

INDIAN ECONOMY

Context RBI to Discontinue I-CRR, its Need and Implications.

- ✓ The Reserve Bank of India (RBI) recently declared that it would phase out the Incremental Cash Reserve Ratio (I-CRR).
- ✓ The amount mentioned in the news will be released by the central bank.
- ✓ The Reserve Bank of India (RBI) recently declared that it would phase out the Incremental Cash Reserve Ratio (I-CRR).
- ✓ The central bank will gradually release the funds that banks have been holding under I-CRR.
- ✓ How Will the RBI Carry Out I-CRR Discontinuation?
- ✓ To guarantee a gradual transition and avoid unexpected shocks to the system's liquidity, the withdrawal of the I-CRR will be implemented in stages.
- ✓ 25% of each bank's impounded funds will be freed during the I-CRR's first and second phases.
- ✓ By taking a cautious approach, banks will have enough liquidity to handle the anticipated spike in credit demand over the festival season.

Background:

- ✓ On August 10, 2023, the RBI announced that banks would be required to maintain an incremental cash reserve ratio (I-CRR) of 10% on the rise in their net demand and time liabilities (NDTL). This was done in response to the announcement of the monetary policy and the demonetization of Rs 2000 notes.
- ✓ The NDTL is the difference between the total of a bank's demand and time liabilities (deposits) with the public or other banks and the deposits held by other banks as assets.
- ✓ it would be reviewed either in September 2023 or earlier.
 - **Why I-CRR was Introduced:**
 - ✓ The I-CRR was implemented by the RBI as a temporary mechanism to control excess liquidity in the banking system.
 - ✓ The elimination of Rs 2,000 banknotes was one of the causes that contributed to the Surplus Liquidity.
 - ✓ capital inflows, an increase in government spending, and a transfer of the RBI's surplus to the government.
 - ✓ Effective liquidity management was required since this liquidity boom had the potential to undermine both price stability and financial stability.
 - **I-CRR's Effect on Liquidity Situations**
 - ✓ Over Rs 1 lakh crore of extra liquidity from the banking system would be absorbed by the I-CRR strategy.
 - ✓ The I-CRR mandate caused the banking system's liquidity to momentarily go into deficit on August 21, 2023, which was made worse by GST-related outflows and central bank intervention to stabilise the rupee.
 - **What does Cash Reserve Ratio (CRR) stand for?**

About: The CRR is the ratio of the amount of cash that must be held in reserves to the total amount of bank deposits. All banks in India must deposit CRR funds with the RBI, with the exception of Regional Rural Banks (RRBs) and Local Area Banks (LABs).

According to the RBI Act of 1934, RRBs and LABs are exempt from keeping CRR with the RBI. They must, however, keep CRR on hand for themselves in the form of cash, gold, or unencumbered authorised securities. Banks cannot utilise the CRR funds for investment reasons, they cannot lend the funds to businesses or private borrowers, and they cannot get interest on the funds.

➤ **Reserve cash must be deposited with the RBI:**

Since the RBI holds a portion of the bank's deposits, it ensures the protection of the money in case of emergency. When clients request their deposits be returned, the money is easily accessible.

CRR assists in controlling inflation. The CRR is raised by the RBI when there is a risk of significant inflation in the economy, which forces banks to hold more cash in reserves and, as a result, lowers the amount of cash that is available to them.

This reduces the economy's excessive money flow.

The RBI reduces the CRR rate when there is a need to inject capital into the market, which enables banks to lend to many more people.

Reserve cash must be deposited with the RBI:

Because a portion of the bank's deposit

Every commercial bank is required to maintain the CRR and other monetary instruments, but not the NBFC.

➤ **I-CRR is being used by RBI in the case of demonetization; why?**

In the event of a sudden influx of liquidity, such as during demonetization, RBI has decided to implement I-CRR. After the demonetization of the Rs. 500 and Rs. 1,000 banknotes in November 2016, RBI adopted I-CRR.

It enables the RBI to handle the problem without modifying other monetary policy facets. This accuracy can be quite important, particularly in unusual circumstances like demonetization.

The I-CRR may be put into practise rather fast. when there is an unexpected increase in liquidity as a result of a significant event like the returnThe central bank may require a technology that may be quickly implemented in the case of demonetized currency notes.

The I-CRR is primarily meant to be a short-term solution. It can be implemented to temporarily absorb excess liquidity and phased out after the liquidity situation has stabilised.

However, other instruments like the Repo Rate and Statutory Liquidity Ratio (SLR) etc. may have a longer-lasting and more gradual impact on liquidity.

What monetary policy tools does the RBI have at its disposal?

Qualitative:

Moral persuasion: This non-binding strategy entails the RBI using communication and persuasion to affect banks' lending and investing practises.

Direct credit controls: These are policies that restrict the distribution of credit to particular industries or sectors. To further its policy goals, the RBI may provide instructions about lending to specific industries or establish credit ceilings.

Selective credit controls are more targeted than direct credit controls and aim to reduce demand for particular loan types, like consumer credit, in particular sectors of the economy.

➤ **Quantitative:**

- ✓ **Cash Reserve Ratio (CRR):** The CRR is the percentage of deposits that a bank is required to hold in cash reserves with the RBI. The RBI can manage the amount of money that banks have available for lending by altering the CRR.
- ✓ **Repo Rate:** The repo rate is the **interest rate at which the RBI lends money to commercial banks for the short term.** A change in the repo rate can influence banks' borrowing costs and, subsequently, their lending rates.
- ✓ **Reverse Repo Rate:** The reverse **repo rate is the interest rate at which banks can park their excess funds with the RBI.** It provides a floor for short-term interest rates and helps manage liquidity.
- ✓ **Bank Rate:** The bank rate is the rate at which the **RBI provides long-term funds to banks and financial institutions.** It influences interest rates in the long-term money market.
- ✓ **Open Market Operations (OMOs):** OMOs involve the **buying or selling of government securities by the RBI in the open market.** This action affects the money supply and liquidity in the banking system.
- ✓ **Liquidity Adjustment Facility (LAF):** The LAF includes the repo rate and the reverse repo rate and is used by banks for their short-term liquidity needs. It **helps the RBI manage daily liquidity conditions.**
- ✓ **Marginal Standing Facility (MSF):** MSF is the rate at which **banks can borrow overnight funds from the RBI against the collateral of government securities.** It serves as a secondary source of funding for banks.
- ✓ **Statutory Liquidity Ratio (SLR):** SLR is the percentage of a bank's net demand and time liabilities (NDTL) that it must maintain in the form of approved securities.

INTERNATIONAL RELATIONS

Context global stocktake report and its recommendations

Recently, the synthesis report of the first **Global Stocktake** released by the **United Nations Framework Convention on Climate Change (UNFCCC)** ahead of the **18thG-20 summit** in New Delhi.

- The synthesis report presents **17 key findings**, painting a concerning picture of the world's progress towards **Paris Agreement targets**. While there is a limited window for corrective action, the report echoes **previous warnings that global efforts** are falling short.

What is Global Stocktake?

- The Global Stocktake is a **periodic review mechanism** established under the **Paris Agreement in 2015**.
 - The stocktake **takes place every five years**, with the first-ever stocktake scheduled to conclude at the UN Climate Change Conference (COP28) at the end of 2023.
- Its primary objectives are to **assess individual countries' efforts** to reduce **Greenhouse Gas (GHG)** emissions and transition to renewable energy sources.
- The stocktake is **designed to keep countries accountable and encourage** them to increase their climate ambitions over time.
 - In 2015, when countries committed in Paris to **keep global temperatures from rising beyond 2 degrees Celsius by the end of the century** and “as far as possible” below 1.5 degrees Celsius, they also agreed to **periodically review, or take stock of efforts**, made by individual countries in containing greenhouse gasses.
- While countries have laid out their **Nationally Determined Contributions (NDC)**, they are expected to — but not obliged to — increase their ambitions every five years.
- While the latest NDC were submitted in 2020, a stocktake also aims to push countries to set higher targets before the next **NDCs are published in 2025**.

What are the Key Recommendations of the Report?

- **Galvanizing Effect of Paris Agreement:**
 - The Paris Agreement has galvanised countries into **setting goals and signalling the urgency of the climate crisis.**
 - Governments need to support ways to transition their economies away from fossil fuel businesses and that states and communities must strengthen efforts.
- **Equitable Economic Transition:**
 - While rapid change could be “disruptive,” countries should work on ensuring that the **economic transition is equitable and inclusive.**
 - Much more ambition is needed to reduce global GHG emissions by **43% by 2030 and further by 60% in 2035** and reach net zero CO2 emissions by 2050 globally.
 - Rapid change should prioritize equitable and inclusive economic transitions.
- **Scaling Up Renewable Energy and Halting Deforestation:**
 - Renewable energy has to be scaled up and all ‘unabated fossil fuels are to be **rapidly eliminated.**
 - Deforestation and land-degradation **have to be halted and reversed and agricultural practices** critical to reducing emissions and conserving and enhancing carbon sinks have to be encouraged.
- **Fragmented Adaptation Efforts:**
 - While the world, as a whole, has committed to scale up **steps to help adapt to the unfolding and future impacts of climate change,** most efforts were “fragmented, incremental, sector-specific and unequally distributed across regions.”
 - Transparent reporting on **adaptation could facilitate and enhance understanding,** implementation and international cooperation.
- **Addressing Loss and Damage:**
 - Averting, **minimising and addressing ‘loss and damage,’** requires urgent action across climate and development policies to manage risks comprehensively and provide support to impacted communities.
 - Support for adaptation and funding **arrangements for averting, minimising and addressing loss and damage,** from the impact of climate change, needed to be rapidly scaled up from expanded and innovative sources.
- **Enhancing Climate Finance Access:**
 - Financial flows **needed to be made consistent** with climate-resilient development to meet urgent and increasing needs.
 - A substantial shift in financial flows is **essential to support low greenhouse gas emissions** and climate-resilient development.

What is the Impact of Global Stocktake Report?

- The global stocktake report influenced the **G20 Leaders Declaration,** a significant outcome of the summit. For the first time, the declaration formally recognized the substantial financial requirements for transitioning to renewable energy.
- It noted the need for USD 5.8-5.9 trillion in the pre-2030 period for developing countries and USD 4 trillion per year for clean energy technologies by 2030 to achieve **Net-Zero emissions by 2050.**

PRELIM FACTS

1. Russia’s Support to North Korea’s Satellite Plan

- Russia & North Korea’s leaders met recently for the summit at the **Vostochny Cosmodrome space station in Russia’s Far East.**

About the meeting highlights

- ✓ As stated by Russian President Vladimir Putin, Russia would help North Korea **launch satellites.**
- ✓ North Korean leader Kim Jong-un said that Russia had his full backing in its **“sacred fight” with the West.**
- ✓ The leaders would **discuss issues** about getting supplies from North Korea to replenish Moscow’s dwindling stock of weapons and ammunition.
- ✓ **Issues & challenges:** U.S. and South Korean officials have expressed concern that **North Korean leader could provide weapons and ammunition to Russia,** which has expended vast stocks in more than 18 months of war in Ukraine.

Significance

- ✓ **Location of meet:** The decision to meet at Vostochny Cosmodrome, a major satellite launch facility, may communicate what Kim Jong-un sees as the crucial next steps in his efforts **to build a viable nuclear arsenal** that could threaten the United States and its allies in Asia.
- ✓ **Violation of UN resolutions:** If Russia does buy weapons from North Korea, it would be in violation of UN resolutions that ban all arms trade with the isolated country.
- ✓ **Ending isolation:** North Korea’s economy has been crippled by the pandemic-era border closures and Kim may ask for supplies of food and energy to address shortfalls.

- **North Korea's failures in launching military spy satellite:** Kim's visit to Russia came after North Korea experienced repeated failures in recent months to put its first military spy satellite into orbit.
- **Increased threats of DPRK missiles:** Kim has punctuated his testing activity with an **escalatory nuclear doctrine** that authorises his military to conduct preemptive nuclear attacks against enemies if it perceives Pyongyang's leadership as under threat.

2. Stump-Tailed Macaques

In News

Some Stump-Tailed Macaques have been brought to the Delhi zoo from Mizoram.

Scientific Name : Macaca arctoides

It is also called the bear macaque.

It is a primate species .

Primarily frugivorous, they however also feed on many types of vegetation and small animals.

Habitat and Distribution : The natural habitat of Stump-tailed macaques consists of subtropical and tropical broadleaf evergreen forest .

It is found in South Asia .

Distributed in north eastern India , Myanmar, and China and Thailand, Vietnam, Cambodia, Malaysia.

Found in parts of Mizoram, Manipur and Nagaland.

Protection Status : It is listed under Appendix II in CITES.

India lists it as schedule II under the Indian Wildlife (Protection) Act, 1972.

They are listed as 'vulnerable' on the IUCN Red List of species.

3. National e-Vidhan Application' (NeVA) The President of India, inaugurated 'National e-Vidhan Application' (NeVA) and addressed the Gujarat Legislative Assembly at Gandhinagar.

About

- NeVA is a **work-flow system** deployed on NIC Cloud, MeghRaj which helps the **Chair of the House to conduct the proceedings of the House smoothly**.
- NeVA is a device neutral and member centric application created to equip them to **handle diverse House Business smartly** by putting entire information regarding member contact details, rules of procedure, list of business, notices, bulletins, bills, starred/unstarred questions and answers, papers laid, committee reports etc. in their hand held devices/ tablets and equip all Legislatures/ Departments to handle it efficiently.
- NeVA will **completely eliminate** the process of sending out a notice/request for collection of data.
- The application hosts a secure page for each Member of the House for submitting questions & other notices.
- The aim of the project is to **bring all the legislatures of the country together**, in **one platform** thereby creating a massive data depository without having the complexity of multiple applications.
- mNeVA is a user-friendly **Mobile App** of NeVA which is available on Android as well as on iOS.
- mNeVA has made information on the conduct of business in Legislatures accessible anytime, anywhere to everyone.

4. Expansion of PM Ujjwala Yojana

- e Union Cabinet has recently approved the **extension of Pradhan Mantri Ujjwala Yojana (PMUY)** for release of 75 lakh LPG connections over three years from Financial Year 2023-24 to 2025-26.

About

- Provisioning of 75 lakh additional Ujjwala connections will take the **total number of PMUY beneficiaries to 10.35 crore**.
- As per the existing modalities of Ujjawala 2.0, **the first refill and stove will also be provided free of cost to Ujjwala beneficiaries**.
- A targeted **subsidy of Rs.200 per 14.2 kg LPG cylinder for upto 12 refills per year is being provided to PMUY consumers**.

Need of clean cooking fuel

- **Women's ease of living through clean cooking:** According to the WHO, approximately **2.4 billion people worldwide** (one-third of the global population), **rely on open fires or inefficient stoves** fuelled by kerosene, biomass (such as wood, animal dung, and crop waste), and coal for cooking.
- This leads to **harmful household air pollution**, contributing to an estimated **3.2 million deaths annually in 2020**, with over 237,000 deaths being **children** under the age of 5.
- Achieving a **sustainable and pollution-free future** requires addressing the issue of household air pollution, especially to prevent suffering among women and children.

- **Non-renewable wood fuels for cooking cause a gigaton of CO2 emissions**, and burning residential solid fuels comprise 58 percent of black carbon emissions. They are also a significant contributor to **household air pollution (HAP)** due to incomplete combustion of solid biomass.
- Research also indicates that this is a **gender problem: girls and women face increased exposure to solid fuels**. Cooking with solid fuels **delays progress towards five of the UN SDGs**.

PMUY scheme- Achievements

- The PMUY scheme has **empowered women economically and socially**.
- With easier access to LPG, women are **no longer burdened with the task of collecting firewood or other traditional fuels**, which often required long and laborious journeys.

Initiatives to expand LPG coverage

- **PAHAL (Pratyaksh Hastantarit Labh)**: Instead of providing LPG cylinders at subsidized price, those were sold at market price, and applicable **subsidy was directly transferred to an individual's bank account electronically**.
- **GIVE IT UP**: Instead of removing subsidies forcefully, **people were encouraged to voluntarily surrender their subsidies**.

5. Cybercrime Investigation Tool

- It has been developed by **the I-hub NTIHAC foundation (c3ihub) at IIT Kanpur with support from the Department of Science and Technology (DST)** under National Mission on Interdisciplinary Cyber-Physical Systems (NM-ICPS).
- It is a tool for apprehending cybercriminals' modes of operations in a crime execution lifecycle.
- It also compares modus operandi (Mode of Operation) used in different crimes and manages user roles and track activity for crime paths.
- A **TTPs-based investigation framework** could be highly effective as it restricts the numbers of forms and methods the investigation can be conducted and primarily relies on criminals' TTPs, leading to rapid conviction of cybercriminals.

Uses:

1. To know the hacker or threat group and better understand an attack framework.
2. Help focusing on the investigation path, identify threat sources, define the severity of the threat, and support incident response.
3. Help in identifying emerging threats and in developing threat and attack countermeasures.

ANSWER WRITING

Q. Where there is righteousness in the heart, there is beauty in the character. When there is beauty in the character, there is harmony in the home. When there is harmony in the home, there is order in the nation. When there is order in the nation, there is peace in the world." — A. P. J. Abdul Kalam

A.P.J Abdul Kalam had highlighted the importance of quality of righteousness through this quote and had given a beautiful connectivity between heart, character, nation and the world.

- Righteousness is the quality of being morally right and justifiable which forms the basis for any peaceful and prosperous society. Every religion focuses on the quality of righteousness as a means to an end.
- For example: In Hindu mythologies and texts, the path of righteousness i.e dharma is regarded as the ideal path or ultimate duty of every human being.
- By the above quote, he lays down the path for enabling peace in a society. By focusing on individual rejuvenation as the locus of all activity, he aims to reform and integrate the whole society.
- For example: In the 3rd century BC, Ashoka promoted the code of Dhamma in his empire, which was the set ideal social behaviour for promoting peace and enabling prosperity in the kingdom.
- The contemporary society has been seen digressing from the path of righteous behaviour and has shown more inclination toward the materialistic way of life, which has led to the eruption of several social and societal problems.
- If individuals follow the righteous path, they are more likely to spread happiness to others and succeed in their personal endeavours and will contribute to the upliftment of their household status, which indirectly will contribute to the happiness and upliftment of whole society, and then many social problems like crime, corruption, mob lynching etc can be eliminated from the society.
- Similarly, the more prosperous society will contribute to a more prosperous nation.
- For example: Terrorism has become a severe menace in many West Asian countries and threatening the safety and security of whole world. Focus on enabling the order of righteous path in these nations will contribute to maintaining peace in the whole world.

Righteousness in multiple dimensions in the society with the indomitable spirit is essential for realizing the vision of "Vasudhaiva Kutumbakam".

MCQs

1. Consider the following statements about Bhoj wetland
 1. It consists of two contiguous human-made reservoirs located in the city of Bhopal, Madhya Pradesh.
 2. Recently Keoladeo National Park and Bhoj wetland were added under the Montreux record, maintained under the Ramsar convention.
 Choose the correct statements:
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 and 2
2. Consider the following statements
 1. SID Platform serves as India's Digital Public Infrastructure for the skill development and entrepreneurship ecosystem.
 2. The platform is part of the World Bank-assisted Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) programme.
 3. SANKALP is a programme of the Ministry of Social Justice and Empowerment to with loan assistance from the World Bank to improve short term skill training.
 How many of the statements given above are incorrect?
 - a) Only one
 - b) Only two
 - c) All three
 - d) None of these
3. Consider the following statements about Bandipur Tiger Reserve (BTR)
 1. It is located at an ecological confluence of the Western and Eastern Ghats.
 2. It is part of the larger Nilgiri Biosphere Reserve, which is recognized as a UNESCO World Heritage Site.
 3. It is surrounded by River Kabini in its north and River Moyar in its south.
 Choose the correct statements:
 - a) 1 and 2
 - b) 1 and 3
 - c) 2 and 3
 - d) 1,2 and 3
4. MotoGP, recently seen in news is
 - a) An autonomous load-bearing robot developed for the Indian Army.
 - b) The oldest motor sport championship in the world
 - c) India first polarimetry mission
 - d) World first AI super computer
5. Consider the following initiatives
 1. National Judicial Data Grid (NJDG)
 2. eSewa Kendras
 3. National Service and Tracking of Electronic Processes (NSTEP)
 4. Virtual Courts
 How many of the above initiatives are launched under the eCourts Project?
 - a) Only one
 - b) Only two
 - c) Only three
 - d) All four
6. Consider the following statements, with reference to Indian Council of World Affairs (ICWA):
 1. It was established by group of Indian intellectuals before Indian Independence.
 2. It is declared as the institution of national importance by the Indian Council of World Affairs Act, 2001.
 3. The vice-president of India is the ex-officio President of ICWA.
 How many of the statements given above are correct?
 - (a) Only one
 - (b) Only two
 - (c) All three
 - (d) None
7. MQ-9B which was recently seen in the new is related to which of the following:
 - (a) Fighter Jet
 - (b) Unmanned Aerial Vehicle
 - (c) Aircraft Carrier
 - (d) Surface-to-air missile
8. Consider the following statements regarding the Vidya Samiksha Kendra:
 1. It serves as a data repository for all initiatives run by the Union Ministry of Education.
 2. It will aid in calculating the Gross Access Ratio by mapping the school location layer with the population layer.
 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. Eastern Maritime Corridor is a proposed marine corridor between which of the following countries?
 - (a) India and Bangladesh
 - (b) Japan and India
 - (c) India and Singapore
 - (d) Russia and India
10. Consider the following statements, with reference to Voter verifiable paper audit trail:
 1. It is a machine that is attached to the Electronic Voting Machine that provides feedback to voters using a ballot less voting system.
 2. It has a transparent window that shows the Name, Serial number and Election symbol for 7 seconds to the voter.
 Which of the above statements is/are correct?
 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) Neither 1 nor 2