

INDIAN ECONOMY AND RELATED ISSUES

Depreciation of Indian Rupee

CONTEXT: The Indian rupee breached the psychologically significant exchange rate level of 80 to a US dollar in early trade.

Reasons

- Global factors such as the Russia-Ukraine conflict, soaring crude oil prices and tightening of global financial conditions are the major reasons for the weakening of the Indian rupee against the US dollar. Significant dollar demand from oil importers amid elevated crude oil prices and concerns about swelling trade deficit have also been key catalysts behind the steep descent seen in the Indian currency.

Impacts

• **Imports will become more expensive:**

- When the dollar strengthens against the rupee, importers will have to pay more for the same number of dollars. And since international trade is mostly in the US dollar, importers have to pay higher prices.
- So, a depreciating rupee will increase the cost of imports, putting extra pressure on people's pockets in the country which has an import-oriented economy.
 - Oil and Gas will be the most adversely impacted sector as India imports over 85% of oil and half of the gas it consumes.
 - It will expand the country's current account deficit.

Renewable Energy

- Indian solar plants depend heavily on imported solar cells and modules
- Project costs would rise, tariffs higher in future bids Margin compression for upcoming projects Every Re 1 fall vs Dollar leads to 2 paisa/unit increase in tariff.

A weaker rupee directly impacts India's trade balance and inflation through higher cost of imports.

Costlier imports will widen the trade deficit as well as the current account deficit, which, in turn, will put pressure on the exchange rate.

Costlier imports are also pushing up inflation domestically.

• **Exports get cheaper:**

- When a domestic currency depreciates, its exports will become cheaper as exporters will get more rupee against the foreign currency.
- In short, industries linked to exports like pharma and IT benefit with depreciation.

Role of Reserve Bank of India(RBI)

- RBI regularly monitors the foreign exchange market and intervenes in situations of excess volatility.
- RBI has taken several measures recently to ensure foreign currency inflow and prop up the rupee, such as higher overseas borrowing limits for companies and easier foreign ownership rules in government bonds, the rate of returns in the bond yields in the USA has been more compared to the rate of returns in any Indian investment.
- RBI has also proposed the rupee settlement mechanism, under which foreign companies can make foreign payments in rupees, unlike the US dollars.
 - This is expected to reduce the need for US dollars for foreign trade, stabilising its value.

Options available for RBI and policymakers

- It is neither wise nor possible for the RBI to prevent the rupee from falling indefinitely.
 - Defending the rupee will simply result in India exhausting its forex reserves over time because global investors have much bigger financial clout.
- Most analysts believe that the better strategy is to let the rupee depreciate and act as a natural shock absorber to the adverse terms of trade.
- The RBI should focus on containing inflation, as it is legally mandated to do, and the government should contain its borrowings".

Conclusion

- The depreciation of the currency is likely to enhance export competitiveness, which in turn impacts the economy positively.
- The rupee is still more resilient than it was in some of the previous crises such as the Global Financial Crisis of 2008 and the Taper Tantrum of 2013.
- Although the rupee has depreciated against the US dollar, it has appreciated against other major currencies such as euro and the Japanese yen.
- Under normal circumstances, rupee depreciation is good for the current account deficit because it leads to higher exports.
- But at present, India is already facing high inflation and continued depreciation may be making matters worse.
 - There are chances that the central bank may intervene further as the rupee sees a further decline.

PRELIMS**1. Himalayan Glaciers Resisting Global Warming**

CONTEXT: Recently, researchers have taken a significant leap toward solving the mystery of why few pockets of glaciers in the Karakoram Range are resisting glacial melt due to global warming.

Key Findings

- Glaciers are fast receding under the impacts of global warming, and stifling stress on the water resources is inevitable in the coming decades.
- Defying normalcy: This trend is defying the trend of glaciers losing mass across the globe, with the Himalayas being no exception. Researchers have attributed this phenomenon called 'Karakoram Anomaly' to the recent revival of western disturbances (WDs).
- The glaciers of central Karakoram have surprisingly remained unchanged or slightly increased in the last few decades. This phenomenon has been puzzling glaciologists and providing climate deniers with a very rare straw to clutch at.
- The behaviour seems to be confined to a very small region, with only Kunlun ranges being another example of showing similar trends in the whole of Himalaya.
- Western Disturbances are the primary feeder of snowfall for the region during winters.
 - a. The study suggests they constitute about around 65% of the total seasonal snowfall volume and about 53% of the total seasonal precipitation, easily making them the most important source of moisture.
 - b. The precipitation intensity of WDs impacting Karakoram has increased by around 10% in the last two decades, which only enhances their role in sustaining the regional anomaly.
- The analysis for the tracks passing through the Karakoram reveals the role of snowfall as a crucial factor in mass balance estimations.
- The researchers have also quantified the impact of precipitation in feeding the anomaly.
 - a. Calculations by the scientists reveal that contribution of WDs in terms of snowfall volume over the core glacier regions of Karakoram have increased by about 27% in recent decades, while precipitation received from non-WD sources have significantly decreased by around 17%, further strengthening their claims.

2. Global Platform for Disaster Risk Reduction 2022

CONTEXT: Recently, the Global Platform for Disaster Risk Reduction, 2022 (GP 2022) took place in Indonesia.

About

- The theme of 2022 was 'From Risk to Resilience: Towards Sustainable Development For All in a COVID-19 Transformed World'.
- It is an important first milestone in the mid-term review of the Sendai Framework for Disaster Risk Reduction (2015-2030).
- The outcome of GP2022 was summarised in the co-chairs' Bali Agenda for Resilience.

Key outcomes

- Approach to Disaster Risk Reduction (DRR):
 - Disaster Risk Reduction (DRR) must be at the core of development and finance policies, legislation and plans to achieve the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDG).
 - The real cost of disasters is that of inaction, which must be weighed against investments in DRR.
- Climate change and the ecosystem building:
 - Current greenhouse gas emission levels far exceed their mitigation, resulting in an increase in frequency and intensity of catastrophic events.
 - Ecosystems should be considered as critical infrastructure and recognised for their basic services, bringing environmental, socio-economic and cultural benefits.
 - DRR and climate change adaptation have the common objective of reducing vulnerability and enhancing capacity as well as resilience.
- Inclusivity and the role of society:
 - There is a need for a whole-of-society approach to disaster risk reduction (DRR), ensuring no one is left behind.
 - A participatory and human rights-based approach in DRR planning and implementation is crucial as people are affected differently by disasters.
 - The development of multi-hazard early warning systems, inclusive of communities most at risk.
- COVID 19 recovery:
 - The need for a transformative recovery from the COVID-19 pandemic, to build back better, greener and more equitably.
 - Recovery and reconstruction are most successful when they are community-driven and support existing local structures and resilience-building mechanisms.
- Understanding risk:
 - Risk understanding remains limited, particularly regarding emerging and future hazards, with government policies largely reactive.

3. Weather Modification and its Impacts

CONTEXT: China conducted over half a million weather-modification operations between 2002 and 2012.

More about the news

- China has frequently made use of cloud seeding technologies to relieve droughts or clear the air ahead of major international events.
- It has also been building a weather modification system in the Qinghai-Tibet plateau, Asia's biggest freshwater reserve.
 - It is built with the aim of pumping large quantities of silver iodide into the clouds in a bid to increase rainfall.
- The Chinese government said it would continue its artificial weather operations in key areas like the Qinghai-Tibet plateau, as well as the major ecological protection zones of the Yellow and Yangtze rivers.
 - China also aims to build up its scientific capabilities and establish an experimental base and laboratory to improve its ability to induce or prevent rain, eliminate fog and improve air quality.

Weather Modification

- **About:**
 - Weather modification (also known as weather control) is the act of intentionally manipulating or altering the weather.
 - The most common form of weather modification is cloud seeding.
- **Cloud seeding:**
 - Cloud seeding includes the addition of chemicals like small particles of **silver iodide** to clouds.

- When these substances are introduced into the clouds, the water droplets cluster together, increasing the likelihood of rainfall - meaning clouds clear from the sky.
- Weather manipulation of this type is also known as “blue-skying”.
- Cloud seeding offers opportunities to limit famine, reduce drought, and create better freshwater resources.
 - Some efforts could even transform hail into rain or snow.

4. Bonalu Festival

CONTEXT: Bonalu is an annual festival celebrated in twin cities Hyderabad and Secunderabad, and parts of Telangana.

About the Festival

- The festival is dedicated to Goddess Mahakali, as per belief, a ferocious avatar of Goddess Durga.
- The word “Bonam” signifies a meal or a feast in Telugu.
- During this, the devotees offer rice cooked with milk and jaggery in an earthen or brass pot, which is decorated with neem leaves, turmeric and vermilion. Women carry these pots on their heads to temples.
- Apart from Yellamma, during the Bonalu festival, the different forms of Mahakali are worshipped, including Mysamma, Dokkalamma, Pedamma, Pochamma, Yellamma, Poleramma and Ankamma.

5. Zero Coupon, Zero Principal Bond

CONTEXT: Recently, the Finance Ministry has declared zero coupon zero principal instruments (ZCZP) as securities for the purposes of the Securities Contracts (Regulation) Act, 1956.

Zero coupon Zero principal instrument

- Zero coupon zero principal instrument means an instrument issued by a Not for Profit Organisation (NPO) which will be registered with the Social Stock Exchange (SSE) segment of a recognised stock exchange.
 - The Social Stock Exchange (SSE) is a novel concept in India and such a bourse is meant to serve private and non-profit sector providers by channelling greater capital to them.
 - The idea was floated by Finance Minister Nirmala Sitharaman in her Budget Speech 2019-20.
 - SSE will be a separate segment of the existing stock exchanges.
 - Social enterprises eligible to participate in the SSE should be entities -- NPOs and for-profit social enterprises -- having social intent and impact as their primary goal.
- These instruments will be governed by rules made by the Securities and Exchange Board of India (SEBI).

Zero-coupon bond

- It is a debt security that does not pay interest but instead trades at a deep discount, rendering a profit at maturity, when the bond is redeemed for its full face value.

ANSWER WRITING

Q. What are ‘Smart Cities’? Examine their relevance for urban development in India. Will it increase rural-urban differences? Give arguments for ‘Smart Villages’ in the light of PURA and RURBAN Mission. (150 words)

Introduction

A ‘smart city’ is an urban region that is highly advanced in terms of overall infrastructure, sustainable real estate, communications and market viability. It is a city where information technology is the principle infrastructure and the basis for providing essential services to residents.

Body

In recent times, the increasing burden on urban settlements raises concern related to sustainable development. To tackle these problems such as high urban poverty level, environmental degradation, inadequate basic services, relevance of Smart Cities has increased which provide smart solutions.

E-Governance and Citizen Services: It will help in making citizen centric service delivery system, which will enhance the efficiency of public authorities.

Smart Waste Management: Waste management is one of the major problems in urban settlement. Smart waste management like separation of solid waste at source level and use of eco-friendly waste disposal techniques, would avoid the problems like urban floods situation.

Smart Health: Tele-medicine would reduce the pressure on medical facilities due to use of ICT in health facilities.

Mobility system: Smart transport is also one of the main features that address the core issue in urban settlement. Many other areas such as, education, communication, electricity, renewable energy would also be addressed by the Smart Cities.

Conclusion

High development in urban cities and less emphasis on development in rural areas has increased the rural-urban difference because of lack of opportunities in rural areas. In such a scenerio 'Smart villages' concept of Shyama Prasad Mukherjee Rurban Mission would focus on development of rural area from multi-directions. To ensure a standard of development several components have been included in Smart Village concept such as skill development training linked to economic activities, agro-processing, storage and warehousing facilities, digital literacy, sanitation, provision of piped water supply, solid and liquid waste management etc.

MCQs

- 1) Consider the following statements about glaciers:
 1. It is a big body of ice that is created from falling and accumulated snow over a period of time.
 2. Human activities do not contribute to glacier melting.
 3. They play a role in changing the Thermo Haline Circulation of the ocean.
 Which of the above statement(s) is/are correct?
 - a. 1 and 2 only
 - b. 2 and 3 only
 - c. **1 and 3 only**
 - d. 1, 2 and 3
- 2) Prime Minister paid tributes to the hero of Sepoy Mutiny Mangal Pandey on his birth anniversary. Consider the following statements regarding Mangal Pandey:
 1. He spearheaded the 1857 sepoy mutiny against unjust British rule and inspired many to join the freedom struggle
 2. He revolted against the East India Company for introducing cartridges that were greased with animal fat as it hurt the religious sentiments of the soldiers.
 Which of the above statement(s) is/are correct?
 - a. 1 only
 - b. 2 only
 - c. **Both 1 and 2**
 - d. Neither 1 nor 2
- 3) Consider the following statements regarding Disaster Risk Reduction:
 1. The Global Platform for Disaster Risk Reduction, 2022 (GP 2022) took place in India.
 2. The outcome of GP2022 was summarised in the co-chairs' Bali Agenda for Resilience.
 3. The theme of 2022 was 'From Risk to Resilience: Towards Sustainable Development For All in a COVID-19 Transformed World'.
 Which of the above statement(s) is/are correct?
 - a. 1 and 2 only
 - b. **2 and 3 only**
 - c. 1 and 3 only
 - d. 1, 2 and 3
- 4) Consider the following statements about Weather Modification:
 1. Weather modification is the act of intentionally manipulating or altering the weather.
 2. The most common form of weather modification is cloud seeding.
 3. China conducted over half a million weather-modification operations between 2002 and 2012.
 Which of the above statement(s) is/are correct?
 - a. 1 and 2 only
 - b. 1 and 3 only
 - c. 3 only
 - d. **All are correct.**
- 5) The Supreme Court extended the time for completion of the special audit of 25 years of accounts of Sree Padmanabhaswamy temple and its trusts to August 31, 2022. Consider the following statements about Padmanabhaswamy temple:

1. It is the only major temple structure in Kerala that represents an amalgamation of the Dravidian style of architecture and the indigenous features of the architecture of Kerala.
2. The Gopuram of this temple is very similar to the temples of Dravidian style mostly found in Tamil Nadu. Which of the above statement(s) is/are correct?
 - a. 1 only
 - b. 2 only
 - c. Both 1 and 2**
 - d. Neither 1 nor 2
- 6) The term Karakoram Anomaly often heard in news, refers to:
 - a. Growth of Karakoram Ranges
 - b. Decline in relative altitude of Himalayan ranges
 - c. Resistance to glacial melting in Karakoram ranges**
 - d. Absence of volcanoes in Karakoram ranges
- 7) The Finance Ministry has recently declared zero coupon zero principal instruments (ZCZP) as securities. What can be the major possible implication of this decision?
 - a. Stability in money market
 - b. Allow corporates to utilise their fund marked for social responsibility**
 - c. Increase in Foreign Direct Investment
 - d. Reduction of Participatory notes
- 8) With reference to the amendment made in Legal Metrology (Packaged Commodities), Rules 2011, consider the following statements:
 1. It allows electronic products to declare certain mandatory declarations through the QR Code for a period of one year.
 2. It allows important declarations to be declared on the label in the package and other descriptive information in the QR Code.
 Which of the statements given above is/are correct?
 - a. 1 only
 - b. 2 only
 - c. Both 1 and 2**
 - d. Neither 1 nor 2
- 9) Consider the following statements:
 1. A religious or linguistic community that is a minority in a particular State can inherently claim protection and the right to administer and run its own educational institutions.
 2. The minority status of religious and linguistic communities is dependent upon the provisions of the items in the Union list.
 Which of the statements given above is/are correct?
 - a. 1 only**
 - b. 2 only
 - c. Both 1 and 2
 - d. Neither 1 nor 2
- 10) With reference to the Sannati site, consider the following statements:
 1. The site contains Maha Stupa, which was referred to as Adholoka Maha Chaitya (the Great Stupa of the netherworlds) in the inscriptions.
 2. The stone portrait is considered to be the only surviving image of the Mauryan Emperor which had the inscription 'Raya Asoko' in Brahmi on it.
 Which of the statements given above is/are correct?
 - a. 1 only
 - b. 2 only
 - c. Both 1 and 2**
 - d. Neither 1 nor 2