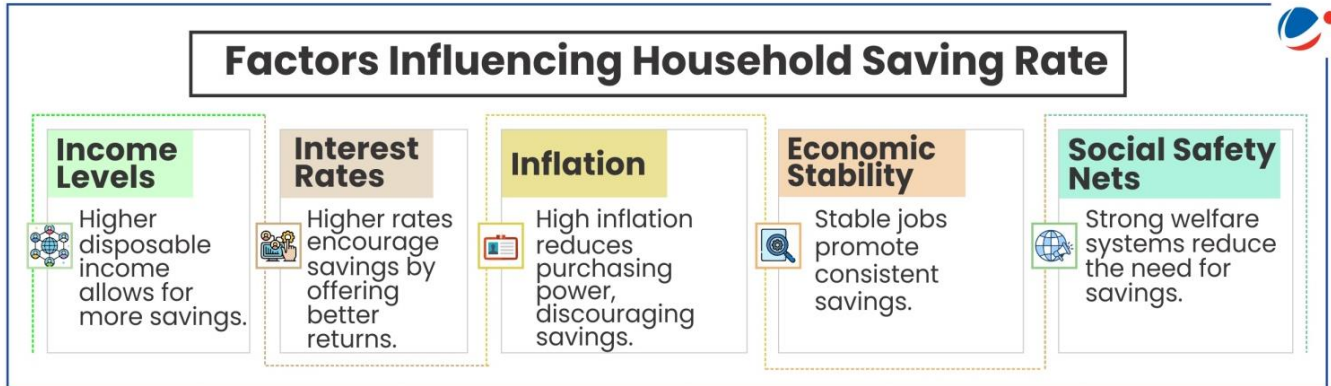
RBI Deputy Governor said that **Household savings** will remain **top net lenders to the economy** in the coming decades.

Household Savings

- **Household savings are categorized into:**
 - **Financial savings:** currency, deposits, life insurance funds, etc.



- > **Decline in financial savings** poses challenges for banking sector in **maintaining liquidity and managing credit risk**.
- o **Physical savings**: physical assets along with savings made in gold and silver.



About Household Savings Rate

- **Household savings rate** is expressed as **ratio of household savings to GDP**.
- A share of the household financial savings goes towards government borrowings.
- In India, **household sector** typically **generates surplus savings** relative to its investments, **lending the excess to other sectors**.

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2. FINANCE AND TAXATION

2.1. GOODS AND SERVICE TAX (GST)

Why in the news?

Goods and Services Tax (GST) Council has set up a **Group of Ministers (GoM)** to decide on the taxation of luxury, sin and demerit goods once the **compensation cess ends in March 2026**.

About GST Compensation Cess

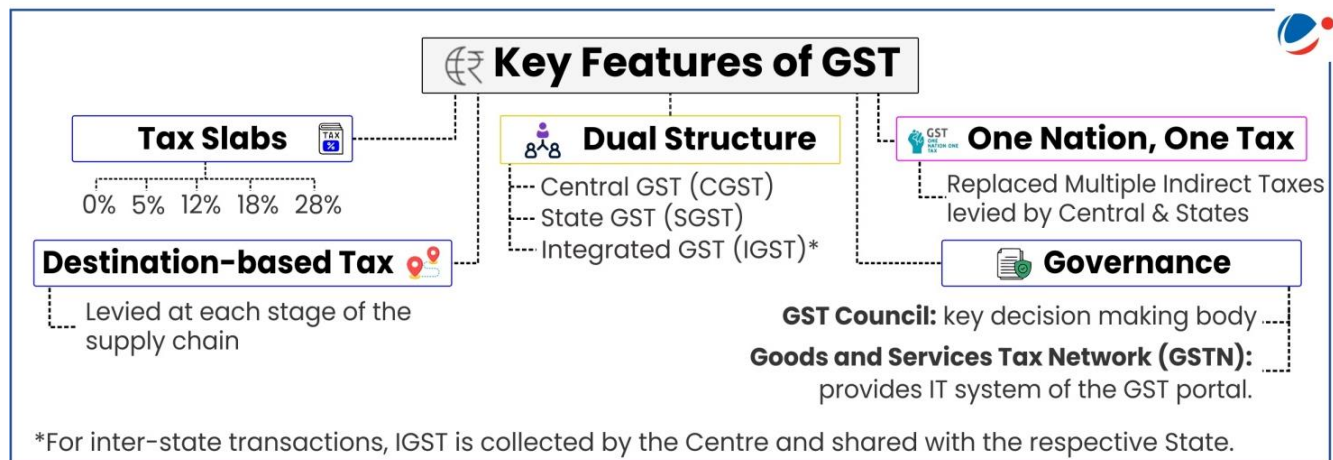
- **GST (Compensation to States) Act, 2017** was enacted to levy Compensation Cess for providing compensation to the States for the **loss of revenue arising on account of implementation of the GST**.
- Compensation cess at **varied rates** is levied on **luxury, sin and demerit goods** over and above the 28% tax.

Luxury, Sin and Demerit Goods

- **Luxury Goods:** Goods which **non-essential** but deemed as **highly desirable** within a culture/society. Ex. Sports Utility Vehicles (SUVs).
- **Sin Goods:** Goods which are considered **harmful/undesirable for society** & considered **ethically questionable** by society Ex. Gambling, alcohol etc.
- **Demerit Goods:** Goods that consumer like but are **actually harmful** & therefore their consumption is **discouraged**. Ex. Tobacco, Cigarettes etc.

What is GST?

- GST is a comprehensive **indirect tax** levied on the supply of goods and services.
 - It is a value-added tax (VAT).
- **101st Constitutional Amendment Act** introduced the GST in 2017.



About GST Council

- **Constitutional body** established under **Article 279A** of Constitution through **101st Constitutional Amendment Act, 2016**.
- Constituted by **President** with **Union Finance Minister** as **Chairperson**.
- **Objective:** Responsible for **setting tax rates, making policy decisions related to GST** and making **recommendations** to center and states.
- **Decision Making:** A decision requires a **three-fourths majority** of the weighted votes. The **states** collectively have **2/3rd** voting weight while Centre have **1/3rd**.

About GST Appellate Tribunal

- It is a **Second Appellate Authority** established under **Central GST (CGST) Act, 2017** for hearing appeals against orders passed by Appellate Authority under CGST Act, 2017 and State GST Acts.
- It consists of a **Principal Bench (New Delhi)** and **various State Benches**.

- **Principal Bench** shall be **presided over by President** and shall consist of **two Technical Members** (one each from Centre and State).
 - GSTAT President is **appointed by the Government after consultation with the Chief Justice of India** or his/her nominee **for a tenure of 3 yrs** or until the age of 70 years, whichever is earlier, and shall be **eligible for reappointment**.

About Excise Duty

- Excise Duty is a type of **indirect tax** which is applicable on the **goods manufactured in India** and used for consumption within India. (Opposed to **customs duties, charged on goods from outside the country**).
- The **Central Board of Excise and Customs (CBEC)** is responsible for collecting the excise duty.
- At the central level, excise duty earlier used to be levied as **Central Excise Duty**. However, **GST subsumed many types of excise duty**. Today, excise duty applies **only on petroleum and liquor**.
- Excise duty on alcohol, alcoholic preparations, and narcotic substances is **now collected by the State Government and is called "State Excise" duty**.

2.1.1. INVERTED DUTY STRUCTURE (IDS)

Why in the news?

Ministry of Commerce and Industry shared certain items to **Ministry of Finance** to address Inverted Duty Structure (IDS).

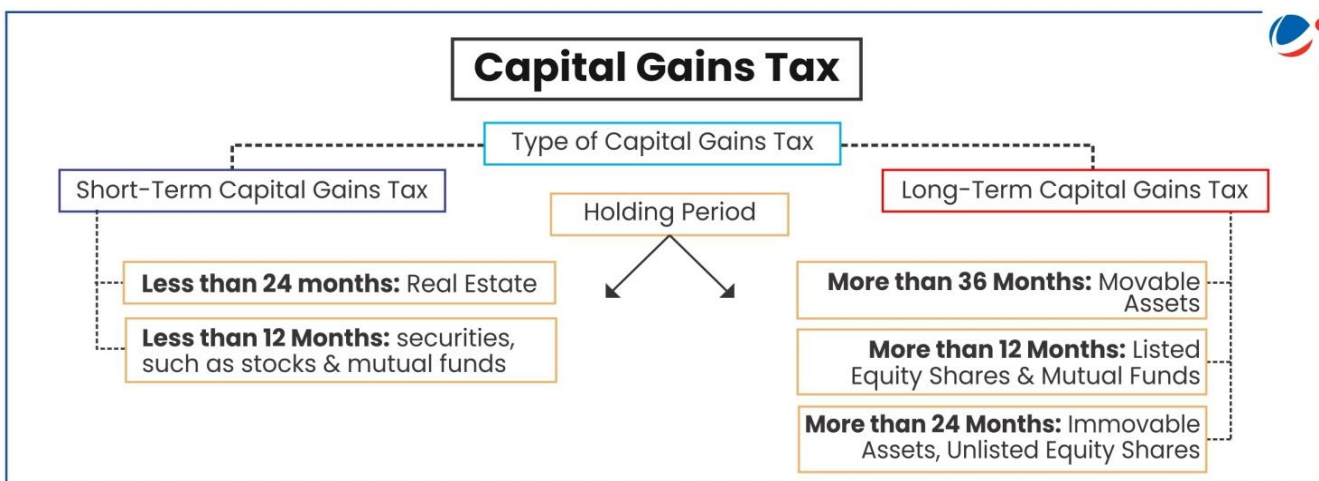
About Inverted Duty Structure

- Refers to situation where import duties on input goods are higher than on finished goods.
 - In other words, the **GST rate paid on purchases** is more than the **GST rate payable on sales**.
- **Impact of IDS:**
 - **Expensive inputs** make products costly.
 - **Affects domestic industry, makes difficult to** compete in the export market.
 - Taxpayers who face an inverted duty structure will always have Input Tax Credit (ITC) in their GST electronic credit ledger.
 - Creates **working capital issues** for the taxpayers as their resources remain blocked in the form of Input Tax Credit (ITC) due to high input tax. Also, IDS leads to **refund-related issues** under the **GST regime**.

2.2. LONG-TERM CAPITAL GAINS (LTCG) & INDEXATION BENEFIT

Why in the News?

Lok Sabha cleared the **Finance Bill, 2024 amending Long Term Capital Gain (LTCG) tax provision on immovable properties**.



Key Provisions of Amendment Act

- **Abolishment of Indexation Benefits:** The amendment continues the **abolishment of indexation benefits** (announced in Budget 2024-25) but allows **grandfathering** for properties acquired before **23rd July 2024**.
 - **Grandfather Clause** allows properties purchased before the cutoff date to still benefit from indexation, despite the new rules for future acquisitions.
- **Choices for Taxpayers**
 - The amendment provides taxpayers with a choice to pay the lower tax amount:
 - > **Old Scheme:** Pay **20% LTCG tax** with indexation on properties acquired before **July 23, 2024**.
 - > **New Scheme:** Pay **12.5% LTCG tax** without indexation (reduced from the earlier 20%).
 - For properties purchased after **July 23, 2024**, only the **new scheme** applies.
 - Indexation benefits apply only to gains, and they will not apply to any losses incurred.
- **Enhanced Exemption:** The exemption limit for **LTCG on listed equity, equity-oriented mutual funds, and business trust units** has increased from **1 lakh to 1.25 lakh**.
 - The LTCG Tax for these assets has increased from **10% to 12.5%**.

What is indexation and how is it calculated?

- **Indexation:** It refers to **adjusting the purchase price of an asset for inflation** while computing the capital gain.
- **Cost Inflation Index (CII)** is used in the calculation of **Inflation adjusted price** of an asset which estimates the increase in an asset's price as a result of inflation.
 - It's **notified each year by the Income Tax department** and is defined under Section 48 of the Income Tax Act, 1961.



Inflation Adjusted Price = (CII of the year of sale / CII of the year of purchase) x Actual purchase price of the asset

Benefits of indexation

- Allows a taxpayer to **neutralize the impact of inflation** while lowering the tax liability.
- Ensures that **taxpayers are taxed on real gains than gains at prevailing prices**, which are a result of general increase in prices, and not economic growth.

2.3. INHERITANCE TAX

Why in the news?

Paper titled **'Towards Tax Justice & Wealth Redistribution in India'** released by **World Inequality Lab** proposes **wealth tax and inheritance tax on rich to address inequality in India**.

What is Inheritance Tax?

- **Inheritance tax** is levied on **property/asset inherited** upon an **individual's death**. It differs from **estate tax**, which is levied on the **total value of a deceased person's estate**. It is levied in Japan, South Korea, and USA etc.
- **Potential Benefits:** Increased Revenue, Reducing Wealth Inequality, Intergenerational Equity, Promoting Meritocracy etc.
- **Implications:** Potential Tax Evasion, Discourage savings & investment, Double Taxation Concerns etc.

History of Inheritance Tax in India

- **In India**, currently there **is no inheritance tax**.
- Earlier, **estate duty** was imposed in 1953. The high tax rate up to 85% made it unpopular, leading to abolition in 1985.
- Similar to Estate duty, **gift tax** and **wealth tax** were imposed in India.
 - These were abolished in 1998 and 2015 respectively. However, **gift tax** was re-introduced in 2004.

- > Under **Gift Tax**, any gifts received exceeding Rs 50,000 in a financial year is added to the person's "income from other sources" and taxed according to the income tax slab.
- > Exceptions include donations, inheritance, and gifts from close relative, gifts during weddings etc.

Wealth & Income Inequality in India

- According to 'Income and Wealth Inequality in India, 1922-2023: The Rise of the Billionaire Raj' study of **World Inequality Lab**,
 - **Top 1%** control over **40% of total wealth** while **bottom 50%** holds only **6.4%** of total wealth.
 - Inequality in India **declined post-independence**, began **rising in the 1980s**, and has skyrocketed since the 2000s.
- **Commitment to Reducing Inequality (CRI) Index 2024**: India ranked 127th out of 164 countries in the index released by **Oxfam and Development Finance International**.
 - **Nepal (115)** and **Sri Lanka (118)** have performed better than India.

2.4. ADVANCE PRICING AGREEMENTS

Why in the news?

Central Board of Direct Taxes (CBDT) has signed highest ever record 125 APAs (including Unilateral and Bilateral APAs) in FY 2023-24 with Indian taxpayers.

About Advance Pricing Agreements (APAs)

- **Definition**: APAs are an agreement between a **taxpayer and tax authority**. They endeavor to **provide certainty to taxpayers** in domain of **transfer pricing** by specifying **methods of pricing**.
 - **Transfer Pricing** is the price of goods and services exchanged between companies that are under common ownership or control.
- **Significance**: APA helps **determine arm's length price (ALP) of international transactions** in advance for a maximum of 5 future years.
 - **Arm's Length Principle of Pricing** states that price agreed in a transaction between 2 related parties must be same as price agreed in a comparable transaction between 2 unrelated parties.
- Taxpayer has option to **roll back APA for 4 preceding years**, as a result of which, tax certainty is provided for 9 years.

Types of Advance Pricing Agreements

Unilateral



Involves only the taxpayer and the tax authority of their country.

Bilateral



Includes the taxpayer, their tax authority, an associated enterprise, and its corresponding foreign tax authority.

Multilateral



Involves the taxpayer, multiple associated enterprises in different countries, and their respective tax authorities.

Indian Advance Pricing Agreement Regime:

- Ministry of Finance (MoF) notified **APA Scheme** in 2012 through insertion of sections **92CC & 92CD** in **Income-tax Act, 1961**.
- **Signed between Central Board of Direct Taxes (CBDT) and any person** to determine ALP for international transaction.
- **Nature of Scheme**: It's **voluntary** & supplements appeal & other Double Taxation Avoidance Agreement (DTAA) mechanism for resolving transfer pricing dispute.
- **Term of APA**: Maximum five years.
- **Rollback provisions**: Allows agreed ALP to be rolled back to a period prior to the commencement of the APA.

Central Board of Direct Taxes (CBDT)

- **Genesis:** A **statutory body**, under the **Central Board of Revenue Act, 1963**. Responsible for administration of direct tax laws through the Income Tax Department.
- **Ministry:** Works under the Department of Revenue, **Ministry of Finance**.
- **Functions:** Responsible for administration of direct tax laws through the Income Tax Department

2.4.1. DOUBLE TAXATION AVOIDANCE AGREEMENT (DTAA)**Why in the news?**

India & Mauritius signed (not yet ratified) a protocol amending the Double Taxation Avoidance Agreement (DTAA).

Key Changes Introduced by Amendment

- Amendment included **Principal Purpose Test (PPT)** to avail tax benefits under the DTAA to plug the abuse of treaty for tax evasion and avoidance.
 - PPT lays out the condition that **tax benefits under treaty will not be applicable if obtaining that duty benefit was the principal purpose** of any transaction or arrangement.
 - Amendment to DTAA made it compliant with **Base Erosion and Profit Shifting (BEPS) Minimum Standards**.

About BEPS

- BEPS refers to **tax planning strategies** used by Multinational Enterprises (MNEs) that exploit gaps and mismatches in tax rules to **avoid paying tax**.
 - This is done by artificially **shifting profits from higher tax to lower or no-tax locations** where there is little or no economic activity or by eroding tax bases through **deductible payments** such as interest or royalties.

About DTAA

- **Definition:** **DTAA** is an agreement between two countries/territories with an objective to avoid double taxation on same declared asset in two different countries/territories.
 - **DTAA between India and Mauritius was first signed in 1982** and amended in 2016.
- **Significance of DTAA:** Promotes **cross-border investment** by reducing tax burden on foreign investors and ensures **equitable allocation of right to tax** between the 'source' and 'residence' countries.

Mutual Agreement Procedure (MAP)

- MAP is an **alternative available to taxpayers** for **resolving double taxation disputes** whether juridical or economic in nature.
- MAP is a **mechanism laid down in tax treaties (E.g. DTAA)** to ensure that taxation is in accordance with the tax treaty.
 - A tax treaty is a **bilateral (two-party) agreement** made by two countries **to resolve** issues involving **double taxation of passive and active income** of each of their respective citizens.
- **Difference between MAP and APAs:**
 - MAP resolves transfer pricing disputes while APAs prevents transfer pricing disputes.
 - Tax payers file MAP for **pending disputes** while they opt for APA for same transactions **for future years** as an effective dispute resolution/ avoidance strategy.

2.5. UN GLOBAL TAX TREATY**Why in the news?**

UN's Ad Hoc Committee, to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation, approved a **package of guidance** for UN Global Tax Convention.

More on the news

- It aims at establishing a **UN Global Tax Treaty** for **legitimate, fair, stable, inclusive and effective international tax system**.
- **Developing countries (including India) largely voted in favour** of treaty's terms of reference while industrialized nations such as Australia, Israel, Japan, UK and USA voted against it.



Other Global Initiatives for Global Tax or Preventing Tax Avoidance

- **OECD Global Minimum Tax:** Based on the Global Anti-Base Erosion Model Rules, it mandates MNCs to pay a minimum tax rate in each jurisdiction where they operate, reducing profit shifting incentives.
 - It imposes a **minimum effective rate of 15%** on corporate profits.
- **OECD/G20 Inclusive Framework on BEPS:** It is a global initiative that brings together 147 countries and jurisdictions (including India) to fight tax avoidance and ensure fair tax practices.
 - Established in 2016, it later adopted **Two-pillar approach**:
 - > **Pillar One:** Reallocation of part of largest and most profitable MNEs to countries where their consumers are present.
 - > **Pillar Two:** Global Minimum Corporate Tax (GMCT) of 15% for MNEs.
- **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS:** It aims to update international tax rules and lessen opportunity for tax avoidance by multinational enterprises.
 - **India signed the convention in 2017.**

2.6. OTHER KEY DEVELOPMENTS

2.6.1. DUTY DRAWBACK

Central Board of Indirect Taxes and Customs (CBIC) will **electronically disburse duty drawback** amounts **directly to exporters' bank accounts** using the Public Finance Management System.

Duty Drawback

- Duty Drawback under **section 75 of the Customs Act, 1962 rebates customs duty** chargeable on any imported materials or excisable materials used in the manufacture of **export goods**.
- It helps exporters **offset some of the costs accrued during the export process**, particularly in the supply or value chain.

About CBIC

- CBIC is part of **Department of Revenue** under the Union **Ministry of Finance**.
- It deals with the tasks of **formulation of policy** and **administration of matters** concerning levy and collection of Customs, Central Excise duties, Central GST and IGST, and prevention of smuggling.

2.6.2. WINDFALL TAX

The Centre has reduced the windfall tax on domestically produced crude oil.

About Windfall Tax

- A windfall tax is a tax **imposed by governments on certain industries that experience significantly above-average profits** due to favorable economic conditions.
- The purpose is to **redistribute excess profits in one area to raise funds** for the greater social good.
- Governments **justify** the tax by asserting that these **profits are not solely due to the taxed entity's efforts but also due to external factors.**

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4 Month Expert Intervention
A Strategic Revision, Practice, and Mentoring Program for UPSC Prelims Examination

11 JANUARY

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Highlights of the Program

- Coverage of the entire UPSC Prelims and Mains Syllabus
- Development of Advanced answer writing skills
- Highly experienced and qualified team of senior mentors
- Special emphasis to Essay & Ethics

3. PAYMENT SYSTEMS & FINANCIAL MARKET

3.1. DIGITAL PUBLIC INFRASTRUCTURE (DPI)

Why in the news?

The 'Report of India's G20 Task Force on DPI' was released by 'India's G20 Task Force on Digital Public Infrastructure for Economic Transformation, Financial Inclusion and Development'.

Key Highlights of Report

- The report defines DPI and outlines a three-part framework for global DPI advancement.

What is DPI?	What is 'Not' DPI?
<p>It is a set of shared digital systems that-</p> <ul style="list-style-type: none"> Should be secure and interoperable, can be built on open standards and specifications to deliver and provide equitable access to public and / or private services at societal scale. are governed by applicable legal frameworks & enabling rules to drive development, inclusion, innovation, trust, & competition and respect human rights and fundamental freedoms. 	<ul style="list-style-type: none"> Interventions which are complementary to DPI: E.g., connectivity infrastructure that improves individuals' access to mobile & internet via physical infrastructure. Digital processes that may not enable private innovation: E.g., digitizing existing physical processes or workflows to create a government portal.

India's DPI

- India Stack** is India's own foundational DPI, consists of 3 interconnected layers:
 - Identity Layer** – (e.g, Aadhar),
 - Payment layer** (e.g., UPI)
 - Data governance layer** (e.g, DigiLocker.)

Initiatives for Global Advancement of DPI:

- One Future Alliance:** It's a voluntary initiative proposed by **G20 India Presidency**, aimed to build capacity, and provide technical assistance and adequate funding support for implementing **DPI in Low and Middle-Income Countries**.
- Global DPI Repository (GDPIR):** Announced the launch at the **G20 virtual leaders' summit in 2023** to establish a focused institution working on DPI.
 - Social Impact Fund (SIF)** was also announced for accelerating DPI implementation across global south nations.
- EU Trade and Technology Council (TTC):** India and the European Union agreed to take steps to accelerate the development and deployment of DPI in other countries.

3.2. UNIFIED PAYMENTS INTERFACE (UPI)

Why in the news?

NPCI International Payments Limited (NIPL) has partnered with Trinidad and Tobago to develop a **Unified Payments Interface (UPI)** like payments system, to advance the internationalization of UPI.

More on the news

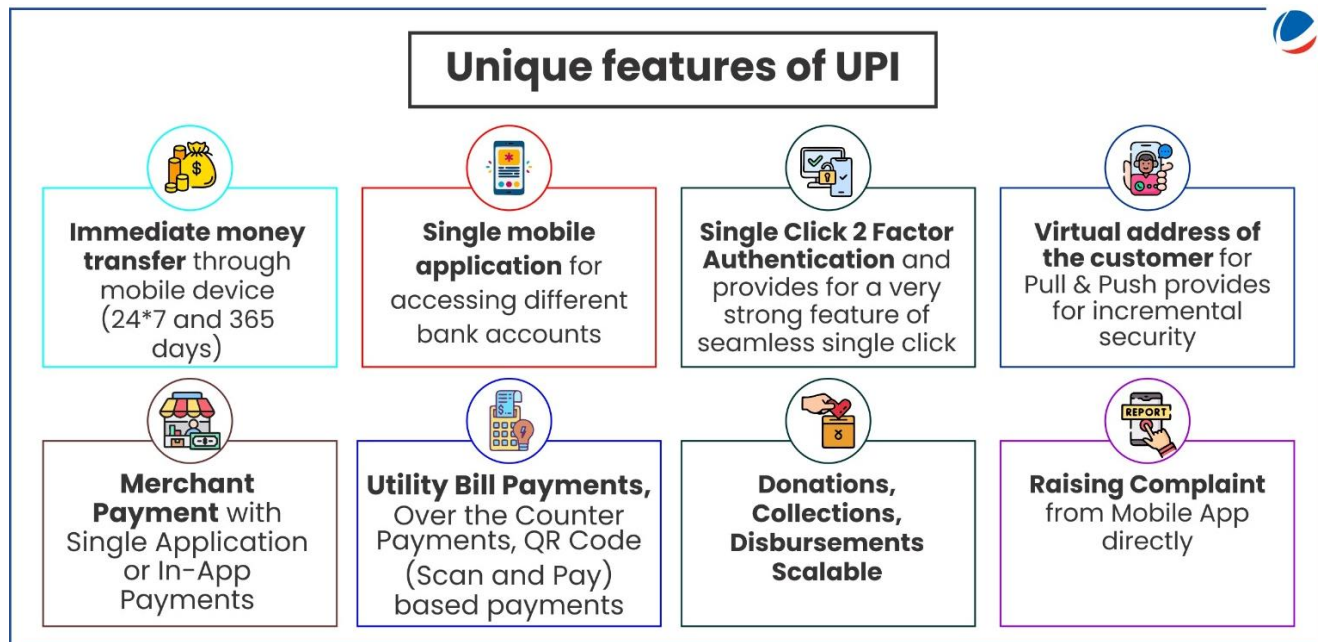
- Other **countries that support UPI payments** include Sri Lanka, Mauritius, France, UAE, Singapore, Bhutan, and Nepal.

About Unified Payments Interface (UPI)

- UPI**, launched in 2016, is an **instant real-time payment system** developed by **National Payments Corporation of India (NPCI)**.
 - NPCI was incorporated in 2008 by RBI and Indian Banks' Association (IBA) under provisions of Payment and Settlement Systems Act, 2007.

PT 365 - Economy

- NPCI is an **umbrella organization for operating retail payments and settlement systems** in India.
- UPI **powers multiple bank accounts into a single mobile application** (of any participating bank) merging several banking features, seamless fund routing & merchant payments into one hood.
- It also caters to the “**Peer to Peer**” **collect request** which can be scheduled and paid as per requirement and convenience.
- RBI increased UPI limit from **₹1 lakh to ₹5 lakh per transaction**.



Variants of UPI

- **UPI123Pay**
 - Started in March 2022 to **enable feature-phone users** to use UPI.
 - It is available in 12 languages.
 - **Technology alternatives** include IVR number, app functionality, missed-call and proximity sound-based payments.
 - RBI enhanced the per-transaction limit from ₹5000 to **₹10,000**.
- **UPI Lite**
 - It allows users to **make low-value transactions without entering a UPI PIN**.
 - RBI enhanced per-transaction **limit to ₹1,000 from ₹500** and overall **wallet limit to ₹5,000 from ₹2000**.

Initiatives for Internationalisation of UPI

- **Setting up of NPCI International Payments Limited (NIPL):** It was setup in 2020 by NPCI.
- **UPI Global Acceptance (International Merchant Payments):** It enables users to make **QR code-based payments at selected international merchant locations** directly from their Indian bank accounts.
- **Foreign Inward Remittance (FIR):** Enables UPI users to receive remittances directly into their UPI-linked bank accounts at participating banks.
- **Inclusion of Non-Resident Indians (NRIs):** UPI has been extended to include NRIs with Non-Resident (External) Account, and NRO stands for Non-Resident (Ordinary) accounts.
- **UPI One World:** Travellers visiting India can seamlessly transact with merchants & vendors across India that accept UPI Payments.

3.2.1. PROJECT NEXUS

Why in the news?

Reserve Bank of India (RBI) joins Project Nexus.

About Project Nexus

- **Project Nexus** is a multilateral international initiative to enable **instant cross-border retail payments** by interlinking domestic **Instant Payments Systems (IPS)**.
 - An IPS is an **electronic payments system which facilitates inter-bank fund transfer and sends confirmation of payment to the receiver and originator within a minute or less**. E.g. Unified Payments Interface (UPI).
- **Conceptualized by the Innovation Hub of the Bank for International Settlements (BIS)**.
 - BIS was established in **1930** with its **head office in Basel, Switzerland** and is owned by **63 central banks, including RBI**.
- It will **connect IPS of four ASEAN countries** (Malaysia, Philippines, Singapore, and Thailand) and **India** and is expected to go **live by 2026**.
- It aims to achieve G20 targets of enabling **cheaper, faster, more transparent and accessible cross-border payments**.

3.3. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Why in the news?

Securities and Exchange Board of India issued (Foreign Venture Capital Investors) (Amendment) Regulations, 2024 to amend existing **SEBI (FVCI) Regulations, 2000**.

Who is Foreign Venture Capital Investor?

- **Foreign Venture Capital Investor** is an investor **incorporated outside India**, registered under **FVCI Regulations**.
- FVCI make investments in **venture capital funds** (registered with SEBI) or **venture capital undertakings in India** (company not listed in major stock exchanges).
 - **Venture Capital Fund (VCF)** is used for **high-risk, high-return investment** in return for **equity stakes** in business. VCFs are governed by **SEBI (VCF) Regulations, 1996**.

Key Highlights of New Regulations

- Requires FVCI applicant to obtain a **registration certificate** from **Designated Depository Participant (DPP)**, before dealing with FVCI
 - DPP means a bank authorized by SEBI for **issuing registration certificates**.
- **Broadened eligibility criteria** for FVCIs with some conditions from existing entities like investment companies, pension funds, etc. to **Resident Indians, NRIs, and OCI**, (contributing to FVCI's corpus without having control over it).



Securities and Exchange Board of India



Genesis: Constituted as a **non-statutory body in 1988** through a resolution of Government of India.

↳ Established as a **statutory body in 1992** under SEBI Act 1992.



Objective: To **protect the interests of investors** in securities and to promote the development of, and to regulate the securities market.



Functions

↳ To **protect the interests of investors** in securities market and regulate it.

↳ To **regulate the business operations** of the securities market.



↳ Providing a **regulatory platform for stockbrokers**, portfolio managers & other intermediaries.

↳ Prohibiting fraudulent and **unfair trade practices** including **insider trading**.

↳ To **educate investors about securities markets** and their intermediaries.



Recent Initiatives of SEBI

 Initiative	 Description
SCORES 2.0	<ul style="list-style-type: none"> ▶ It ensures the redressal of investor complaints within 21 calendar days from the receipt date. It also introduces auto-routing of complaints to the concerned regulated entity.
Prohibition of Insider Trading (PIT) Regulations	<ul style="list-style-type: none"> ▶ SEBI amended regulations to give flexibility to insider traders for trading plans. Under PIT, insiders have a narrow window to carry out trades to avoid insider trading. <ul style="list-style-type: none"> ◦ Insider Traders refers to any person in a company who has access to unpublished price-sensitive information. They have to give a 'trading plan' specifying share price, transaction date in advance.
Credit Default Swap (CDS)	<ul style="list-style-type: none"> ▶ SEBI allowed mutual funds to buy & sell CDS to improve liquidity in corporate bond market. ▶ A Credit Default Swap (CDS) is a financial derivative that lets an investor transfer credit risk to another party. <ul style="list-style-type: none"> ◦ It functions like insurance, protecting against default by the bond borrower, with premium payments similar to insurance contracts in the bond market.
Pump & Dump Scheme	<ul style="list-style-type: none"> ▶ SEBI banned Individuals for operating Pump and Dump Scheme. It is a manipulation activity involving artificially inflating a stock's price through false and misleading information/ recommendations. <ul style="list-style-type: none"> ◦ It is done only to sell stock at an inflated price. Under SEBI's guidelines, it is completely banned.
Exchange-Traded Funds (ETFs)	<ul style="list-style-type: none"> ▶ SEBI Raised Investment limit for passive funds & ETFs. Passive Funds are the funds which invest in a particular Index in a similar proportion to generate returns similar to the Index. <ul style="list-style-type: none"> ◦ ETFs are marketable securities that track an index, a commodity, bonds, or a basket of assets like an Index Fund.
Clearing Corporation (CC)	<ul style="list-style-type: none"> ▶ SEBI formed Usha Thorat committee to review ownership and economic structure of clearing corporations (CCs). ▶ Clearing Corporation (CC) manages clearing and settlement of trades on stock exchanges. ▶ CCs, stock exchanges, and depositories together form Market Infrastructure Institutions.
FinFluencer	<ul style="list-style-type: none"> ▶ SEBI prohibited regulated entities from engaging with unregistered finfluencers and introduces a delisting framework for Investment and Holding Companies (IHC). ▶ Finfluencer is a person sharing financial advice on topics like stock trading, mutual funds, and insurance, primarily via social media.

3.3.1. SETTLEMENT CYCLE

Why in the news?

Securities and Exchange Board of India (SEBI) introduced beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Stock Markets.

About Settlement Cycle

- **It refers** to the period **within** which securities and funds are delivered and settled after a trade is executed between a buyer and a seller.

- In 2023, Indian exchanges shifted to **T+1 settlement cycle** (1 day settlement) from **T+2 settlement cycle**.
- T+0 Settlement Cycle refers to a system where Settlement of trades shall happen on the **same day** after the closure of **market**.

Benefits of Shortened Settlement Cycle

Enhanced Liquidity Management

 Enables investors to quickly reinvest or deploy capital into new opportunities.

Increased Trading Opportunities

 Allows investors to swiftly respond to market change and execute trades.

Global Competitiveness

 Attracts foreign portfolio investors (FPIs) by enhancing market appeal.

3.4. NATIONAL STOCK EXCHANGE (NSE)

Why in the news?

SEBI approves ten times hike in NSE's authorized share capital to ₹500 crore.

About National Stock Exchange (NSE)

- **Headquarter:** Mumbai.
- **Establishment:** Incorporated in 1992, recognized as stock exchange by SEBI in 1993 and commenced operations in 1994.
 - Stock exchange is a **centralised marketplace** where securities **such as stocks, bonds, and derivatives** are bought and sold by investors.
- **India's largest stock exchanges** by market cap.
- **Nifty 50** (owned and managed by NSE Indices Limited) is **flagship stock market index of NSE**. It consists of diversified **50 stock indexes from various sectors** of economy.
- **Pioneer in Technology:** First exchange in India to implement electronic/screen-based trading.
- NSE Indices launched **India's first Electric Vehicle (EV) index** i.e. Nifty EV & New Age Automotive Index, to **track performance of companies** which form a part of EV ecosystem.

3.4.1. CO-LOCATION OR PROXIMITY HOSTING

Why in the News?

Securities and Exchange Board of India (SEBI) disposed of proceedings against the National Stock Exchange (NSE) in the alleged co-location case.

About Co-location or Proximity Hosting

- Allows brokers to place their **servers on the premises of stock exchanges** (equipped with suitable infrastructure) for a **fee**.
- Due to their proximity with stock exchange servers, they provide **faster price feeds, quicker execution of trades** leading to significant profits.
- **Guidelines for co-location** were released by SEBI in 2015. Further, measures to **strengthen the Algorithmic Trading and Co-location framework** were announced in 2018.

3.5. FINANCIALIZATION

Why in the news?

India needs to be cautious against **excessive 'financialisation'**, says Chief Economic Advisor.

What is Financialization?

- **Definition:** Financialization is a process whereby financial markets, financial institutions, and financial elites **gain greater influence over economic policy** and economic outcomes.
 - It also describes **moving investments away from traditional, 'physical' asset** (like real estate, gold) **towards 'financial assets'** (like mutual funds).

Why Excessive Financialisation is a concern?

- **Increased Inequality:** Financial income is funneled to top 1% of population through equity ownership.
- **Distorts functioning of economy:** Profits flow increasingly from financial investments, rather than trade in goods and services.
 - Thus, **movements of stock market primarily determine functioning of economy** instead of production of employment or rising standards of living.
- **Rising Household debts:** Stagnation of real wages may increase Households' reliance on loans (as seen in U.S economy).
- **Adverse impacts on policies:** Financialisation may push for policies favouring **predatory lending, higher risk-taking and erosion of worker protections.**

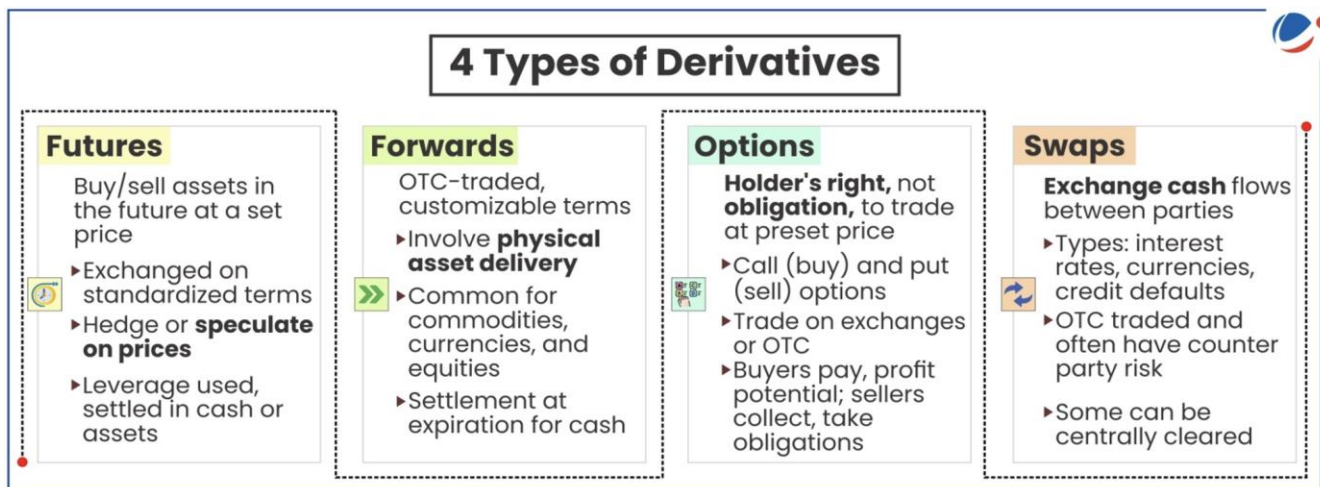
3.6. INDIAN DERIVATIVE MARKETS

Why in the news?

SEBI has announced several measures to tighten the norms around derivative trading, to prevent speculative trading.

About Derivative markets

- Derivatives are financial contracts **set between two or more parties** that **derive their value from an underlying asset** (securities, commodities, bullion, currency etc.).
- Derivatives contracts can be traded on **an exchange like the National Stock Exchange (NSE)** or **over the counter (OTC) market** where securities are traded via a broker-dealer network (without being listed on an exchange).



What are Derivatives used for?

- **Hedging (Risk management):** Allow participants to **hedge against price fluctuations**, interest rate changes etc.
- **Speculation:** Investors speculate on the price movement of an underlying asset and assume risk with **the expectation of reward.**
- **Leverage a position:** Investors can control a larger position with a smaller upfront investment, offering the potential for amplified returns (or increased risk).

- Leverage means a use of **borrowed funds** to increase the returns from an investment and position refers to the amount of a security, or shares owned (or sold short) by an individual or entity.

Derivatives regulation in India

- Trading in Derivatives is regulated under the **Securities Contracts (Regulation) Act (SCRA), 1956** and the **Securities and Exchange Board of India Act, 1992**.
 - **SCRA 1956** aims to prevent undesirable transactions in securities by regulating the business.
 - > Recently, **SCRR, 1956 amended** to facilitate direct listing of securities by **public Indian companies** on **International Exchanges of International Financial Service Centres (IFSCs)**.
- Derivative Exchange/Segment functions as a Self-Regulatory Organisation (SRO) and **SEBI acts as the oversight regulator**.

3.7. CREDIT RATING AGENCIES

Why in the news?

CareEdge became the **first Indian credit rating agency** to enter the global scale ratings space, including **sovereign ratings**.

What are Credit Rating Agencies (CRAs)?

- **Credit ratings** are forward-looking **opinions on the relative ability of an entity to meet its financial commitments**, i.e., **credit risk or relative creditworthiness** of a borrower.
- A **CRA is different from Credit Bureau** as CRA provides an **opinion relating to future debt repayments** by borrowers while Credit Bureau provides **information on past debt repayments** by borrowers.

Credit Rating Agencies (CRAs) in India

- In India, CRAs are primarily **regulated by SEBI**.
- **Seven CRAs are registered with SEBI** namely, Acuite, CRISIL, ICRA, CARE, India Ratings, INFOMERICS and Brickwork.
- However, certain other regulatory agencies, **RBI, IRDA, and PFRDA also regulate certain aspects of CRAs** under their **respective sectoral jurisdiction**.
 - RBI issues accreditation to CRAs as External Credit Assessment Institutions for rating bank loan/facilities.
 - > **Except Brickwork Ratings**, all six CRAs are **RBI accredited** domestic CRAs.
- **SEBI (Credit Rating Agencies) Regulations, 1999** provide the agencies are required to disclose their rating criteria, methodology, default recognition policy, and guidelines on dealing with conflict of interest.

Sovereign Credit Rating (SCR)



About: Assessment of a country's or sovereign entity's **ability to meet debt obligations**, including both **capability & willingness** to repay debt.



Parameters: Growth rate, inflation, government debt, short-term external debt as a percentage of GDP, political stability.



Ratings: Vary from AAA (highest rating) to D (lowest rating).

- **Threshold** of Investment grade is considered to be **BBB- for S&P and Fitch and Baa3 for Moody's**.



Significance: Facilitates **borrowing from global capital markets at low cost, boosts investors' confidence, attracts foreign investment**, etc.



Domination of 3 US-based rating agencies: S&P, Moody's, and Fitch.

3.8. OTHER KEY DEVELOPMENTS

3.8.1. INFRASTRUCTURE INVESTMENT TRUSTS (INVITS)

SEBI amends Infrastructure Investment Trusts (InvITs) Regulations 2024.

Key Highlights

- The new norms **allow for the issuance of subordinate units** by privately placed InvITs only to the sponsors on acquisition of an infrastructure project.
- The move **aims to bridge the difference in valuation** done by the sponsor (as a seller) for an asset and that by the InvIT (as a buyer).

About InvITs

- **A type of investment vehicle** similar to a mutual fund that **allows investors to invest in infrastructure projects** like toll roads, power lines and pipelines etc.
- The **sponsors (infra companies) set up the InvITs** through **SEBI** and are **recognized as borrowers** under the **SARFAESI act 2002**.
 - Parties to an InvIT include its **trustee, sponsor, investment manager and project manager**.
- InvITS **earn income through tolls, rents, interest or dividends** from their investments, which in turn is **distributed to the investors** as their taxable earnings.

Significance of InvITs

- **Low ticket size:** The investor can invest small amounts.
- **Liquidity:** Listed on stock exchanges and can be exit at any point.

3.8.2. INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY (IEPFA)

IEPFA has **launched a new toll-free number — 14453** — to better serve claimant queries.

About IEPFA

- Under aegis of the **Ministry of Corporate Affairs** and established under **the Companies Act, 2013**.
- Responsible for managing the **Investor Education and Protection Fund (IEPF)**.
 - IEPF focuses on **safeguarding investor interests by facilitating the refund of shares, unclaimed dividends, and matured deposits/debentures**.

3.8.3. FRONT RUNNING

Recently, a Mutual Fund was alleged to have indulged in Front- Running.

About Front Running

- **Front Running** refers to usage of non-public information to directly or indirectly buy or sell securities, or enters into **options or futures contracts**, in advance of a substantial order.
- It is **illegal in India**.
- It **undermines confidence in the financial markets** and creates an **uneven playing field** for other investors.
- In 2022, **Securities and Exchange Board of India (Mutual Funds) Regulations, 1996** was amended to incorporate provisions to counter front running.

3.8.4. INDIA VOLATILITY INDEX (VIX)

Recently, India VIX surged above the critical threshold of 21, indicating heightened volatility in India's stock market.



About India VIX

- It is a measure of the amount by which **an underlying Index is expected to fluctuate**, in the **near term (30 calendar days)**.
 - Higher the India VIX values, higher the expected volatility and vice-versa.
- It is based on **index option prices of NIFTY**.
- **Uses computation methodology of Chicago Board of Options Exchange (CBOE)**.
 - CBOE was first to introduce a **volatility index for US markets** in 1993.

3.8.5. FINTERNET

Nandan Nilekani (Infosys co-founder) proposed the concept of the "Finternet" as a vision for the future financial system.

What is Finternet?

- **Defination:** It envisions **interconnected financial ecosystems** like the internet, empowering individuals and businesses by placing them at the center of their financial activities.
- **Significance:** It **enables seamless transfer of any financial asset**; any amount, anytime, anywhere, using any device.
 - It also **reduces barriers between financial services**, simplifying clearing, messaging chains, and eliminating system frictions.

3.8.6. PERPETUAL BONDS

India's first additional Tier I (AT-1) perpetual bond was issued after recent rule changes to make them more appealing.

About Perpetual bonds

- They are **fund-raising instruments** that do **not carry any maturity date** as bonds usually do.
- Instead, they offer to **pay their buyers a coupon or interest at a fixed date for perpetuity**.
- Investors can **get the principal back by selling** the bond in the **secondary market**, or when the issuer decides to **redeem** the bonds.
- These bonds have an **obligation only to pay interest** and are not required to repay the debt.

3.8.7. PARTICIPATORY NOTES (P-NOTES)

Registered Foreign Portfolio Investors (FPIs) domiciled at the GIFT International Financial Services Centre (IFSC) have been allowed to issue participatory notes (p-notes).

About P-notes

- They are issued by **registered foreign FPIs** to **overseas investors** to invest in the Indian **stock market** without **registering themselves directly**.
 - P-Notes act like a **substitute** for underlying **Indian company shares**.
- **Benefits:**
 - Avoids the **hassle of registering with SEBI** and offers **anonymity**.
 - **More choices for investors** for investing in Indian stocks.

3.8.8. INDIA INTERNATIONAL BULLION EXCHANGE (IIBX)

State Bank of India has become the first trading-cum-clearing member at India International Bullion Exchange (IIBX).

About IIBX

- IIBX has been established at **GIFT International Financial Services Centre (IFSC), Gandhinagar, Gujarat** in **2022**.

- **Bullion** refers to **physical gold and silver of high purity** that is often **kept in form of bars, ingots, or coins**.
- **Regulated by IFSC Authority (IFSCA).**
- **Promoted by India's leading market infrastructure institutions** like National Stock Exchange, Multi Commodity Exchange of India etc.

3.8.9. CARRY TRADE

Yen carry trade has been in focus in the past few trading sessions in the wake of the sell-off in shares of US technology giants.

About Carry Trade

- A carry trade is an **investment strategy** most often associated with foreign currency trading.
- In a carry trade, an investor borrows in a **low interest-rate currency** to buy a currency or asset earning a higher interest rate.
- It is a high-risk strategy due to volatile currencies or changes in interest rates.

VISION IAS
INSPIRING INNOVATION

Start

English Medium	Hindi Medium
21 January, 1 PM	30 January, 1 PM

(Offline/Online)

CSAT

CRASH COURSE PRELIMS 2025

(Approach is to revise and strengthen fundamental concepts, enhance problem-solving abilities, hone analytical skills, foster critical thinking, and improve comprehension skills for Prelims 2025.)

PROGRAM OUTCOMES

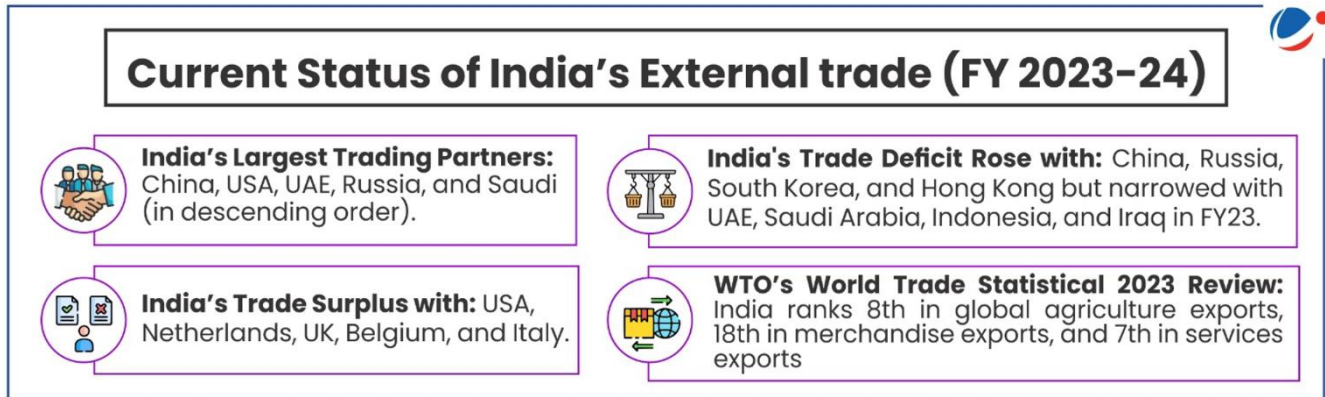
- Efficient Time Management and Exam-taking Strategies
- Problem-Solving Techniques Including Tips and Tricks
- Proficiency in Interpreting and Analyzing Data Presented in Various Formats
- Firm command on Mathematical Concepts and Development of Quantitative aptitude
- Reading Comprehension and Language Proficiency
- Logical and Analytical Thinking Skills
- Reinforced Learning Through Regular Practice and Tutorials
- Development of Confidence to Tackle the Exam

4. EXTERNAL SECTOR

4.1. INDIA'S TRADE DEFICIT

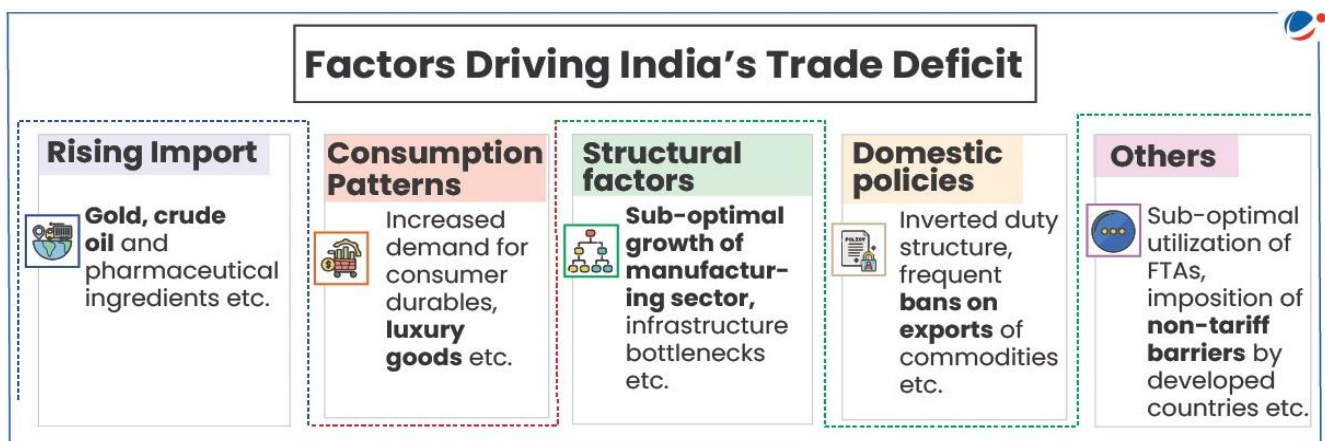
Why in the news?

According to official data from Union Ministry of Commerce and Industry, in the FY 2023-24, India recorded trade deficit with 9 out of its top 10 trading partners.



What is Trade Deficit?

- **Trade deficit (negative trade balance)** occurs when country's **value of imports exceeds exports**.
- **Impact of higher trade deficit on Economy:**
 - **Negative:**
 - > **Depletion of Forex reserves** to pay for excess imports, leads to **depreciation of domestic currency**.
 - > **Widening current account deficit** may adversely affect credit rating of country and raise borrowing costs.
 - **Positive:**
 - > **Access to wider range of goods**, increased **domestic investment** by imports of capital goods, etc.



Initiatives to Promote Exports

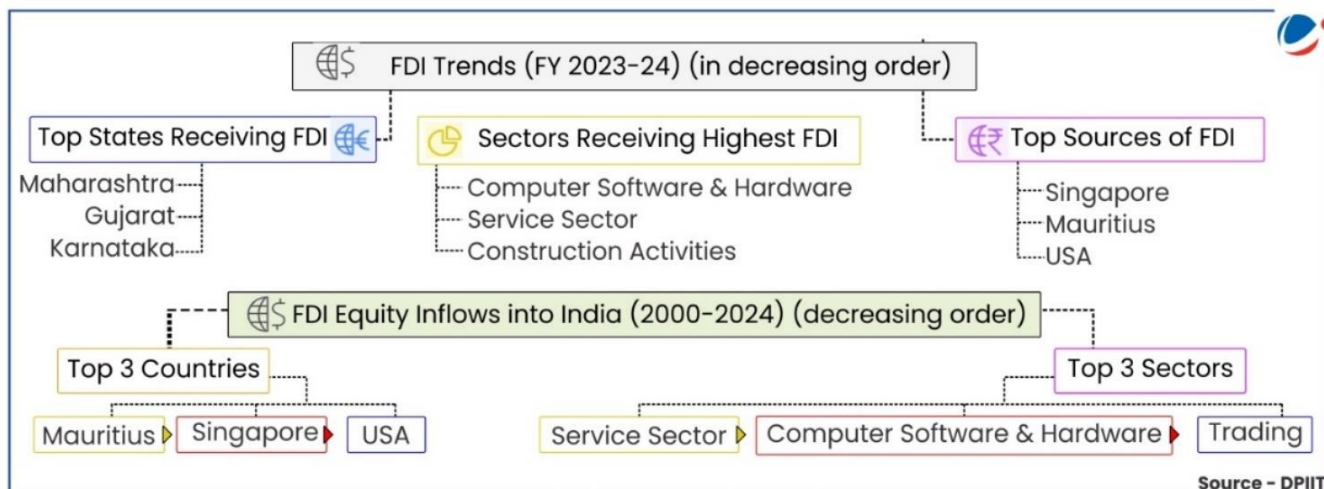
- **Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme:** Launched by Ministry of Commerce and Industry for **refunding taxes, duties, and levies** at the central, state and local levels on the **exported products**.

- It replaced the **Merchandise Exports from India scheme**.
- **Trade Connect e-Platform:** Launched by **Ministry of Commerce and Industry**, it is a **single window initiative** aimed at facilitating **international trade by Indian exporters**, especially **MSMEs**, by providing **real-time access to trade-related information**.
 - Developed in **collaboration** with **Ministry of MSME, EXIM Bank, Department of Financial Service, and Ministry of External Affairs**
- **Indian Institute of Foreign Trade (IIFT):** India's **premier business institution focusing on Foreign Trade** and regarded as an **academic centre of excellence** in international business research, training and education.
 - **Established in 1963** as an **autonomous body** under **Ministry of Commerce** and granted **"Deemed to be University"** status in 2002.

4.2. FOREIGN DIRECT INVESTMENT (FDI)

Why in the news?

As per data released by Department for Promotion of Industry and Internal Trade (DPIIT), **FDI inflows in 2023-24 contracted by 3.49% to \$44.42 billion** as compared with 2022-23.



About FDI

- **DPIIT is nodal Department for formulation of FDI policy** in India.
- FDI is permitted through **Automatic route** (Government approval not required) or **Government route** (approval required).
- Foreign Currency Convertible Bonds, Foreign Institutional Investment with certain conditions and Global Depository Receipts are **included in FDI**.
 - FDI is a largely **non-debt creating capital flow**.
- **FDI is prohibited in** Lottery Business, Gambling and Betting, Chit funds, Nidhi Company, Trading in Transferable Development Rights etc.

Comparison Between FDI and FPI

Parameter	Foreign Direct Investment (FDI)	Foreign Portfolio Investment (FPI)
Definition	▶ It is an investment made by a company or an individual in one country into business interests located in another country.	▶ FPI refers to investing in the financial assets of a foreign country, such as stocks or bonds available on an exchange.
Investment Form	▶ Invests in physical assets like factories, offices, and infrastructure.	▶ Invest in financial assets like stocks, bonds, and mutual funds.
Control	▶ Provides the investor significant control or influence over management and operations.	▶ Provides no control ; investors act as passive shareholders.
Risk	▶ Higher risk due to long-term commitment and exposure to political and economic factors.	▶ Lower risk as investments can be easily liquidated.
Stability	▶ More stable , as investments are less prone to withdrawal.	▶ Highly volatile , as funds can exit quickly in response to market changes.

Note: RBI classifies Foreign Portfolio Investment into FDI if the investment breaches the 10% stake threshold of an Indian company.

4.3. INTERNATIONALISATION OF INDIAN RUPEE

Why in the news?

The RBI's highlighted **enabling Foreign Investment** through Special Non-Resident Rupee (SNRR) and Special Rupee Vostro Account (SRVA) **for promoting internationalization of INR.**

What are SNRR and SRVA?

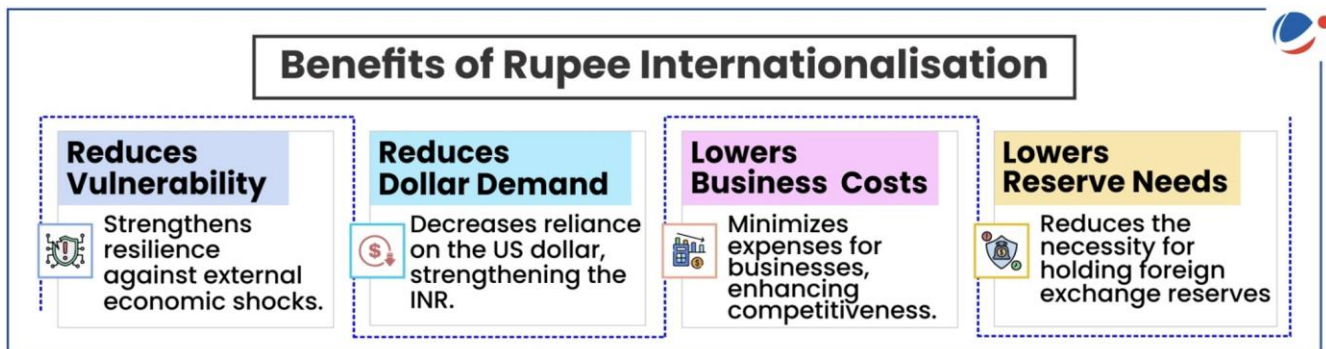
Special Non-Resident Rupee Account (SNRR)	Special Rupee Vostro Account (SRVA)
<ul style="list-style-type: none"> ▶ Any person resident outside India, having a business interest in India, can open SNRR account for purpose of putting through bona fide transactions in rupees. ▶ SNRR accounts are usually allowed for specified transactions in trade, foreign investments, External Commercial Borrowings etc. 	<ul style="list-style-type: none"> ▶ Vostro account is an account that domestic banks hold for foreign banks in former's domestic currency (in this case, rupee). ▶ SRVA is an additional arrangement to existing system that uses freely convertible currencies and works as a complimentary system. ▶ For opening SRVA, prior approval of RBI is required.

About Internationalization of Currency

- **Definition:** International Currency refers to **currency that is used and held beyond the borders** of issuing country, not just by country's residents, but also by non-residents. **E.g.**, US dollar, Euro etc.
- **Criteria:** To be accepted as an international currency, INR should be **widely used in international transactions, easily convertible** and country should have a **stable financial market**.

Challenges Regarding Internationalization of Currency

- **Stability Concerns:** Integration of financial markets could affect stability, Vulnerability to External Shock, Exchange Rate Volatility, **Monetary Policy Dilemma or Triffin Dilemma etc.**
- **Policy Challenges:** Creates a monetary policy dilemma, including the **Triffin Dilemma**, where a country struggles to balance global currency demand with domestic monetary needs.
 - **Triffin Dilemma** refers to conflict that arises when a country needs to supply enough of its currency to meet global demand while also maintaining its domestic monetary policies.



Steps taken for Internationalization of Rupee

- **Capital Account Convertibility:** INR (Indian National Rupee) is fully convertible in the current account but partially in the capital account.
- **Special Vostro Rupee Accounts (SVRAs):** RBI has enabled INR trade settlement with 22 countries by allowing banks to open SVRAs.
- **Inclusion of INR in Continuous Linked Settlement (CLS):** CLS is a global system for the settlement of foreign currency transactions on a Payment vs Payment basis.
 - **Continuous Linked Settlement (CLS)** currently settles trades in 18 currencies.
- **Other: Internationalization of UPI, Bilateral Currency Swap agreements, INR as a Designated Foreign Currency in Sri Lanka, Issuance of rupee-denominated bonds i.e. Masala bonds.**

Related News

Gold-Backed Currency

- Recently, Zimbabwe launched the gold-backed currency called **ZiG**.
- **About Gold backed currency**
 - **Gold backed currency has fixed value** directly linked to gold, and is **convertible into gold**.
 - > Money supply is **limited by available gold reserves**.
 - It has its **inherent value** and has potential for **stability** in long run.
- **About Fiat Currency**
 - **Fiat currency lacks intrinsic value** and is established as legal tender by government.
 - Its value is **determined by supply & demand** and is not supported by any physical commodity.
 - It gives central banks **more control** to print required money.

4.4. BRETTON WOODS CONFERENCE

Why in the news?

The Bretton Woods Conference, officially known as the **United Nations Monetary and Financial Conference** was held in 1944 at Bretton Woods, New Hampshire (USA).

About Bretton Woods Conference

- **Purpose:** To agree upon a series of new rules for the **post-World War II** international monetary system.
 - Delegates from **44 nations** participated in it.
- **Key Outcomes:**
 - **Creation of the Bretton Woods Institutions: International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD),** now referred as **World Bank (WB).**
 - **Fixed exchange rate regime:** Each member country was to set a **fixed value** the par value -of its currency in terms of **gold** or **US dollar**.
 - > However, after the crisis of dollar exchange crises of 1971 (when USA suspended the dollar's convertibility into gold) and 1973, floating exchange rates was promoted.
 - **Promotion of Free Trade:** To ensues international prosperity and international peace.

4.4.1. INTERNATIONAL MONETARY FUND (IMF)

Why in the News?

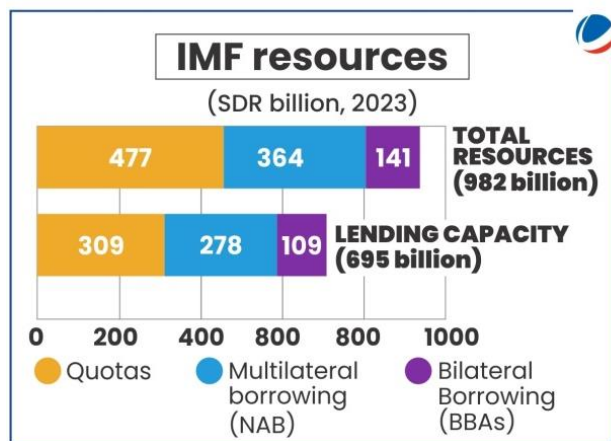
The International Monetary Fund (IMF) Board completed the Reviews of the extended arrangement under the **Extended Fund Facility (EFF)** for Egypt.

About Extended Fund Facility (EFF)

- EFF provide assistance to countries **experiencing serious payment imbalances because of structural impediments or slow growth** and an inherently weak balance-of-payments position.
 - It supports comprehensive programs with a focus on policies needed to correct structural imbalances over an extended period.
- **All member countries** facing actual or potential external financing needs **are eligible**.

About IMF lending

- IMF provides **financial support** to countries hit by crises and unlike development banks, the IMF **does not lend for specific projects**.
- **Lending Instruments:**
 - **General Resources Account (GRA):** IMF members have access to the GRA on non-concessional terms (market-based interest rates).
 - **Poverty Reduction and Growth Trust (PRGT):** Provides concessional financial support (currently at zero interest rates) and is better tailored to diversity and needs of low-income countries.
 - **Resilience and Sustainability Trust (RST):** Offers longer-term financing to low-income and vulnerable middle-income countries seeking to build resilience to external shocks at affordable interest rates.
- **"Gold Tranche" (Reserve Tranche)** refers to a **credit system granted by IMF to its members**.





International Monetary Fund (IMF)



Washington,
D.C. (USA).



Genesis: Bretton Woods Conference 1944



Mandate: Promotes global **macroeconomic** and **financial stability** and also provides short- and medium-term loans to help countries that are experiencing **balance of payments problems**.



Membership: 191 Countries. **(India is a member)**



Organizational Structure:

- ↪ **Board of Governors: Highest decision making body of IMF** composed of 1 governor and 1 alternate governor from each member countries.
- ↪ **Executive Board: 25-member** board oversee day-to-day work.
- ↪ **International Monetary and Financial Committee (IMFC):** A **24-member advisory body** represents member countries or groups of countries.



Key Reports: **World Economic Outlook, Global Financial Stability Report** etc.

4.4.2. WORLD BANK

Why in the news?

Recently, the World Bank Group Guarantee Platform (WBG – GP) went **live for business**.

What is World Bank Group Guarantee Platform?

- **About:** Initiated in 2024, **WBG Guarantees consolidates** all guarantee products and experts from **across the WBG institutions at Multilateral Investment Guarantee Agency (MIGA)**.
- **Aim:** To boost WBG **annual guarantee issuance to \$20 billion by 2030**.
- **WB guarantees:** Provided to **private lenders for infrastructure projects** that require large loans, face significant political and sovereign risks, and need long-term financing for success.
- **Three types of Coverages/ guarantees:**
 - **Credit guarantees** for loans to the **public or private sector**;
 - **Trade finance guarantees**;
 - **Political risk insurance against non-commercial risks** for **private sector projects or public-private partnerships**.



WORLD BANK GROUP

World Bank



Washington DC, USA.



Genesis: Bretton Woods Conference 1944



Objective: To **reduce poverty and support development** by providing **financial and technical assistance** to developing countries.



Membership: **189 Countries** (India is member).

- ↪ Countries must first join the IMF to be eligible to join the World Bank Group.



World Bank Group: World Bank Group consists of **5 organizations – IBRD, IFC, IDA, MIGA & ICSID**.



Key Reports:

- ↪ **Global Economic Prospects, Recipe for a Liveable Planet: Achieving Net Zero Emissions in the Agrifood System' report, Poverty and Shared Prosperity Report** etc.

World Bank Group



International Bank for Reconstruction and Development (IBRD): Provides loans and financial services to middle-income and creditworthy low-income countries.



International Development Association (IDA): Offers **concessional loans and grants** to the world's poorest countries.



International Finance Corporation (IFC): Supports **private sector development** in developing countries.



Multilateral Investment Guarantee Agency (MIGA): Offers political risk insurance and credit enhancement to **promote foreign investment in developing countries.**



International Centre for Settlement of Investment Disputes (ICSID): Provides **arbitration and conciliation services for investment disputes** between governments and foreign investors.

Note: World Bank refers only to the IBRD and IDA, whereas World Bank Group refers to all 5 institutions. India is member of all except ICSID.

4.5. WTO

Why in the news?



Recently, the Marrakesh Agreement marked its 30th anniversary in 2024.

About Marrakesh Agreement

- It was **signed in Marrakesh, Morocco, by 123 countries in 1994**, after the conclusion of the **Uruguay Round**.
- **Outcome:**
 - **Formation of the WTO** in 1995, replacing **General Agreement on Tariffs and Trade (GATT)** as the global trade body.
 - **Serves as the foundational framework for trade relations among WTO members.**
 - **Expanded scope to include trade in services, intellectual property, and more.**
 - **Established a modern multilateral trading system** for negotiations, dispute resolution, and economic cooperation.



Key Developments Associated with WTO

 Development	 Description
World Trade Statistics 2023 on Agriculture Export	<ul style="list-style-type: none"> ▶ The WTO released World Trade Statistics 2023 on Agriculture Export. ▶ Key Findings: <ul style="list-style-type: none"> ○ The top 5 exporters were EU > US > Brazil > China > Canada. ○ Collectively, the top ten exporters represented a 71.9% share of world exports in 2023. ○ India was the 8th largest exporter. <ul style="list-style-type: none"> ▣ India's exports worth \$51 billion constituted 2.24% of agriculture exports in 2023.
Aid-for-Trade Initiative	<ul style="list-style-type: none"> ▶ The WTO released a report titled Aid for Trade in Action: Supporting the transition to clean energy, which highlights the Aid-for-Trade Initiative. ▶ About Aid-for-Trade Initiative <ul style="list-style-type: none"> ○ Origin: WTO Hong Kong Ministerial Conference, 2005. ○ Aim: To support developing economies in integrating into global trade by addressing supply-side capacity and infrastructure constraints. ○ Goal: Mobilize financial resources to address trade-related challenges in developing and least-developed countries.
Anti-Dumping Duty	<ul style="list-style-type: none"> ▶ India initiates anti-dumping probe into import from China to protect domestic industry from cheap imports. ▶ Dumping is unfair trade practices under WTO as it can have a distortive effect on international trade. <ul style="list-style-type: none"> ○ Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value. ▶ Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value.
World Tariff Profiles' Report, 2024	<ul style="list-style-type: none"> ▶ India is 2nd largest user of Non-Tariff Measures (NTMs) after USA in 2023 as per WTO's 'World Tariff Profiles' Report, 2024. ▶ About Non-Tariff Measures (NTMs) <ul style="list-style-type: none"> ○ NTMs are defined as policy measures, other than ordinary customs tariffs, that can be potentially detrimental to international trade in goods, changing quantities traded, prices, or both. ○ Examples - Quotas or price controls, Sanitary & Phytosanitary measures, Technical Barriers etc. ○ Though many NTMs aim primarily at protecting public health or the environment, they also affect trade through information, compliance, and procedural costs.

4.5.1. AGRICULTURE AND FOOD SECURITY

Why in the news?

WTO's 13th Ministerial Conference (MC13), Abu Dhabi concluded without a permanent solution to the public stockholding (PSH) issue.

About PSH Policy

- **Objective:** PSH makes it possible for governments to procure crops from farmers at MSP, and store and distribute these food grains to the poor.

- **De Minimis limits:** Under it, country's subsidy bill should not breach limit of 10 % (for developing countries) & 5 % (for developed countries) of value of production.
 - Currently, it is **calculated as the reference price for 1986-88.**

Global Divide over PSH

- **Developing Countries:** Demands **increase in de minimis limit** & amendments in formula to calculate price support subsidies given to farmers for government procurement.
- **Most Developed Countries:** claim that PSH is market-distorting and that there should be no export restrictions.

About Agreement on Agriculture

- It was negotiated at the **Uruguay round** and ratified in **Marrakesh (Morocco) in 1994.**
- It contains provisions in **three broad areas of agriculture and trade policy**
 - **Market Access:** includes tariffication, tariff reduction and access opportunities.
 - > **Tariffication** means that all non-tariff barriers such as quotas, variable levies etc. need to be abolished and converted into an equivalent tariff.
 - **Domestic Access:** deals with subsidies and other support programmes that directly stimulate production and distort trade. It has various kinds of boxes based on the type of subsidies provided (Refer to box).
 - **Export Subsidies:** deals with methods which makes exports artificially competitive.
 - > Developed Members and developing countries eliminated export subsidies as per **the Nairobi Ministerial Decision 2015.**

Peace Clause & India's Stand

- **Peace Clause:** WTO at 9th Ministerial Conference (MC9) in Bali agreed to a "peace clause" as an interim solution for public stockholding for food security.
- **India's Demand:** India seeks a **permanent solution** to the issue of PSH and has proposed **amendments in the formula** to calculate the food subsidy cap.
 - It would legitimize higher subsidies for food stockholding programmes & protect interests of the poor and vulnerable farmers.

DOMESTIC SUPPORT IN AGRICULTURE: THE BOXES

Amber Box



Nearly all domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box.

Blue box



Any support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production.

Green Box



Green box subsidies must not distort trade, or at most cause minimal distortion.

4.5.2. WTO AGREEMENT ON FISHERIES SUBSIDIES (GENEVA PACKAGE)

Why in the news?

WTO's ministerial conference ended with no decision on finding a permanent solution to curbing fisheries subsidies.

- **WTO Agreement on Fisheries Subsidies (Geneva Package)** was adopted during the 12th Ministerial Conference of WTO in 2022 held in Geneva, Switzerland.
 - **Aim:** To curb harmful subsidies, which contribute to depletion of the world's fish stocks.
 - **Special and Differential Treatment (S&DT):** Developing Countries and Least Developed Countries (LDCs) have been allowed a transition period of 2 years from the date of entry into force of this Agreement.

- **Not accepted yet:** Acceptance from two-thirds of WTO members is needed for the Agreement to come into effect. The agreement is still short of 24 countries (December 2024).
 - > **India is not part of the agreement.**
- **India's Demands**
 - Countries that have given large subsidies in past & responsible for fish stock depletion, should bear greater responsibility under '**polluter pays principle**' (PPP) and '**common but differentiated responsibilities**' (CBDR-RC).
 - **Moratorium on Distant Water Fishing Nations:** For fishing or related activities beyond their EEZs for a period of at least 25 years.
 - **Exception for Developing countries and small economies** to provide subsidies for the fisheries sector.

4.5.3. TRIPS AGREEMENT

Why in news?

Recently, World Trade Organisation (WTO) commemorated **30th anniversary of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)**.

TRIPS Agreement

- **TRIPS Agreement** was evolved as part of the **Uruguay Round of the General Agreement on Tariffs and Trade (GATT)**, predecessor to **WTO**.
 - It was included as one of the main annexes to the **Marrakesh Agreement** that established the WTO.
 - It came into force on **January 1, 1995**.
- **Key Highlights:**
 - **About:** Most **comprehensive multilateral agreement on intellectual property rights (IPR)**.
 - > IPR gives the creator an **exclusive right** over the use of **his/her creations** (inventions; literary and artistic works; designs, etc.) for a **certain period** of time.
 - **Standards:** Sets out the minimum standards of **protection** to be provided by each Member.
 - > It has incorporated provisions from **World Intellectual Property Organization's (WIPO) Paris and Berne Conventions**.
 - **Coverage:** Copyright, trademarks, geographical indications, industrial designs, patents, layout-designs of integrated circuit etc.
 - **Dispute settlement:** Any disputes regarding TRIPS obligations are subjected to **the WTO's** dispute settlement procedures.
 - > Also, provided for Council for TRIPS (Forum where WTO members discuss issues relating to agreement)
 - **Compulsory licensing:** Allowed **compulsory licensing** to produce the patented product or process without the consent of the patent owner. It helped developing and under developed country.

Key Information

- India joined the TRIPS Agreement in **1995**.
 - In compliance with TRIPS Agreement, **amendments were brought** in the **Patents Act, 1970**. E.g. **Patents (Amendment Act) of 2005**.
- **Doha Declaration on the TRIPS Agreement:** It affirmed that the TRIPS Agreement does not and should not prevent members from taking measures to **protect public health** and the right of members to fully use flexibilities in the Agreement for this purpose.

5. GROWTH AND DEVELOPMENT

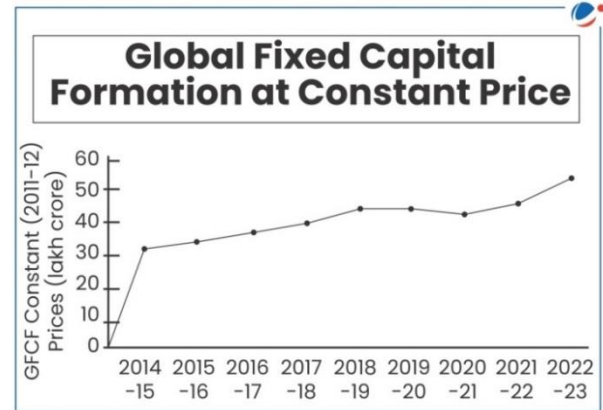
5.1. GROSS FIXED CAPITAL FORMATION (GFCF)

Why in the news?

Sluggish growth of private **Gross Fixed Capital Formation (GFCF)** as a percentage of GDP has been a significant challenge for the Indian economy.

Evolution of GFCF (also called Investment):

- From **independence to economic liberalisation**, investment remained slightly **below/above 10% of GDP**.
- It rose **from around 10% of GDP in the 1980s to around 27% in 2007-08**.
- From **2011-12 onwards**, however, **private investment began to drop** and hit a low of **19.6% of the GDP in 2020-21**. And again started rising. (Refer Infographic).
- Despite being a **high saving economy**, capital formation may not result in significant increase in output due to **high capital-output ratio**.



What is Gross Fixed Capital Formation (GFCF)?

- **Gross Fixed Capital Formation (GFCF)** refers to growth in size of fixed capital in economy (Refer table).
 - **Capital formation** refers to process by which resources are invested in assets like plants, equipment, machinery, etc. as well as in human capital through education, health, skill, etc.
- Presently, Estimates of Gross Fixed Capital Formation are prepared with **base year 1999-2000**.

GFCF Includes	GFCF doesn't include
<ul style="list-style-type: none"> • Land improvements (e.g., leveling, fencing, drainage) • Purchases of plant, machinery, and equipment • Infrastructure development (e.g., roads, bridges, railways) • Addition to livestock used repeatedly • Major repair and maintenance that prolong economic life of assets • Intangible assets like software or artistic originals etc. 	<ul style="list-style-type: none"> • Transaction intended as intermediate consumption; • Machinery and equipment intended for household final consumption expenditure; • Losses due to natural disaster (flooding, forest fire, etc.)

Private GFCF and Public GFCF

- **Private Investment: GFCF is also called an investment** which includes both private and public investment. **GFCF by private sector is called private investment**.
- **Public Investment: GFCF by the State** via central/local governments or public industries called public investment. It includes physical investments (infrastructure, transport) and intangible investments (education, skills, knowledge, Brand Recognition and Intellectual Property).
 - Public investment **boosts growth but may crowd out private investment**.
 - > **“Crowding out”** refers to a phenomenon where **increased government spending** funded by higher taxes and enhanced borrowing reduces **private sector income and loan demand (due to a rise in interest rates)**.

What is Gross Capital Formation and Net capital formation?

- **Gross Capital Formation includes GFCF and -**
 - **Change in stock (CIS) of raw materials, semi-finished and finished goods:** Stocks of goods held by firms to meet temporary fluctuations in production/sales.
 - **Net acquisition of valuables:** Like gold, gems, ornaments, precious stones etc.
- **Net capital formation (NCF)** is distinguished from GCF in that NCF includes **depreciation, obsolescence and accidental damage to fixed capital**.

5.2. HUMAN DEVELOPMENT REPORT (HDR) 2023-2024

Why in the news?

The United Nations Development Programme (UNDP) released Human Development Report 2023-2024, "Breaking the Gridlock: Reimagining Cooperation in a Polarized World".

More on the news

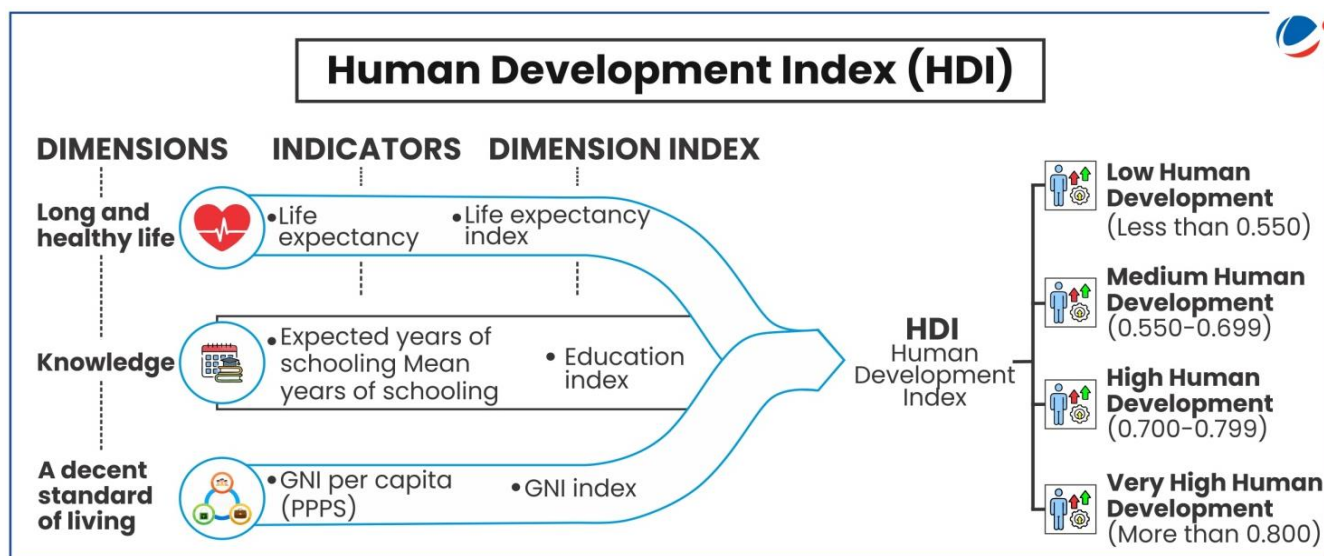
- The report highlights the rise of the **Democracy Paradox**.
 - Democracy Paradox means where the **population thinks positively about democracy but supports leaders who undermine democracy**.

Key Findings about India

- India's HDI Value:** Increased to 0.644 from 0.633 in 2021, registering improvement in all components of HDI.
- HDI Rank:** Improved to **134 in 2022** from 135 in 2021 (and 130 in 2018).
 - India ranks below China (75), Sri Lanka (78), Maldives (87), Bhutan (125), and Bangladesh (129).
 - Myanmar (144), Nepal (146), Pakistan (164) and Afghanistan (182) have been ranked lower than India.
- Category:** Medium human development category.

About HDR

- Released by:** United Nations Development Programme (UNDP) annually since 1990.
- Objective:** Examines major global challenges that affect human development and suggest recommendations.
- Human Development Index (HDI):** Developed by Pakistani economist **Mahbub ul-Haq** published since 1990, HDI is the **core of the HDR**.



Other Major Indices of UNDP Measuring Human Development

Index	Measures	India's Performance
Gender Inequality Index (GII)	The GII measures gender inequalities in 3 key dimensions — reproductive health, empowerment and labour market .	India has jumped 14 places to rank 108 in 2022, from 122 in 2021 .
Gender Development Index (GDI)	GDI measures disparities on the HDI by gender .	India shows low equality in HDI achievements between women and

		men with absolute deviation from gender parity of more than 10% .
Inequality-adjusted Human Development Index (IHDI)	<ul style="list-style-type: none"> IHDI contains two related measures of inequality—the IHDI and the overall loss in HDI due to inequality. 	<ul style="list-style-type: none"> India’s rank declined by 6 places to 140th in IDHI.
Planetary pressures-adjusted Human Development Index	<ul style="list-style-type: none"> It adjusts the HDI for planetary pressures in the Anthropocene to reflect a concern for intergenerational inequality. 	<ul style="list-style-type: none"> With 3% difference from HDI value, India ranks at 127th.

5.3. GLOBAL MULTIDIMENSIONAL POVERTY INDEX (MPI)

Why in the news?

Global Multidimensional Poverty Index (MPI) report, 2024 published jointly by the **United Nations Development Programme (UNDP)** and **Oxford Poverty and Human Development Initiative (OPHI)**.

Key finding of the report

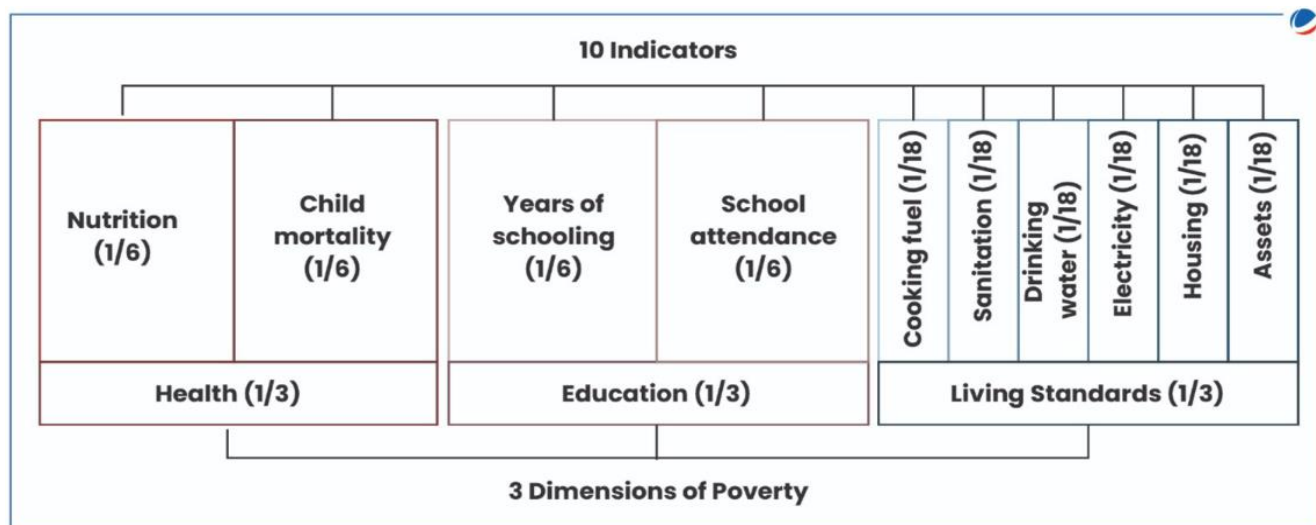
- Across **112 countries, 1.1 billion people (~18%)** live in acute multidimensional poverty.
- With **234 million, India** was the country with the **largest number of people in extreme poverty.**

Polycrisis

- According to World Bank’s **‘Poverty, Prosperity, and Planet: Pathways out of the Polycrisis’** report, **Global Poverty Reduction & Global Prosperity Gap** have stalled during past 5-years impacted by **‘polycrisis’**.
 - Polycrisis** refers to a situation where the **multiple crises of slow economic growth, increased fragility, climate risks, and heightened uncertainty** have come together at the same time.
 - Prosperity Gap** is the average factor by which incomes need to be multiplied to bring everyone in the world to the **prosperity standard of \$25 per person per day.**

About MPI

- It is a poverty **measure that reflects the multiple deprivations** that poor people face in the areas of **education, health, and living standards** (refer image).
- If a person is deprived of **1/3rd or more of (weighted) indicators**, they are identified as **‘MPI poor’**.
- Genesis:** Launched since 2010.
- MPI advances **Sustainable Development Goal 1**, i.e., ending poverty in all its forms everywhere.



India's National MPI (NMPI)

- **About:** It was introduced in 2021 by **NITI Aayog**. It uses **National Family Health Survey (NFHS)** to measure the NMPI.
- **Indicators:** Retained the **10 original indicators of the global MPI model** and has added two indicators, viz., **Maternal Health** and **Bank Account**.
- **NMPI Value:** Calculated by multiplying the headcount ratio (H) and the intensity of poverty (A).
 - **Headcount Ratio** indicates to the share/percentage of population living below the poverty line.
 - **Intensity of poverty (A)** Indicates average proportion of deprivations experienced by multidimensionally poor individuals.

Related News

NITI Aayog released a discussion paper titled **'Multidimensional Poverty in India since 2005-06'**.

Key Findings:

- **Poverty Headcount Ratio** has decreased from 29.17% (2013-14) to 11.28% (2022-23).
- **Poorer states such as** Uttar Pradesh, Bihar, Madhya Pradesh, Odisha etc. **record faster decline** in poverty indicating reduction in disparities.
- **India is on track to achieve SDG Target 1.2** (reducing multi-dimensional poverty by at least half) much ahead of 2030.

5.4. MIDDLE INCOME TRAP

Why in the News?

World Bank released the report titled the **'World Development Report 2024: The Middle Income'** according to which various countries **including India runs the risk of falling into the middle-income trap**.

What is Middle Income Trap?

- **Middle Income Trap:** It refers to a situation wherein **rapidly growing economies stagnates at middle-income levels and fails to graduate into the ranks of high-income countries**.
 - In 2007, the term "middle-income trap" was coined by the **World Bank**.
- **Middle Income Countries (MIC):** World Bank classifies Economies having per capita Gross National Income between US\$ 1,135 to US\$13,846 as MIC.
 - India has a per capita GDP of ~\$2,500.
- **Trend:** During the **last decade**, the prospects of MICs migrating to High Income Countries have **worsened**.

Way Ahead

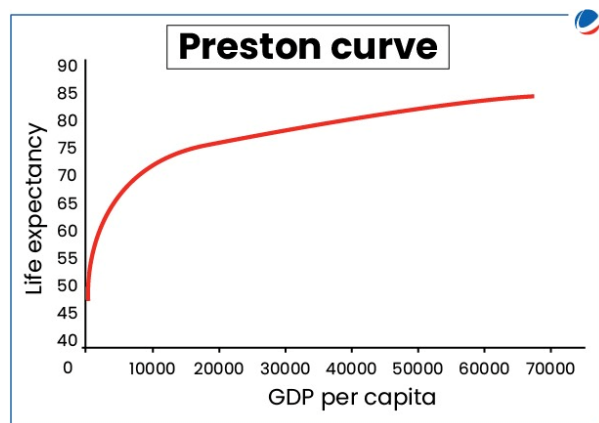
The World Bank report suggests countries aiming for high-income status should follow the **3i strategy: Investment, Infusion** of global technologies, **Innovation**. However, to achieve the shift from **1i to 2i to 3i**, **'Creative Destruction'** would play the crucial role. Creative destruction describes the process by which new innovations replace out dated industries, technologies, or products, leading to economic transformation.

5.4.1. PRESTON CURVE

India's growth story is often analyzed through the prism of Preston Curve.

About Preston Curve

- It was first proposed by **American sociologist Samuel H. Preston in 1975**.
- It highlights that an **increase in per capita income** of a country does **not cause much of a rise in the life expectancy** of its population **beyond a point**.
 - **When a poor country begins to grow**, its per capita income rises and causes increase in life expectancy initially due to nutrition, sanitation and access better healthcare.



- However, it begins to flatten out after a certain point.

5.5. NOBEL PRIZE IN ECONOMIC SCIENCES

Why in the news?

Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2024 Awarded to Daron Acemoglu, Simon Johnson and James A. Robinson for “**studies of how institutions are formed and affect prosperity**”.

Nobel Prize of economics

- **About:** The **Sveriges Riksbank Prize in Economic Sciences** commonly known as **Nobel Prize of economics**.
- **Establishment:** In 1968 by Sveriges Riksbank (Sweden’s central bank).
 - It is **not one of the five Nobel Prizes** established by Alfred Nobel's will in 1895.
- **First recipients:** To Ragnar Frisch and Jan Tinbergen in 1969.
 - **Amartya Sen** was the first Indian to receive Nobel Prize for Economics in 1998 for his contributions to **welfare economics and social choice theory**.
- **Prize consists:** A medal, a personal diploma, and a cash award.

Key Highlights of their research

- They have demonstrated the importance of **societal institutions for a country’s prosperity**.
- **Types of Institutions:**
 - **Extractive Institutions:** Formed in some colonies to **exploit the indigenous population and extract natural resources** to benefit the colonisers.
 - > In such environments, individuals face significant risks of **confiscation, leading to a lack of motivation for long-term investment**.
 - **Inclusive Institutions:** Colonisers built inclusive political and economic systems for the **long-term benefit of European Settlers** in colonies that were sparsely populated and supported more European settlers.
 - > These institutions offered individuals a strong incentive to **work, save and invest in the long run**.

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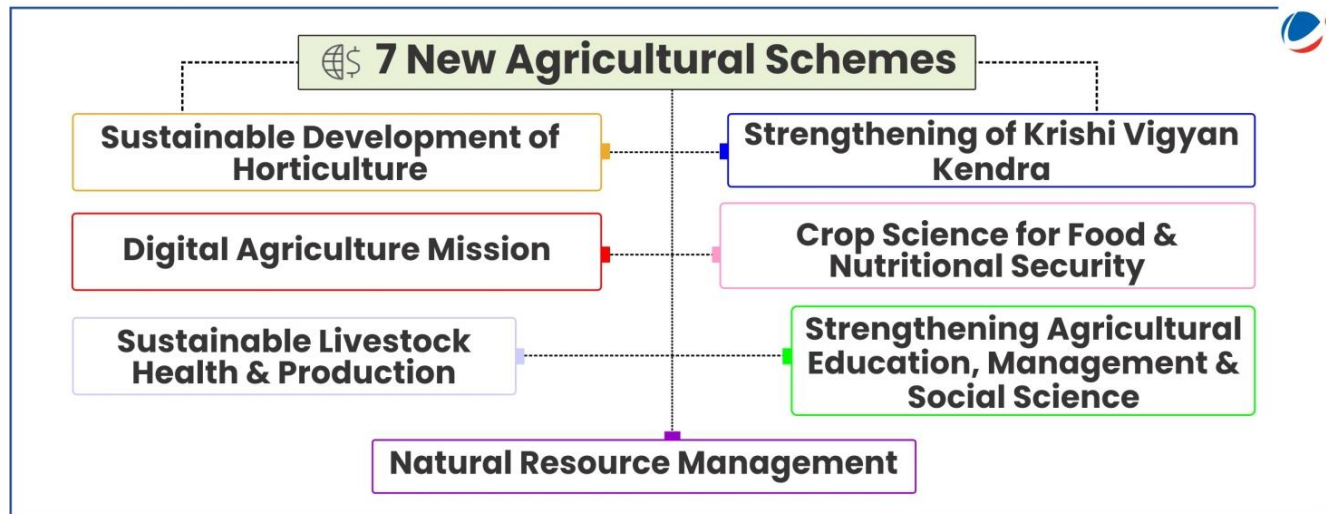
▶ **Live/Online Classes** are available

6. AGRICULTURE & ALLIED SECTOR

6.1. AGRICULTURE SECTOR

Why in the news?

Cabinet approves **seven major schemes** for improving farmers' lives and livelihoods with total outlay of Rs 14,235.30 Crore.



(Note: Kindly read the schemes document for more details about schemes)

About Agriculture & Allied Sector

As per the NSO's 'Statistical report on value of output from agriculture and allied sectors (2011-12 to 2022-23)' -

- **Agriculture and allied sector accounted for 18.2% of the Gross Value Added (GVA)** at current prices in 2022-23.
- **Output trend of sub-sectors (2011-12 to 2022-23): Crop: Declined** from 62.4% to 54.3% while **Forestry Increased & Livestock and fishing increased steadily.**

Issues/Constraints in increasing livelihood of farmers

- **Technological Issues:** Only **47% of agricultural activities are mechanized in India** (lower than **China (60%) and Brazil (75%)**).
- **Issues in R&D:** R&D expenditure is 0.4% of agri GDP, lower than China, Brazil, and Israel.
- **Inadequate irrigation infrastructure:** ~51% rainfed agriculture in net sown area.
- **Cobweb phenomenon:** Limited food processing facilities, inefficient supply chain management, etc. leading to 'cobweb phenomenon,' etc.
 - **Cobweb phenomenon is a phenomenon** where the prices of certain goods witness fluctuations that are cyclical in nature.

6.1.1. HORTICULTURE SECTOR IN INDIA

Why in the news?

Cabinet approved **scheme for Sustainable development of Horticulture** and 'Clean Plant Programme' under the Mission for Integrated Development of Horticulture (MIDH).

About Clean Plant Programme (CPP)

Aim: Promote sustainable and eco-friendly agricultural practices and reduce dependence on imported planting materials.

Implementing agency: National Horticulture Board in association with the Indian Council of Agricultural Research.

3 Core Components:

9 world class state-of-the-art Clean Plant Centers (CPCs)

Certification Framework, supported by a regulatory framework under Seeds Act 1966.

Support for large-scale nurseries for infrastructure development.

Horticulture Sector in India

- Involves cultivation, production, processing, and marketing of fruits, vegetables, flowers, and ornamental plants.
- **India's** gross cropped area under horticulture is 13.1%.
 - **Fruits & vegetables account for 90%** of total horticulture production (355.48 Million Tonnes in 2022-23)
- Contributed to **Agriculture Gross Value Added (GVA) at 33%**.
- **Ranked 2nd** in fruits and vegetable production globally after China and 1st in production of Bananas, Mangoes, & Papayas.
- **Exports:** India is ranked **14th in vegetables and 23rd in fruits**.

Other Initiatives for Horticulture Sector

- **Mission for Integrated Development of Horticulture (MIDH): Centrally Sponsored Scheme** for holistic growth of horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo. Sub-Schemes under MIDH:
 - National Horticulture Mission (2005-06)
 - Horticulture Mission for North East and Himalayan States
 - National Horticulture Board (NHB)
 - Coconut Development Board (CDB) and
 - Central Institute for Horticulture (CIH), Nagaland.
- **Coordinated Programme on Horticulture Assessment and Management using geoinformatics (CHAMAN):** For better horticulture assessment and development through remote sensing, GIS and field survey.
- **Cluster Development Programme – SURAKSHA:** It allows an instant disbursal of **subsidies to farmers** in their bank account by utilising the e-RUPI voucher.
 - SURAKSHA stands for '**System for Unified Resource Allocation, Knowledge, and Secure Horticulture Assistance**'.
 - CDP is a component of the central sector scheme of National Horticulture Board (NHB).

6.1.2. KRISHI VIGYAN KENDRA

Why in the news?

The Indian Council of Agricultural Research (ICAR) celebrated the Golden jubilee year of establishment of the Krishi Vigyan Kendra (KVK).



About Krishi Vigyan Kendra (KVK)

- KVKs aim at assessment of **location specific technology modules in agriculture and allied enterprises**.
 - KVKs are **only institution at district level** for technological backstopping in agriculture and allied sectors.
 - They are an **integral part of the National Agricultural Research System (NARS)** and functions as **Knowledge and Resource Centre of agricultural technology**.
- **Dr. Mohan Singh Mehta committee** mooted idea of establishment of Farm Science Centre (Krishi Vigyan Kendra).
- **First KVK** was established in 1974 at **Puducherry** under **Tamil Nadu Agricultural University (TNAU), Coimbatore**.
- **Financing:** 100% financed by the Centre.

6.1.3. DIGITAL AGRICULTURE MISSION

Why in the news?

Union Cabinet approved the Digital Agriculture Mission, an umbrella scheme based on Digital Public Infrastructure (DPI) to improve farmers' lives.

Digital Agriculture

- It is the consistent application of **methods of 'Precision agriculture' and 'Smart farming'**, internal and external **farm networking** and use of **web-based data platforms** together with **Big Data** analytics.
- **Examples:** Use of drones to fight locusts in India, Yuktix GreenSense (remote monitoring solution), etc.

Key features of the Mission

- **Built on 2 foundational pillars:**
 - **Agri Stack (Kisan ki Pehchaan):** A farmer-centric DPI to **streamline services and scheme delivery** to farmers with **3 key components**:
 - > **Farmers' Registry:** Issuance of **'Farmer IDs'**, which will act as a trusted digital identity for farmers.
 - > **Geo-referenced village maps:** **Linking** of the Farmer IDs to **farmer-related data such as Land records**.
 - > **Crop Sown Registry:** **Digital Crop Survey**.
 - **Krishi Decision Support System (DSS):** Integrates remote sensing data into a comprehensive geospatial system to provide real-time information on crop conditions, weather patterns, water resources etc.
 - > Developed using RISAT-1A and Visualization of Earth observation Data and Archival System (VEDAS) of the Department of Space.
- **Soil Profile Mapping: Digital General Crop Estimation Survey (DGCES)** will provide **yield estimates**.
- **Key Targets:** Create digital identities for **11 crore farmers over three years** and launch nationwide Digital Crop Survey in 2 years.

6.1.4. LIVESTOCK SECTOR IN INDIA

Why in the news?

Cabinet approved **sustainable livestock health and production** scheme with a total outlay of Rs 1,702 crore.

STATUS OF LIVESTOCK SECTOR IN INDIA

Population

India has world's largest livestock population

Meat Production

Largest producer of buffalo meat & ranks 2nd in goat meat production

Fisheries & Milk

Ranked 1st in inland fisheries & milk production (25% of global milk production)

Economic Contribution

Contributed 30.19% to agricultural GVA & 5.73% to total GVA in 2021-22

Employment

Provides livelihoods to over 70% of rural households

Issues faced by livestock sector in India

- **High economic losses:** Due to animal diseases like Foot and Mouth Disease (FMD), Brucellosis etc.
- **Anti-Microbial Resistance:** India ranks 4th in antibiotics use in animals.
- **Low Productivity:** Average annual productivity of cattle in India is **1777 kg/animal/year** while world average is 2699 kg/animal/year (2019-20).

Initiatives

- **Unified Genomic Chip:** 'Gau Chip' for cattle and the 'Mahish Chip' for buffalo developed by Department of Animal Husbandry and Dairying.
- **Indigenous sex-sorted technology:** It will increase the availability of sex-sorted semen for farmers at a reduced cost for producing only female calves.
- **National Animal Disease Control Program (NADCP):** To control and eradicate FMD and Brucellosis.
- **Rashtriya Gokul Mission:** Aims at development and conservation of indigenous bovine breeds improving their productivity.

Related News

Pandemic Fund Project

- Ministry of Fisheries, Animal Husbandry & Dairying launches Pandemic Fund Project.
- It focuses on "Animal Health Security Strengthening in India for Pandemic Preparedness and Response".
- **About Pandemic Fund Project**
 - It is a **\$25 Million initiative funded by the G20 Pandemic Fund** and was established under **Indonesia's G20 Presidency (2022)**.
 - **Aim:** Enhance **low- and middle-income country's** capacity to respond to animal health threats and pandemic through **financing investments**.
 - **Implementing Entities:** Asian Development Bank (ADB), World Bank, Food and Agriculture Organization (FAO).
 - **Major Interventions under the Project includes:-**
 - > **Upgradation and expansion of animal health laboratories and vaccine manufacturing facilities.**
 - > **Enhancing early warning and surveillance mechanisms** to detect outbreaks and facilitate timely interventions.
 - > **Upgrading Data Management and Analytical systems** to enable better risk assessment.
 - > **Addressing Cross-Cutting Institutional Capacity Gaps at National and Regional Levels** through a disaster management framework for the livestock sector.

6.2. WHITE REVOLUTION 2.0

Why in the news?

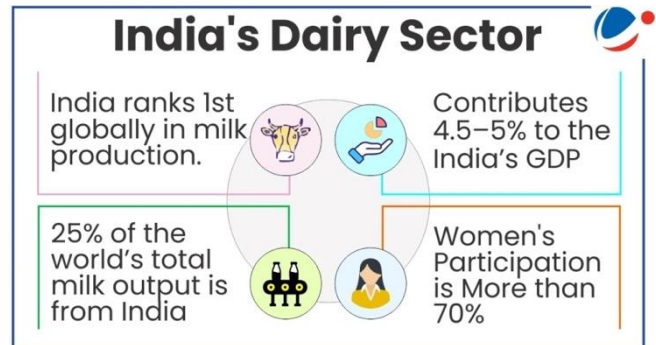
Ministry of Cooperatives released Standard Operating Procedures (SOPs) on 'White Revolution 2.0' during diamond jubilee celebration of National Dairy Development Board (NDDB).

About NDDB

- NDDB was **founded by Dr. Verghese Kurien** (father of white revolution) in **1965**.
- It is declared as an **institution of national importance**.
- It developed and **implemented Operation Flood program** (1970 to 1996), which **led to White Revolution**.

About White Revolution 2.0

- **Key Objectives: Increase milk procurement by 50% from the present level over next five years** by providing market access to dairy farmers in uncovered areas and increasing the share of dairy cooperatives in organised sector.
 - Increasing the milk procurement by Dairy Cooperatives to **1,000 lakh kilograms per day by 2029**.
- **National Programme for Dairy Development (NPDD) 2.0:** Targets of White Revolution 2.0 have been subsumed under the Central Sector Scheme **NPDD 2.0**.
 - Financial assistance under **NPDD** is provided for setting up of **village level milk procurement system, milk chilling facilities for quality milk procurement to strengthen dairy infrastructure**
- **Financial Inclusion:** Announcement of nationwide expansion of the '**Cooperation among Cooperatives Initiative**', which has been successfully piloted in Gujarat.
 - The programme will provide **interest-free cash credit** to dairy farmers through **RuPay-Kisan Credit Cards** and **distribute micro-ATMs to dairy cooperative societies**, bringing banking services to farmers' doorsteps.



About White Revolution

- "White Revolution" in India refers to the successful implementation of **Operation Flood**, a dairy development program launched in 1970 to make India **self-dependent in milk production**.
- Spearheaded by **India's National Dairy Development Board (NDDB)**, it is the **most extensive dairy development initiative globally**.
- The movement was led by **Dr. Verghese Kurien**, father of India's White Revolution.
 - Every year, **on November 26th**, India observes **National Milk Day** in commemoration of the birth anniversary of Dr. Verghese Kurien.
- **Operation Flood was implemented in three phases.**

Initiatives taken to strengthen Dairy Sector

- **Rashtriya Gokul Mission:** It is being implemented for development and conservation of **indigenous bovine breeds**.
- **National Programme for Dairy Development:** It aims to **enhance quality of milk and milk products** and increase share of **organized milk procurement by strengthening of infrastructure**.
- **Livestock Health & Disease Control Programme (LHDCP):** To improve the animal health sector by way of implementation of prophylactic vaccination programmes.
- **Animal Husbandry Infrastructure Development Fund:** It incentivizes investments by entrepreneurs, private companies etc. to establish dairy processing and value addition infrastructure.
- **Kisan Credit Cards (KCC):** Available to livestock and dairy farmers for enabling easy and increased access of institutionalized credit facility.

6.3. AGRICULTURE INFRASTRUCTURE FUND

Why in the news?

Union Cabinet approved **progressive expansion in Central Sector Scheme** of financing facility under 'Agriculture Infrastructure Fund (AIF)' to make it more **attractive, impactful, and inclusive**.

About Agriculture Infrastructure Fund (AIF)

- It is a **medium - long term debt financing facility** for investment in viable projects for **post-harvest management infrastructure** and **community farming assets** through **interest subvention and credit guarantee support**.
- ₹ 1 Lakh Crore** will be provided by banks and financial institutions as loans with **interest subvention of 3% per annum** and credit guarantee coverage under CGTMSE for loans up to ₹ 2 Crores.

Key highlights of the recent expansion of AIF

- Viable Farming Assets:** To allow all eligible beneficiaries of scheme for creation of infrastructure covered under 'viable projects for building community farming assets'.
- Integrated Processing projects:** To include integrated primary and secondary processing projects in list of eligible activities under AIF.
- PM KUSUM Component-A:** To allow convergence of Component-A of PM-KUSUM with AIF for farmer/group of farmers/ Farmer Producer Organizations/ Cooperatives/ Panchayats.
- In addition to **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**, now **NAB Sanrakshan (wholly owned subsidiary of NABARD)** has also been proposed to **extend AIF credit guarantee coverage of FPOs**.

6.4. AGRI-TECH

Why in the News?

"Agritech: Shaping Agriculture in Emerging Economies, Today and Tomorrow" Report has been released by World Economic Forum (WEF).

More on the news

- It is an outcome of WEF's **AI for Agriculture Innovation (AI4AI)** initiative, which aims to **scale agritech (agricultural technology) services** through public-private partnerships.
- It elaborates on the **role of agritech in shaping the agriculture ecosystem** across **four broad categories: intelligent crop planning, smart farming, farmgate-to-fork, and data as an enabler**.

Applications of Technology in Agriculture



Remote Sensing and Imagery: Early detection of pests and diseases, Land Use Mapping etc.



Global Positioning System (GPS): Precision farming i.e. applying resources like seeds, fertilizers, etc., with high accuracy.



Weather Forecasting and Climate Modelling: Early Warning Systems, Monitoring Impact of Climate Change etc.



IoT enabled warehousing, smart logistics: Connect farmers to markets and reduce crop loss during storage and transit.



AI and Augmented Reality (AR) for crop planning, hyperlocal weather predictions, yield prediction etc.

India's Initiative for Agritech adoption

- **Forecasting Agricultural Output using Space, Agro-meteorology and Land based Observations (FASAL) Project:** Started in 2005 to provide early forecasts of crop output.
- **KISAN (C[K]rop Insurance using Space technology And geoiNformatics)** for improvement in yield estimation.
- **Agricultural Data Exchange (ADeX):** India's first data exchange platform for farmer services.
 - It holds **three primary datasets:** farmer identity; geotagged farm location; and crops-sown data.
- **Krishi Integrated Command and Control Centre (ICCC):** A **tech-driven solution under MoA&FW** for **informed decision-making in agriculture using technologies** like artificial intelligence, remote sensing, and Geographic Information Systems.

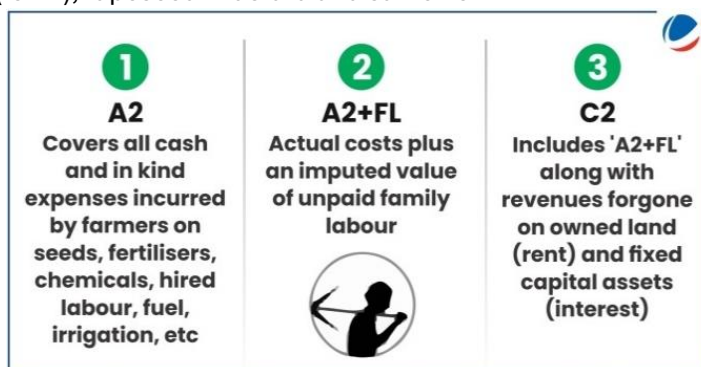
6.5. MINIMUM SUPPORT PRICE (MSP)

Why in the news?

Recently Government has increased MSP for wheat and five other rabi crops.

About MSP

- MSP is the **minimum rate** at which **farmers sell their crops to the government**. It is aimed at preventing farmers from distress selling.
- **MSP covers 22 crops:**
 - **14 Kharif Crops:** Paddy, jowar, bajra, maize, ragi, arhar, Moong, Urad, groundnut, soyabean, sunflower, sesamum, niger seed, cotton.
 - **6 Rabi Crops:** Wheat, barley, gram, masur (lentil), rapeseed/mustard and safflower.
 - **2 Commercial Crops:** Jute and copra.
 - In addition, **MSP for Toria and de-husked coconut** is also fixed based on MSPs of rapeseed & mustard, and copra, respectively.
- **Commission for Agricultural Costs and Prices** recommends MSP and **Cabinet Committee on Economic Affairs** chaired by Prime Minister takes final decision.
 - Announced at the **beginning of the sowing season**.
 - **CACP** considers three types of production costs while calculating MSP (see infographic).
- **Food Corporation of India** is the nodal Central procuring agency for wheat and paddy.



6.6. INDIA'S AGRICULTURE EXPORT POLICY

Why in the news?

Agricultural exports in India registered **8% decline this year (2023 – 24)** and fell short of the ambitious target of \$ 60 billion by 2022 (set by India's Agricultural Export Policy, 2018).

Key Data of Agricultural Exports

- **Agricultural Exports and import registered a decline in 2023-24.**
 - **Rice constitutes 21% of total exports** followed by Marine products (15%), spices (9%) etc.
 - **Vegetable oil constitutes 45% of imports**, followed by pulses (11%), fruits & vegetables (8%) etc.
- The share of India's agricultural exports and imports in world agriculture trade in 2022 were **2.4% and 1.9%**, respectively (**WTO's Trade Statistical Review, 2023**)
 - India was **ranked 9th in ranking of the global Agri exporters**.

Agriculture Export Policy (AEP) 2018



Objective: To **Increase Farmer income** through value addition and minimize losses across value chain.



Key Targets/Aims:

- **Double agricultural exports** to over US\$ 60 billion by 2022.
- **Diversify export basket** and boost high value-added agricultural exports.
- **Double India's share in world agri exports** by integrating with global supply chain.
- **Promote novel, indigenous, organic, ethnic, and traditional** agricultural exports.

Steps taken for promoting Agricultural Exports

- **Trade Infrastructure for Export Scheme (TIES):** Assistance for **setting up and upgradation of infrastructure projects** with overwhelming export linkages like border haats, land custom stations, cold chains, trade promotion centres etc.
- **Market Access Initiative (MAI) Scheme:** Export Promotion Scheme formulated on **focus product-focus country approach** to evolve specific market and specific product through market studies/survey.
- **Transport and Marketing Assistance (TMA) Scheme:** Aims to provide assistance for the international component of freight and marketing of agricultural produce.

About APEDA

- Established under the **Agricultural and Processed Food Products Export Development Authority Act, 1985**.
- Promotes exports and takes care of **GI registration for Indian products abroad**, filing the certification of trademark applications.
- Serves as the Secretariat to the **National Accreditation Board**, overseeing the accreditation of Certification Bodies for **organic exports under the National Programme for Organic Production**.

6.7. WORLD'S LARGEST GRAIN STORAGE PLAN IN COOPERATIVE SECTOR

Why in the news?

The Prime Minister inaugurated pilot project of '**World's Largest Grain Storage Plan in Cooperative Sector**' for 11 Primary Agricultural Credit Societies (PACS) across 11 States.

About World's Largest Grain Storage Plan in Cooperative Sector

- **Ministry:** Ministry of Cooperation (MoC).
- **Purpose:** To establish **decentralized storage facilities at PACS level**, alongside other **agricultural infrastructure**, like, warehouses, custom hiring centers, processing units etc.
- **Benefits to PACS:** PACS can avail **subsidies and interest subvention** benefits for construction of godowns/storage facilities and setting up of other agri infrastructure.
- **Convergence of various schemes** (refer to infographics).

Other initiatives for augmentation of grain storage capacity

- **Warehousing (Development and Regulation) Act, 2007** and establishment of WDRA.
- **WDRA's e-NWRs (Electronic Negotiable Warehouse Receipts).**
- **Private Entrepreneur Guarantee (PEG) scheme** for Private Participation.
- **National Policy on Handling, Storage and Transportation of Foodgrains, 2000.**

- **Grameen Bhandaran Yojana** and **PM Kisan Sampada Yojana**.
- **Anna Darpan System** aiming to modernize FCI's existing supply chain management system, known as 'Depot Online System'.

About FCI

- **Public Sector Undertaking** under the **Ministry of Consumer Affairs, Food, and Public Distribution**.
- Established in 1965 **under the Food Corporation Act 1964** to address grain shortages, especially in wheat.
- **States can purchase rice from Food Corporation of India (FCI)** under the OMSS Domestic without participating in the e-auction from August 1, 2024.
- **OMSS – Domestic**
 - It refers to offering of food grains (wheat & rice) in the open market at prices, **fixed by the Ministry of Consumer Affairs, Food & Public Distribution** through e-auction.
 - It aims to **control the price in the market** with the aim to curb inflation.

Schemes Identified for Convergence

	Ministry of Agriculture and Farmer Welfare
<ul style="list-style-type: none"> » Agriculture Infrastructure Fund (AIF) » Agricultural Marketing Infrastructure Scheme (AMI) » Mission for Integrated Development of Horticulture (MIDH) » Sub Mission on Agricultural Mechanization (SMAM) 	
	Ministry of Food Processing Industries
<ul style="list-style-type: none"> » Pradhan Mantri Formalization of Micro Food Processing » Enterprises Scheme (PMFME) » Pradhan Mantri Kisan Sampada Yojana (PMKSY) 	
	Ministry of Consumer Affairs, food, and public Distribution
<ul style="list-style-type: none"> » Allocation of food grains under the » National Food Security Act, 2013 » Procurement operations at Minimum Support Price 	

6.8. NATIONAL MISSION ON EDIBLE OILS – OILSEEDS (NMEO-OILSEEDS)

Why in news?

The Union cabinet approved **National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds)** for, from **2024-25 to 2030-31**.

Edible Oil Sector in India

<p>Production</p> <p>India account for 15-20 % of global oilseed area; 6-7% of vegetable oil production; 9-10% of total production.</p>	<p>Global status</p> <p>India is 4th largest player in the global edible vegetable oil sector behind USA, China, and Brazil.</p>	<p>Trade</p> <p>India is largest importer of vegetable oil followed by china and USA. Palm Oil account for 59% followed by soybean (23%) & sunflower (16%).</p>
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About National Mission on Edible Oils – Oilseeds

- **Targets for 2030-31:**
 - **Increase primary oilseed production to 69.7 million tonnes** (from 39 million tonnes in 2022-23).
 - Increase domestic edible oil production to **25.45 million tonnes** and meet around **72% of our projected domestic requirement** together with NMEO-OP (Oil Palm).
 - **Expand oilseed cultivation by an additional 40 lakh hectares** by targeting rice & potato fallow lands.
- **Focus:**
 - **Increasing the production of key primary oilseed crops** such as Rapeseed-Mustard, Groundnut, Soybean, Sunflower, and Sesamum
 - **Enhancing extraction efficiency from secondary sources** like Cottonseed, Rice Bran, and Tree Borne Oils.

- **Key features of the Scheme:**
 - **'Seed Authentication, Traceability & Holistic Inventory' (SATHI) Portal:** For an Online 5-year rolling seed plan for timely availability of seeds.
 - > It will enable **states to establish advance tie-ups with seed-producing agencies**, including cooperatives, Farmer Producer Organizations (FPOs) etc.
 - **Development of 600 Value Chain Clusters:** Farmers in these clusters will have access to **high-quality seeds, training on Good Agricultural Practices (GAP), and advisory services on weather and pest management.**

Challenges in attaining self-sufficiency in Edible Oil in India

- **Lower yield per hectare:** Oilseeds are the **second-largest crop category in India after food grains** however yield is low.
- **Cultivation challenges:** Nearly 72% of oilseed cultivation is rainfed.
- **Crop-specific concentrations:** Production of specific oilseeds is concentrated in certain states,
 - E.g. Gujarat, Rajasthan, Tamil Nadu, Andhra Pradesh, and Karnataka collectively contribute 83.4% of the country's total groundnut production.

Steps taken for self-sufficiency

- **National Food Security Mission - Oilseeds & Oil Palm (NFSM-OS&OP):** Launched in 2018-19, it focuses on Seed components (breeding, distribution), Production inputs & Technology transfer.
- **National Mission on Edible Oils - Oil Palm (NMEO-OP):** Launched in 2021-22, aims to expand oil palm cultivation from 3.70 to **10.00 lakh hectares by 2025-26**, focusing on North Eastern States and Andaman & Nicobar Islands.
- **Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA):** Ensures that oilseed farmers receive MSP through price support scheme and price deficiency payment scheme.
- **Yellow Revolution:** It was a **movement started in 1986-1987 to boost the production of edible oil**, particularly from mustard and sesame seeds.

6.9. MILLET

Why in the news?

RBI's Annual Report Report highlighted that while **India accounts for nearly 80% of Asia's and 20% of global millet production**, the acreage and production of millets have stagnated over the years.

Millet (Shree Anna)

<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>About: Millets is a Kharif Crop. They are small cereal grains that belong to Poaceae family (grass family).</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>India's Millet Productivity: Except sorghum lower than China, Ethiopia, and Russia in 2022.</p> </div> <div style="border: 1px solid black; padding: 5px;"> <p>Export: India is among the top 5 exporters of millets in the world.</p> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Classification: Major millets (sorghum, pearl-millet, etc.) and minor millets (foxtail, kodo, etc.).</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Production: India is the largest producer of millet, followed by Niger and China.</p> </div> <div style="border: 1px solid black; padding: 5px;"> <p>Major millets producing states: Rajasthan, Karnataka, Maharashtra, Uttar Pradesh, Haryana, etc.</p> </div>
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Reasons for Stagnant Millet Production

- **Yield gap caused by labor shortages and insufficient fertilizer.**
- **Shift in consumer preferences and MSP-backed procurement schemes for fine cereals.**
- **Relatively shorter shelf life of crops** posing storage issues.



Benefits of Millets

- **Health: Good source of minerals** like iron, zinc, and calcium; **Low Glycemic Index** (good to prevent diabetes); **Gluten-free** (beneficial for celiac disease patients).
 - **Help to combat anaemia, cardiovascular disease and lower cholesterol level.**
- **Economic Security: Sustainable source of income** for farmers; **Low investment** needed for production; Highly adaptive to a **wide range of ecological conditions.**
- **Environment: Helps to reduce carbon footprint, less water intensive, drought resistant and sustainable; Requires less fertilisers and pesticide** for growth.

Initiatives taken to promote Millet

- **National and International year of millets** observed in 2018 and 2023 respectively.
- **National Food Security Mission** to increase production and productivity of millets in India.
- **Saksham Anganwadi and Poshan 2.0** mandate supply of millets at least once a week.
- **Production Linked Incentive Scheme for Food Processing Industry for Millet-based products (PLISMBP).**
- **Initiative for Nutritional Security through Intensive Millets Promotion** which aims to demonstrate the improved production and post-harvest technologies in an integrated manner with cluster approach.

6.10. SPICED SCHEME

Why in the news?

The Union Ministry of Commerce and Industry approved SPICED (**Sustainability in spice sector through Progressive, Innovative and Collaborative interventions for Export Development**) Scheme.

Key Features

- **Aim:** To **expand the area under cardamom** and increase productivity of **small and large cardamom**, export promotion, capacity building & skill development of stakeholders, etc.
- **Major components of the scheme:** Improving productivity, post-harvest quality upgradation, market expansion efforts, trade promotion, technology interventions, research and capacity building, and skill development.
- **Implementation:** During remaining term of the 15th Finance Commission (from 2023-24 to 2025-26).

About Cardamom

- Cardamom is commercially cultivated for its dried fruits (capsules).
- **Small Cardamom:**
 - **Native:** Indigenous to the **evergreen forests of Western Ghats of South India.**
 - **Major producers of small cardamom:** Kerala, Karnataka and Tamil Nadu
 - **Favorable conditions for Small Cardamom**
 - > **Thick shady areas with loamy soil** which are usually acidic are ideal.
 - > **Elevation:** 600 to 1500 m.
 - > **Adequate drainage** must be provided.
- **Large Cardamom**
 - **Distribution:** **Sub-Himalayan region** of North Eastern India, Nepal and Bhutan.
 - **Favorable conditions for Large Cardamom:** average **precipitation of 3000-3500 mm spread over about 200 days.**
 - > Temperature ranging from **6-30 degree C.**

Spices Industry of India

- India is the world's **largest producer, consumer and exporter of spices.**
 - **Chilli, cumin, turmeric, ginger and coriander** makeup about 76% of the total production.

- During 2022-23, **the export of spices** stood at US\$ 3.73 billion (major export destination were china, USA, and Bangladesh)
- The **largest spice-producing states** are Madhya Pradesh, Rajasthan, Gujarat, Andhra Pradesh, Telangana, Karnataka, etc.



Spices Board India



Cochin, Kerala.


- Genesis:** Constituted in 1987 under the **Species Board act 1986**.
- Ministry:** Ministry of Commerce and Industry.
- Role:** Autonomous body responsible for the **export promotion of the 52 scheduled species** and development of Cardamom.
- Codex Alimentarius Committee:** India hosts and **chairs Codex Committee on Spices and Culinary herbs (CCSCH)** set up under Codex Alimentarius Committee.
 ↔ **SBI serves as its secretariat.**

6.11. PULSES


Why in the News?

India's pulses imports in fiscal 2024 **surged 84% year-on-year to their highest level** (4.65 million metric tons) in six years.


Pulses in India




India' Status: India is the **largest producer, consumer, and importer** of pulses globally.




Major producing States: **Madhya Pradesh (1st), Rajasthan, Maharashtra, Uttar Pradesh, and Karnataka.**




Major Pulses: Chickpeas (Gram), Pigeon pea (Tur/Arhar), Mungbeans, Urdbeans (Blackgram), Lentil, Peas and various kinds of Beans (Minor Pulses).



Production: **Gram** contributes around **40% of total pulse production** followed by **Tur/ Arhar (15-20%)**



India Imports: Mainly from **Australia, Canada, Russia, Turkey, Tanzania, Sudan, Mozambique, Malawi and Myanmar.**



Major Export Destinations: **Bangladesh, China, UAE, U.S.A and Nepal**

Significance of Pulse

- **Nutritional value:** Pulses are **20-25% protein by weight** rich in soluble fibre.
- **Less water intensive:** More than 80% of total pulses are grown in the rainfed region.
- **Sustainable agriculture:** **Nitrogen-fixing properties** of pulses improve soil fertility, climate change mitigation by reducing dependence on synthetic fertilizers.

Key initiatives to promote pulses cultivation

- **National Food Security Mission (NFSM):** To increase production of pulses through area expansion and productivity enhancement.
- **Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM- AASHA):** Oilseeds and Pulses are procured under its Price Support Scheme at **Minimum Support Price**.
- **Crop Diversification Programme (CDP):** A sub-scheme of Rashtriya Krishi Vikas Yojana in original **Green Revolution States** (Haryana, Punjab & Western Uttar Pradesh).

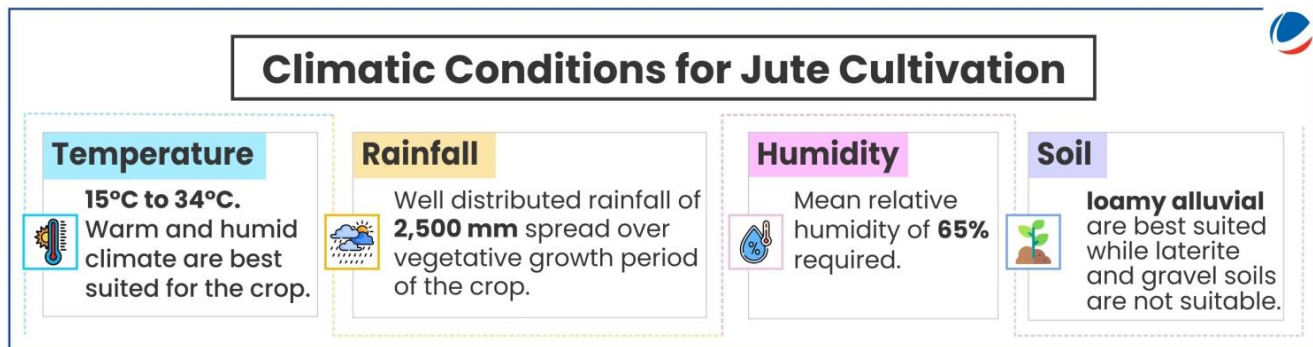
6.12. JUTE

Why in the news?

According to National Jute Board, jute production is expected to drop by 20% in FY 2024-25 due to Natural Calamities.

About Jute

- Jute is a **natural fibre** that is grown majorly in eastern part of the Indian subcontinent including in West Bengal, Bihar, Assam, Orissa, Tripura etc.
- **Retting:** Jute fibre is loosened from the woody core using a microbial process called retting.



About Jute Industry

- **Status:** India is the leading jute goods producing country in the world, accounting for about **70% of estimated world production**.
- It is one of the major industries in the **eastern region**, particularly in **West Bengal** (about 73%).
 - Around 90% of the production is consumed locally.

Initiative Taken

- **National Jute Board (NJB)** has been constituted as per National Jute Board Act, 2008.
 - It is mandated for development of the **cultivation, manufacture and marketing** of jute and **jute products**.
- **National Jute Development Programme:** An Umbrella Scheme for development of Jute Industry.
- **Production Linked Incentive (PLI) of the Jute Diversification Scheme (JDS):** Aims to make JDPs cost competitive globally.
- Establishment of the **Jute Corporation of India (JCI)** in 1971 as a price support agency.
 - It implements **Jute I-CARE (Jute: Improved Cultivation and Advanced Retting Exercise) Project** which aims at mechanization in jute farming and accelerated retting using microbial consortium.
- **Jute Packaging Materials (Compulsory Use in Packaging Commodities) Act, 1987** enacted for the compulsory use of jute packaging material.

6.13. NABARD ALL INDIA RURAL FINANCIAL INCLUSION SURVEY (NAFIS) 2021-22

Why in the news?

NABARD released Second All India Rural Financial Inclusion Survey (NAFIS) 2021-22.

About NAFIS

- NAFIS was **launched in 2016-17** as a **national level survey** that offers **comprehensive overview of rural population** in terms of their **status of livelihoods** and **level of financial inclusion** (including loans, insurance, pension etc.).

- Based on data collected through NAFIS, **NAFINDEX** measures **Financial Inclusion**.
- Second NAFIS provides **key insight into economic and financial indicators of rural development** since 2016-17.



National Bank for Agriculture and Rural Development (NABARD)

Mumbai



About: It is India's **apex development bank** to promote **sustainable and equitable agriculture and rural development**.

Genesis: Established in 1982 under the **NABARD Act 1981** on **recommendation of B. Sivaraman Committee**.

Mandate: Providing and regulating credit and other facilities for promotion and development of agriculture, small scale industries, cottage & village industries, handicrafts and other allied economic activities in rural areas.

Ownership: NABARD is wholly owned by Government of India.

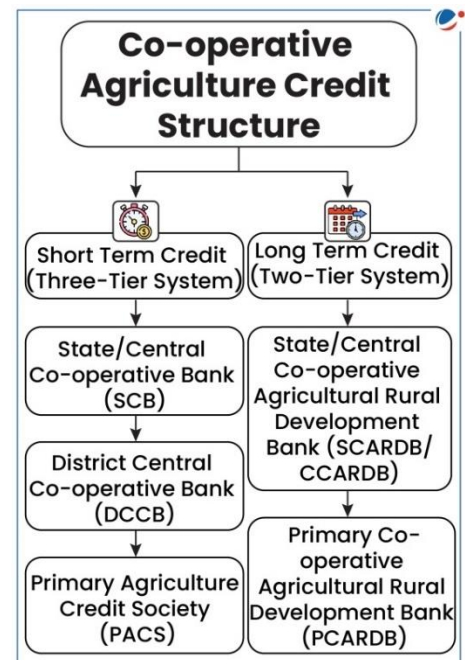
6.14. PRIMARY AGRICULTURE CREDIT SOCIETIES (PACS)

Why in the news?

Various initiatives have been taken for the expansion and modernization of PACS.

About Primary Agriculture Credit Societies (PACS)

- **Definition:** PACS are the **grassroot level arms of short-term co-operative credit structure** (refer to infographics).
- **Regulation:**
 - PACS are registered under **Cooperative Societies Act** and are administered by concerned **State Registrar of Cooperative Societies (RCS)**.
 - > **SCBs/DCCBs** are also registered under provisions of **State Cooperative Societies Act** of State concerned and are regulated by RBI.
 - ✓ One of the most important functions of **DCCBs** is to **provide funds to the PACS**.
 - > However, PACS are **outside purview of Banking Regulation Act, 1949** and are not regulated by RBI.
- **Refinancing:** They are refinanced by **NABARD through DCCBs and SCBs**.
- **Functions:** Gives **short-term credit loans** and also provide other **input services**, like seed, fertilizer, and pesticide distribution to member farmers.
- **Significance:** PACS account for **41 % of the KCC loans**, 95% of which are to small and marginal farmers (2022).



Initiatives for PACS

- **Modernization of PACS:**
 - **Project for computerization in 18,000 PACS across the country.**
 - > Under '**centrally sponsored project for computerisation of PAC**' scheme, government aims to **computerise 63,000 functional PACS**.
 - **National Cooperative Database (NCD)**, inaugurated by Ministry of Cooperation, provides **all information about the cooperative sector**.

- **Other Initiatives:**
 - **Formation of 1,100 additional Farmer Producer Organizations (FPOs)** by PACS.
 - **National Cooperative Development Corporation (NCDC)** provides loans and grants to State Governments for financing primary and secondary level cooperative societies.
 - **Diversifying business portfolio:** Laws enabling PACS to undertake more than 25 business activities including dairy, fishery, floriculture etc.
 - > **PACS to also function** as Pradhan Mantri Kisan Samridhi Kendras, Pradhan Mantri Bhartiya Jan Aushadhi Kendras and Common Service Centers (CSCs).

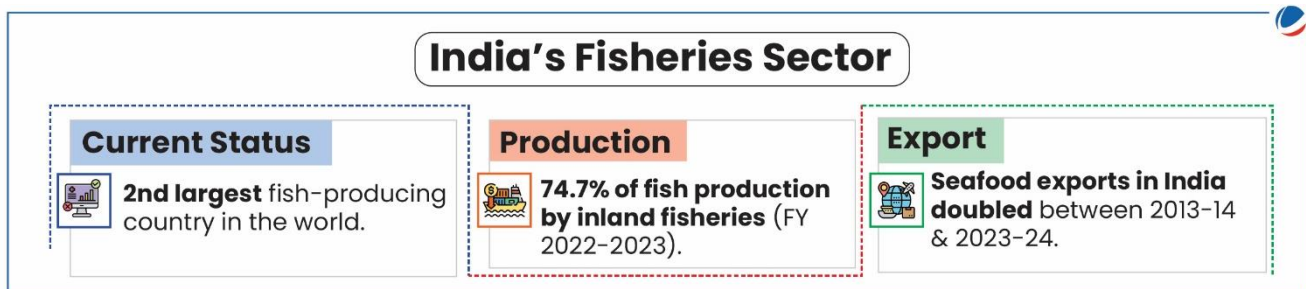
6.15. FISHERIES SECTOR

Why in the news?

Prime Minister inaugurated 218 projects to boost Fisheries Sector.

These Projects include:

- **National rollout of Vessel Communication and Support system (VCS): Indigenous** technology developed by ISRO for establishing **two-way communication** with fishermen, providing for their **emergency rescue and safety**.
- Development of **Integrated Aquaparks** and **adoption of advanced technologies such as the Recirculatory Aquaculture System (RAS) and Biofloc**.
 - **Aquaparks** were introduced under the **PM Matsya Sampada Yojana** to facilitate **various fisheries activities in one place**.
 - **RAS** involves the **use of mechanical and biological filters** where the water in the fish culture tanks is recycled and reused after removing suspended particles and metabolites.
 - **Biofloc** is an **environmentally friendly** aquaculture technique based on in-situ microorganism production.



Schemes/Initiatives:

- **Pradhan Mantri Matsya Sampada Yojana (PMMSY):** Umbrella scheme intending to address critical gaps in fish production and productivity, technology, post-harvest infrastructure, strengthening of value chain etc.
- **Fisheries and Aquaculture Infrastructure Development Fund (FIDF):** Envisages creating fisheries infrastructure facilities both in marine & inland fisheries sectors and augment the fish production.
- **Rangeen Machhli app:** Rangeen Machhli app provides **multilingual information** on popular ornamental fish species in eight Indian languages.
- **National Fisheries Development Program Portal:** Created under **Pradhan Mantri Matsya Kisan Samridhi Sah-Yojana**, a sub-scheme under PMMSY.
- **Establishment of 3 Incubation Centres** in Hyderabad, Mumbai and Kochi for **promoting fisheries start-ups, cooperatives**, etc.
- **Other: Kisan Credit Cards (KCC) facility, Development of five Integrated Aqua parks** in Assam, Chhattisgarh, Madhya Pradesh, Tripura and Nagaland, **Establishment of two World-Class Fish Markets** Arunachal Pradesh and Assam; etc.

6.15.1. SEAWEED FARMING

Why in the news?

NITI Aayog publishes a report titled “Strategy for the development of Seaweed Value Chain”.

Seaweed Farming

- **Seaweeds** are numerous types of **marine plants and macro algae** that thrive in rivers, lakes, and other bodies of water.
- Cultivation of **seaweeds are part of aquacultures**. **Fishing and aquaculture** sector contributes 1.5% of India’s GDP.
- **Significance of Seaweed Farming**
 - **Economic:** Valuable for bioactive compounds **and applications in food, pharmaceuticals etc.**
 - **Environmental:** Important role in **Carbon Sequestration & climate resilience**.

Steps taken by India

- **PM Matsya Sampada Yojana:** Target of 1 million ton seaweed production per year by 2025.
- **Constitution of an expert committee chaired by Dr. V K Saraswat (NITI Aayog)** to review the draft policy on development of seaweed value chain in India.
- **Offshore cultivation** in Andaman region started by **National Institute of Ocean Technology- Atal Centre for Ocean Science and Technology for Islands (NIOT-ACOSTI)**.
- **Development of a GIS-based portal:** To view the mapped seaweed cultivation sites.

6.16. OTHER KEY DEVELOPMENTS

6.16.1. CENTRAL SILK BOARD

Why in the news?

Recently, the platinum jubilee of the Central Silk Board was celebrated.



Central Silk Board (CSB)



About: **Statutory body** established in 1948 by an Act of Parliament.

Ministry: Ministry of Textiles

Mandate:

- ↔ **Advise the government** on all matters concerning sericulture and silk industry.
- ↔ Standardization of various production processes, etc.

International Sericulture Commission : Member **Secretary of CSB** is was elected as the Secretary General of **International Sericulture Commission (ISC)** for the tenure **2025-27**.

- ↔ **The ISC is an UN registered inter-governmental organization** engaged in the **development of sericulture and silk industry in the world**.

About Silk Production in India

- India is **2nd largest silk producer in the world with 42% of global production (2023)**
- Karnataka contributed around 32% of the total silk production, followed by Andhra Pradesh.
- **Silk Produced:** India produced all varieties of Mulberry, Eri, Tasar and Muga.

6.16.2. INDIAN COUNCIL OF AGRICULTURAL RESEARCH (ICAR)-NATIONAL INSTITUTE OF SECONDARY AGRICULTURE (NISA)

Why in the news?

Indian Council of Agricultural Research (ICAR)-National Institute of Secondary Agriculture (NISA) celebrated 100 years of establishment.

About ICAR-NISA

- ICAR-NISA was established in **1924** as **Indian Institute of Natural Resins and Gums**, in Ranchi, Jharkhand.
- It was **renamed** in 2022 as ICAR-NISA and comes under **Ministry of Agriculture and Farmers' Welfare**.

Secondary Agriculture

- Secondary agriculture includes the **value addition of primary agricultural products** as well as other agriculture-related activities like beekeeping, poultry farming, agricultural tourism etc.
 - It refers to all practices/processes that convert **agricultural produce, residues and by-products** into high value commodities for **pharmaceutical, industrial, medicinal and specified food uses**.
- **Examples:** Extraction of vitamins from grains and oil from rice bran, production of jaggery from sugarcane, cottage scale unit for making jams, pickles etc.

Indian Council of Agricultural Research (ICAR)

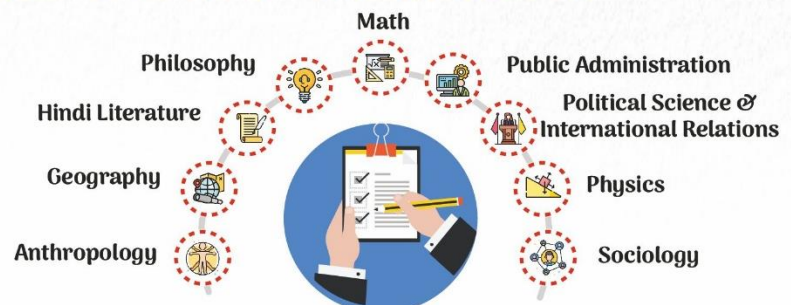
- **About:** Apex body for **co-ordinating, guiding and managing research and education** in agriculture including horticulture, fisheries and animal sciences in the entire country.
- **Genesis:** Formerly known as **Imperial Council of Agricultural Research**, it was **established on 16 July 1929** as a registered society under the Societies Registration Act, 1860.
 - It was recommended by report of **Royal Commission on Agriculture** (1928)
- **Status:** It is an **autonomous organisation** under the **Department of Agricultural Research and Education (DARE)**, Ministry of Agriculture. Its headquarters at New Delhi.

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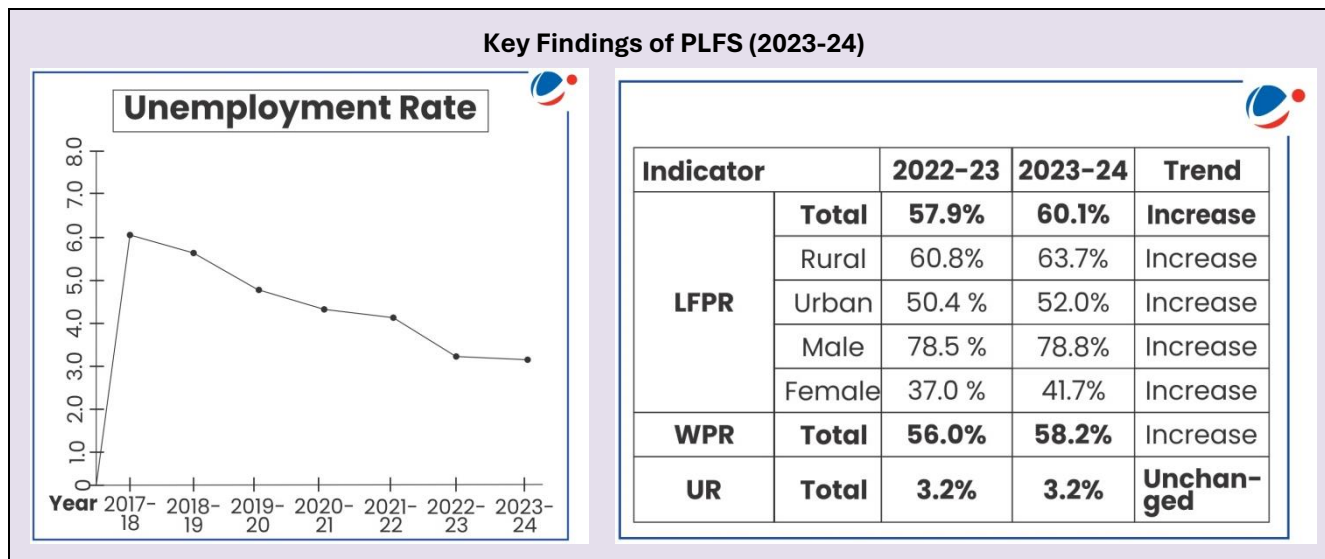
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19 JANUARY**हिन्दी माध्यम**
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7. LABOUR AND EMPLOYMENT

7.1. PERIODIC LABOUR FORCE SURVEY

Why in the news?

According to **Periodic Labor Force Survey (PLFS)**, unemployment rate was **3.1%** for calendar year 2023 (in contrast to global unemployment rate of 5.1%).



Periodic Labour Force Survey (PLFS)

- **About:** PLFS was launched in 2017 to estimate key employment and unemployment indicators.
- **Key Indicators used in PLFS**
 - **Worker Population Ratio (WPR):** Percentage of employed persons in population.
 - **Labour Force Participation Rate (LFPR):** Percentage of persons in labor force (i.e. working or seeking or available for work) in the population.
 - **Unemployment Rate (UR):** Percentage of persons unemployed among persons in labour force.
 - **Activity Status:** It is determined on basis of the activities pursued by person during specified reference period (preceding date of survey).
 - > **Usual Status:** Reference period is 365 days.
 - > **Current Weekly Status (CWS):** Reference period is 7 days.

Related News

- **World Bank Report:** In the “**South Asia Development Update Jobs for Resilience**” report, highlighted **below average employment** ratios for **women** in India.
- **International Labor Organization (ILO) report:** The “**India Employment Report 2024**” revealed that **one out of every three unemployed individuals** was young.

7.2. GIG ECONOMY

Why in the news?

Recently Karnataka government published **draft Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill**.

Gig Workers

A gig worker is a person who performs work or participates in a work arrangement and earns from such activities **outside of traditional employer-employee relationship.**

Platform based

Whose **work is based online** on software apps or digital platforms. E.g., delivery workers of Zomato.

Non-platform based

Casual wage workers in conventional sectors, working part-time or full-time. E.g., domestic workers.

Initiatives for Gig Workers

- **The Code on Wages, 2019:** It provides for universal minimum wage and floor wage across organized and unorganized sectors, including gig workers.
- **Code on Social Security 2020:** It seeks to protect gig workers' rights by giving them social security protections.
 - It also proposed to establish a **Social Security Fund and a National Social Security Board** to supervise and formulate schemes for the well-being of gig and platform workers.
- **E-shram Portal:** Launched by **Ministry of Labour & Employment**, it **aims** to facilitate access of various social security schemes being implemented by different Ministries/ Departments to unorganised workers.
- **PM Suraksha Bima Yojana:** Gig workers are eligible to get benefit of an accidental insurance cover of Rs. 2.0 Lakh for a year.

7.3. LIVING WAGE

Why in the news?

The government sought technical assistance from International Labour Organization (ILO) to create a framework for living wage.

Difference between living wage and minimum wage		
Differential Aspects	Living Wage	Minimum Wage
Definition	The wage level necessary to afford a decent standard of living for workers and their families.	The lowest legal hourly wage that employers must pay their workers.
Aim	To improve workers' quality of life	To protect workers from exploitation.

Issues with the present system

- Presently, India **follows the minimum wage**, which has remained stagnant since 2017. The Minimum Wages Act, 1948 provides guidelines but **does not specify the minimum wage.**
 - **The Code on Wages passed (2019)**, proposed a universal wage floor which shall apply to all states once implemented.

- **Fixing minimum wages in some jobs** falls under both the Minimum Wages Act, 1948, and the Contract Labour (Regulation and Abolition) Act, 1970, leading to potential confusion.
- **Wage payment discrepancies** due to the **lack of enforceability of the national wage floor across states**.


7.4. INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Why in the news?

Insurance Regulatory and Development Authority of India (IRDAI) identified Life Insurance Corporation of India, General Insurance Corporation of India and New India Assurance Company as **D-SIIs**.


About Domestic Systemically Important Insurers (D-SIIs)

- **D-SIIs** refer to **insurers of such size, market importance, & domestic and global inter connectedness**, whose distress or failure would cause a **significant dislocation in the domestic financial system**.
 - D-SIIs are perceived as **'too big or too important to fail'** (TBTF).
 - D-SIIs are **subject to additional regulatory measures**.



भारतीय बीमा विनियामक और विकास प्राधिकरण
Insurance Regulatory and Development
Authority of India

Insurance Regulatory and Development Authority of India (IRDAI)



HQ
Hyderabad

Genesis: Formed based on recommendations of the **Malhotra Committee** as an autonomous body in 1999.
↳ Incorporated as a **statutory body** in 2000 under **IRDAI Act, 1999**.

Objectives: Speedy & orderly growth of the insurance industry, speedy settlement of genuine claims, etc.

Composition: IRDAI is a **10-member body** (chairman, 5 full-time & 4 part-time members) under **Ministry of Finance**.

Role of IRDAI:

- ↳ **Issue, renew, modify, withdraw, suspend/cancel certificates** of registration for insurance companies.
- ↳ **Protect the interests of policyholders**
- ↳ Adjudicate disputes between **insurers and intermediaries or insurance intermediaries**.
- ↳ Promote & regulate **professional organizations connected with the insurance and reinsurance business**.

Significance of IRDAI in transforming the Insurance sector

- **Insurance Growth:**
 - **Insurance penetration** (percentage of insurance premium to GDP) at **4.2%** in **2021-22** compared to **2.71%** in **2001-02**.
 - **Insurance Density** (ratio of insurance premium to population) at **\$91** in **2021-22** compared to **\$11.5** in **2001-02**.
- **'Insurance for All' by 2047:** IRDAI has committed to ensure every citizen has an appropriate life, health and property insurance cover etc by 2047.

8. BUSINESS, INNOVATION AND ENTREPRENEURSHIP

8.1. B READY INDEX

Why in the news?

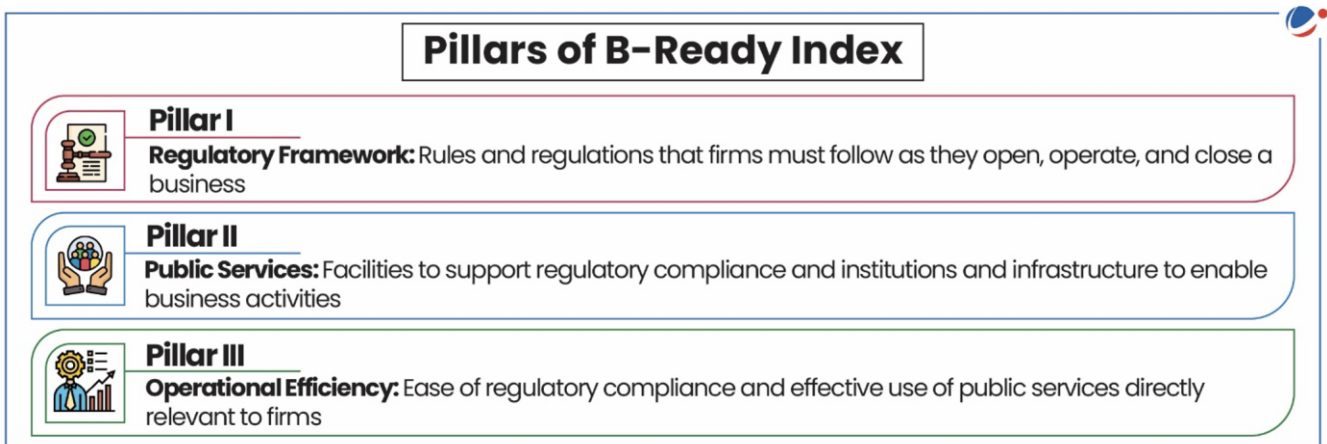
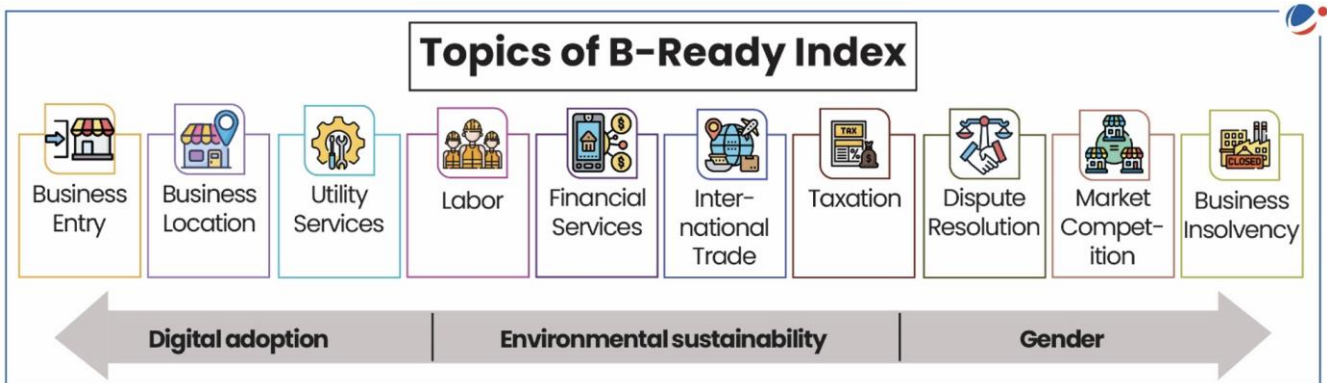
World Bank (WB) launches the first edition of its **Business-Ready (B-Ready) Index**.

More on News

- B-Ready is in a **three-year rollout phase**, spanning 2024 to 2026.
 - The assessment currently **includes 50 economies (excluding India)**.
- It replaces the **World Bank's Ease of Doing Business (EoDB) rankings**, which was discontinued in 2021 due to irregularities in data and ethical concerns.
- **The 2024 Business Reform Action Plan rankings** prepared by the Department for Promotion of Industry and Internal Trade **will include some of the indicators tracked by B-Ready index**.

What is the B Ready Index?

- **About:** It is a new **data collection and analysis project** of the world bank group to **assess the business and investment climate worldwide**, accompanied by an annual **corporate report**.
- **It focuses on three main areas:**
 - **Reform Advocacy:** Encourages policy reforms by sharing benchmarks and fostering dialogue among governments, businesses, and the World Bank.
 - **Policy Guidance:** Offers tailored recommendations for policy changes based on data comparisons to global best practices.
 - **Analysis and Research:** Supplies detailed data to support research on private sector development factors.



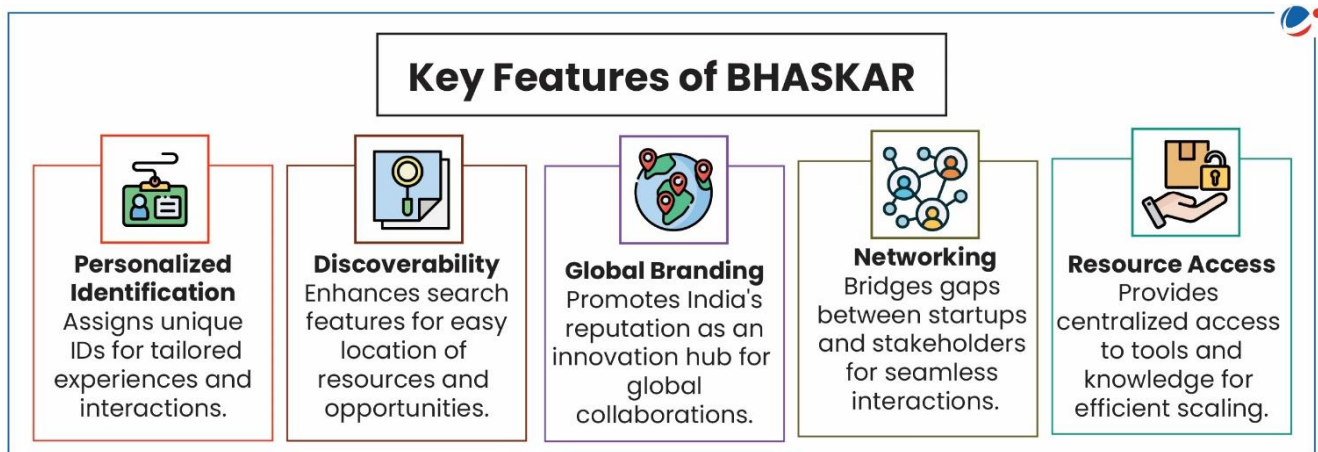
8.2. INDIA'S STARTUP ECOSYSTEM

Why in the news?

Ministry of Commerce and Industry launched **Bharat Startup Knowledge Access Registry (BHASKAR) initiative** for India's Startup Ecosystem.

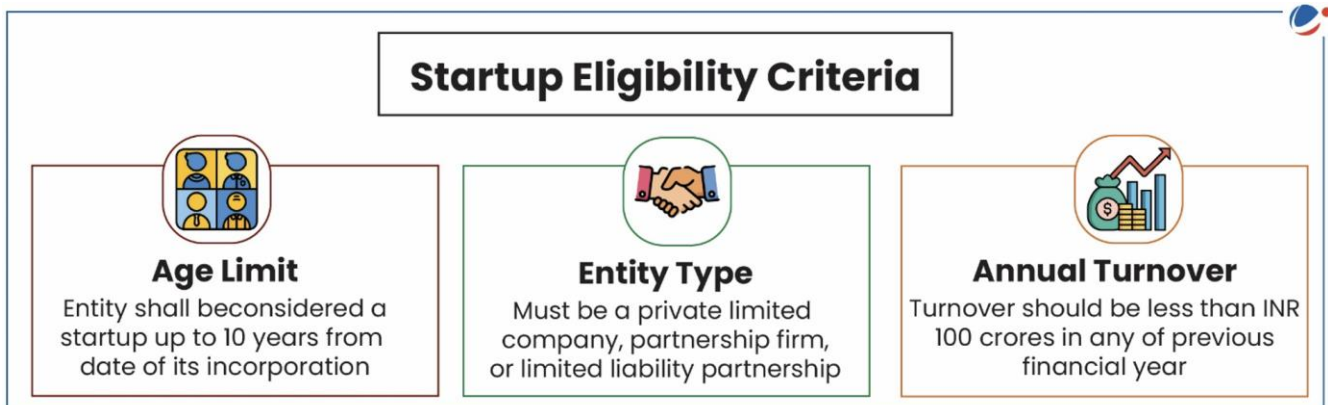
About BHASKAR

- BHASKAR initiative is a **platform designed to centralize, streamline, and enhance collaboration** among key stakeholders within entrepreneurial ecosystem, including startups, investors, etc.
- Its primary goal is to **build world's largest digital registry for stakeholders within startup ecosystem**.
- It is under **Startup India program**, which aims to build a strong ecosystem for nurturing innovation and encouraging investments.



India' Startup Ecosystem

- India has **3rd largest startup ecosystem** after USA and China **in the world** with 67 unicorn startups **as per Global Unicorn Index 2024** (released by research group Hurun) - In 2023.
 - A unicorn startup is a **privately held company, without any listing** on public exchanges, **valued at \$1 billion** or more and **supported with venture capital**.
 - > **Gazelles:** Start-ups most likely to 'go unicorn' within 3 years.
 - > **Cheetahs:** Start-ups most likely to 'go unicorn' within 5 years.
- **Department for Promotion of Industry and Internal Trade (DPIIT)**, under Ministry of Commerce & Industry **recognize business as a startup.** (Refer Infographic)



Key Sources of Funding for Start-ups

- **Venture Capital/Private Equity/Angel Funds:** These invest in early-stage startups.
 - **Alternative Investment Funds (AIFs):** Pool private funds for investment, categorized into:

- > **Category I:** Venture capital funds, Angel Funds, Social Venture Funds, Infrastructure Funds etc.
- > **Category II:** Funds which does not fall in category I and category III and does not undertake leverage like Debt funds.
- > **Category III:** Employ diverse or complex trading strategies and are allowed to employ leverage. E.g., Hedge funds.
- **Venture Capitalists:** Invest pooled institutional funds in startups with proven market traction, validated business models, and scalability, seeking larger ownership stakes.
- **Angel Investors:** Invest personal funds at earlier, riskier stages to support startups' initial growth.

Initiatives taken for Startups

- **MAARG portal (Mentorship, Advisory, Assistance, Resilience and Growth)** of Startup India by DPIIT.
- **Fund of Funds for Startups (FFS) Scheme.**
- **Startup India** by DPIIT which aim to build a strong ecosystem for nurturing innovation and encouraging investments
- **Startup Grants - NIDHI Programme** by Department of Science & Technology.
- **SAMRIDH: Flagship programme of MeitY** for startups acceleration under National Policy on Software Products – 2019.
 - Aims to **support existing and upcoming Accelerators** to select and accelerate potential IT-based startups to scale.
- **Pradhan Mantri Mudra Yojana (PMMY):** Providing loans up to **20 lakh** to non-corporate, non-farm small/micro enterprises through commercial banks, NBFCs, etc.

8.2.1. ANGEL TAX

Why in the News?

In Budget 2024-25, government has announced to abolish the **angel tax for all classes of investors'** to boost the entrepreneurial spirit and support innovation.

What is Angel Tax?

- **Definition:** Refers to the income tax that the government imposes on funding raised by **unlisted companies, or startups**, if their valuation exceeds the company's **fair market value (FMV)**.
- **Objective:** It was introduced in 2012 to curb money laundering and tax evasion.
- **Legal Provision:** It was levied under Section 56 (II) (viib) of the **Income Tax Act, 1961**.
- **Coverage:** Earlier it applied only to local investors but the Budget 2023-24 widened its ambit to include foreign investments (with some exceptions).

Impact

- **Abolition of angel tax is expected to promote Reverse Flipping of start-ups.**
 - **Reverse Flipping** involves Indian companies, initially established overseas, **strategically repatriating** their legal headquarters back to their home country. E.g. PhonePe, Groww etc.

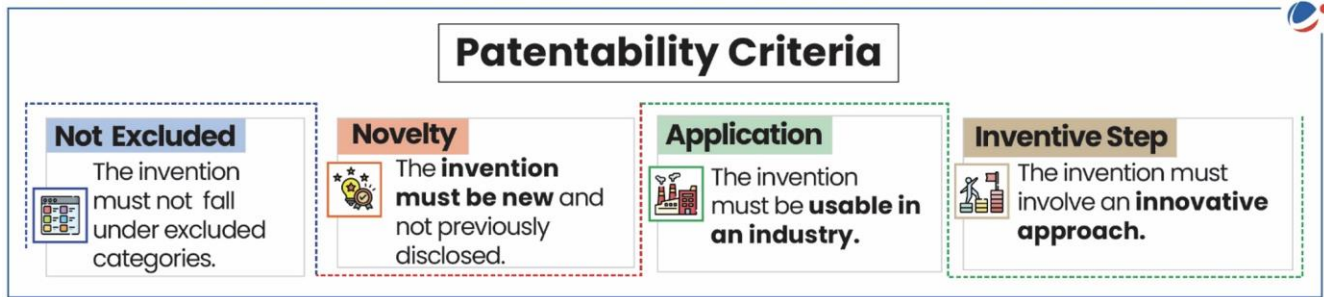
8.3. PATENTS (AMENDMENT) RULES, 2024

Why in the news?

Patents (Amendment) Rules, 2024, amending the Patents Rules, 2003, (under the Patents Act, 1970) have been notified by the Department for Promotion of Industry and Internal Trade.

About Patents and their governance

- **Patent protection** means that the invention cannot be commercially made, used, distributed, imported or sold by others without the patent owner's consent.
- Patents are **territorial rights**, only applicable in the country or region in which patent has been granted.



Regulation of Patents

- **Global: World Intellectual Property Organization (WIPO)** regulates Patent and other IPR and administers related conventions and treaties including Paris Convention, Patent Cooperation Treaty, Budapest Treaty etc.
 - **WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS)**, signed in **1994**, is the most comprehensive multilateral agreement on IP.
- **India:** Regulated by the **Patents Act, 1970**, which complies with the WTO TRIPS Agreement.
 - 2005 Amendment extended product patent protection to areas of **pharmaceuticals** and **agricultural chemicals**.
 - **Patent Period:** 20 years.
 - **Non-patentable items:** Include plants and animals in whole or any part including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals etc.

Key Provisions of the Patents (Amendment) Rules, 2024

- **Certificate of Inventorship:** Introduced to acknowledge the contribution of inventors in the patented invention.
- **Time limit:** Time limit for filing request for examination reduced from 48 months to 31 months.
- **Renewal fee:** Reduced by 10% if paid in advance through electronic mode for at least 4 years.
- **Frequency to file the statements of working of patents:** Reduced from once in a financial year to once in every three financial years.

Issues/Challenges related to Patents in India

- **Patent Evergreening:** In it, companies make slight changes to the formulation to extend the patent period, guaranteeing their monopoly over the drug.
- **Compulsory licensing:** In it, the **government allows** someone else to **produce a patented product** or process without the **consent of the patent owner** or plans using the patent-protected invention itself.
 - **Compulsory licensing** is one of the flexibilities in the **TRIPS Agreement**.

Key Initiatives to facilitate Patent filing in India

- **National Intellectual Property Rights (IPR) Policy in 2016.** It reiterates India's commitment to Doha Development Agenda and TRIPS Agreement and includes:
 - Scheme for Facilitating **Start-Ups Intellectual Property Protection (SIPP)** and **IP Mitra**.
 - **Expedited Examination** and **reduction in filing fees** for certain category of applicants, such as Start-ups, small entities, women inventors.
 - **National Intellectual Property Awareness Mission (NIPAM)** to impart IP awareness and basic training in educational institutes.
 - **Revamped Patent Facilitation Programme** to scout patentable inventions and provide financial, technical and legal support.

Trade Secrets and Economic Espionage

- Law Commission published its 289th Report on Trade Secrets and Economic Espionage.
- **Trade Secrets (TS):** Encompass **confidential business information** which may be sold or licensed.
- **Economic espionage (EE):** Act of deliberate acquisition of confidential information from domestic companies and government entities to benefit a foreign State. It can be **economic, industrial, or commercial**.

Existing Legal Framework on TS and EE



8.4. GLOBAL INNOVATION INDEX 2024 AND SOCIAL ENTREPRENEURSHIP

Why in the news?

Recently, the **Global Innovation Index (GII), 2024** was released by the **World Intellectual Property Organization (WIPO), Cornell University and INSEAD Business School**.

GII 2024: Key Findings

- **Theme:** Unlocking the Promise of Social Entrepreneurship.
- **Criteria for measurement of innovation:** Institutions, human capital and research, infrastructure, credit, investment, linkages; creation, absorption and diffusion of knowledge; and creative outputs.
- **Top ranking:** **Switzerland** followed by **Sweden, the US and Singapore**.
- **India:**
 - India ranked **39th among 133 nations, improving** ranking by one position from **40th in 2023 with a score of 38.3**.
 - India holds the **top** rank in both **lower middle-income economies** as well as the **Central and Southern Asia region** for Knowledge and technology outputs, Creative outputs, Institutions and Business sophistication.
 - Bengaluru, Delhi, Chennai and Mumbai are among the **top 100 S&T clusters**.



World Intellectual Property Organization (WIPO)



Genesis: Established in **1967** through **WIPO Convention**, which **transformed earlier BIPRI** (United International Bureaux for the Protection of Intellectual Property) into WIPO.



Objective: A specialized **UN Agency** acting as a global forum for IP services, policy, information and cooperation.



Membership: **193** member states including **India**



WIPO administered treaties: Berne Convention, Washington Treaty, Paris Convention, Singapore Treaty on the Law of Trademarks, etc.

Related News

International Intellectual Property (IP) Index

- **US Chamber of Commerce** released **12th edition** of its International IP Index.
 - **Top countries** on the index are **USA, UK and France**.
 - **India's position** remained unchanged at **42 out of 55 economies**.
- IP Index is different from the **Global Innovation Index (GII)**, which ranks India at **40th position** out of 132 economies.

8.5. TREATY ON INTELLECTUAL PROPERTY, GENETIC RESOURCES AND ASSOCIATED TRADITIONAL KNOWLEDGE

Why in the news?

The **World Intellectual Property Organization (WIPO)** adopted the **Treaty on Intellectual Property, Genetic Resources and Associated Traditional Knowledge**.

About the treaty

- This is the **first WIPO Treaty** to address the interface between **intellectual property (IP), genetic resources (GRs) and traditional knowledge (TK)**.
- **Implementation:** Adopted by **consensus** among more than 150 countries (including India), it will come into force **3 months after ratified by 15 parties**.
- **Members:** Any **member states** of WIPO may join.
- **Aim:**
 - **Enhance the efficacy, transparency and quality of the patent system.**
 - **Prevent patents from being granted erroneously** for not novel inventions.
- Treaty acknowledged the **United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)** and its commitments.
 - UNDRIP is legally non-binding resolution, adopted by **United Nations General Assembly in 2007**.

Key Provisions of the Treaty



Mandatory Patent Disclosure Requirements: Patent applicants must disclose origin of genetic resources & indigenous community providing the traditional knowledge.



Mandatory legal, administrative, and/or policy Framework at national level.



Establishment of information systems like databases of GRs and associated TK.



Assembly: Made up of one delegate for representation of each Contracting Party.



Other provisions:

- **Financial assistance for facilitating participation of developing countries**
- **Not applicable** on patents filed **prior to entry** into force of this treaty.
- **Administrative tasks** to be performed by **International Bureau of WIPO**.

Measures by Government to Protect India's TK and GRs

- **Traditional Knowledge Digital Library (TKDL):** Digital repository to prevent bio-piracy and wrongful patents.
- **India's Patent Act, 1970:** Adopted the **PDR mechanism** for the disclosure of involved GRs and TK.
- **The Protection of Plant Varieties and Farmer's Rights Act, 2001**
- **Biological Diversity Act, 2002 (aligned to Convention of Biodiversity):** Fair and equitable benefit sharing.
- **Forest Rights Act 2006:** Provides for Community rights over forest resources and traditional practices.
- **Geographical Indications Act 1999:** Guarantees Collective rights over traditional knowledge.
- **UNESCO recognition:** Yoga, etc. recognized as Intangible Cultural Heritage.

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9. INFRASTRUCTURE

9.1. PM GATI SHAKTI NATIONAL MASTER PLAN

Why in the News?

Recently, the **PM GatiShakti National Master Plan**, launched in **2021**, has completed **three years**.

About PM GatiShakti (PMGS)

- **PM GatiShakti: Approach is driven by 7 engines** - Railways, Roads, Ports, Waterways, Airports, Mass Transport, and Logistics Infrastructure.
- **PM GatiShakti National Master Plan (PMGS NMP)**
 - Developed by the **Digital Master Planning tool** by **BISAG-N** (Bhaskaracharya National Institute for Space Applications and Geoinformatics) using **GIS platform**.
 - It's built on **open-source tech**, hosted on **Meghraj** (Government of India's cloud) & Integrates ISRO satellite imagery and Survey of India basemaps.
 - **It provides comprehensive database of the ongoing & future projects of various Ministries.** E.g., Bharatmala, Sagarmala, inland waterways, dry/land ports, and UDAN.

PMGS-NMP: Targets



Expand limit of roadways & touch the 2 lakh-km mark.



Rail cargo capacity to grow to **1,600 tons** within FY25.



Power grid to extend reach via **454,200 circuit km of lines**.



Increase renewable capacity to **225 GW** by FY25.



Complete around **17,000 km of gas pipelines**.

9.2. PUBLIC-PRIVATE PARTNERSHIP (PPP) FRAMEWORK IN INDIA

Why in the news?

Benchmarking Infrastructure Development report released by **World Bank** analysing Public-Private Partnership (PPP) regulatory landscapes across 140 economies.

About PPP Models in India

- **The Private Investment Unit** in the **Department of Economic Affairs** is responsible for policy-level matters concerning PPPs.

PPP Models in India

Hybrid Annuity Model

Combines EPC (40%) & BOT-Annuity (60%), sharing costs between public (40%) & private (60%).

Build Operate Transfer

A model where private entities build & operate before transferring ownership.

Build Own Operate

Private entities build, own, & operate projects with government incentives

BOT-Annuity

Government pays private entities annuities based on project performance.

Operations & Maintenance

Short-term contracts for specific services or asset maintenance

Initiatives

- **Public-Private Partnership Appraisal Committee:** Evaluates central sector PPP projects.
- **National Monetisation Pipeline (NMP):** Seeks to generate investment by monetising existing government assets, targeting ₹6.0 lakh crore over four years (FY22 to FY25).
- **Viability Gap Funding Scheme (VGF):** Provides up to 40% of project costs as a capital grant to enhance project viability.
- **India Infrastructure Project Development Fund (IIPDF):** Aid the development of quality PPP projects by providing necessary funding support to the project sponsoring authorities.
- **Foreign Direct Investment (FDI):** Allows up to 100% FDI in the equity of Special Purpose Vehicles (SPVs) in the PPP sector on an automatic basis for most sectors.

9.3. ASSET MONETIZATION

Why in the news?

National Highway Authority of India (NHAI) raised its highest-ever monetization value of Rs. 15,624.9 Crore through the Infrastructure Investment Trust (InvIT) mode.

About Asset Monetization (AM)

- **Definition:** It is the process of **creating new sources of revenue** for the government and its entities by **unlocking the economic value of unutilised or underutilised public assets** such as property, airports, pipelines, etc.
- **Genesis:** **Vijay Kelkar committee** recommended AM for **first time in 2012**.
 - It was announced in the **Union Budget 2021-22** through the **National Monetisation Pipeline**.
- **Process:** AM involves the **license/lease of a government-owned asset** to a private sector entity for a specific period in exchange for payments.
 - The transfer of rights in exchange for payments is governed **by a concession agreement** that facilitates **balanced risk-sharing** between the **public authority** and the **private party**.

Initiatives taken for Asset Monetization

- **National Monetisation Pipeline (NMP):** Government has identified **13 sectors to monetise** its **brownfield infrastructure assets**.
 - **Top 5 sectors capture ~83% of aggregate pipeline:** Roads (27%), Railways (25%), Power (15%), Oil & Gas pipelines (8%), and Telecom (6%).
- **National Land Monetization Corporation:** A Special Purpose Vehicle (SPV) for undertaking surplus land monetization of Central Public Sector Enterprises (CPSEs) & other Government agencies.

9.4. INDUSTRIAL PARKS

Why in the news?

Union Budget 2024-25 proposes creation of twelve industrial parks, which will be sanctioned under the **National Industrial Corridor Development Programme**.

About Industrial Parks

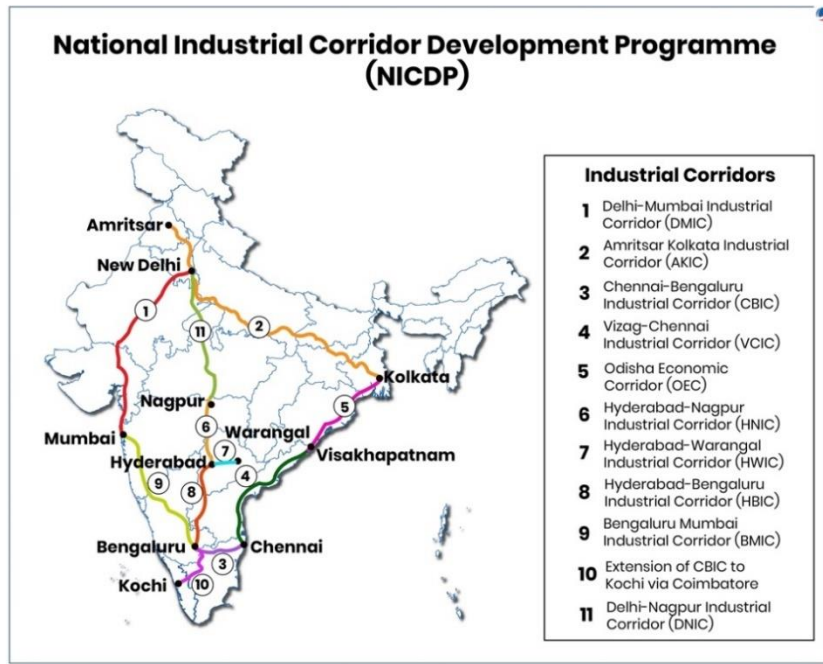
- Industrial parks are **economic zones** that are expressly developed to accommodate a **cluster of industrial activity**. E.g. Andhra Pradesh's Sri City Special Economic Zone.

National Industrial Corridor Development Programme (NICDP)

- **Aim:** Development of **industrial corridor projects** aimed at developing **futuristic industrial cities** which can compete with best manufacturing and investment destinations in the world.
- **Projects:** **11 industrial corridors** are envisaged consisting of **32 projects** to be developed in **4 phases**.
 - Development of **first Industrial Corridor – Delhi Mumbai Industrial Corridor** was approved in 2007.

- **Implementation Framework:** Implemented by National Industrial Corridor Development and Implementation Trust (NICDIT) and National Industrial Corridor Development Corporation Limited (NICDC).

- **Apex Monitoring Authority** with Finance Minister as Chairperson reviews the implementation.



Related News

- The Union Cabinet has recently **approved 12 new Industrial nodes/cities** under National Industrial Corridor Development Programme.
- **About 12 new Industrial nodes/cities**
 - The projects are strategically planned **along six major corridors and across 10 states.**
 - These industrial areas will be located in **Khurpia in Uttarakhand, Rajpura-Patiala in Punjab, Dighi in Maharashtra, Palakkad in Kerala, Agra and Prayagraj in UP, Gaya in Bihar, Zaheerabad in Telangana, Orvakal and Kopparthi in AP and Jodhpur-Pali in Rajasthan.**
 - The new industrial cities will be developed as Greenfield smart cities of global standards, built "**ahead of demand**" on the '**plug-n-play**' and '**walk-to-work**' concepts.

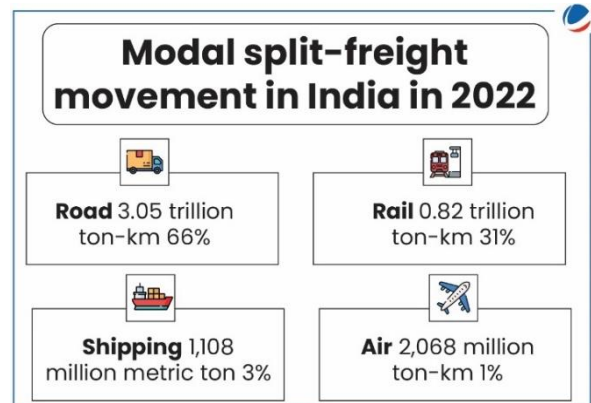
9.5. LOGISTICS SECTOR OF INDIA

Why in the news?

According to Invest India, India to be among top 25 countries by 2030 in Logistics Performance Index (LPI) ranking.

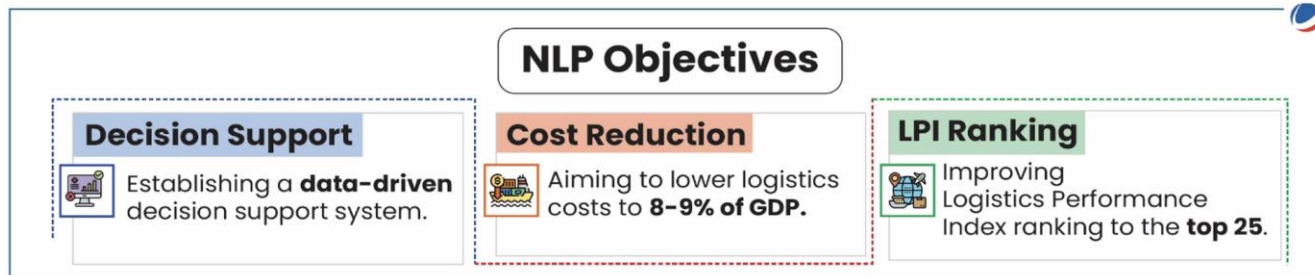
About Logistics Performance Index (LPI)

- LPI is an interactive benchmarking tool developed by the **World Bank Group and is released every two years.**
- **Objective:** It ranks the countries based on the challenges and opportunities faced in their performance in trade logistics.
- **Six Ranking Parameters:**
 - Customs performance
 - Infrastructure quality
 - Ease of arranging shipments
 - Logistics services quality
 - Consignment tracking and tracing
 - Timeliness of shipments
- **Ranking:** In the 2023 edition, **India was ranked 38 out of 139 countries, marking an improvement of six places** from 44 in 2018.



Steps Taken for Improvement of Logistic Sector in India

- **National Logistics Policy (NLP) 2022:** It addresses the **soft infrastructure** and **logistics sector development aspect** including process reforms, digitization, human resource development.
 - **Comprehensive Logistics Action Plan (CLAP)** as part of the NLP covering **eight action areas** including Integrated Digital Logistics Systems, Services Improvement Framework etc.



- **Multimodal Logistics Parks (MMLPs):** Government has planned **35 MMLPs** with an investment outlay of **\$6.2 Billion**.
- **Bharatmala Pariyojana:** About **65,000 km** of National Highways are to be constructed in two phases under the program.
- **Dedicated Freight Corridors (DFC):** To assist National Rail Plan 2030 in increasing share of rail freight traffic from **27% (2019) to 45% (2030)**.
 - DFCCIL is a **special purpose vehicle** of **Indian Railways** to undertake **planning & development, mobilization of financial resources** and **construction, maintenance and operation of the Dedicated Freight Corridors (DFCs)**.
 - It is incorporated in **2006** under **Indian Companies Act 1956**.
- **Logistics Efficiency Enhancement Programme (LEEP)** to improve freight transport efficiency.
- **PM GatiShakti** to improve logistics efficiency.
- **Other: Logistics given infrastructure status, Unified Logistics Interface Platform (ULIP), Logistics Ease Across Different States (LEADS) Index** etc.

Related News

Reciprocal Exchange of Logistics Agreement (RELOS)

- Russia approves the draft Reciprocal Exchange of Logistics Agreement (RELOS) with India.
- **About RELOS**
 - It would enable the militaries of both countries to **access logistics and support facilities at each other's bases and ports**.
 - > It would facilitate the **replenishment of fuel, rations, spare parts and berthing for troops, warships and aircraft** while operating away from home ports and **bases during the war and peacetime missions**.
- Other countries with which India has similar agreements are the **US, Japan, Australia, France, Singapore and South Korea**.

9.6. INDIA'S PORT SECTOR

Why in the news?

Prime Minister Narendra Modi laid the **foundation stone for Vadhvan Port** in Maharashtra's Palghar.

About Vadhvan Port

- Located near **Dahanu town in Palghar district in Maharashtra**, it will be established as the **13th Major port** in the country.
- It will be the **country's largest container port** and one of India's largest deep-water ports.
- The port will be developed based on the **landlord port model**.
 - Under it, **private players take over the operational aspects**, while the port authority acts as a **regulator and landlord**.

India's Port sector

- Indian Maritime Sector contributes to **95% of India's trade by volume and 70% by value.**
- According to **World Bank's Logistics Performance Index**, India ranks **22nd** in the International Shipment category, with a "Turn Around Time" of 0.9 days.
- India has 12 major ports (13th Vadhvan and 14th Galathea) and 200+ non-major ports with the **Ministry of Ports, Shipping & Waterways** controlling major ports.
 - The **oldest major port of India is the Kolkata port**, now renamed as the Shyama Prasad Mukherjee Port. It is **only major riverine port** in India.
 - **Mumbai port** is the **largest natural port and harbor** in India.
 - **Kamarajar port or Ennore port** in Tamil Nadu is the **only corporatized port** registered as a company.



Major Ports	Minor Ports
<ul style="list-style-type: none"> • Major ports are administered directly by central government. • The Major Port Authorities Act, 2021 provides for regulation, operation and planning of major Ports in India. • Major ports are run by respective port authorities on a landlord port model. • Private Sector participation in Major Ports <ul style="list-style-type: none"> ○ Allowed for specific projects through concession agreement. ○ Asset is handed over to Port Authority after concession period expiry. 	<ul style="list-style-type: none"> • Non-major ports fall under the jurisdiction of state governments. • Non-major ports are governed under the Indian Ports Act, 1908. • These ports come under the purview of the respective state governments and regulated by state departments, or the state maritime boards. • The State Maritime Boards/State Government enters into a concession agreement with the private operator to develop and operate the minor port in Public Private Partnership (PPP).

Initiative taken for port sector in India

- **Sagarmala Programme:** Launched in March 2015, it aims to reduce logistics costs for foreign and domestic trade, optimize container movement, and enhance export competitiveness.
- **Maritime Amrit Kaal Vision 2047:** Developed by the Ministry of Ports, Shipping & Waterways, it aims to develop world-class ports, promote inland water transport, coastal shipping, and a sustainable maritime sector.
- **National Logistics Portal (Marine):** An IT platform that enhances efficiency, transparency, and reduces costs and delays by **connecting stakeholders in the logistics sector.**
- **Sagar Manthan:** A digital platform providing **real-time performance monitoring dashboard.**
- **SAGAR-SETU:** A mobile app that enhances the Ease of Doing Business by providing **real-time port operations, monitoring, and access to vessel, cargo, container, finance, and regulatory authority data.**

9.6.1. OTHER KEY DEVELOPMENTS RELATED TO PORT SECTOR

Development	Description
Land Port Authority of India	<ul style="list-style-type: none"> • Recently a new Passenger Terminal Building developed by Land Port Authority of India inaugurated in Petrapole, West Bengal. • About Land Port Authority of India <ul style="list-style-type: none"> ○ LPAI is a statutory body under Department of Border Management, Ministry of Home Affairs.

	<ul style="list-style-type: none"> ○ Objective: It is responsible for functions related to land port operations and administration. > Land Ports are areas on international borders notified as land customs stations or immigration check posts, with facilities for clearance and transport of passengers and goods. ○ LPAI is also responsible for establishing, operating and managing Integrated Check Posts (ICPs). ○ ICP is a single complex that houses all regulatory agencies facilitating trade and commerce while also addressing security concerns.
Mormugao Port Authority	<ul style="list-style-type: none"> ● Mormugao Port Authority has been recognized globally as an incentive provider on the Environmental Ship Index (ESI) platform. ● About Mormugao Port (Goa) <ul style="list-style-type: none"> ○ India's first port to introduce Green Ship Incentives (Harit Shrey scheme) through the ESI. <ul style="list-style-type: none"> > Harit Shrey scheme (2023) incentivises ships with favourable ESI scores; and it aims towards decarbonization and green shipping. ● Environmental Ship Index (ESI) platform. <ul style="list-style-type: none"> ○ ESI is published by the International Association of Ports and Harbors (IAPH) since 2011. ○ It identifies ships that perform better in reducing air emissions than required by the current emission standards of International Maritime Organization (IMO).
Dry Ports	<ul style="list-style-type: none"> ● Recently, Bihar's first dry port was inaugurated in Bihta, near Patna. ● About Dry Ports <ul style="list-style-type: none"> ○ Also known as inland port, it is an inland terminal that is meant to provide connectivity to a sea port by rail or road. ○ It includes Inland Container Depots (ICDs), Container Freight Stations (CFSs), and Air Freight Stations (AFSs), etc. ○ Benefits: Provide a more efficient and cost-effective gateway to international trade for landlocked states/ regions, reduces pressure on coastal ports, etc.
Container Port Performance Index (CPPI)	<ul style="list-style-type: none"> ● World Bank and S&P Global Market Intelligence released CPPI 2023. ● Key findings: <ul style="list-style-type: none"> ○ Nine of Indian ports have found their position among top 100 global ports in CPPI in 2023. ○ Top-ranked container port in the CPPI 2023 is Yangshan Port (China).

9.7. INDIAN RAILWAYS SAFETY

Why in the news?

Recently, several incidents of train derailment/collision in last six months raised concern over railways safety.

Railway Accidents in India

- In the last 5 years, **75% of the railway accidents** involved **derailment.**
- There is a **steep decline in the number of consequential train accidents** (accidents involving serious repercussions, including injuries, loss of life etc.) from 473 in 2000-01 to 48 in 2022-23.

Steps taken for Railway Safety

- **Rashtriya Rail Sanraksha Kosh (RRSK):** Launched in 2017-18, it is a Rs 1 lakh crore 5-year fund for upgrading critical railway safety infrastructure.
- **Faster deployment of Linke Hofmann Busch (LHB) coaches:** LHB coaches are considered far safer than the older Integral Coach Factory (ICF) coaches.
- **KAVACH System:** It is an Indigenous **Automatic Train Protection (ATP) system** or **Train Collision Avoidance System (TCAS)** useful for high speeds as well as foggy weather.



Commission of Railway Safety (CRS)



Lucknow, Uttar Pradesh



Genesis: Earlier, it was Railway Inspectorate. It was re-designated as the Commission of Railway Safety in 1961.



Ministry: Ministry of Civil Aviation



Mandate:

- Deals with matters related to safety of rail travel and operations.
- Has statutory functions - inspectorial, investigatory, and advisory - under Railways Act, 1989.
- Investigates serious train accidents

9.8. NATIONAL BANK FOR FINANCING INFRASTRUCTURE AND DEVELOPMENT (NABFID)

Why in the news?

Central Government, under Companies Act, 2013, notified NaBFID as a **Public Financial Institution (PFI)**.

About Public Financial Institution

- Only institutions established under any **Central or State Act** or whose at least **51% paid up share capital is held by central or state government** can be notified as PFI.

National Bank for Financing Infrastructure and Development (NaBFID)

- Established:** NaBFID was established as an infrastructure focused **Development Financial Institution (DFI)** under the **National Bank for Financing Infrastructure and Development Act, 2021**.
- Objective:** To support the development of **long-term non-recourse infrastructure financing** in India including development of bonds and derivatives markets.
- Regulation:** NaBFID shall be **regulated and supervised by RBI** as an All India Financial Institution (AIFI) under sections 45L and 45N of the RBI Act, 1934, respectively.
- Ownership:** Entire shareholding of the Institution is currently held by the **Government of India**.

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10. SERVICES

10.1. E-COMMERCE

Why in the news?

India's E-commerce market is expected to grow to \$325 billion by 2030 as per the Invest India.

About E-Commerce

- **Current Status of E-commerce:** In 2022, sector was worth \$70 billion and makes about 7% of India's total retail market.
- **Key E-commerce models:**
 - **Inventory Based Model:** In it, Inventory of goods and services is **owned by an e-commerce entity** and is sold to the consumers directly.
 - > In India, **FDI is not permitted** in this model to **protect India's unorganized retail sector** not capable of offering big discounts.
 - **Marketplace Based Model:** In it, an e-commerce entity provides an **information technology platform to connect or act as a facilitator between buyers and sellers**. E.g. Amazon
- **100% FDI under automatic route** is permitted.

Key Initiatives to Promote e-commerce

- **Draft e-Commerce Policy:** Aims to create a facilitative regulatory environment for growth of e-commerce sector.
- **Open Network for Digital Commerce:** It open source e-commerce network that connects shoppers, platforms, and retailers.
- **Others:** Consumer Protection (E-Commerce) Rules, 2020; National Logistics Policy, 2022, India Stack etc.

Related News

- India abolished **2% equalisation levy** affecting non-resident e-commerce companies.
- **About Equalisation levy**
 - Introduced in India in **2016**, it was **initially applied to online advertisements** and related payments for **utilizing digital ad space**, set at 6% rate for non-residents without a permanent establishment in India.
 - In 2020, its scope was extended to cover e-commerce supplies or services to Indian residents by **non-resident e-commerce operators**.
 - > This **levy set at 2%** is applicable on non-resident e-commerce operators having a permanent establishment in India.
 - **Purpose:** To ensure fair competition, reasonableness and exercise the ability of governments to tax businesses.

10.1.1. OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

Why in the news?

ONDC awarded Gold Award under category "Application of Emerging Technologies for Providing Citizen-Centric Services" in National Awards for e-Governance by **Department of Administrative Reforms and Public Grievances**.

About ONDC

- It is a **Section 8 company (non-profit organization)**, under the initiative of the **Department for Promotion of Industry and Internal Trade (DPIIT)**.
- **Aim:** To **increase e-commerce penetration** (democratize digital commerce) **in the country** by enabling population-scale inclusion of all types and sizes of sellers.

- **Founding members:** The Quality Council of India (QCI) and Protean eGov Technologies.
- It is **Network-Centric Model, using open specifications and open network protocols** independent of any specific platform connecting shoppers, platforms and retailers.
 - **Network-Centric Model** focuses on interconnected users or systems working together, often decentralized.
 - **Platform-Centric Model** focuses on creating a platform where users and providers interact. Examples: Amazon, Uber, Facebook.

Related news

Saarathi App

- ONDC in collaboration with **Bhashini** have launched **Saarathi reference app** to make e-commerce inclusive.
 - **Bhashini** (2022) under **National Language Technology Mission** aims to provide technology translation services in 22 scheduled Indian languages.
- **About Saarathi app:**
 - Assists businesses in creating buyer apps with multilingual support like real-time translation, voice recognition.
 - It initially supports Hindi, English, Marathi, Bangla & Tamil, with plans to scale up to all 22 languages.

10.1.2. ANTITRUST LAWS

Why in the news?

Recently, the Competition Commission of India (CCI) found that Amazon and Flipkart violated local antitrust laws by offering exclusive launches, favoring select sellers, and prioritizing certain listings.

Anti-trust framework concerning e-Commerce in India

- **Competition Act, 2002 (amended in 2023):** Aims at **fostering competition, protecting anti-competitive practices, abuse of dominant position, and regulates combinations** (mergers, amalgamations and acquisitions).
- **Consumer Protection (E-Commerce) Rules, 2020:** Places liabilities on e-Commerce entities to maintain a **level playing field, not to promote the sale of any produce, not use deceptive practices** to influence consumer decisions, etc.

Restrictions on operation of e-Commerce entities in India

- **Restrictions on exclusive selling:** No seller can sell its products exclusively on any marketplace platform and that all vendors on the e-Commerce platform should be provided services in a **“fair and non-discriminatory manner”**.
- **Restrictions on purchases by vendors:** Any **vendor who purchases 25% or more** of its inventory from an e-Commerce group company **will be considered to be controlled by that e-commerce company**, and thereby barred from selling on its portal.

About Competition Commission of India (CCI)

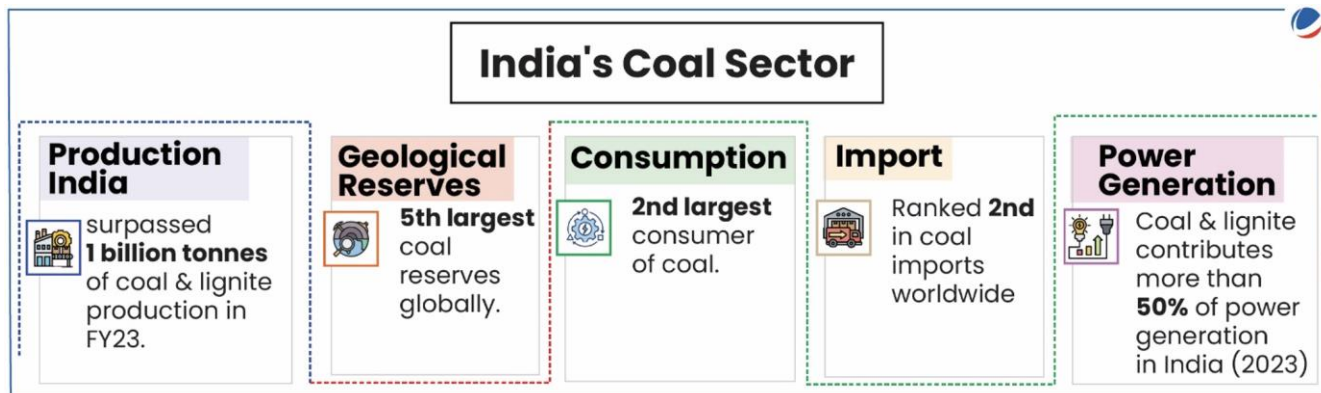
- **Established:** In 2009 under the **Competition Act, 2002**.
- **Composition:** Chairperson and 6 Members appointed by the Central Government.
- **Functions:** Preventing practices having adverse effect on competition; Promoting and sustaining competition in markets; protecting consumers' interest; Ensuring freedom of trade.

11. MINING, ENERGY & INDUSTRY

11.1. COAL SECTOR IN INDIA

Why in the News?

Union Ministry of Coal unveiled an initiative to revolutionize coal mining by engaging **Global Mining Developers cum Operators (MDOs)** for major coal mine projects under Coal India Limited.



Persistent Issues/Challenges in Coal Sector

- **High Import Dependence:** It is mainly because there is **less availability of high gross calorific value (GCV) coal** in India. This type of coal has low ash and sulphur content.
 - Sectors like Iron and steel are major importer of coking coal.
 - > **Coking coal** produced in the country has ash between 28 to 42%. On the other hand, ash percentage in **imported coking coal** is less than 10%.
- **Dominance of Coal India Limited:** **Coal India Limited (CIL)** contributes over 80% of the country's indigenous coal production and supply.

Initiatives in Coal Sector which enhanced production

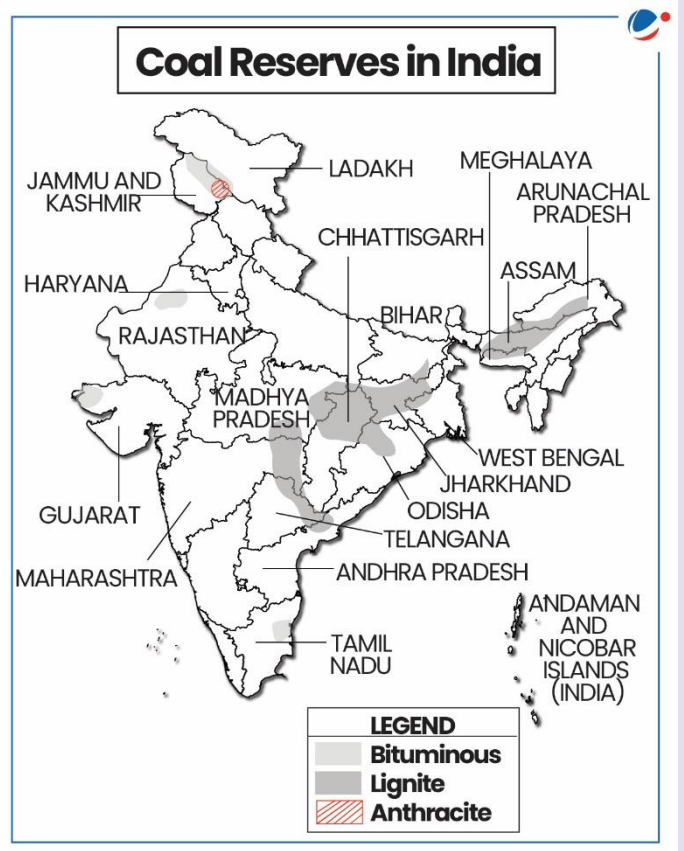
- **Coal Mines (Special Provisions) CMSP Act 2015:** The Act permitted auction of coal mines for commercial mining by private entities.
- **Mines and Minerals (Development and Regulation) Amendment Act, 2021:** It emphasized on enhancing transparency and efficiency in the allocation of mining licenses. Allowed **Composite Prospecting Licence-cum-Mining Lease (PL-cum-ML)** specifically for coal.
 - Composite **PL-cum-ML** is a two stage concession granted for the purpose of undertaking prospecting operations along with mining operations with a single license.
 - Also, it relaxed the end use restriction of coal by the captive mines (self-use mines).
- **100% FDI in coal mining under automatic route.**
- **Revenue Sharing Model (RSM):** Public-Private Partnership (PPP) approach where private entity shares its revenue with government. In contrast, Production Sharing Contracts involve sharing profits.
 - **Hydrocarbon Exploration Licensing Policy (HELP)**, 2016 introduced **Revenue Sharing Model** replacing Production Sharing Contracts.

About Coal

- Coal is a readily combustible, black or brownish-black **sedimentary rock**, predominantly made of **carbon**.
 - The precursor to coal is **peat**. Peat is a soft, organic material consisting of partly decayed plant and mineral matter.

Types of coal found in India

- **Anthracite:** It is the highest grade of coal containing a high percentage of fixed carbon.
 - It is hard, brittle, black and lustrous.
- **Bituminous:** It is a medium grade of coal having high heating capacity. It is the most commonly used type of coal for electricity generation in India.
- **Subbituminous:** It is black in colour, dull (not shiny) and has a higher heating value than lignite.
- **Lignite:** It is the lowest grade coal with the least carbon content.
- The top three states with highest coal reserves in India are **Odisha, Jharkhand, Chhattisgarh**. They account for approximately 69% of the total coal resources.



PT 365 - Economy

11.2. OFFSHORE MINERALS IN INDIA

Why in the news?

Central Government framed **Offshore Areas (Existence of Mineral Resources) Rules, 2024** under Offshore Areas Mineral (Development and Regulation) Act 2002.

About Offshore Minerals in India

- **Offshore Mining:** Process of retrieving mineral deposits from deep seabed, at a depth of more than 200 metres.
- **Extent:** India's **Exclusive Economic Zone (EEZ)** of over two million square kilometers holds significant recoverable offshore mineral resources.
- **Mineral Deposits:** India's offshore mineral reserves include **gold, diamond, copper, nickel, cobalt, copper, manganese, and rare earth elements** etc.
- **Reserves:** Geological Survey of India has delineated resources of following minerals in the offshore areas:
 - **Lime mud** within EEZ off Gujarat & Maharashtra coasts & **Construction grade sand** off Kerala coast.
 - **Heavy mineral placers** in the inner-shelf and mid-shelf off Odisha, Andhra Pradesh, Kerala, Tamil Nadu and Maharashtra.
 - **Phosphorite** in Eastern & Western continental margins.
 - **Polymetallic Ferromanganese (Fe-Mn) nodules and crusts** in Andaman Sea and Lakshadweep Sea.

Offshore Areas (Existence of Mineral Resources) Rules, 2024

- **Applicability:** To **all minerals except** mineral oils, hydrocarbons and **minerals specified in Part B of First Schedule** to Mines & Minerals (Development and Regulation) Act 1957.
- **Definitions:** Rules use the modified version of **United Nations Framework Classification (UNFC)** and **Committee for Mineral Reserves International Reporting Standards (CRIRSCO) Template for Exploration Stages (4 stages) & Feasibility Studies**.

- **Exploration Standards:** Rules mandate **rigorous exploration standards** for accurate assessment and sustainable development of offshore mineral resources.
- **Geological Study:** On completion of exploration operations, geological study report shall be prepared by the licensee to establish probable mineral reserve.
- **Specific Exploration Norms:** For a variety of deposits and minerals, including deep sea minerals, rare earth element (REE) minerals, hydrothermal minerals, nodules etc.

Types of resources that can be mined from the deep sea

- **Polymetallic nodules:** These are small, potato-shaped lumps of minerals found on the seabed, containing high concentrations of metals like manganese and iron.
- **Seafloor massive sulphides:** These are deposits of metal sulphides formed around hydrothermal vents, containing valuable minerals such as copper, gold, silver, and zinc.
- **Cobalt-rich ferromanganese crusts:** These are crust-like deposits that form on seamounts and other underwater mountains.

11.3. STEEL SECTOR

Why in the news?

Recently, the Government set a target of **500 million tonnes of steel production by 2034**.

About the Steel Sector in India

- Steel is an **alloy of iron and carbon** containing less than 2% carbon and 1% manganese and small amounts of silicon, phosphorus, sulphur and oxygen. (with higher carbon content, it is known as **cast iron**)
- Steel production is **highly reliant on coal**, used as **reducing agent** to extract **iron from iron ore** and **provide carbon content** needed in steel.

Steel Sector in India

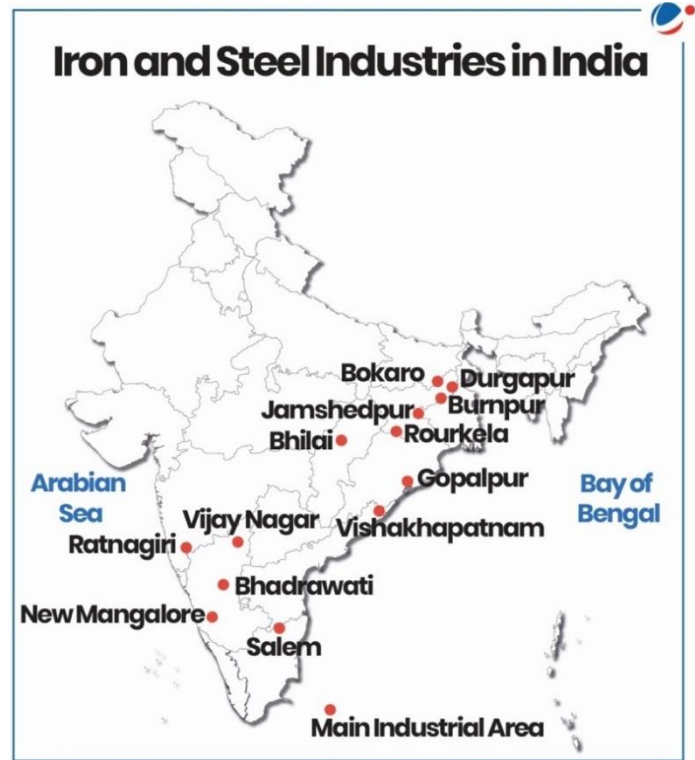
<p>Production</p> <p> 2nd largest steel-producing country (7% of total crude steel production)</p>	<p>Consumption</p> <p> 3rd largest consumer (97.7 kg per capita steel consumption) after China & USA.</p>	<p>Contribution</p> <p> Approximately 2% to India's GDP.</p>	<p>Trade</p> <p> India has alternated between being a net steel importer & exporter over the past decade. In FY24, it is a net steel importer.</p>
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Major challenges For Steel sector in India

- **Lack of Raw Material:** India largely fulfills its coking coal requirements through costly **imports from Australia**.
- **Low per capita consumption:** India's per capita finished steel consumption was **97.7 kg in 2023-24** against world's 219.3 kg and China (628.3 kg).
- **Extremely energy-intensive industry:** Steel in the world is **the largest carbon-emitting manufacturing sector**.
 - India's major iron and steel exports to the European Union (EU) will face threat due to **the imposition of carbon tax** ranging from **19.8% to 52.7%**.
- **Other: High Logistics Costs, Lack of Capital as Steel demand is cyclical** etc.

Initiatives For steel sector

- **National Steel Policy, 2017** envisages **300 million tonnes (MT) steel-making capacity** and **160 kg per capita steel consumption by 2030-31**.
- **‘Make in India’ initiative, supported by the PM Gati-Shakti National Master Plan:** To intensify engagement with key sectors—including Railways, Defence, Housing, etc. to **boost steel usage**.
- **Production-linked incentive (PLI) scheme for speciality steel:** to stimulate the production of specialty steel within India and to reduce imports by attracting significant capital investment.
- **Mission Purvodaya:** Accelerated development of eastern India (Odisha, Jharkhand, Chhattisgarh, West Bengal, and Andhra Pradesh) through the establishment of integrated steel hub in Kolkata.
- **Revamped Steel Import Monitoring System (SIMS) 2.0:** intended to more effectively monitor steel imports and address concerns affecting the domestic steel industry.



Related Article

Decarbonising the steel sector

- Minister of Steel and Heavy Industries released a Report **“Greening the Steel Sector in India: Roadmap and Action Plan”**.
- **Green Steel:** Green steel is the manufacturing of steel **without the use of fossil fuels**.
 - **India’s Steel industry accounts for 12% of carbon dioxide emissions.**

Initiatives to decarbonise steel sector

- **Perform, Achieve and Trade (PAT) scheme:** Part of the National Mission for Enhanced Energy Efficiency, it incentivizes the steel industry to reduce energy consumption.
- **Steel Scrap Recycling Policy 2019:** provides a framework to **facilitate and promote establishment of metal scrapping centres** for scientific processing and recycling of ferrous scrap.
- **National Green Hydrogen Mission (NGHM),** under which the Ministry of Steel has been allocated 30% of the pilot project budget to promote the use of **green hydrogen in steelmaking**.
- **Carbon Credit Trading Scheme:** to reduce or avoid greenhouse gases emissions from various sectors of Indian economy by **pricing the emissions through a carbon credit certificate trading mechanism** including the steel sector.

11.4. BIO-ECONOMY

Why in the news?

In 4th Edition of Global Bio-India 2024, Union Minister highlighted that next industrial revolution will be bio-economy driven.

More on the news

- Global Bio-India is a **strategic initiative by Department of Biotechnology** and its Public Sector Unit, Biotechnology Industry Assistance Research Council (BIRAC).

About Bio-Economy

- Bio-Economy is **knowledge-based production and use of biological resources, processes and methods** to provide **goods and services** in a **sustainable manner** in all economic sectors.
 - **Important sectors are:** Bioindustrial, Biopharma, Bioagriculture etc.
- **Bio-Economy Status**
 - **Grown from \$10 billion in 2014 to over \$130 billion in 2024.**
 - Contributing 4% to GDP India ranks **12th globally in terms of bio-manufacturing.**
- **Significance of Bio-Economy: Reduces reliance on fossil fuels, decreases greenhouse gas emissions and promotes sustainability, promote circular economy etc.**

Initiatives and Policies to boost Bio-Economy

- **BIRAC** plays a crucial role in nurturing biotech innovation ecosystem in India.
 - It has established various industry focused schemes like **Biotechnology Ignition Grant Scheme, BioNEST, etc.**
- **Policy measures:** National Biofuel policy, 2018; National Biopharma Mission, National Mission on Bioeconomy etc.
- **Biological Research Regulatory Approval Portal (BioRRAP)** launched as a single gateway for regulatory approval for biological research.

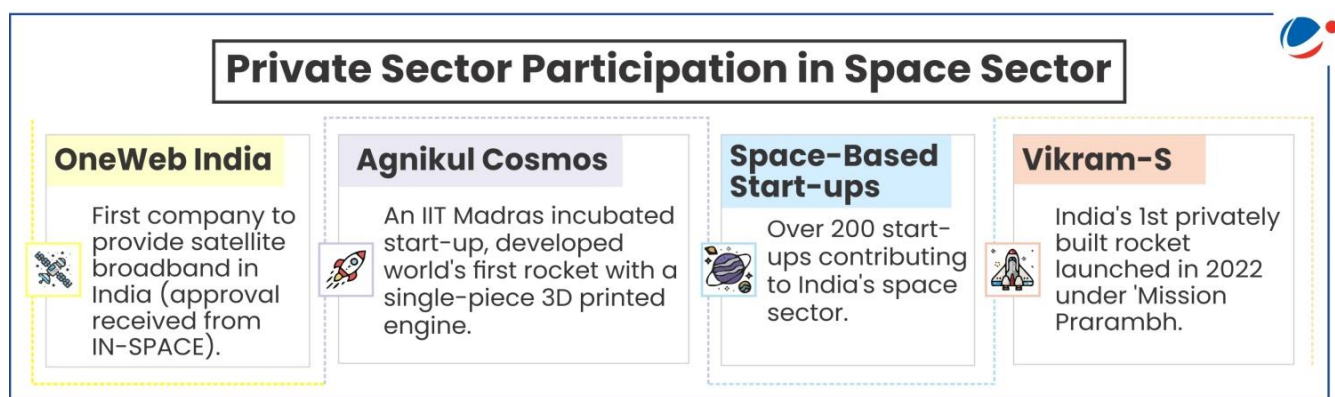
11.5. SPACE ECONOMY

Why in the news?

Budget 2024-25 announced a venture capital fund of Rs. 1,000 crore to promote space economy.

Key Organisations Promoting Private Sector Participation in Space Sector

- **Indian National Space Promotion and Authorization Centre (IN-SPACe):** Autonomous agency under Department of Space (DoS) responsible to promote, enable authorize & supervise various space activities of NGEs.
- **Indian Space Association (ISpA):** Established in 2020, ISpA is an apex non-profit industry body, setup for development of the private space industry in India.
- **New Space India Limited (NSIL):** Schedule 'A' Category Company under DoS set up in 2019, to handle the commercial activities of ISRO.



About Venture Capital Fund

- It will provide finance to Space tech startups & small- to medium-sized enterprises. It will supplement initiatives like **Seed fund scheme (2023)**, launched by **IN-SPACe**.
- **Need for Setting up a Venture Capital Fund:**
 - **Increasing India's share in the global commercial space economy to 10% by 2030** (currently it stands at 2%).
 - **Ensuring availability of low cost capital** as space sector is capital-intensive domain.

India's Initiatives to promote space-tech entrepreneurship

- **Indian Space Policy 2023:** Enables end-to-end participation of Non-Government Entities (NGEs) in all domains of space activities.
- **SpaceTech Innovation Network:** Public-private collaboration for start-ups & MSMEs in space industry.
- **Atal Innovation Mission (AIM): ATL Space Challenge** encourages students to find efficient & innovative solutions for specific, real-world challenges in Space sector.
- **100% Foreign Direct Investment (FDI) rules for space sector:** Ministry of Finance notifies new FDI rules for space sector **under Foreign Exchange Management Act (FEMA), 1999. (Refer Table)**

Space Sector/Activity	Sectoral Cap	Entry route
<ul style="list-style-type: none"> • Satellites-Manufacturing & Operation • Satellite Data Products • Ground Segment & User Segment 	100%	Up to 74%: Automatic Beyond 74%: Government route
<ul style="list-style-type: none"> • Launch Vehicles and associated systems or subsystems • Creation of Spaceports for launching and receiving Spacecraft 	100%	Up to 49%: Automatic Beyond 49%: Government route
<ul style="list-style-type: none"> • Manufacturing of components and systems/ sub-systems for satellites, ground segment and user segment 	100%	Up to 100%: Automatic

11.6. VOLUNTARY VEHICLE MODERNIZATION PROGRAM

Why in the News?

Recently, Union Ministry of Road Transport and Highways (MoRTH) launched the **Voluntary Vehicle Modernization Program** or **Vehicle Scrapping Policy**.



About Voluntary Vehicle Modernization Program

- Program aims to **create an ecosystem for phasing out unfit polluting vehicles** through a network of **Registered Vehicle Scrapping Facilities (RVSFs)** and **Automated Testing Stations (ATSs)**.
- Under this, multiple commercial and passenger vehicle manufacturers would offer **discounts for a period of two years and one year respectively against a Scrappage Certificate**.
- Previously, **Union Government announced Vehicle Scrapping Policy in 2021** to gradually phase out the 15-20 years old vehicles.

Key Highlights of the Voluntary Vehicle Modernization Program

- **Circular Economy:** It aims to create a **circular economy** in the automotive sector by promoting recycling and reducing raw material consumption.
- Vehicles that fail the fitness test will be

Voluntary Vehicle Modernization Program

<p>Commercial Vehicles (CVs)</p>  <p>» Registration of vehicles is linked to validity of the fitness certificate</p> <p>» CVs undergo fitness test every 2 years for first 8 years and annually thereafter</p>	<p>Private Vehicles (PVs)</p>  <p>» First registration is valid for 15 years</p> <p>» Valid fitness certificate is necessary for renewal of registration after 15 years. Renewal is valid for 5 years</p>	<p>Fitness would be mandated through Automated Testing Stations for vehicles</p> <p>» From 1st April 2023, fitness testing for Heavy Commercial Vehicles proposed to be mandated through Automated Testing Stations only.</p> <p>» For all other classes of CVs as well as PVs, fitness testing through Automated Testing Station proposed to be mandated in phases from 1st June 2024.</p>
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scrapped, and owners will receive a **Certificate of Deposit (Scrappage Certificate)** as proof, which can be used to avail of discounts on purchasing new vehicles.

- **Incentives for Scrapping:**
 - Manufacturers have announced various incentives to encourage vehicle scrapping:
 - > **Commercial Vehicle Manufacturers** offer **discounts up to 3%** of the ex-showroom price.
 - > **Passenger Vehicle Manufacturers** offer **discounts of 1.5% of the ex-showroom price.**
 - These discounts are over and above the **scrap value** provided by RVSFs and government incentives like **Motor Vehicle Tax** concessions and **waivers on registration fees.**

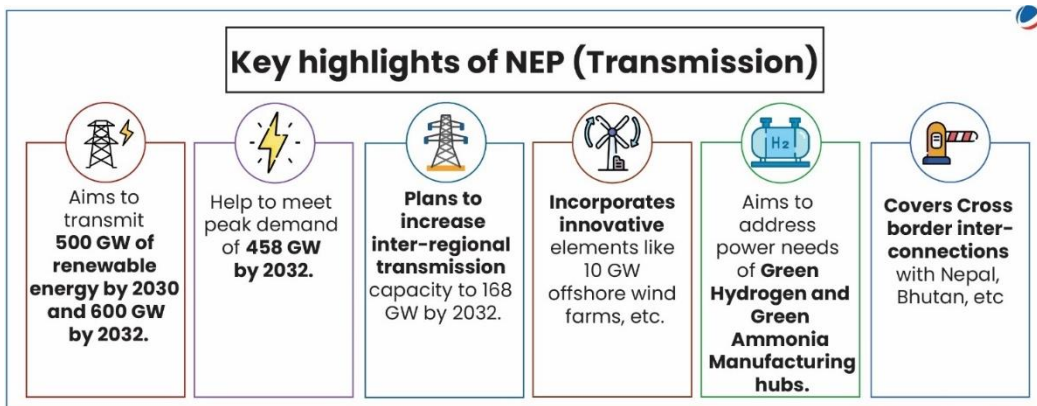
11.7. NATIONAL ELECTRICITY PLAN (TRANSMISSION)

Why in the News?

Union Ministry of Power launches National Electricity Plan (Transmission).

More on the news

- National Electricity Plan (NEP) (Transmission) has been



developed by the **Central Electricity Authority (CEA)**, entrusted under Electricity Act 2003.

- **Transmission system** establishes the link between source of generation and distribution system, which is connected to load / ultimate consumer.

Central Electricity Authority (CEA)

- It was established under the **repealed Electricity (Supply) Act, 1948**, which has been substituted by **Electricity Act 2003**.
- **Members:** CEA consists of **not more than 14 members** including Chairperson, of whom not more than 8 members are full-time members appointed by Central Government.
- **Functions:** Advise Central Government on National Electricity Policy, specify technical standards for construction of electric plants, electric lines and grid connectivity.

11.8. TEXTILES SECTOR

Why in the news?

According to India's trade data, India's textiles sector is set to grow to USD 350 Billion by 2030.



Measures taken for Textile Sector

- **Amended Technology Upgradation Funds Scheme:** Credit linked subsidy scheme for modernization and technology upgradation of textile industry.
- **Scheme for Capacity Building in Textile Sector (SAMARTH)** addresses the skilled manpower requirement.
 - Government recently extended **Samarth Scheme for two years (FY 2024-25 and 2025-26)** with a budget of Rs. 495 Crore to train 3 lakh persons in textile-related skills.
- PM Mega Integrated Textile Region and Apparel (PM MITRA) Park, National Technical Textiles Mission, and Production Linked Incentive (PLI) Scheme for Textiles.

Related News

VisioNxt

- The Union Textile Minister launched India's first fashion forecasting initiative, "**VisioNxt.**"
- India-specific Fashion Trend Book '**Paridhi 24x25**' was also launched.
- **About VisioNxt**
 - **Bilingual web portal** of **National Institute of Fashion Technology (NIFT)**.
 - Combines **Artificial Intelligence** and **Emotional Intelligence** to **identify, map, and analyze geo-specific** fashion trends reflecting India's **plurality and cultural diversity**.

11.8.1. TECHNICAL TEXTILES

Why in the news?

The National Technical Textiles Mission's Empowered Programme Committee has approved seven startup proposals under the GREAT scheme initiative.

Grant for Research & Entrepreneurship across Aspiring Innovators in Technical Textiles (GREAT) Initiative

About



Research, Development, and Innovation component of the **National Technical Textiles Mission (NTTM)**.

Ministry



Ministry of Textiles is the nodal Ministry.

Objective



Encourages young innovators, scientists/technologists, etc. in the field of Technical Textiles to **translate their ideas into commercial technologies/products**.

Grant in Aid



Normally **upto Rs.50 Lakhs** for a period of 18 months.

About Technical Textiles

- **Definition:** Technical textiles are defined as textile materials and products used primarily for their **technical performance and functional properties rather than their aesthetic or decorative characteristics**.
- **Applications:** Agriculture, roads, railway tracks, sportswear, health, bullet proof jacket, fireproof jackets, space applications etc.
- Indian technical textiles market is already **fifth largest market in the world**.

Government Initiatives

- **National Technical Textiles Mission:** To position the country as a global leader in Technical Textiles.
- **Schemes:** Production Linked Incentive (PLI) scheme for textiles, PM Mega Integrated Textile Regions and Apparel Parks (MITRA) Scheme and Scheme for Integrated Textile Parks (SITP).
- **Mandatory usage of technical textiles:** Several Central ministries/departments have been mandated to use technical textiles.
- **Other: Quality Control Regulations for** Geo-tech Textiles, Agro Textiles, Meditech Textile etc., Development of new HSN Codes dedicated to technical textiles' products etc.

11.9. OTHER KEY DEVELOPMENTS

11.9.1. INDEX OF EIGHT CORE INDUSTRIES

Combined ICI increased by 6.7% (provisional) in February 2024 as compared to the Index of February 2023.

About ICI

- **The ICI measures the combined and individual performance of production of eight core industries**
- **Eight core industries are** Fertilizers, Cement, Natural Gas, Crude Oil, Coal, Electricity, Steel, and Petroleum Refinery Products.
 - They comprise **40.27%** of the weight of items included in the **Index of Industrial Production (IIP)**.
 - **Petroleum Refinery products** have the highest weight (28.04%) in ICI followed by Electricity (19.85%).
 - **ICI is released** by the **Office of the Economic Adviser**, Ministry of Commerce & Industry.

11.9.2. NAVRATNA STATUS

Department of Public Enterprises has **granted Navratna status to Indian Renewable Energy Development Agency Limited (IREDA) and Solar Energy Corporation of India Ltd (SECI)**.

More on the news

- IREDA is under administrative control of **Ministry of New and Renewable Energy**. It was **established as a Non-Banking Financial Institution** in 1987.
- SECI is a Central Public Sector Enterprise (CPSE) under the **Ministry of New and Renewable Energy**.

Status of Navratna is granted based on various parameters, such as,

- **CPSEs which are Miniratna I**, and
- have obtained **'excellent' or 'very good' MoU rating in three of the last five years** and having **composite score of 60 or above** in selected performance indicators.

About Eligibility for Miniratna Status

- **Miniratna Category-I status:** CPSEs which have made profit in the last three years continuously, pre-tax profit is Rs.30 crores or more in at least one of the three years and have a positive net worth.
- **Miniratna Category-II status:** CPSEs which have made profit for the last three years continuously and have a positive net worth.

11.9.3. EXPERT COMMITTEE ON DEVELOPING GIFT IFSC

Expert Committee on developing GIFT IFSC as 'Global Finance and Accounting Hub' submits report to **International Financial Services Centres Authority (IFSCA)**.

More on the news

- Committee was formed following a **Ministry of Finance notification** which classified **book-keeping, accounting, taxation, and financial crime compliance** as **'financial services'** under **International Financial Services Centre (IFSC) Act, 2019**.

International Financial Services Centres (IFSC)

- **Gujarat International Finance Tech- City (GIFT City)-IFSC was established as** Special Economic Zone (SEZ) in 2015, in Gujarat.
 - An **IFSC** caters to customers outside the jurisdiction of the domestic economy. Such centres deal with flows of finance, financial products and services across borders.
 - GIFT, operationalized in 2015, aims to become **India's gateway for inbound and outbound requirements of the international financial services**.
- **IFSC Authority** is a **statutory body** established under **IFSC Act, 2019**.
- It is a **unified regulator** for development and regulation of financial products, financial services and financial institutions in IFSCs in India.

11.9.4. WORLD GOLD COUNCIL (WGC)

WGC raises India's gold consumption projection to 850 tonnes in 2024.

About WGC

- It was formed in **1987 by some mining companies.**
- It is the authority on Gold and explores unique gold markets and conducts research.

About gold as a commodity

- **Leading exporters (2022):** Switzerland, United States, United Arab Emirates.
- **Leading importers (2022):** Switzerland, China, United Arab Emirates, United Kingdom, and India.
- **Top producers:** China followed by Australia, Russia, Canada and USA.
- **In India, largest resources of gold** are located in Bihar (44%) followed by Rajasthan (25%), Karnataka (21%).
- India is the **2nd largest consumer after China.**

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12. MISCELLANEOUS

12.1. NIDHI COMPANIES

Why in the news?

Ministry of Corporate Affairs cracks down on errant Nidhi companies.

About Nidhi company

- Nidhi Company is declared by the Central Government under **Companies Act, 2013**.
 - It complies with the Nidhi Rules, 2014 made by the Central Government for regulation of such class of companies.
- The **objective** of Nidhi Companies is to cultivate the **habit of thrift** and **savings** amongst its members.
 - It receives deposits from, and lends to, its members only, for their mutual benefit.
 - **Key Criteria:**
 - > Not less than two hundred members.
 - > Net Owned Funds of ten lakh rupees or more.

12.2. ISI MARK

Why in the news?

Government makes **Indian Standards Institution (ISI) mark mandatory** for stainless steel and aluminium kitchen utensils through a **Quality Control Order**.

What is ISI Mark?

- ISI Mark is developed by **Bureau of Indian Standards (BIS)**, assuring of **product quality and safety**.
- Central Government makes ISI mark **mandatory for certain products under Scheme I** (ISI Mark Scheme) of BIS through issuance of Quality Control Orders (QCOs).
- The ISI mark is **mandatory** for certain products to be sold in India, such as **electrical appliances** (like switches, motors, heaters, kitchen appliances), **cement, automobile accessories, medical equipment, steel and iron products, toys** etc.

About BIS

- BIS is the **National Standard Body of India** established under the BIS Act, 2016.
- It aims at harmonious development of the activities of **standardization, marking and quality certification** of goods.
- **Other BIS Standards:**
 - **Hallmark:** Official guarantee of purity or fineness of **precious metal articles**.
 - **Eco Mark:** Labelling of **environment friendly products**.

12.3. GREEN SHOOTS

Why in the news?

RBI held that India's rural economy is playing the role of **Green Shoots** in the Fast-Moving Consumer Goods (FMCG) Sector.

Green Shoots

- These are signs that an **economy or a sector is growing** after an economic downturn.

FMCG Sectors

- It is characterized by **high turnover consumer packaged goods**, i.e., goods that are produced, distributed, marketed and consumed within a short span of time.
- **Examples:** Detergents, toiletries, tooth cleaning products, cosmetics.

12.4. ENHANCED INTEGRATED FRAMEWORK (EIF)

Why in the news?

Finland is supporting Least-developed countries (LDCs) through projects funded by the EIF.

About EIF

- It is the only multilateral partnership dedicated to assisting **LDCs** to use trade as an engine for growth, sustainable development and poverty reduction.
- In it, 51 countries are partners.
- It is also supported by International organisations like the World Bank, World Trade Organisation (WTO), etc.
- **EIF Trust Fund Manager: United Nations Office for Project Services (UNOPS).**

12.5. TELECOMMUNICATIONS (ADMINISTRATION OF DIGITAL BHARAT NIDHI) RULES, 2024

Why in the news?

Telecommunications (Administration of Digital Bharat Nidhi) Rules, 2024 have been notified by **Department of Telecommunication (DoT)** in exercise of powers conferred by the **Telecommunications Act, 2023** to operationalize the **Digital Bharat Nidhi (DBN)**.

About Digital Bharat Nidhi

- DBN was established through the **Telecommunications Act, 2023** for **funding telecom schemes in underserved remote/rural areas at affordable prices.**
- It replaced the **Universal Service Obligation Fund (USOF)** created under the **erstwhile Indian Telegraph Act, 1885.**
 - **USOF** was a **non-lapsable pool of funds** generated by a **Universal Access Levy** through the license fee charged on licensee of DoT @ **5% of the Adjusted Gross Revenue.**

12.6. NCOE FOR ANIMATION, VISUAL EFFECTS, GAMING, COMICS, AND EXTENDED REALITY

Why in the news?

Formation of NCoE for **Animation, Visual Effects, Gaming, Comics, and Extended Reality (AVGC-XR)** follows the 2022-23 budget announcements, which proposed the creation of an AVGC task force.

Features of NCoE

- It will be set up as a **Section 8 Company under the Companies Act, 2013.**
- Provisionally named the **Indian Institute for Immersive Creators (IIIC).**
- It will function as an **incubation center for nurturing startups** in the AVGC-XR field.
- It will boost the **creative economy in India.**

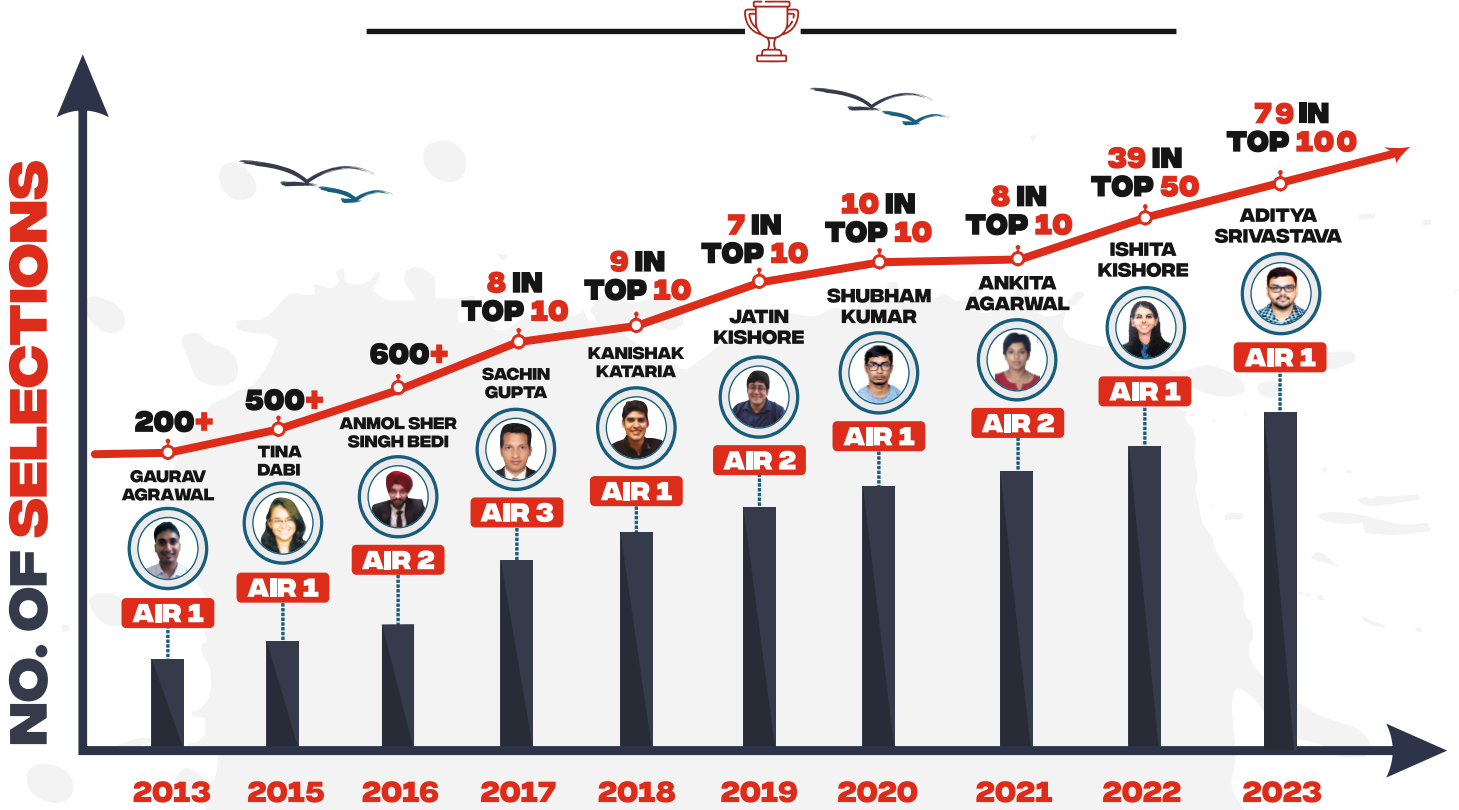
Creative Economy or Orange Economy:

- Essentially, it is **knowledge-based economic activities** upon which '**creative industries**' are based.
 - Creative industries are **cycles of creation, production and distribution of goods and services** that use creativity and intellectual capital as primary inputs (See infographic)
- **In India it's a \$30 billion** industry and responsible for employment of nearly **8% of India's working population.**

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