

**INDIAN ECONOMY****MONETARY POLICY REVIEW: RBI**

- Unveiling the first bi-monthly monetary policy review of the fiscal 2022-23 the Monetary Policy Committee of the RBI decided unanimously to leave the key policy rate unchanged and to remain accommodative.

**Key takeaways from MPC meeting****Repo rate remains unchanged:**

- The RBI decision to keep Repo rates unchanged at 4 percent will help banks to keep interest rates in the financial system unchanged, aiding growth in the economy.
- Borrowers won't have to shell out more on EMIs and loan repayments at least for the time being.

**The RBI has introduced the Standing Deposit Facility (SDF):**

- It is a new tool for absorbing liquidity at an interest rate of 3.75 per cent, making the reverse repo almost irrelevant.
- The SDF will replace the fixed rate reverse repo (FRRR) as the floor of the LAF (liquidity adjustment facility) corridor.
- In 2018, the amended Section 17 of the RBI Act empowered the central bank to introduce the SDF as an additional tool for absorbing liquidity without any collateral.
- By removing the binding collateral constraint on the RBI, the SDF strengthens the operating framework of monetary policy.
- The SDF is also a financial stability tool in addition to its role in liquidity management.
- The SDF rate will be 25 bps below the policy rate (Repo rate), and it will be applicable to overnight deposits at this stage.

**GDP growth and Inflation:**

- The central bank has slashed the growth forecast to 7.2 per cent for fiscal 2022-23 from 7.8 percent predicted earlier in the wake of the rise in crude oil and commodity prices and the after-effect of the Russian invasion of Ukraine.
- It has increased the retail inflation from 4.5 percent projected earlier to 5.7 per cent in 2022-23.

**Accommodative stance continues:**

- It also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

**Challenges**

- Escalating geopolitical tensions: Although India's direct trade exposure to countries at the epicenter of the conflict is limited; the war could potentially impede the economic recovery through elevated commodity prices and global spill-over channels.
- High inflation and Low growth: Generalized hardening of global commodity prices, the likelihood of prolonged supply chain disruptions, dislocations in trade and capital flows, divergent monetary policy responses and volatility in global financial markets are imparting sizeable upside risks to the inflation trajectory and downside risks to domestic growth.
- Concerns over protracted supply disruptions have rattled global commodity and financial markets.

**Suggestions**

- The government's thrust on capital expenditure coupled with initiatives such as the production linked incentive (PLI) scheme should bolster private investment activity, amidst improving capacity utilization, deleverage corporate balance sheets, higher off take of bank credit and congenial financial conditions.
- The RBI has set the stage for a gradual rise in the policy rates later in the year and the process of slowly tightening the monetary policy.

**About Monetary Policy Committee (MPC)**

- Constituted by RBI under section 45ZB of the Reserve Bank of India (RBI) Act, 1934.
- Chaired by the Governor of RBI.
- Mission: Fixing the benchmark policy interest rate (repo rate) to restrain inflation within the particular target level (2% to 6%).
- MPC conducts meetings at least 4 times a year.
- The monetary policy is published after every meeting with each member explaining his opinions.

**Marginal Standing Facility**

- MSF or marginal standing facility is a system of the Reserve Bank of India that allows scheduled commercial banks to avail funds overnight.
- It was introduced by the RBI as a provision for banks to avail overnight funds during a revision of the country's monetary policy in 2011-12.
- It is usually higher than the repo rate.

- Banks can use their SLR or statutory liquidity ratio to take loans under MSF.
- This is a short-term loan used to maintain the liquidity of banks.

**Consumer Price Index (CPI) Inflation**

- It measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.
- It also represents retail inflation.
- In India, five types of CPI are published.

**IMPORTANT FACTS FOR PRELIM****1. Solid Fuel Ducted Ramjet (SFDR)**

- Defence Research and Development Organisation (DRDO) successfully flight tested Solid Fuel Ducted Ramjet (SFDR) booster at the Integrated Test Range (ITR), Chandipur off the coast of Odisha.

**About Solid Fuel Ducted Ramjet (SFDR)**

- It has been developed by Defence Research and Development Laboratory, Hyderabad, in collaboration with other DRDO laboratories such as Research Centre Imarat, Hyderabad and High Energy Materials Research Laboratory, Pune.
- The SFDR-based propulsion enables the missile to intercept aerial threats at very long range at supersonic speeds.
- The test successfully demonstrated the reliable functioning of all critical components involved in the complex missile system and met all the mission objectives.
  - The performance of the system has been confirmed from the data captured by a number of instruments like telemetry, radar and electro Optical tracking systems deployed by ITR.

**Significance:**

- It is an important milestone towards development of critical missile technologies in the country.
- The major difference between this missile and the regular air-to-air missiles is the air-breathing ramjet propulsion technology, which helps propel the missile at high supersonic speeds (above Mach 2) for engaging targets at long ranges.

**Ramjet**

- It is a form of air-breathing jet engine that uses the engine's forward motion to compress incoming air without an axial compressor or a centrifugal compressor.
- Because ramjets cannot produce thrust at zero airspeed, they cannot move an aircraft from a standstill.
- A ramjet-powered vehicle, therefore, requires an assisted take-off like a rocket assist to accelerate it to a speed where it begins to produce thrust. Ramjets work most efficiently at supersonic speeds around Mach 3.

**2. Banarasi Pashmina**

- Recently, Khadi and Village Industries Commission (KVIC) launched "Banarasi Pashmina" to boost self-sustainability & Artisanal Creativity.

**About**

- This is for the first time that Pashmina products are being produced outside the region of Leh-Ladakh and Jammu & Kashmir.
- KVIC will be selling the "Made-in-Varanasi" Pashmina products through its showrooms, outlets and through its online portal.

**Significance:**

- It creates a fusion of diverse artistry from Leh-Ladakh, Delhi and Varanasi.
- It aims to generate sustainable employment opportunities for women in Ladakh and diversify the skills of traditional weavers in Varanasi.
- It would ensure round-the-year livelihood to women artisans in Leh-Ladakh where spinning activities are suspended for nearly half the year due to the extreme cold.

**Pashmina****About:**

- The word Pashmina comes from the Persian word 'Pashm' which means 'soft gold'.
- Pashmina comes from an animal fibre Cashmere, derived from the Changthangi goat of Ladakh.
- It is indigenous to the high altitude regions of Leh-Ladakh and Jammu & Kashmir.

**Features:**

- It is well known for its warmth, lightweight, and softness in addition to its characteristic dye absorbing property.
- Pashmina has been accredited by the Guinness Book of World Records for being the costliest cloth in the world.

- Pashmina wool is the finest version of cashmere and it is thinner than human hair and highly prized in the international market.

**Usage:**

- It is known for its use in beautiful shawls and other handmade items.

**3. Atal Innovation Mission**

- Recently, the Union Cabinet approved continuation of Atal Innovation Mission (AIM), till March 2023.

**About**

- The AIM shall work on its intended target of creating an innovation culture and entrepreneurial ecosystem in the country.
- This will be done by AIM via its various programs.
- The intended targets that will be achieved by AIM are:
  - Establishing 10000 Atal Tinkering Labs (ATLs),
  - Establishing 101 Atal Incubation Centres (AICs),
  - Establishing 50 Atal Community Innovation Centres (ACICs) and
  - Supporting 200 startups via the Atal New India Challenges.
- The total budgeted expenditure of Rs.2000+ crore shall be incurred in the process of the establishment and supporting the beneficiaries.

**Atal Innovation Mission (AIM)**

- Launched by NITI aayog, AIM is the Government of India's flagship initiative to promote a culture of innovation and entrepreneurship in the country.

**Objectives:**

- To create and promote an ecosystem of innovation and entrepreneurship across the country via interventions at school, university, research institutions, MSME and industry levels.
- To provide platform and collaboration opportunities for different stakeholders.

**Few Major Initiatives:**

- Atal Tinkering Labs: Creating a problem-solving mindset across schools in India.
- Atal Incubation Centres: Fostering world-class startups and adding a new dimension to the incubator model.
- Atal New India Challenges: Fostering product innovations and aligning them to the needs of various sectors/ministries.
- Mentor India Campaign: A national mentor network in collaboration with the public sector, corporates and institutions.
- Atal Community Innovation Centre: To stimulate community-centric innovation and ideas in the unserved /underserved regions including Tier 2 and Tier 3 cities.
- Atal Research and Innovation for Small Enterprises (ARISE): To stimulate innovation and research in the MSME industry.
- Apart from the above initiatives, it has also launched AIM Prime, AIM iCREST, etc to boost industrial exposure of students and innovators.

**Achievements**

- The AIM has worked on integrating innovation ecosystem both nationally and globally:

**Bilateral relations**

- The AIM has created bilateral relations with various international agencies for building synergistic collaboration on innovation and entrepreneurship such as the AIM – SIRIUS Student Innovation exchange program with Russia, AIM – ICDK (Innovation Centre Denmark) Water Challenge with Denmark, and IACE (India Australian Circular Economy Hackathon) with Australia.
- The AIMs played a pivotal role in the success of InSprenur, an Innovation Startup Summit hosted between India and Singapore.

**Defence sector**

- The AIM partnered with the Ministry of Defence to set up the Defence Innovation Organisation which is fostering innovation as well as procurement in the defence sector.

**Startups**

- The AIM supported startups have raised 2000+ Crores from the government and private equity investors and have created several thousand jobs.

**4. Parliamentary Official Language Committee**

- The Parliamentary Committee on Official Languages was established in 1976 under section 4 of the Official Languages Act, 1963.

**Mandate:**

- The Committee will review the progress made in the use of Hindi for the official purposes of the Union and submit a report to the President making recommendations. The President will then submit the report to each House of Parliament and forward it to all State Governments.

**Composition:**

- The Committee consists of 30 Members of Parliament, 20 from Lok Sabha and 10 from Rajya Sabha.

**Chairperson:**

- The chairperson of the Committee is elected by the members of the Committee. As a meeting, the Minister of Internal Affairs was elected as the Chairperson of the Committee from time to time.

**Official Language of India**

- Hindi in Devanagari script is declared as the Official Language of the Union under Article 343(1).
- While adopting and framing of Constitution, it was envisaged that English will continue to be used for executive, judicial and legal purposes for an initial period of 15 years i.e. till 1965.
- Later, the Official Languages Act, 1963, a constitutional amendment allowed for the continuation of English with Hindi for indefinitely until legislation decides to change it.
- Besides, it was also provided that President may authorize the use of Hindi language for some specific purposes.

**5. 'Tour of Duty' Scheme**

The Department of Military Affairs has finalised the “**Tour of Duty (ToD)**” scheme - a radical proposal for future recruitment to the armed forces.

- Under this scheme, the youngsters will be recruited as soldiers only for 3 to 5 years in the backdrop of the urgent need to curb the ballooning salary & pension bills that are badly impacting military modernization.
- The 12-lakh strong Army was finalizing the radical ToD proposal for both officers and jawans, which would not entail any pensionary benefits being given to them.
- The scheme, which was being pushed by the **late Chief of Defence Staff General Bipin Rawat**, is likely to be applicable to the Indian Air Force (IAF) and Indian Navy as well.
- But entry at the officer-level under the ToD scheme is not on the cards as of now.
- ToD scheme, which is likely to be called the “Agnipath” recruitment, is likely to be launched on an experimental basis first. But eventually, all soldiers could be recruited under this model.
- While 25% of them would serve for three years and 25% for five years, the remaining 50% would serve for the full term till they reach the retirement age.

**DAILY ANSWER WRITING PRACTICE**

**Q1. Evaluate the performance of Ujjwala 2.0 (Pradhan Mantri Ujjwala Yojana) in achieving the vision of universal access to LPG for the poor. (250 words)**

**Introduction**

- The sustained rise in the price of LPG cylinders has been burning a hole in many a household budget for more than a year now. The price of LPG refills has risen by more than 50% to over ₹900 per cylinder in November 2021 compared to around ₹600 over the past year.
- With no refill subsidies in place since May 2020, there is genuine concern about many households now slipping back to using polluting solid fuels for cooking, such as firewood and dung cakes.

**Body**

**Pradhan Mantri Ujjwala Yojana: Key features**

- **Ujjwala 1.0:** Under Ujjwala 1.0, the target was to provide LPG connections to 50 million women from the below poverty line (BPL) households, by March 2020. However, in August 2018, women from seven other categories were brought under the purview of the scheme.
  - In the first phase of the PMUY, 8 crore poor families, including from the Dalit and tribal communities, were given free cooking gas connections.
  - The LPG infrastructure has expanded manifold in the country. In the last six years, more than 11,000 new LPG distribution centres have opened across the country.
- **Ujjwala 2.0:** Under Ujjwala 2.0, an additional 10 million LPG connections will be provided to the beneficiaries.
  - Government has also fixed a target of providing piped gas to 21 lakh homes in 50 districts.

**Performance of Ujjwala 2.0**

- PMUY 2.0 was launched on August 10, 2021, and the target of one crore connections were provided within six months by January 2022.
- Per capita consumption of PMUY beneficiaries has increased from 01 refills in 2019-20 to 3.66 refills in current Financial Year (till February 2022).

- The release of 8 crores of LPG connections under the scheme has also helped in increasing the LPG coverage in the country from 62 per cent on May 1, 2016, to 99.8 per cent on April 1, 2021.

#### Issues faced while accessing LPG cylinders

- Around 30% of Indian households continue to rely on biomass as their primary cooking fuel, mainly due to high LPG prices.
- The practice of biomass usage is predominantly concentrated in rural areas, particularly among States such as Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Odisha and West Bengal.
- Easy availability of free biomass and lack of home delivery of LPG refills further reduce the efficacy of LPG as a reliable and affordable proposition.
- Given the loss of incomes and livelihoods during the novel coronavirus pandemic, the ability of households to afford LPG on a regular basis has taken a further hit.
- There are deficiencies such as the issuance of connections to unintended beneficiaries, and problems with the software of the state-run oil marketing companies for identifying intended beneficiaries and inadequacies in the deduplication process.

#### Conclusion and way forward

- The scheme should be extended to poor households in urban and semi-urban slum areas.
- **Subsidy reinstatement:** There is a need to reinstate the subsidies on LPG refill for low-income households.
  - At the current refill prices, an average Indian household would have to spend around 10% of its monthly expense on LPG to meet all its cooking energy needs.
- **Identifying true beneficiaries:** The Government can also explore diverse approaches to identify beneficiaries.
  - This may include limiting the subsidy provision to seven to eight LPG refills annually and excluding well-to-do households using robust indicators.
  - For instance, lowering the income-based exclusion limit for LPG subsidy to ₹2,50,000 a year from ₹10 lakh a year or excluding families owning a non-commercial four-wheeler vehicle can significantly reduce the number of eligible beneficiaries.
- **Home delivery of LPG:** Only half the rural LPG users receive home delivery of LPG refills, while the rest have to travel about five kilometres one way to procure a cylinder.
- Gaps in the doorstep delivery of LPG cylinders are also present in urban pockets, particularly in slum areas. These need to be rectified.

#### DAILY QUIZ

**Q1.** With reference to BRICS, consider the following statements:

1. BRICS nations have adopted the Brasilia Declaration.
2. New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) are the outcomes of the Johannesburg Declaration.
3. The first summit of BRICS took place in Brazil in 2009.

Which of the statements given above is/are correct?

- (a) 1 and 3 only                      (b) 2 only  
(c) 1 and 2 only                      (d) **only 1**

**Q2.** Recently, the RBI has introduced the Standing Deposit Facility (SDF), consider the following statements regarding it

1. It is a new tool for absorbing liquidity without any collateral.
2. The SDF will replace the fixed rate reverse repo as the floor of the Liquidity adjustment facility corridor.

Which of the given above statements is/are correct?

- (a) Neither 1 nor 2                      (b) 2 only  
(c) **1 and 2 both**                      (d) only 1

**Q3.** With reference to New guidelines to banks on Foreign Contribution (Regulation) Act rules, consider the following statements

1. It is mandatory for all NGOs to receive foreign funds in a designated bank account at the Reserve Bank of India's New Delhi branch.
2. Foreign contributions can now be received through banking channels or in cash.

Which of the given above statements is/are correct?

- (a) **Neither 1 nor 2**                      (b) 2 only  
(c) 1 and 2 only                      (d) only 1

**Q4.** With reference to Nipah virus (NiV), consider the following statements:

1. Fruit bats of the Pteropodidae family are the natural host of Nipah virus.
2. Nipah virus was first recognized in 1999 during an outbreak among pig farmers in Malaysia.
3. Human-to-human transmission of the Nipah virus has not been reported yet .

4. There are currently no drugs or vaccines specific for Nipah virus infection .  
Which of the statements given above are correct?

- (a) 1 and 3 only (b) 2 and 4 only  
(c) 1 and 2 only (d) **1, 2 and 4 only**

**Q5.** With reference to the Sinatra Doctrine, consider the following statements:

1. It is the policy of non-interference in the internal policies of other countries.
  2. Its implementation and popularization were part of new political thinking by Mikhail Gorbachev.
- Which of the statements given above is/are correct?

- (a) Neither 1 nor 2 (b) 2 only  
(c) **1 and 2 both** (d) only 1

**Q6.** Consider the following statement with respect to weapon of mass destruction (WMD)

1. Originally the act of WMD 2005 does not define biological or chemical weapon.
2. The new Bill bars persons from financing any prohibited activity related to weapons of mass destruction and their delivery systems

Choose the correct statement/s

- a) 1 only (b) **2 only**  
c) Both d) Neither 1 nor 2

**Q7.** Geneva Protocol, 1925 is related to which of the following

- a) Banned the use of chemical and biological weapons**  
b) Put comprehensive bans on the biological weapons  
c) Put comprehensive bans on the chemical weapons  
d) Regulates the use and proliferation of nuclear weapons

**Q8.** "Tour of Duty" scheme recently seen in news is related to which of the following Ministry

- a) Ministry of External Affairs  
b) Ministry of home Affairs  
c) Ministry of women and child Development  
**d) Ministry of Defence**

**Q9.** The Ministry of Earth Sciences recently informed the Lok Sabha about the status of the coastline of the Indian mainland which of the following is correct regarding it

1. The information based on the coastal vulnerability index prepared by ministry of Environment forest and climate change
2. In terms of percentage, West Bengal suffered erosion along about 60.5% of the coast over the period from 1990 to 2018.

Choose the incorrect statement/s

- a) 1 only** (b) 2 only  
c) Both d) None of the above

**Q10.** Consider the following statements about Parliamentary committee Official language

1. Parliamentary official language committee is a constitutional body under article 343 (1)
2. Chairperson of the Committee is nominated by President of India
3. The committee consists of members from both the house of parliament with majority member from Rajya sanha

Choose the incorrect statement/s using the code given below

- a) 1, and 3 only (b) 3 only  
c) 1 and 2 only (d) **All of the above**