7 PM COMPILATION

1st to 15th February, 2024

Features of 7 PM compilation

- **Comprehensive coverage of a given current topic**
- **Provide you all the information you need to frame a good answer**
- **Critical analysis, comparative analysis, legal/constitutional provisions, current issues and challenges and best practices around the world**
- **Written in lucid language and point format**
- **Wide use of charts, diagrams and info graphics**
- **Best-in class coverage, critically acclaimed by aspirants**
- **Out of the box thinking for value edition**
- **Best cost-benefit ratio according to successful aspirants**

Index

Interim Budget 2024-Key Highlights – Explained Pointwise

Union Finance Minister, Nirmala Sitharaman, presented the Interim Budget 2024. The Interim budget that the finance minister presented today will stay valid for the first four months of the new fiscal year that starts in April. The comprehensive budget for the fiscal year 2024-2025 will be presented in July 2024.

Vision of the Interim Budget 2024/Vikshit Bharat Budget 2024

1.What is the difference between Annual Budget and Interim Budget?

Annual Budget	Interim Budget
The annual budget covers all aspects of government finances, including revenue generation, expenditure allocations, and policy announcements	The interim budget focusses primarily on maintaining essential spending on ongoing schemes and critical public services until the new government takes charge.
An annual budget, presented on February 1st of each year and outlines the government's financial roadmap for the entire fiscal year (April 1 to March 31).	An interim budget, also known as a 'Vote on Account', which is presented in an election year. It is essential government operations funded until the newly elected government presents its full budget.
Major Policy decisions like changes in tax structure, import duty Structure are announced in the annual budget.	An interim budget avoids major policy pronouncements or significant changes to tax structures due to its transitory nature.
The annual budget faces rigorous parliamentary debates and analysis.	Interim budget receives less scrutiny due to its limited scope and temporary nature.

2.What are the key highlights of the Interim Budget?

Macro-economic Highlights

1. **Budget Estimates 2024-25-**

Total receipts other than borrowings	30.80 lakh crore
Tax receipts	26.02 lakh crore
Total expenditure	47.66 lakh crore

2. **Fiscal Deficit-** The estimated fiscal deficit in 2024-25 is set to be 5.1 per cent of GDP. The revised fiscal deficit is at 5.8% of the GDP for 2023-24 (FY24). These fiscal deficit trends adhere to the path of reduction of fiscal deficit below 4.5 per cent by 2025-26.

3. **Lower borrowings by the Central Government-** The gross and net market borrowings through dated securities during 2024-25 are estimated at 14.13 and 11.75 lakh crore respectively. The borrowings by the Central Govt are set to reduce in 2024-25 as compared to 2023-24. The lower borrowings by the central government will facilitate larger availability of credit for the private sector.

4. **Continuation of the Fifty-year interest free Loan for Capital Expenditure to states-** The scheme of fifty-year interest free loan for capital expenditure to states will be continued this year with total outlay of 1.3 lakh crore.

5. **No changes to income tax slabs-** No changes have been introduced in the income tax slabs.

6. **Extension of Tax Exemptions-** Tax exemptions given to start-ups extended till March 31, 2025.

7. **Withdrawal of Direct Income Tax Demands-** Government has decided to withdraw outstanding direct tax demands up to Rs 25,000 for the period up to financial year 2009-10 and up to Rs 10,000 for financial years 2010-11 to 2014-15.

8. **Increase in Income Tax Filers and Income tax Collection-** The number of tax filers have increased by 2.4 times. The direct tax collection has trebled since 2014.

Infrastructure Highlights

1. **Increase in Capital Expenditure Outlay for Infrastructure-** The Capital Expenditure outlay for Infrastructure for 2024-25 has been increased by 11.1 per cent to eleven lakh, eleven thousand, one hundred and eleven crore rupees (11,11,111 crore). This would be 3.4 per cent of the GDP.

2. **Major economic railway corridor programmes-** Energy, mineral and cement corridors, port connectivity corridors have been announced which will result in decongestion of the high-traffic corridors. These will help in improving operations of passenger trains.

3. **Expansion of Pradhan Mantri Awas Yojana- Gramin (PMAY-G)-** 2 crore more houses will be built under the Pradhan Mantri Awas Yojana-Gramin (PMAY-G).

4. **Rooftop solarization and muft bijli**– Through rooftop solarization, one crore households will be enabled to obtain up to 300 units free electricity every month.

Green Energy Highlights

1. **Viability Gap Funding for Offshore Wind-** Viability gap funding will be provided for harnessing offshore wind energy potential for initial capacity of one giga-watt.

2. **Coal Gasification and liquefaction Plant-** Coal gasification and liquefaction capacity of 100 MT will be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia.

3. **Phased mandatory blending of CBG in CNG and PNG-** Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.

4. **New Schemes for Bio-Manufacturing and Bio-Foundry-** A new scheme of bio-manufacturing and bio-foundry will be launched. This will provide environment friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs.

Agriculture Highlights

1. **Agriculture and food processing-** Promotion of private and public investment in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding.

2. **Nano DAP-** Application of Nano DAP on various crops will be expanded in all agro-climatic zones.

3. **Atmanirbhar Oil Seeds Abhiyan-** A strategy to achieve 'atmanirbharta' for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower will be formulated.

4. **Dairy Development-** A comprehensive programme for supporting dairy farmers will be formulated. The programme will be built on the success of existing schemes such Rashtriya Gokul Mission, National Livestock Mission, and Infrastructure Development Funds for dairy processing and animal husbandry.

5. **Matsya Sampada-** Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to enhance aquaculture productivity from existing 3 to 5 tons per hectare, double exports to 1 lakh crore and generate 55 lakh employment opportunities in near future. Five integrated aquaparks will be setup.

Research and Development

1. **Corpus of Rs. 1 lakh crore-** A corpus of rupees one lakh crore to encourage the private sector to scale up research and innovation significantly in sunrise domains.

2. **New Scheme for Deep tech Technology-** A new scheme to be launched for strengthening deep-tech technologies for defence purposes and expediting 'atmanirbharta'.

Nari-Shakti Highlights

1. **Enhancement of Target of Lakhpati Didi-** Target of Lakhpati Didi has been enhanced from 2cr to 3cr.

2. **Vaccination Programme to prevent Cervical Cancer-** Vaccination programme to prevent Cervical Cancer for girls in the age group of 9 to 14 years.

3. **Amalgamation of various schemes for maternal and child care-** Creation of one comprehensive programme for maternal and Child Care. Expedition of upgrading Anganwadi Centres under 'Saksham Anganwadi and Poshan 2.0'.

Health Sector Highlights

1. **Setting up more medical colleges-** A committee to be formed to examine the issue of setting up more medical colleges.

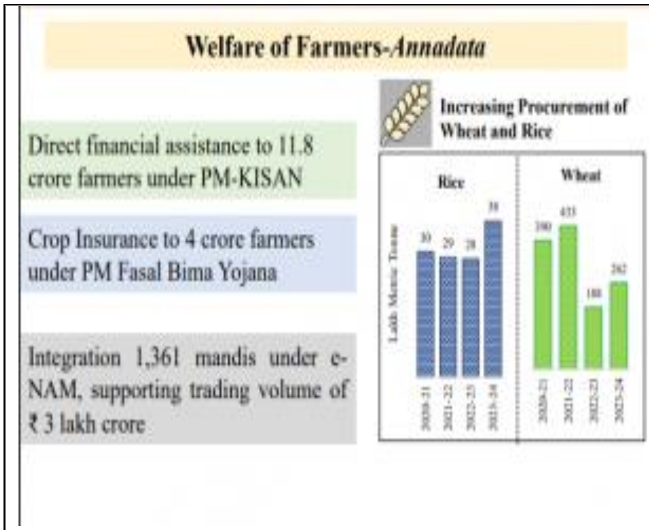
2. **Extension of Coverage under the Ayushman Bharat Scheme-** ASHA workers, Anganwadi workers and helpers will be covered under the Ayushman Bharat Scheme.

3.Understanding Interim Budget 2024 through Infographs

Focus Area of Interim Budget 2024

1. Garib Kalyan Desh Kalyan, 2. Empowering the Youth, 3. Welfare of Farmers- Annadata, 4. Nari Shakti

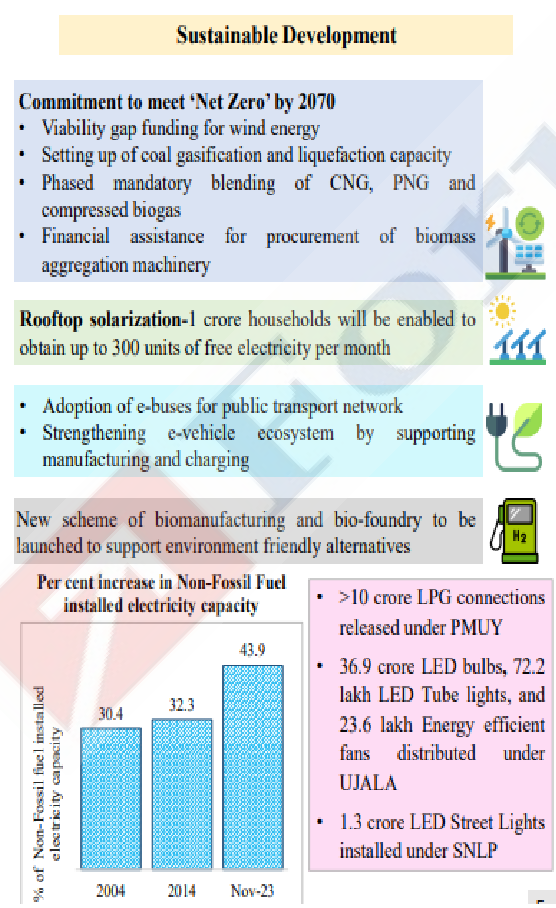
Garib Kalyan Desh Kalyan	**Empowering the Youth**
Welfare of Farmers- Annadata	**Nari Shakti**



Source- India Budget

Strategy of Amrit Kal

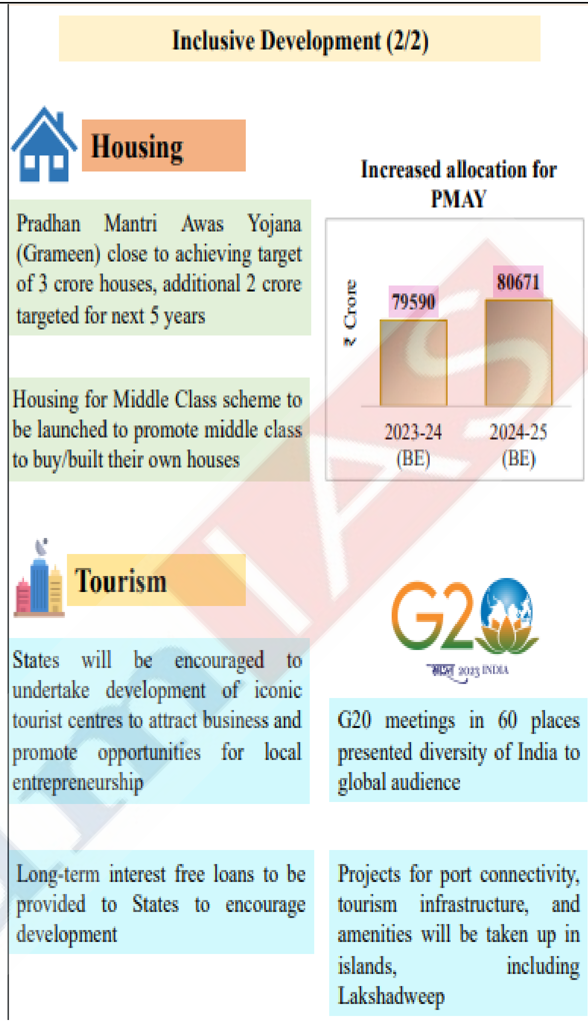
1. Sustainable Development, 2. Infrastructure and Investment, 3. Inclusive Development , 4. Agriculture and Food Processing



Source- India Budget

Source- India Budget

Source- India Budget



Source- India Budget

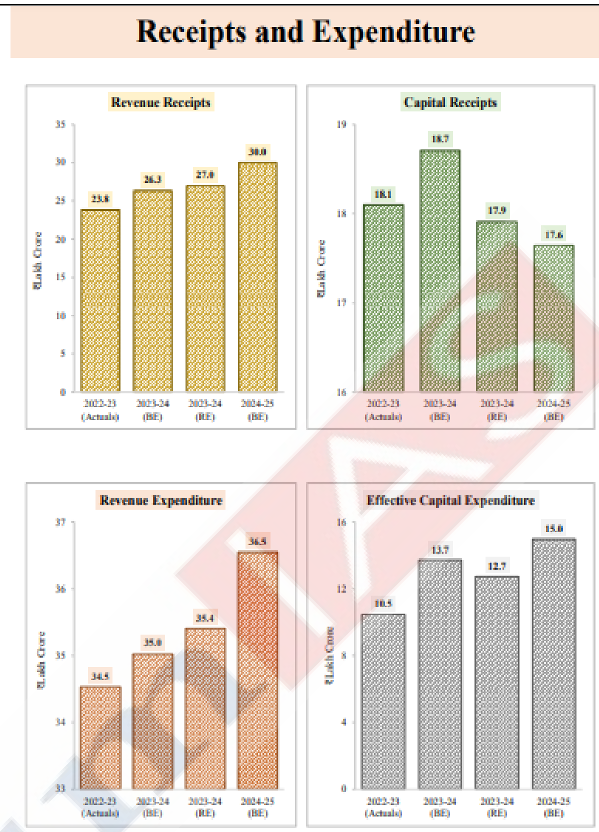
Source- India Budget

Source- India Budget

Taxation Proposals

Budget Sources and Allocations

Source- India Budget



Source- India Budget

Source- India Budget

Source- India Budget

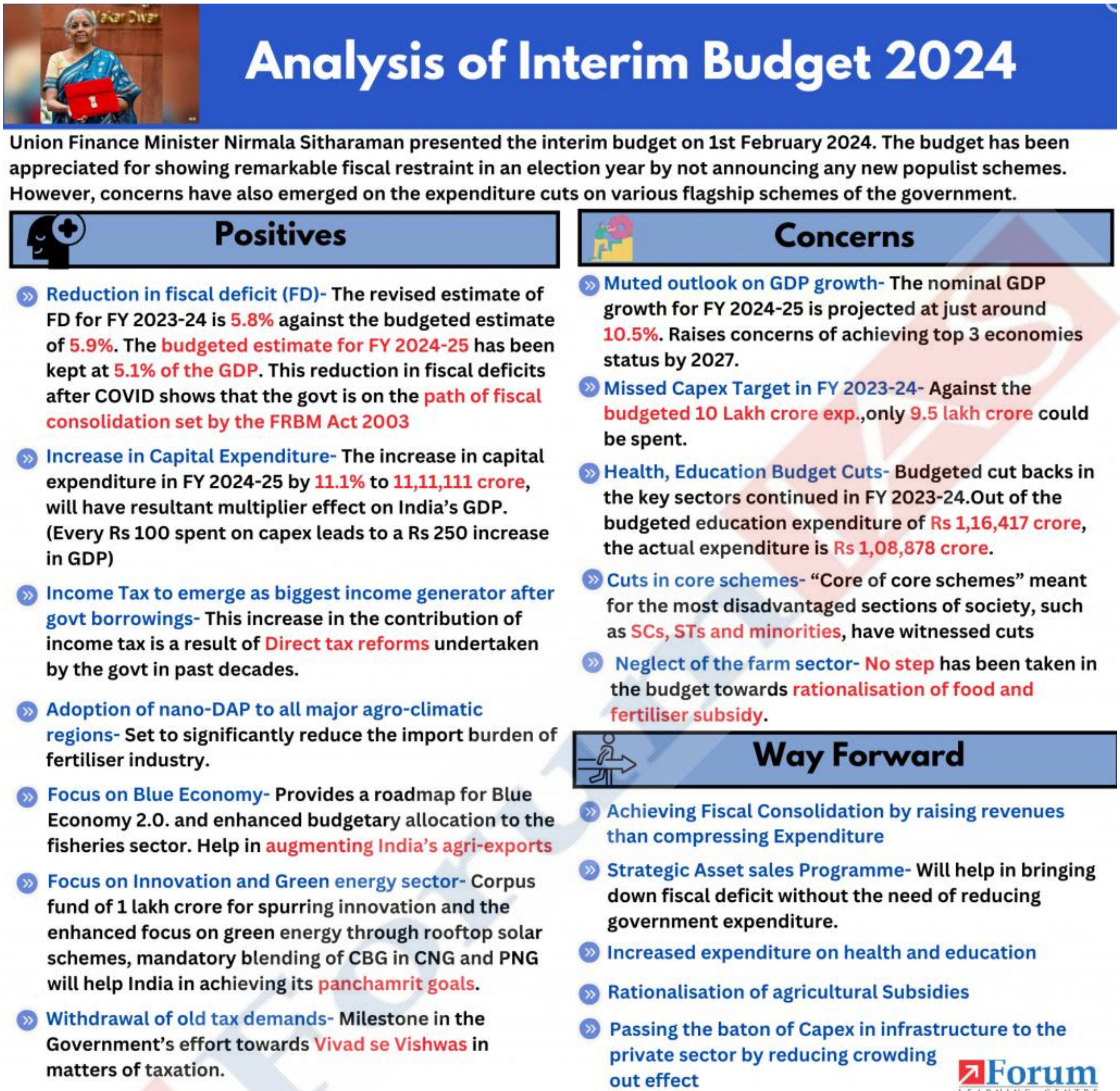
This Interim Budget aims to create a Vikshit Bharat by 2047. A full Fledged Budget will be presented in July 2024.

Read More– India Budget
UPSC Syllabus- GS3-Government Budgeting

Analysis of the Interim Budget 2024- Explained Pointwise

An analysis of the Interim Budget 2024 by different stakeholders is imminent, after the Union Finance Minister Nirmala Sitharaman presented the interim budget on 1st February 2024. The budget has been appreciated for showing remarkable fiscal restraint in an election year by not announcing any new populist schemes. However, concerns have also emerged on the expenditure cuts on various flagship schemes of the government.

Read More- **Interim Budget 2024-Key Highlights**



Created By Forum IAS

What are The Positives that Emerge Out after The Analysis of Interim Budget 2024?

1. **Reduction in fiscal deficit-** The revised estimate of fiscal deficit for FY 2023-24 is 5.8% against the budgeted estimate of 5.9%. The budgeted estimate for FY 2024-25 has been kept at 5.1% of the GDP. This reduction in fiscal deficits after COVID shows that the govt is on the path of fiscal consolidation set by the FRBM Act 2003. Reduced fiscal deficit of the govt, will spur the growth of private sector borrowings from the market.

2. **Increase in Capital Expenditure-** The increase in capital expenditure in FY 2024-25 by 11.1% to 11,11,111 crore, will have resultant multiplier effect on India's GDP. (Every Rs 100 spent on capex leads to a Rs 250 increase in GDP)

3. **Income Tax to emerge as biggest income generator after govt borrowings-** According to the Interim Budget 2024-25, income tax revenues will account for 19% of all government resources in FY25. (Govt

borrowings-28%, Corporate tax-17% and GST-18%). This increase in the contribution of income tax is a result of **Direct tax reforms undertaken by the govt in past decades**.

4. **Adoption of nano-DAP to all major agro-climatic regions-** The adoption of domestically-produced Nano DAP produced in Kalol, Gujarat is set to significantly reduce the import burden of fertiliser industry.

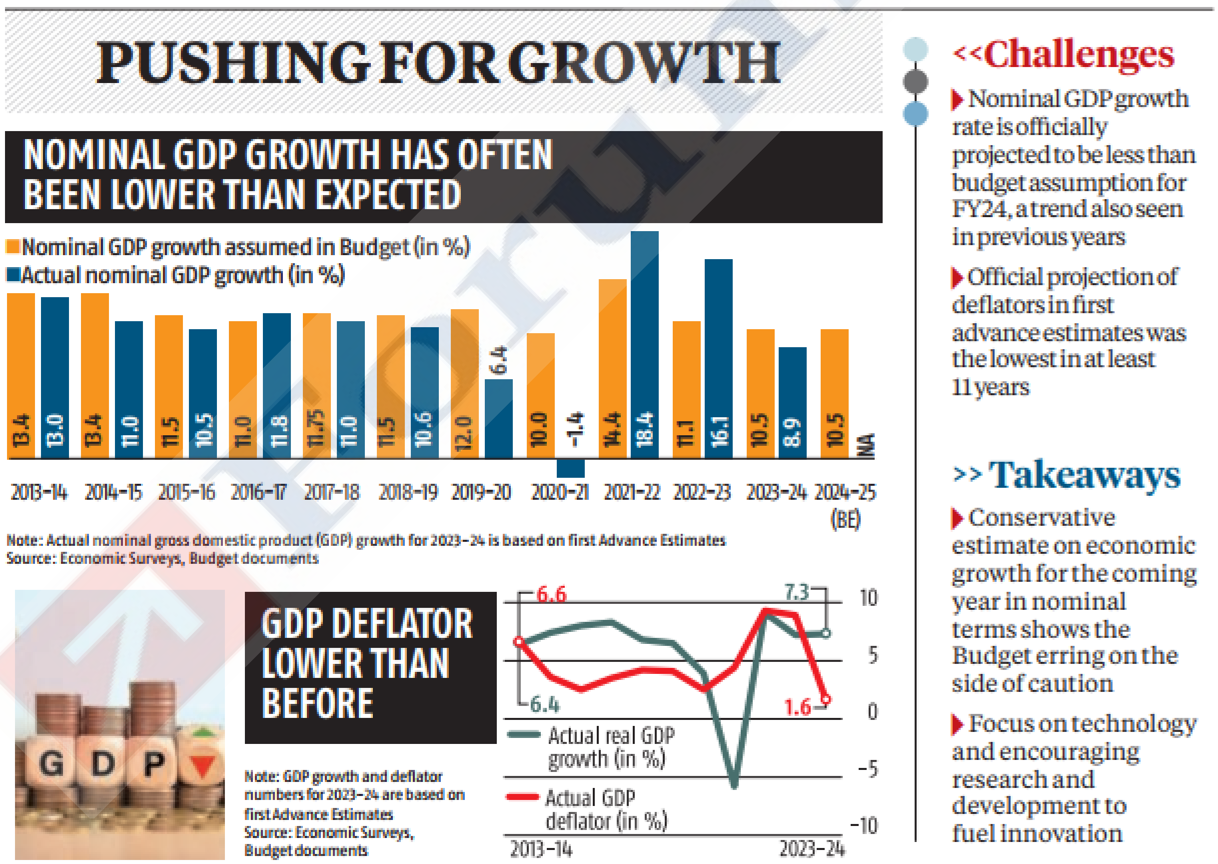
5. **Focus on Blue Economy-** The interim budget 2024 provides a roadmap for Blue Economy 2.0. and enhanced budgetary allocation to the fisheries sector. This will help in augmenting India's agri-exports and will provide support to the coastal community livelihood.

6. **Focus on Innovation and Green energy sector-** The corpus fund of 1 lakh crore for spurring innovation and the enhanced focus on green energy through rooftop solar schemes, mandatory blending of CBG in CNG and PNG will help India in achieving its panchamrit goals.

7. **Withdrawal of old tax demands-** This step will benefit one crore taxpayers and will be another milestone in the Government's effort towards Vivad se Vishwas in matters of taxation.

What are The Concerns with The Interim Budget 2024?

1. **Muted outlook on GDP growth-** The nominal GDP growth for FY 2024-25 is projected at just around 10.5%. Taking into account the inflation rates for the coming financial year, the real GDP growth rate will be subdued. This raises concerns with respect to our target of becoming the top 3 global economies of the world by 2027.



Source- Business Standard

2. **Missed Capex Target in FY 2023-24-** The Capex expenditure target Rs 10 lakh crore set for FY-24 set in the Budget 2023-24 has not been met. The revised estimates show that the Capex for FY-24 stands at Rs 9.5 lakh crore.

3. **Health, Education Budget Cuts-** Budgeted cut backs in the key sectors continued in FY 2023-24. Out of the budgeted education expenditure of Rs 1,16,417 crore, the actual expenditure is Rs 1,08,878 crore. Similarly, in healthcare, out of the budgeted expenditure of Rs 88,956 crore, only Rs 79,221 crore was spent in FY 24.

4. **Cuts in core schemes-** "Core of core schemes" meant for the most disadvantaged sections of society, such as SCs, STs and minorities, have witnessed cuts. **For ex-** Revised Estimates (RE) for the Umbrella Scheme for Development of Schedule Castes are Rs 6,780 crore against the Budget Estimates (BE) of Rs 9,409 crore.

5. **Neglect of the farm sector-** There has not been an increase in the allocation for agricultural sector. In real terms, the allocation of Department of Agriculture and Farmers Welfare (MoAFW) has gone down in the interim budget. No step has been taken in the budget towards rationalisation of food and fertiliser subsidy.

What Should be The Way Forward?

1. **Achieving Fiscal Consolidation by raising revenues than compressing Expenditure-**Our fiscal deficit reduction approach must target on raising revenues rather than reducing expenditure, as expenditure multipliers tend to be higher in an economy than revenue multipliers.

2. **Strategic Asset sales Programme-** Asset monetisation will help in raising govt. revenues as the market condition remains buoyant. This will help in bringing down fiscal deficit without the need of reducing government expenditure.

3. **Increased expenditure on health and education-** The social sector expenditures by the govt. must be increased for achieving the goal of Inclusive Development.

4. **Rationalisation of agricultural Subsidies-** The full-fledged budget to be presented in July must take bold reformative measures of rationalisation of food and fertiliser subsidies.

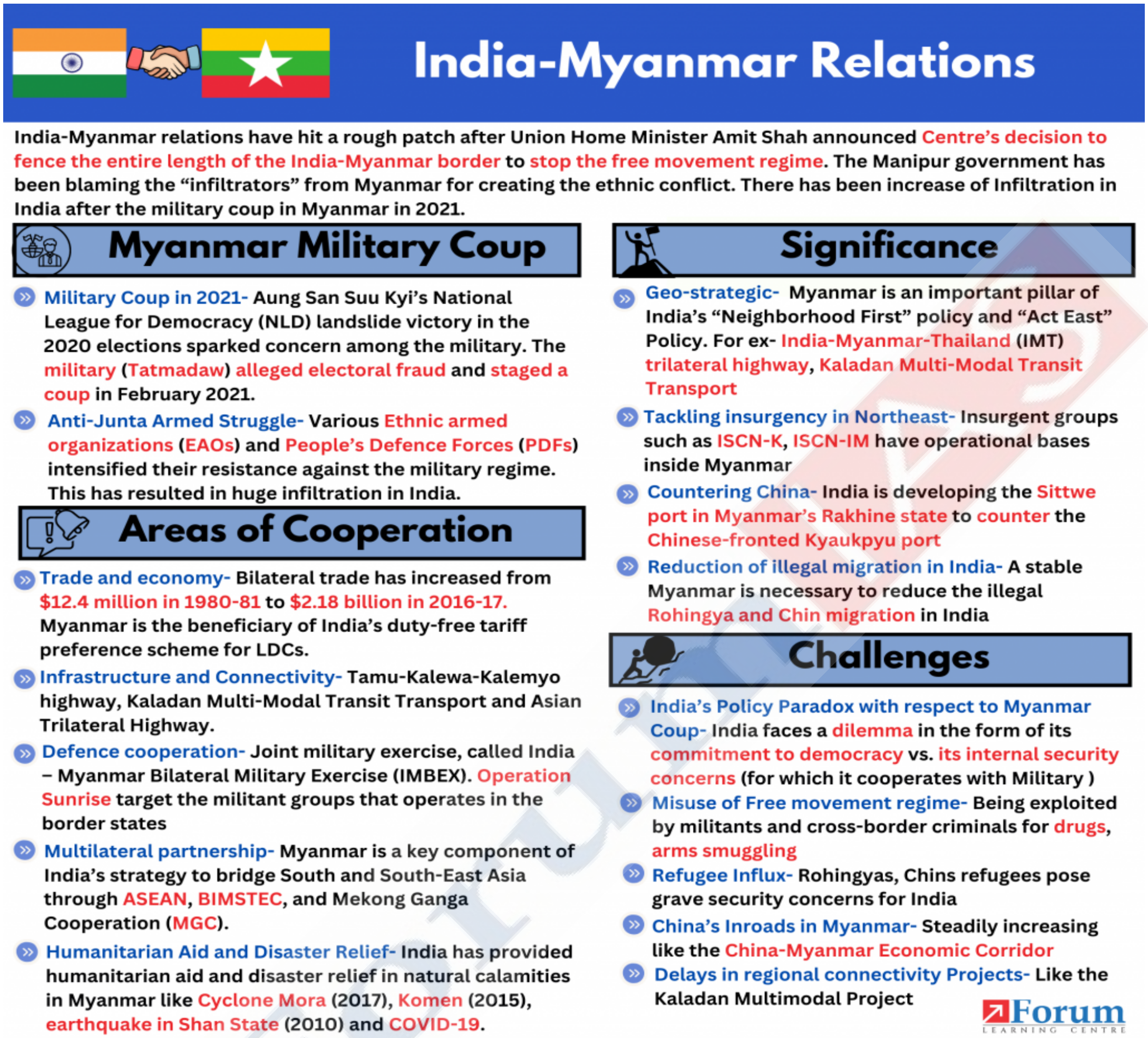
5. **Passing the baton to the private sector-** With its initial push by increasing the Capex, the government must pass on the baton of infrastructural development to the private sector by reducing the crowding out effect in the economy. Crowding out effect can be reduced when the govt. reduces its fiscal deficit and achieves its FRBM 2003 target of fiscal deficit being 3% of the GDP.

Read More- The Indian Express
UPSC Syllabus- GS 3- Government Budgeting

India-Myanmar Relations Amid Myanmar Civil War- Explained Pointwise

India-Myanmar relations have hit a rough patch after Union Home Minister Amit Shah announced Centre's decision to fence the entire length of the India-Myanmar border to **stop the free movement regime**.

The centre's decision to fence the border has come in the wake of ongoing ethnic clashes in Manipur. The Manipur government has been blaming the "infiltrators" from Myanmar for creating the ethnic conflict. There has been increase of Infiltration in India after the military coup in Myanmar in 2021. **India-Myanmar Relations Amid Myanmar Civil War**



Created By Forum IAS

What is The Ongoing Crisis in Myanmar which has Led to Increase in Infiltrations in India?

Brief History of Political Unrest in Myanmar

Parliamentary Democracy Phase	Myanmar (Burma) gained independence from British rule in 1948. The Country established a democracy based on the parliamentary system of Government.
First Phase of Military Rule	In 1962, General Ne Win staged a coup d'état, establishing a military dictatorship. The Burma Socialist Programme Party (BSPP) became the country's sole political party.
Phase of Political Conflict within the military	In 1988, General Saw Maung seized control of the government, overthrowing the BSPP due to widespread economic decline and corruption. However, the military continued to rule under the State Peace and Development Council (SPDC).

Phase of Democratic Transition	In 2010, the SPDC held elections, paving the way for a quasi-civilian government. Aung San Suu Kyi's National League for Democracy (NLD) won the 2015 elections.

Current Military Coup and the Civilian Armed struggle

Military Coup in 2021	Aung San Suu Kyi's National League for Democracy (NLD) landslide victory in the 2020 elections sparked concern among the military. The military (Tatmadaw) alleged electoral fraud and staged a coup in February 2021. Aung San Suu Kyi and other leaders were detained, sparking widespread protests and a violent military crackdown.
Anti-Junta Armed Struggle	Various Ethnic armed organizations (EAOs) and People's Defence Forces (PDFs) intensified their resistance against the military regime, resulting in escalating conflicts across the country.

Massive Influx of Refugees in India- The ongoing armed struggle between the military Junta and the People's Defence forces in the Chin region, Sagaing region have led to massive influx of refugees in India, especially in Mizoram and Manipur. This influx of refugees in India has emerged as a major bone of contention between India and Myanmar, as these have been linked to violent ethnic clashes, drug trafficking and smuggling.

Map of major regions in Myanmar and India's northeastern states.

Source- Indian Express

India's stand on the Conflict- As Myanmar marked three years of military coup, India has called for complete cessation of violence in the country and its transition towards inclusive federal democracy.

What is the Historical Background of the India-Myanmar Relations?

India and Myanmar have a long history of cultural, religious, and trade links that date back to ancient times. As the land of Lord Buddha, India is a country of pilgrimage for the people of Myanmar.

British Era	Both India and Myanmar were part of British India during colonial rule until 1935.
Post Independence	After independence, India and Myanmar established diplomatic relations and maintained close ties. India and Myanmar signed a Treaty of Friendship in 1951.
2002	Indian Consulate in Mandalay was reopened, and the Consulate of Myanmar was set up in Kolkata.
2014	Myanmar became part of India's "Neighbourhood First" policy and its "Act East" policy.

What is the Significance of Myanmar for India?

1. **Geo-strategic-** Myanmar is India's gateway to South-East Asia and development of North-Eastern India. Myanmar is an important pillar of India's "Neighborhood First" policy and "Act East" Policy. **For ex-** Development of India-Myanmar-Thailand (IMT) trilateral highway, Kaladan Multi-Modal Transit Transport (KMMTT) corridor rely on Myanmar.

2. **Tackling insurgency in Northeast-** Insurgent groups such as ISCN-K, ISCN-IM have operational bases inside Myanmar. **For Ex-** Cooperation of Myanmar government in controlling Naga insurgency.

3. **Countering China-** Myanmar is crucial for India to counter its growing influence in the South-East Asian region. **For ex-** India is developing the Sittwe port in Myanmar's Rakhine state to counter the Chinese-fronted Kyaukpyu port.

4. **Reduction of illegal migration in India-** A stable Myanmar is necessary to reduce the illegal Rohingya and Chin migration in India.

5. **Cultural ties-** Buddhism which is the majoritarian religion in Myanmar has its roots in India, which has led to huge cultural similarities between India and Myanmar.

What are the Major Areas of Cooperation Between India and Myanmar?

1. **Trade and economy-** Bilateral trade between India-Myanmar has grown from $12.4 million in 1980-81 to $2.18 billion in 2016-17. Myanmar is the beneficiary of India's duty-free tariff preference scheme for least-developed countries (LDCs). Indian companies such as Essar, GAIL, and ONGC Videsh Ltd. have invested in Myanmar's energy sector.

2. **Infrastructure and Connectivity-** India-Myanmar relations has been bolstered by the key connectivity projects. India has invested deeply in the infrastructure projects in Myanmar.
a. India and Myanmar inaugurated the 250-kilometer Tamu-Kalewa-Kalemyo highway, popularly called the Indo-Myanmar Friendship Road, In 2001.
b. India is building the Kaladan Multi-Modal Transit Transport to link Kolkata to Sittwe in Myanmar and then from Myanmar's Kaladan river to India's north-east.
c. India, Myanmar, and Thailand are building the Asian Trilateral Highway, which will connect India to ASEAN.

Source- Wikipedia

Source- Wikipedia

3. **Defence cooperation-** India and Myanmar conduct a joint military exercise, called India – Myanmar Bilateral Military Exercise (IMBEX). Operation Sunrise between India-Myanmar armies jointly target the militant groups that operates in the border states.

4. **Multilateral partnership-** Myanmar is also a key component of India's strategy to bridge South and South-East Asia through ASEAN, BIMSTEC, and Mekong Ganga Cooperation (MGC).

5. **Education and research-** India has developed Myanmar Institute of Information and Technology and Advanced Center for Agricultural Research and Education (ACARE) for conducting research on pulses and oilseeds.

6. **Humanitarian Aid and Disaster Relief-** India has provided humanitarian aid and disaster relief in natural calamities in Myanmar like Cyclone Mora (2017), Komen (2015), earthquake in Shan State (2010) and COVID-19.

What are the Challenges in India-Myanmar Relations?

1. **India's Policy Paradox with respect to Myanmar Coup-** India faces a dilemma in the form of its commitment to democracy vs. its internal security concerns. On one hand, India has been engaging with the military junta to control insurgent groups operating along the India Myanmar border. On the other hand, India also favours the establishment of federal democracy in Myanmar.

2. **Misuse of Free movement regime-** The Free Movement Regime between India and Myanmar is being exploited by militants and cross-border criminals for the illegal transportation of weapons, contraband goods, and counterfeit Indian currency.

3. **Refugee Influx-** The ongoing violence and instability in Myanmar have led to a surge in the number of refugees fleeing to India. Over 54,100 Myanmar nationals have sought refuge in the Indian states of Arunachal Pradesh, Mizoram, Manipur, and Nagaland. These illegal migration of Rohingyas, Chins pose grave security concerns for India.

4. **Northeast insurgency and Drug Menace**– Myanmar-China border is the hotbed of local armed separatist groups operating in Myanmar soil and Indian groups, ranging from ULFA in Assam to the NSCN (IM) in Nagaland. Myanmar's Golden Triangle region is a notorious hub for drug trafficking.

5. **China's Inroads in Myanmar-** China has been steadily increasing its influence in Myanmar, investing heavily in infrastructure projects and expanding its economic footprint. For ex- The launch of China-Myanmar Economic Corridor.

6. **Delays in regional connectivity Projects-** The inordinate delays in the implementation of the connectivity projects like the Kaladan Multimodal Connectivity project have widened the trust deficit between India and Myanmar.

Read More- Concerns Related to The India-Myanmar Border

What Should be The Way Forward?

1. **Support for democracy and human rights-** The United Nations Special Rapporteur has reported an increase in India's arms supply to the military since the coup. Arming the Tatmadaw (Myanmar Military) undermines India's position on restoring democracy. India should continue to advocate for the restoration of democracy and respect for human rights in Myanmar like the release of political prisoners and ending the military junta's crackdown on dissent.

2. **Engagement with all stakeholders-** India should use its influence to open channels of dialogue with and between the junta and the opposition, including armed ethnic groups.

3. **Use of Regional Organisations for enhanced cooperation-** India should collaborate closely with the ASEAN nations for a peace plan for Myanmar.

4. **Enhanced Economic Engagement-** India should continue to engage with Myanmar economically to promote sustainable development for the benefit of the people of Myanmar. The delayed connectivity projects like the Kaladan and Asian Trilateral Highways must be expedited at the earliest.

5. **Closer Security Cooperation-** India must closely collaborate with Myanmar in intelligence sharing and coordinated efforts to combat insurgencies and drug trafficking.

6. **Solidarity with the People of Myanmar-** Providing aid and service to those affected by the crisis will alleviate suffering and demonstrate India's solidarity with the people of Myanmar.

Read More- The Hindu **UPSC Syllabus- GS 2-** India and Neighbourhood Relations

Payment Banks in India – The PayTM Case – Explained Pointwise

The recent case of RBI's crackdown on Paytm has put the spotlight on the operations of Payment Banks In India. RBI has ordered Paytm Payments Bank Ltd (PPBL) to halt most of its business including taking further deposits, conducting credit transactions and carrying out top-ups on any customer accounts, prepaid instruments, wallets, and cards for paying road tolls after February 29, 2024.

Reasons for RBI Clampdown on Paytm payments Bank

1. **Non-KYC accounts-** Existence of Lakhs of non-KYC (Know Your Customer) compliant accounts.
2. **Use of Single PAN Card-** A single PAN was used to open multiple accounts in thousand of cases.
3. **Money Laundering concerns-** The total value of transactions in some accounts ran into crores of rupees, which was beyond the regulatory limits in minimum KYC pre-paid instruments.
4. **High number of Dormant Accounts-** Out of the 35 crore Paytm wallet Accounts, 31 crore accounts were found to be dormant. These dormant accounts were used as mule accounts and for committing digital frauds.
5. **Data Privacy Concerns-** Paytm bank's dependence on its parent entity one97 communications limited (OCL) for IT infrastructure raised data privacy concerns.
6. **False Compliance Submissions-** The compliances submitted by Paytm to the RBI were found to be incomplete and false on many occasions.

Created By Forum IAS

What are Payment Banks? What are their features?

Historical Background- Payment Banks in India were established in 2014 based on the recommendations of the Nachiket Mor Committee. It was set up to operate on a smaller scale with minimal credit risk.

Objective- The main objective is to advance financial inclusion by offering banking and financial services to the unbanked and under-banked areas. It also caters to the needs of uncovered masses in the banking sector like the migrant labour force, low-income households and small entrepreneurs.

Legal Provisions- The legal provisions governing the payment banking operations in India are mentioned below-
a. These banks have to register as a Public Limited Company under the Companies Act 2013 and obtain licence as per Banking Regulation Act 1949. They are also regulated by the RBI Act 1934, Foreign Exchange Management Act 1999 and Payment and Settlement Systems Act, 2007.
b. The minimum capital requirement is 100 crores. For the first five years, the stake of promoters should not be less than 40%. Foreign shareholdings will also be allowed as per FDI rules for private banks in India.
c. The voting right of the shareholder is capped to 10% and which can be raised to 26% from the approval of Reserve Bank of India. The banks should be fully networked from the beginning.

Features- These Banks have several distinct features when compared to the conventional Banks. These are mentioned below-

Type of Accounts	1. The payment bank can open only Savings Bank Accounts and Current Accounts. 2. The maximum balance of deposit they can have in their account is only Rs 2,00,000 (Earlier it was only Rs 1,00,000). 3. However, these cannot accept deposits from Non-resident Indians.
Lack of lending power	1. These are not allowed to lend money or lending services. 2. They are allowed to issue ATM or Debit cards to its customers. But these banks are not allowed to issue credit cards.
CRR requirements	Payments banks have to deposit Cash Reserve Ratio (CRR) with RBI, just like other commercial banks.
SLR Requirements	1. They are required to invest a minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year. 2. Further, they can hold a maximum of 25% of their "demand deposit balances" in currents and fixed deposits with other commercial banks for operational purposes.
Lack of NBFC functions	1. These banks are not allowed to open subsidiaries to undertake Non-Banking Financial Services activities. 2. However, with the approval from RBI, payment bank can work as a partner with other commercial banks to sell mutual funds, pension products, and insurance products.
Other Functions	1. These banks are allowed to provide internet banking and mobile banking facility to their customers. 2. They can provide the facility of utility bill payments to its customers and the general public. 3. The payments banks can accept remittances to be sent to or receive remittances from multiple banks through payment mechanism approved by RBI, such as RTGS / NEFT / IMPS.

Payment Banks operating in India- Currently only 6 banks are operating in the country- Airtel Payments Bank Limited, India Post Payments Bank Limited, Fino Payments Bank Limited, Paytm Payments Bank Limited, NSDL Payments Bank Limited and Jio Payments Bank Limited.

Read More- Restrictions on Paytm Payments Bank

What is The Significance of these Banks for India?

1. **Promotion of Financial inclusion-** These banks have promoted financial inclusion by catering to financial services to the unbanked sections of the society like migrant workers, low-income households and small scale entrepreneurs.

2. **Expanded Geographical reach-** These banks have a wider geographical reach due to its technology oriented services, unlike traditional banks whose geographical outreach is constrained by the requirements of physical infrastructure.

3. **Zero balance accounts and No minimum balance accounts-** These banks offer a zero balance account or a no minimum balance account without any extra or hidden charge, unlike a commercial bank who levy charges if the customer doesn't hold a minimum balance in their account.

4. **Complements the financial efforts of traditional banks-** Payments banks complement the financial efforts of traditional banks by partnering to sell mutual funds, pension products, and insurance products through their platform. **For ex-** SBI Life Insurance product through Paytm.

5. **Low Value, High Volume Transactions-** They have provided effective infrastructure to deal with low value, high volume transactions. **For Ex-** Use of Paytm QR codes by the vegetable Vendors to grocery shop owners.

6. **Higher rates of Interest-** The rates of interest being offered by these banks is higher in comparison to the traditional banks. **For Ex-** ROI of Payment Bank is generally around 7% whereas as ROI of commercial bank ~3.5 and 6 per cent.

What are The Challenges with Payment Banks in India?

1. **Low avenues of profitability-** These banks are not allowed to lend money and earn interest income unlike traditional banks. Further, the stringent SLR requirements of 75% demand liabilities to be invested in G-secs have impinged on the avenues of profitability of these banks. **For ex-** The operational payments banks showed net losses of Rs 516.5crore for financial year 2018.

2. **Low return on equity-** The cap on the amount of demand deposits at Rs 2,00,000 and the 15% capital to Risk Weighted Assets ratio, has severely impacted the returns on equities of payment bank in India. Their return on equity is less than 5%.

3. **Digital Divide and slow internet connectivity-** These banks have no physical presence and their banking operations are solely reliant on internet connectivity. However, the rural-urban divide in internet connectivity has impacted their expansion and penetration.

4. **Large number of dormant accounts-** The large number of dormant zero balance accounts have impacted the operations of payment bank in India. They have also been used as conduits for personal loan scams and Money Laundering. For ex- Out of the 35 crore Paytm payment bank accounts, 31 cr remained dormant and were misused.

5. **Cut-throat Competition-** These banks are facing cut-throat competition from the payment wallets like Phone pe, Bharat Pe and conventional commercial banks payment bank services like SBI yono, ICICI i mobile pay.

6. **Increasing number of Defunct Payment Bank-** The over-regulated functioning and huge losses, have led to increase in the number of banks surrendering their licences and halting their operations. **For ex-** Cholamandalam Distribution Services, Sun Pharmaceuticals, Tech Mahindra and Aditya Birla Payment Bank have surrendered their licences.

Read More UPSC Topics-

- **India-Myanmar Relations Amid Myanmar Civil War- Explained Pointwise**
- **Analysis of the Interim Budget 2024- Explained Pointwise**

What Should be The Way Forward?

1. **Open up more avenues of profit generation-** RBI must increase deposit limits of payment bank. Also, a mechanism must be worked out to let these banks transfer the surplus money in the demand deposit accounts to the universal banks.

2. **Facilitate Infrastructure sharing-** RBI should take measure to facilitate infrastructure sharing among the traditional banks and Payment Bank. **For ex-** Payment bank desks in traditional bank branches.

3. **Increased Internet connectivity-** The internet connectivity in rural areas must be increased for the entry of new players in the payment bank market as payment bank sector is dominated by telecom giants like Airtel and Jio which have their own network.

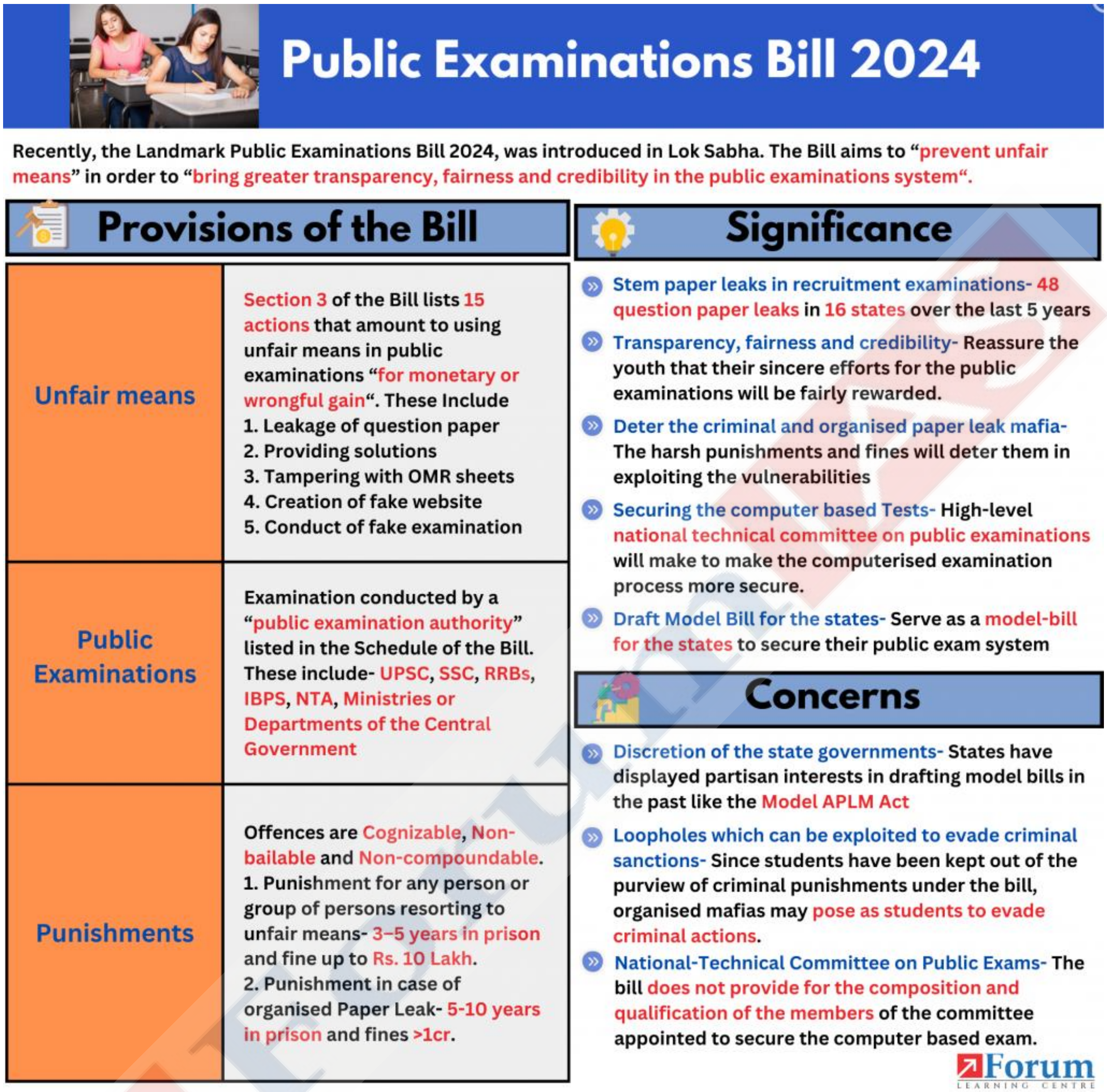
4. **Increase the scope of operations-** The payment bank should be allowed to offer their own mutual fund and insurance products to enhance their source of revenue generation and profitability.

5. **Increase regulatory vigilance-** The compliance of e-KYC and no frill accounts must be regularly undertaken by the RBI to prevent future crisis like the Paytm crisis. The recommendations of the Anand Sinha committee must be implemented to ring-fence the banking operations of the payment bank from the ownership structure.

Read More- Livemint
UPSC Syllabus- GS 3- Indian Economy (Banking Sector Challenges)

Public Examinations (Prevention of Unfair Means) Bill 2024- Explained Pointwise

Recently, the landmark **Public Examinations (Prevention of Unfair Means) Bill 2024**, was introduced in Lok Sabha. The Bill aims to prevent unfair means in the public examinations. This will bring greater transparency, fairness and credibility in the public examinations system. The bill comes in the backdrop of cancellation of several recruitment exams due to paper leaks, such as teacher recruitment exam in Rajasthan and constable recruitment examination in Bihar.



Created By Forum IAS

What are the various provisions of the Public Examinations (Prevention of Unfair Means) Bill 2024?

Defined unfair means under the Bill

Section 3 of the Bill lists 15 actions that amount to using unfair means in public examinations "for monetary or wrongful gain".

1. **Leakage of question paper** or answer key and colluding in such leakage.
2. Participating in **collusion** with others **to effect leakage** of question paper or answer key.
3. Accessing or taking **possession of question paper** or an OMR sheet without authority
4. **Providing solutions** to questions by any unauthorised person during a public exam.
5. Directly or indirectly **assisting the candidate** in any unauthorised manner.
6. **Tampering with answer sheets,** including OMR sheets.

7. **Altering the assessment** except to correct a bona fide error without any authority.
8. **Wilful violation of norms or standards** set up by the Central Government for conduct of a public examination on its own or through its agency.
9. **Tampering with any document** necessary for shortlisting of candidates or finalising the merit or rank of a candidate in a public examination.
10. **Deliberate violation of security measures** to facilitate unfair means in conduct of a public examination.
11. **Tampering with the computer network** or a computer resource or a computer system.
12. **Manipulation in seating arrangements**, allocation of dates and shifts for the candidates to facilitate adopting unfair means in examinations.
13. **Threatening the life, liberty or wrongfully restraining persons** associated with the public examination authority or the service provider or any authorised agency of the Government; or obstructing the conduct of a public examination.
14. **Creation of fake website** to cheat or for monetary gain.
15. **Conduct of fake examination**, issuance of fake admit cards or offer letters to cheat or for monetary gain

Defined Public Examinations under the Bill

Section 2(k) of the Bill defines a "public examination" as any examination conducted by a "public examination authority" listed in the Schedule of the Bill.

Public Examination Authorities under the Bill

1. Union Public Service Commission (UPSC)
2. Staff Selection Commission (SSC)
3. Railway Recruitment Boards (RRBs)
4. Institute of Banking Personnel Selection (IBPS)
5. National Testing Agency (NTA)
6. Ministries or Departments of the Central Government and their attached and subordinate offices for recruitment of staff.
7. Such other authority as may be notified by the Central Government.

Punishments Under The New Bill

Section 9 of the Bill deals with the nature of offences under the new Bill.

Nature of Offences– The offences under the new bill have been made Cognizable, Non-bailable and Non-compoundable.
a. **Cognizable**– An arrest can be made without a warrant
b. **Non-bailable**– Bail will not be a matter of right. A magistrate will determine whether the accused is fit to be released on bail
c. **Non-compoundable**– A non-compoundable offence is one in which the case cannot be withdrawn by the complainant even when the complainant and the accused have reached a compromise. A trial will necessarily follow for the accused.

Punishments under the Bill

1. Punishment for any person or group of persons resorting to unfair means- 3–5 years in prison and fine up to Rs. 10 Lakh. In case of failure to pay the fine, additional punishment as per the provisions of Bharatiya Nyaya Sanhita 2023 will be imposed.
2. Punishment in case of organised Paper Leak- 5-10 years in prison and fine of more than one crore rupees. In case of failure to pay the fine, additional punishment as per the provisions of Bharatiya Nyaya

Sanhita 2023 will be imposed.
3. Punishment for Service Provider- Fine of Rs 1 cr and are further barred from conducting future examination for period of 4 years.

What are The Advantages of The Public Examinations (Prevention of Unfair Means) Bill 2024?

1. **Stem the question paper leaks in recruitment examinations-** The hiring process has been disrupted by high instances of question paper leaks. **For ex-** There have been 48 question paper leaks in 16 states over the last five years that impacted 1.51 crore applicants who applied for about 1.2 lakh posts.

2. **Transparency, fairness and credibility to the public examination systems-** The bill will reassure the youth that their sincere and genuine efforts for the public examinations will be fairly rewarded.

3. **Deter the criminal and organised paper leak mafia-** The harsh punishments and fines will deter the organised paper leak crime mafias in the country. They will be deterred in exploiting the vulnerabilities of the examination system.

4. **Securing the computer based Tests-** The bill recommends to create a High-level national technical committee on public examinations which will make recommendations to make the computerised examination process more secure.

5. **Draft Model Bill for the states-** The bill will serve as a model-bill for the states to secure their state-level public examination system.

Read More- The Public Examinations Bill 2024

What are The Concerns with The Bill?

1. **Discretion of the state governments-** The bill leaves it to the discretion of the state governments to draft their own acts by serving as a model bill. However, state governments have displayed partisan interests in drafting model bills in the past, like the Model APLM Act.

2. **Loopholes which can be exploited to evade criminal sanctions-** Students have been kept out of the criminal sanctions under the bill. They have been placed under the administrative rule of the concerned public authority of examination. However, paper leak gang members may take advantage of this loophole by posing themselves as students and escaping harsh criminal punishment.

3. **Composition of National-Technical Committee on Public Exams-** The bill does not provide for the composition and qualification of the members of the National-Technical Committee on Public Exams. There are chances of partisanship in selection of members by the central government.

4. **Scope of subordinate legislation-** The bill leaves scope for subordinate legislations like making various rules under the act. The executive authorities will have a large discretionary power in the implementation of the bill.

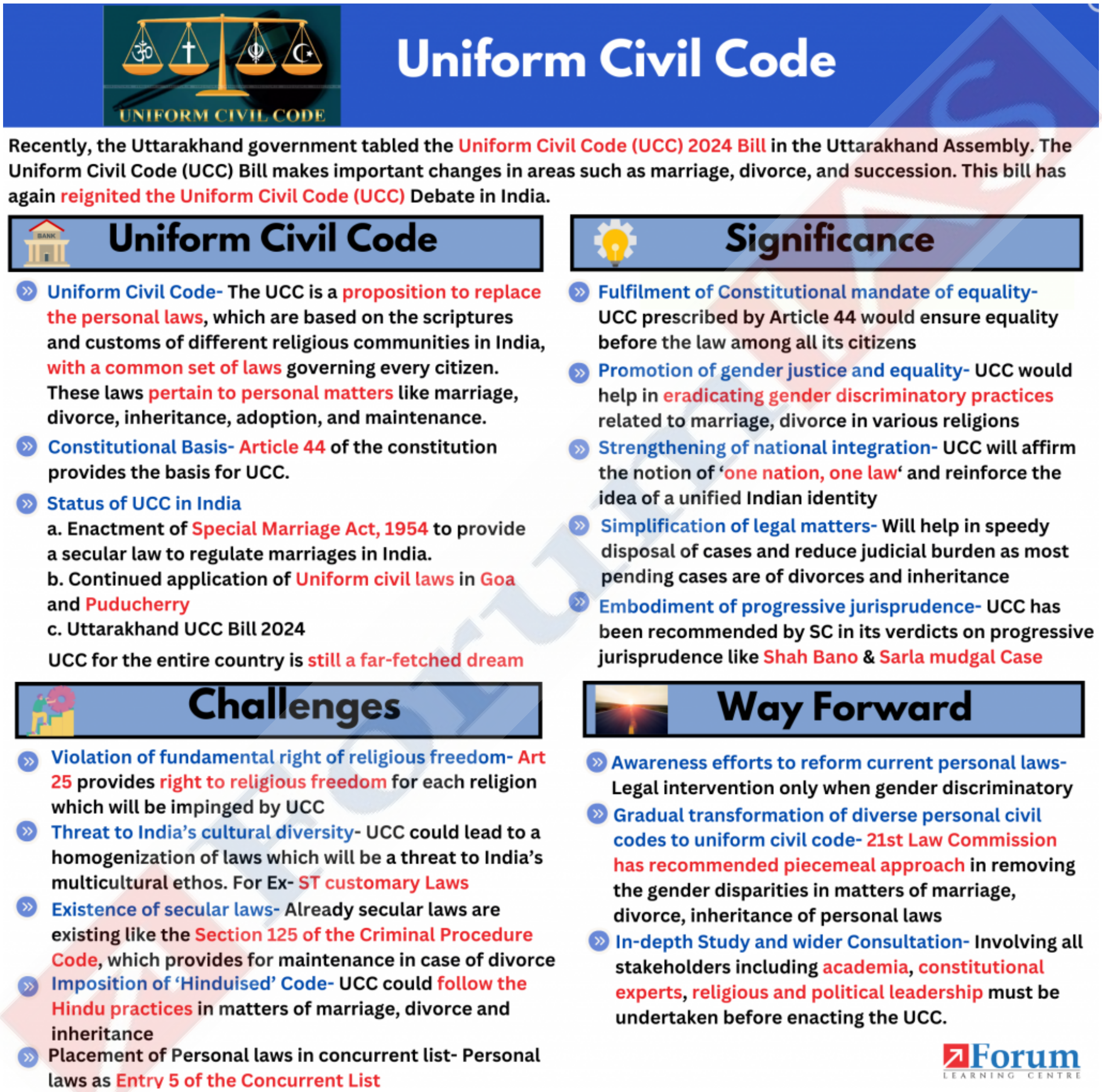
Conclusion

The Public examinations Bill is a remarkable step by the Central Government to protect the interests of student community who give their life and soul for the preparation of public examinations. The need of the hour is that state governments adopt this model Bill to ensure the integrity of their public examination systems.

Read More- The Indian Express
UPSC Syllabus– GS 2- Government policies and interventions for the development of various sectors (Bills and Acts)

Uniform Civil Code (UCC) Debate- In wake of Uttarakhand UCC- Explained Pointwise

Recently, the Uttarakhand government tabled the Uniform Civil Code (UCC) 2024 Bill in the Uttarakhand Assembly. The Uniform Civil Code (UCC) Bill makes important changes in areas such as marriage, divorce, and succession. This bill has again reignited the Uniform Civil Code (UCC) Debate in India.



Created By Forum IAS

Key Changes in The Uttarakhand Uniform Civil Code (UCC)

Key Changes for Muslims in the Uttarakhand UCC **1. Minimum age of marriage-** Uttarakhand UCC brings the minimum age of marriage to 18 and 21 for Muslim women and men, respectively. This makes it at par with the minimum age of marriage provided in the Hindu Marriage Act, 1955 and the Special Marriage Act, 1954. **2. Succession-** Under the Uttarakhand UCC, the two types of succession- testamentary succession (through a will) and intestate succession (in the absence of a will) have been brought at par with the provisions of the Indian Succession Act, 1925. **a. Testamentary Succession-** In case of testamentary succession (through a will), there is no restriction on how much of the property a deceased can bequeath, or to whom. Earlier, in case of testamentary succession, Muslims could bequeath up to one-third of their property to anyone of their choosing through a will and the rest two-third were to be divided in the manner provided in the Quran and the Hadith. **b. Intestate succession-** In case of intestate succession (without a will), the provisions of Indian succession act will be applicable. The priority in inheritance will be accorded to Class-1 heirs, who include the children, the widow and parents among a long list of others. In the absence of Class-1 heirs, the property will pass on to Class-2 heirs, who include siblings, nieces, nephews and grandparents, among others. If no such heir exists, anyone most closely related to the deceased person may receive the property. **3. Ban on practices like bigamy or polygamy and Nikah Halala-** The new UCC outlaws and criminalises the practice of polygamy, Nikah Halala and Iddat which are practised under the Muslim personal laws.
Key Changes for Hindus in the Uttarakhand UCC **1. Abolition of distinction between ancestral and self-acquired property-** Under the new UCC Bill, a father is free to dispose both his self acquired property as well his ancestral property. Earlier, a father could only dispose his self acquired property and not his ancestral property because of coparcenary rights. Coparcenary rights in the ancestral property provided by the Hindu Succession Act have been abolished as part of the UCC Bill (Coparceners- his son/daughter, grandson/granddaughter, great-grandson/great-granddaughter, who had rights in the ancestral property). **2. Changes in intestate succession-** Elevation of both parents– mother and father– as Class I heirs in case of intestate succession. Earlier, only mother was included in class I heir. Now, the inclusion of father in class I heir means that a person's property could travel to his siblings through his parents. This change has been effected to bring parity in intestate succession as Hindu law does not include siblings as legal heirs, which were included in the shariat law.
Other Key Changes **1. Registration of Live-In Relationships-** All live-in relationships will have to be registered with the registering authority notified under the law. If any of the partners is less than 21 years old, the registrar will inform the parents of the couple and forward the registration to the local police station. Children born out of live-in relationships will have all legal rights. If one of the partners is married, will not be allowed **2. Mandatory registration of marriage-** Every marriage has to be registered within 60 days. Three months jail term and fine of ₹25,000 will be awarded for wrong information during marriage registration and ₹10,000 fine for not registering the marriage. 3. **Divorce only through courts-** No marriage can be dissolved without a court order. In case of violation, there would be punishment of up to 3 years in jail.

What is Uniform Civil Code (UCC)? What is The Status of UCC in India?

Uniform Civil Code- The UCC is a proposition to replace the personal laws, which are based on the scriptures and customs of different religious communities in India, with a common set of laws governing every citizen. These laws pertain to personal matters like marriage, divorce, inheritance, adoption, and maintenance.

Constitutional Basis of UCC- The concept of UCC is enshrined in Article 44 of the Indian Constitution. The implementation of UCC falls under the Directive Principles of State Policy

Status of UCC in India- The need for UCC was debated in the constitutional assembly. After long deliberation, it was decided to place UCC under the DPSP. Since the adoption of constitution, government has made certain efforts towards implementation of UCC.

Enactment of Special Marriage Act, 1954	The Special Marriage Act,1954 was enacted to provide secular alternative in marraiges. The inheritance rights of the offsprings of couples married under the act were to be governed by the religion-neutral chapter on inheritance in the Indian Succession Act of 1925.
Continued application of Uniform civil laws in Goa and Puducherry	**Goa Civil Code/Goa Family Law-** With the libaration of Goa, from Portuguese rule, Parliamentary law was enacted for continued application of the Portuguese Civil Code of 1867. **Puducherry-** In Puducherry, a sizable section of citizens called Renoncants (Indians whose ancestors had during the French rule abandoned personal law) are still governed by the 218-year old French Civil Code of 1804.
Uttarakhand UCC	In 2024, Uttarakhand government has tabled the UCC Bill to govern the civil spheres of marriage,divorce of persons belonging to different religions

UCC for the entire country is still a far fetched dream- Most aspects related to marriage and divorces of persons belonging to different religions are continued to be governed by personal laws. For ex- Hindu Marriage Act (1955), a Muslim Personal Law (Shariat) Application Act (1937), a Christian Marriage Act (1872) and a Parsee Marriage and Divorce Act (1937).

What Arguments do Proponents give in Support of Implementing UCC?

1. Fulfilment of Constitutional mandate of equality- Proponents argue that it is a constitutional mandate to work towards a UCC, which is prescribed by Article 44 of the DPSP. This would ensure equality before the law among all its citizens, irrespective of their religion, class, caste, gender.

2. Promotion of gender justice and equality- UCC can help eradicate discriminatory practices related to marriage, divorce, and inheritance in various religious personal laws. **For ex-** Even though Hindu Succession Act, 1956 was amended in 2005 to give daughters equal inheritance rights at par with sons, but similar reforms have not been adopted universally across all personal laws.

3. Strengthening of national integration- UCC will affirm the notion of 'one nation, one law'. This will reinforce the idea of a unified Indian identity amidst its diverse population.

4. Societal reforms- UCC will remove the patriarchal notions of the society in all religions. **For ex-** Ending the subdued status of women in the religious sphere.

5. Simplification of legal matters- UCC will simplify the cumbersome legal matters governed by different personal laws. It will also help in speedy disposal of cases and reduce burden on the judiciary. **For ex-** Most of the cases pending cases in the judiciary pertain to the divorce, inheritance issues of persons belonging to different personal laws.

6. Reflective of progressive jurisprudence- UCC is an embodiment of the progressive jurisprudence exercised by the SC in matters related to gender and inter-religious equality. **For ex-** In cases like Shah Bano case (1985) where SC allowed the grant of maintenance to divorcee woman, Shaira Bano case (2017) where SC banned the disriminatory practice of triple talaq.

7. Precedent of Goa's Civil Code- Proponents of the UCC cite the example of successful implementation of UCC in Goa where the civil laws of all Goans, irrespective of religion is governed by a Uniform Civil Code.

What are The Critics Arguments Against the Uniform Civil Code?

1. Violation of fundamental right of religious freedom- Critics argue that the UCC infringes upon the right to religious freedom provided by Article 25 of the constitution. Also, UCC infringes upon the right of communities to preserve their distinct culture granted by Article 29 of the constitution.

2. Diverse personal laws and customary practices in India- Enforcing uniformity will interfere with the diverse personal laws and customary practices followed in India by different communities. **For ex-** Special Marriage Act, 1954 (A Secular Law) prohibits marriage between first cousins, which is a common practice in some communities in India. Marriage between second cousins is a popular practice among the Hindu communities in South India.

3. Threat to India's cultural diversity- UCC could lead to a homogenization of laws. This will be a threat to India's multicultural ethos. **For ex-** Different religious and cultural practices followed by Scheduled tribes in India.

4. Existence of secular laws- Critics point to the existence of secular laws applicable to all citizens, irrespective of religion. **For ex-** Section 125 of the Criminal Procedure Code, which is a secular law provides for maintenance, and existence of laws relating to domestic violence like the Domestic Violence Act.

5. Imposition of 'Hinduised' Code- Some critics suggest that the UCC might impose a 'Hinduised' code on all communities. **For ex-** UCC could follow the Hindu practices in matters of marriage, divorce and inheritance and will legally force other communities to follow the same.

6. Placement of Personal laws in concurrent list- Some constitutional law experts argue that perhaps the constitutional framers did not intend total in uniformity in personal laws. They cite the placement of personal laws as Entry 5 of the Concurrent List (where the Parliament as well as the State Assemblies have the power to legislate).

What is the Judicial View on UCC?

Shah Bano Case (1985)	Supreme Court directed the Government to enact a UCC. The SC observed that UCC will help the cause of national integration.
Sarla Mudgal Case (1995)	The Supreme Court directed the Government to reflect the steps taken towards securing a UCC for the citizens of India.
Pannalal Bansilal Patil v. State of Andhra Pradesh (1996)	Supreme Court observed that while a uniform law is desirable, its enactment in one go might be counter-productive to the unity and integrity of the nation. Gradual progressive change should be brought about.
John Vallamattom and Ors. v. Union of India (2003)	Supreme Court held that there is no necessary connection between religious and personal law in a civilized society. Matters of secular character like marriage cannot be brought within the guarantee enshrined under Article 25 and 26.

Read More UPSC Topics-

• **Public Examinations (Prevention of Unfair Means) Bill 2024- Explained Pointwise**
• **Payment Banks in India – The PayTM Case – Explained Pointwise**

What Should be The Way Forward?

1. Awareness efforts to reform current personal laws- This should be initiated and undertaken by the communities themselves. Legal intervention should be undertaken only if a practice violates fundamental rights of citizens (especially women).

2. Gradual transformation of diverse personal civil codes to uniform civil code- 21st law commission has recommended that a UCC is neither necesssary nor desirable at this stage. Government must take a piecemeal approach in removing the gender disparities in matters of marriage, divorce, inheritance of personal laws. Government must restrain implementing all aspects in single legislation.

3. In-depth Study and wider Consultation- An in-depth study and wider consultation involving all stakeholders including academia, constitutional experts, religious and political leadership must be undertaken before enacting the UCC. This will ensure better formulation and greater acceptability of UCC when implemented.

4. **Equality between men and women in communities rather than equality between communities-** 21st law commission had recommended the government to first concentrate on ensuring the equality between men and women in the same community rather than focussing on the equality between communities.

5. **Prioritise basic reforms-** The government must prioritise basic reforms such as **a)** Having 18 years as the marriageable age for girls for all across communities and genders **b)** Introducing a 'no-fault' divorce procedure and allowing the dissolution of marriage on the ground of irretrievable breakdown, and **c)** Having common norms for post-divorce division of assets.

Conclusion

UCC in its true spirit, must be brought about by making gradual changes. As recommended by the Law Commission, the focus should be on ending discriminatory practices against women, rather than enforcing uniformity. However, until that is done, the better course would be to bring about small reforms, correcting some inherent irrationality in some of the personal laws, and make them suitable for modern times. This will lay the foundation of implementing a nation wide UCC at a later date.

Read More- The Indian Express
UPSC Syllabus- GS-2 Indian Constitution- Significant Provisions

Fiscal Centralisation In India UPSC- Concerns and Way Forward- Explained Pointwise

Recently, after the presentation of the Interim Union Budget of 2024-25, remarks of an MP from South India regarding the increasing Fiscal Centralisation has caused a political uproar. Southern States have raised the issue of reduced fiscal devolution despite higher contribution in the Gross tax revenues. They have alleged the Central government of following the path of fiscal centralisation, which is against the spirit of Fiscal Federalism.

Created By Forum IAS

What is the Mechanism of Fiscal Devolution In India?

1. Statutory Transfers to the States (Based on Legal Provisions and the criteria of FC)- Net Tax Revenues and Grant-In Aids form the two statutory transfers to the states by the Central Government.
a. Finance Commission- Article 280 of the constitution, provides for the constitution of Finance Commission to recommend the distribution of net tax revenues between the central government and the state governments.
b. Grant in Aids- Article 275 of the constitution provides for Grant in Aids, which involves the discretionary transfer of funds from the central government to state governments for specific purposes or schemes. The Grant in Aids are recommended by the Finance Commission.

- **NOTE-** The Finance Commission has been granted the power by the constitution to recommend only the distribution of net tax revenues among the states.

Net Tax Revenue= Gross Tax Revenue – Tax administration expenditure – Revenue collections from Union Territories – Cess and surcharge
* Thus, according to the constitution, cess and surcharges are not needed to be devolved by the Central Government to the state government.

2. Non-Statutory Transfers to the States (Not Based on any Legal Provisions or criteria of FC)- The financial transfers through Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CSec) are non-statutory transfers to the states. These non-statutory grants are tied grants– they have to be spent on specific schemes for which the grants are allocated.

NOTE
Centrally Sponsored Schemes (CSS Schemes)- These schemes require matching financial contribution from the state governments from their own budgetary resources.
Central Sector Schemes (CSec Schemes)- These schemes are fully funded by the Union government in sectors where the Union government has exclusive legislative or institutional controls.

What are The Fiscal Centralisation Concerns being Raised?

1. Reduced Financial Transfers to the States- The share of states in the gross tax revenue (total tax revenue collected, which includes cess and surcharges) has decreased from 35% in 2015-16 to 30% in 2023-24.

2. Disproportionate Growth between Union Govt's & State Govt's Revenue- From 2015-16 to 2023-24, while the Union government's tax revenue has increased by 2.3 times from ₹14.6 lakh crore to ₹33.6 lakh crore, the states' share in the tax revenue has only doubled from ₹5.1 lakh crore to ₹10.2 lakh crore. This indicates a disproportionate growth between Union Govt's and State Govt's Revenues.

3. Decrease in Grants-in-Aid to the states- Direct financial support to states, in the form of grants-in-aid, has declined from ₹1.95 lakh crore in 2015-16 to ₹1.65 lakh crore in 2023-24.

4. Increase in the share of non-devolvable cess and surcharge- The share of collected cess and surcharge (which are not shared with states) has increased from Rs. 85,638 in 2015-16 (5.9% of the Union government's tax revenue) to Rs. 3.63 lakh crore in 2023-24 (10.8% of the Union Govt's tax revenue).

5. Centralisation of Public Expenditure- Out of the combined allocation of ₹19.4 lakh crore for Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CSec Schemes) in 2023-24, only ₹4.25 lakh crore was devolved to States. These are tied grants and the states have no autonomy to plan their expenditure.

6. Erosion of State Taxation Autonomy on account of implementation of GST- The ability of states to set tax rates on their own revenue sources has been significantly diminished due to the implementation of GST. **For ex-** State VAT have been subsumed under GST.

7. Issues with GST- The compensation of revenue loss to states on account of GST implementation, have not been properly addressed. **For ex-** Discontinuation of GST compensation cess.

Read More- Issue with Financial Transfers to States

What are The Disadvantages of Fiscal Centralisation in India?

1. Strain on State Budgets- The reduction in transfers and grants to the state government have impacted the ability of state governments to effectively deliver public services. **For ex-** Increase in Govt borrowings.

2. Accentuation of inter-State inequality in public finances- Less wealthy states have been forced to commit their borrowed finances to avail the matching contribution from the central government for the implementation of Centrally Sponsored Scheme (CSS). This has increased the borrowings and liabilities of less-wealthy states and has accentuated inter-state inequality in public finances.

3. Potential Bias in Resource Allocation- The complete funding of Central Sector Schemes by the Central Government has raised concerns of unequal treatment among states. There is a possibility of the Union government favouring certain states or regions through Central Sector Schemes.

4. Impingement on the principles of Fiscal Federalism- Increased centralised control over finances, with less revenue sharing with states, goes against the principles of cooperative and fiscal federalism.

5. Fuelling regional separatism- The fiscal consolidation and redistribution imbalances has led to growth of regionalism and separatist feelings in southern states, as they have undergone larger loss of tax revenue on account of GST implementation.

This fiscal centralisation goes against the principle of fiscal federalism, which was displayed in the implementation of GST. However, there has been consistent decrease in the finances of state governments, which have impacted their governance.

Read More UPSC Topics-

- **Sixth Schedule- Advantages and Issues- Explained Pointwise**
- **Uniform Civil Code (UCC) Debate- In wake of Uttarakhand UCC- Explained Pointwise**

What Should be The Way Forward to Promote Fiscal Federalism?

1. 16th Finance Commission- The 16th Finance Commission (FC) must look to enhance the state's share in the net taxes from 41% (currently awarded by 15th FC). Further, the principles of Vertical and Horizontal devolution, must be relooked to ensure equitable distribution of taxes among the states.

2. Rationalisation of Public Expenditure by Central Govt- A mechanism must be instituted for thorough financial rationalisation of the Central Sector and Centrally Sponsored schemes, in collaboration with state governments.

3. Addressing the GST related Concerns- The anomalies in GST like the Integrated GST which favours the consuming states like UP and Bihar, rather than the producing states of TN, Gujarat must be corrected. Also, efforts must be undertaken to open more avenues for revenue generation by broadening the scope of GST to include petrol, diesel etc.

4. Revisiting Article 246 and the Seventh Schedule- The taxation powers listed in the seventh schedule must be relooked in the context of fiscal federalism. Rationalisation of Central Sector and Centrally sponsored schemes must be undertaken.

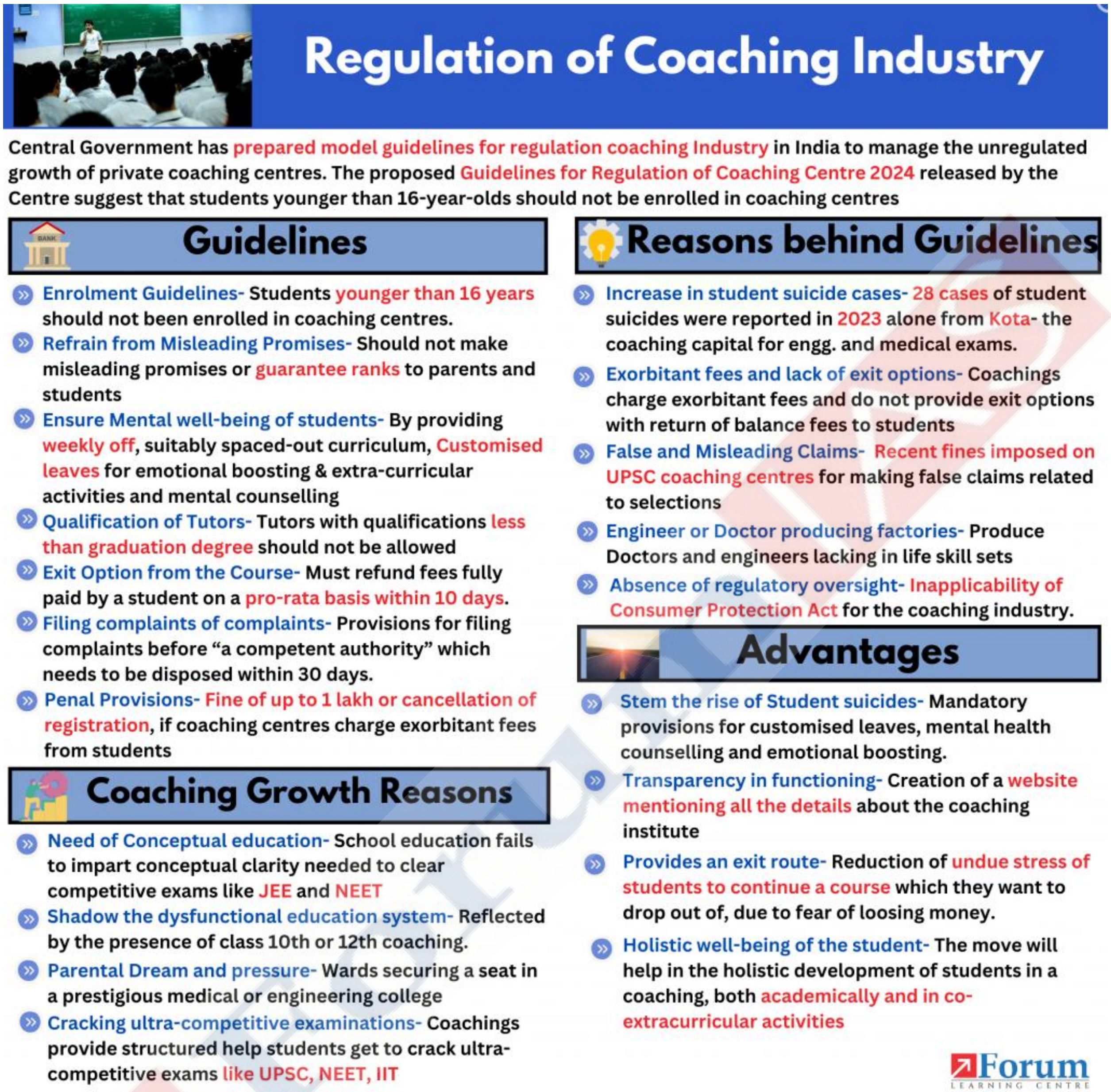
5. List of Taxation for Third Tier of Govt- Specific taxation powers must be devolved to the local self governments to help them raise their own resources and reduce their dependence on grant-in-aids. This will help in achieving fiscal federalism in its true sense.

Read More- The Hindu
UPSC Syllabus- GS 2- Issues pertaining to centre-state relations

New Guidelines for Coaching Centres UPSC- Explained Pointwise

Recently, the Central Government has released new guidelines for coaching centres in India. This move addresses the need for a legal framework to manage the unregulated growth of private coaching centres. The proposed Guidelines for Regulation of Coaching Centre 2024 released by the Centre suggest that students younger than 16 years of age should not be enrolled in coaching centres. **New Guidelines for Coaching Centres UPSC**

While several states such as Bihar, Goa, Uttar Pradesh and Manipur have already taken initiatives by enacting special legislations to regulate private coaching and tuition classes in their respective jurisdictions even prior to the issuance of these Guidelines, adoption of the Guidelines by other states/UTs would be only the first step in regulating this unregulated sector.



Created By Forum IAS

What are The New Guidelines for Coaching Centres ?

1. Enrolment Guidelines- Students younger than 16 years should not been enrolled in coaching centres.

2. Refrain from Misleading Promises- Coaching centres should not make misleading promises or guarantee ranks to parents and students.

3. Ensure Mental well-being of students- The coaching centres must provide weekly off for students. The curriculum must be suitably spaced-out and the duration of classes must not be longer than five hours a day.

4. Customised leaves and co-curricular activities- Coaching centres will have to provide Customised leaves to students for "emotional boosting" and "connection with family". Also, co-curricular activities, life skills, counselling from a psychologist, emotional bonding and mental well-being will have to be prioritised in coaching centres

5. Qualification of Tutors- Tutors with qualifications less than graduation degree should not be allowed to teach in coaching institutes.

6. Maintenance of Website- Coaching centres will be required to maintain a website with updated details of the qualification of tutors, courses or curriculum, duration of course, hostel facilities and the fees being charged.

7. Exit Option from the Course- In case when a student wishes to exit the course, coaching centres must refund fees fully paid by a student on a pro-rata basis within 10 days. An easy exit policy and details of a fee refund policy will also have to be furnished on the website.

8. Filing complaints of complaints- The guidelines provide provisions for filing complaints before "a competent authority" against the coaching centres by the student, parent or even tutor. The complaints will have to be disposed of within thirty days.

9. Penal Provisions- Fine of up to 1 lakh or cancellation of registration, if coaching centres charge exorbitant fees from students, cause undue stress leading to student suicide and other malpractices.

10. Regulation and Monitoring- State governments will have to undertake registration of new and existing coaching centres, within three months after the guidelines come into effect. The state government will be responsible for monitoring and regulating the activities of the coaching centre.

What Factors have Led to The Growth of Coaching Centres in India?

1. Need of Conceptual education- The school education system is rote-oriented. Conceptual clarity is required to clear competitive exams like JEE and NEET.

2. Shadow of broken education system- Coachings shadow the dysfunctional school education system in India, which is reflected by the presence of coaching to pass class 10th or 12th Board exams in India.

3. Parental Dream and pressure- The dream of parents for their wards to secure a seat in a prestigious medical or engineering college has also led to the proliferation of private coaching centres in India.

4. Cracking ultra-competitive examinations- The difficulty levels of public exams in India have become harder because of more competition. Coachings provide structured help students get to crack these ultra-competitive exams like UPSC, NEET, IIT.

5. Societal construct of success- Qualification in competitive exams like UPSC, IIT, NEET, CAT is considered a benchmark of success in the society. There is absence of social appreciation for alternate profession like chef, fashion designing, entrepreneurship etc. Thus, this societal construct of a successful life and career have led to mushrooming of coaching centres in India.

What was The Need to Regulate Coaching Centres in India?

1. Increase in student suicide cases– There has been an exponential rise in cases of student suicides from the competitive exam coaching institutes. **For ex-** 28 cases of student suicides were reported in 2023 alone from Kota- the coaching capital for engg. and medical exams.

2. Exorbitant fees and lack of exit options- The coachings charge exorbitant fees and do not provide exit options with return of balance fees to students due to lack of regulatory guidelines.

3. False and Misleading Claims- The coaching centres have been indulging in false and misleading claims related to selection ratio from their institutes. **For ex- Recent fines imposed on UPSC coaching centres for making false claims**.

4. Engineer or Doctor producing factories- The coaching centres function like a factory to produce candidates well equippied with practice and conceptual clarity to solve the JEE and NEET questions, but they lack heavily in extracurricular activities and life skills. **For ex-** Kota is termed as KOTA FACTORY.

5. Absence of regulatory oversight- There were no penal provisions and there was complete lack of regulatory oversight. **For ex-** Inapplicability of Consumer Protection Act for the coaching industry.

What will Be The Advantages of New Guidelines for coaching centres?

1. Stem the rise of Student suicides- The proposed guideline is a step to address this stem of student suicides by providing mandatory provisions for customised leaves, mental health counselling and emotional boosting.

2. Regulation of unchecked growth of private coaching centres- The proposed guideline is a step forward to regulate the unchecked growth of private coaching centres which have been indulging in malpractices like misleading claims and false advertisements.

3. Transparency in functioning- The move will introduce in an element of transparency in the opaque way of functioning of these coaching institutes. **For ex-** Creation of a website mentioning all the details about the coaching institute.

4. Provide an exit route- The guidelines provide for an exit route for students in case they want to drop out, with provision of return of fees. This will help to reduce the undue stress of students to continue a course which they want to drop out of, due to fear of loosing money.

5. Holistic well-being of the student- The move will help in the holistic development of students in a coaching, both academically and in co-extracurricular activities. This will help us in better reaping of our demographic dividend.

What Should be the Way Forward?

1. Proper Regulation by the state government- Since most of the engineering and medical coachings take place at the 10+2 level, state governments have been entrusted with the regulatory function. State governments must diligently ensure the regulation of coaching industry.

2. Public education- There must be a large-scale public education about the adverse impact of putting such pressure on children from an early age through media and civil society organisations.

3. Instilling sensitivity in Parents- We need to make parents sensitive towards their children in their adolescent years, instead of putting the pressure of parental dream on them.

4. Revamp education system- The rote learning and exam-centric education system in India must be revamped with focus on imparting conceptual clarity to the students to stem the mushrooming of private coachings in India.

5. Substance Abuse Prevention Programs– Substance abuse prevention programs must also be implemented in the coaching districts like KOTA and Delhi to prevent student suicides.

Read More- The Hindu
UPSC Syllabus- GS 2- Govt intervention for the development of various sectors

Farmer's Suicides In India UPSC- Explained Pointwise

According to the National Crime Reports Bureau (NCRB) report 2022, 11,290 cases of farmer's suicides were reported in 2022. There has been a 3.75% rise in the cases of farmer's suicides, from the 10,881 suicides reported in 2021. The situation has been particularly grim in Maharashtra, which accounts for 38% of all suicides in the agricultural community. **Farmer's Suicides In India UPSC**

Farm suicides as per NCRB report

Year	2022	2021	2020	2019	2018
Farmer suicides	5,207	5,318	5,579	5,957	5,763
Agri labourer suicides	6,083	5,563	5,098	4,324	4,586
Total	11,290	10,881	10,677	10,281	10,349

Source- Indian Express

What are The Reasons of Farmer Suicides in India?

1. Debt Trap- Debt trap is a major cause of farmer suicide in India due to crop failure and rising indebtedness.

2. Lack of access to formal credit- There is low access to formal credit agricultural credit in India. The easy availability of informal credits, sahukars (moneylenders) which provide instant loans at very high interest rates of 30% to 40%, adds on to the burden of already aggrieved farmers.

3. Change in Cropping Patterns- There has been change in cropping patterns in the arid regions of the country. **For ex-** Change in the crop patterns in arid regions of Marathwada and Rayalaseema from millets (suited for arid regions) to cotton and sugarcane (unsuitable for arid regions).

4. Unproductivity of agriculture- The increase of input costs like seeds, fertilizers, and pesticides and lack of commensurate price of final agricultural produce has made the agriculture sector unproductive. **For Ex-** In the Marathwada region, the production cost of cotton ranges between ₹6,500 and ₹7,000 per quintal, while the current market price hovers around ₹6,800 which makes it challenging for farmers to break even.

5. Climate Change- Climate change has led to erratic monsoons, shrinking of water resources and increased pest attacks incidents which has made agriculture unproductive and has driven farmers to suicides.

6. Socio-cultural Issues- Socio-cultural challenges like loans for marriages for fulfilling social obligations like dowry, spendings on weddings, drug abuse/alcoholic addiction are major reasons for suicides in India.

7. Lack of access to schemes- Landless agricultural labourers have not been benefitted from income support schemes such as PM Kisan.

8. Mental health- Mental depression due to fear of boycott due to societal pressures is also a major reason for suicide in India.

What are The Ramifications of Increasing Farmer's Suicide?

1. Failure of 'Agriculture as an enterprise'- Suicides of farmers lead to a loss of productivity in the agricultural sector, affecting overall food production. The increase in farmer's suicides reflects the failure of our aim of doubling farmer's income by 2022. These factors have led to failure of 'agriculture as an enterprise'.

2. Negative Impact on Rural Economic growth- Suicides of farmers trigger an economic ripple effect and leads to dampening of economic growth of rural businesses and communities.

3. Social Consequences- The suicide of a farmer often leaves the family in emotional and financial distress, with widows and children bearing the brunt of the aftermath.

4. Mental Health challenges among the farmers- The pervasive issue of farmer suicides contributes to mental health challenges in farming communities. Some farmers resort to substance abuse as a coping mechanism, exacerbating mental health challenges.

5. Global Trade and Market Dynamics- Changes in Indian agriculture, influenced by farmer suicides, can have repercussions on global commodity markets. It is also a blot on India's dream of becoming a $5 tn dollar economy.

Read More- What is Farmer's Distress Index?

What are The Government Initiatives to Reduce Farmer Suicides in India?

Pradhan Mantri Fasal Bima Yojana (PMFBY)	PMFBY is a crop insurance scheme aimed at providing financial support to farmers in the event of crop failure, helping to reduce the economic burden on them.
Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	PM-KISAN is a direct income support scheme that provides financial assistance to eligible farmers in the form of direct bank transfers.
Agricultural debt waiver and debt relief Scheme, 2008	Agricultural Debt Waiver and Debt Relief Scheme in 2008 benefited over 36 million farmers at a cost of 65000 crore rupees (US$10 billion). This spending was aimed at the writing of part of loan principal as well as the interest owed by the farmers.
Loan Waiver Schemes	State governments have occasionally announced loan waiver schemes to alleviate the debt burden on farmers. These schemes aim to provide relief and prevent farmers from falling into a debt trap. **For ex-** Rajasthan and Chhattisgarh loan waiver schemes.
National Mission for Sustainable Agriculture (NMSA)	NMSA focuses on promoting sustainable agricultural practices, improving water-use efficiency, and supporting climate-resilient agriculture.

What Should be The Way Forward?

1. Financial Support and Debt Relief- Explore sustainable and targeted debt relief mechanisms to alleviate the burden of high-interest loans. **For ex-** Proper Implementation of crop insurance schemes.

2. Diversification of Agriculture- Promotion of crop diversification to reduce dependency on a few crops (like cotton and sugarcane in arid regions) and enhance resilience to market fluctuations and environmental challenges.

3. Market Reforms- Implement market reforms to ensure fair prices for agricultural produce and reduce the influence of middlemen. **For ex-** Strengthen and expand online trading platforms like e-NAM.

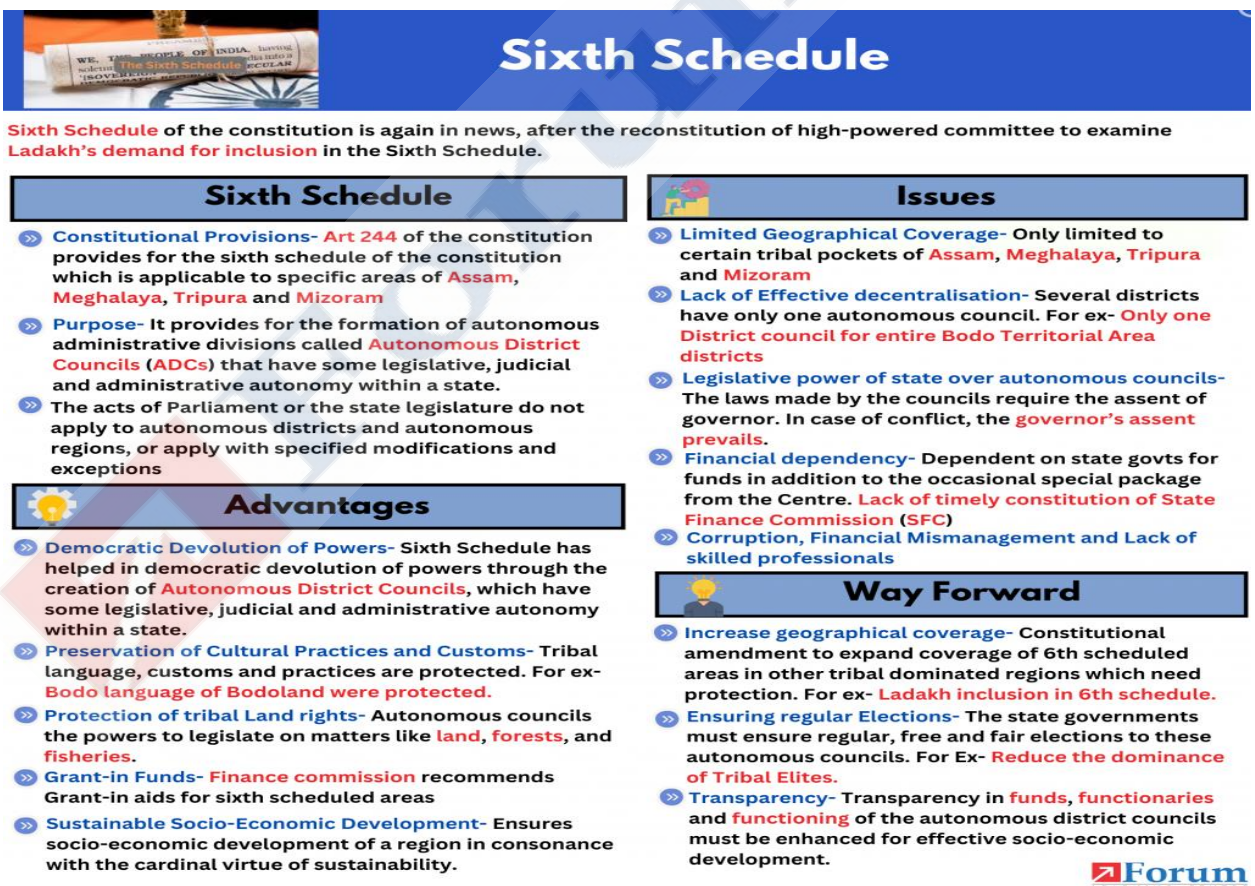
4. Mental Health Support- Address the mental health stigma in rural areas and establish mental health support systems for farmers. **For ex-** Counselling services and awareness programs.

5. Research and Innovation- Invest in agricultural research and innovation to develop new technologies, resilient crop varieties, and sustainable farming practices. **For ex-** Development of drought resistant GM crops.

Read More- The Hindu **UPSC Syllabus-** GS 3- Indian Agriculture Challenges

Sixth Schedule- Advantages and Issues- Explained Pointwise

Sixth Schedule of the constitution is again in news, after the reconstitution of high-powered committee to examine Ladakh's demand for inclusion in the Sixth Schedule. Representatives of Ladakh like MP Jamyang Tsering Namgyal and eminent persons like Magsaysay Award Winner Sonam Wangchuk, have raised the demand repeatedly since the constitutional changes in the erstwhile state of Jammu and Kashmir in 2019.



Created By Forum IAS

What is the Sixth Schedule of Indian Constitution?

Specifications	Details
Constitutional Provision	Art 244 of the constitution provides for the sixth schedule of the constitution.
Applies to	Assam, Meghalaya, Tripura and Mizoram
Purpose	It provides for the formation of autonomous administrative divisions called Autonomous District Councils (ADCs) that have some legislative, judicial and administrative autonomy within a state.
Composition of ADCs	1) ADCs have up to 30 members with a term of five years. Of these, four are nominated by the governor and the remaining 26 are elected on the basis of adult franchise. 2) The Bodoland Territorial Council in Assam is an exception, with more than 40 members. 3) Each autonomous region also has a separate regional council.
Powers of ADCs	**1) Civil and judicial powers:** They can constitute village courts within their jurisdiction to hear trials of cases involving the tribes. Governors specify the jurisdiction of high courts for each of these cases. **2) Legislative powers:** The councils are empowered to make legislative laws on matters like land, forests, fisheries, social security, entertainment, public health, etc. with due approval from the governor. **3)The acts of Parliament or the state legislature do not apply** to autonomous districts and autonomous regions, or apply with specified modifications and exceptions.

Why is Ladakh Demanding Inclusion in The VI Schedule of The Constitution?

1. Political Representation and autonomy- The Jammu and Kashmir Reorganisation Act 2019, created two separate UTs of J&K (with legislature) and Ladakh (without legislature). While there had been four MLAs from the Ladakh region in the erstwhile J&K Assembly, now the administration of Ladakh is completely in the hands of bureaucrats. Thus, sixth schedule status is being demanded to ensure political representation and autonomy.

2. Lack of Local Employment opportunities- The administration of UT of Ladakh has failed to create local employment opportunities for youth of Ladakh. **For Ex-** Absence of a public service commission and lack of comprehensive job policy even after 4 years of creation of UT of Ladakh.

3. Preservation of Cultural Identity- Sixth schedule status is also being demanded to protect Ladakh's unique cultural heritage and traditional customs. **For ex-** Tribals like Gujjars, Bakarwals, Bots, Changpas, Baltis and Purigpas have distinct cultures which can better be preserved under sixth schedule of the constitution.

4. Preservation of Ladakh's Fragile ecosystem- Climate activists have raised flagged serious concerns regarding mining and industrialisation in the fragile glacial ecological system of Ladakh. Sixth schedule status is being demanded to protect the high-altitude deserts, glaciers and alpine meadows which are a crucial habitat for rare and endangered species.

5. Change in domicile policy of Jammu and Kashmir- The change of domicile policy in UT of J&K has amplified demands for sixth schedule for Ladakh to ensure domicile for Ladakh population.

6. Strengthening of democratic institutions- The establishment of autonomous councils under the Sixth Schedule would also strengthen democratic institutions at the grassroots level. **For ex-** More powers and autonomy to Ladakh Autonomous Hill Development Councils (LAHDC).

Read More- What is the Sixth Schedule, and can Ladakh be included under it

What are The Advantages of Being Included in The VI Schedule of The Constitution?

1. Democratic Devolution of Powers- Sixth Schedule has helped in democratic devolution of powers through the creation of Autonomous District Councils which have some legislative, judicial and administrative autonomy within a state.

2. Preservation of Cultural Practices and Customs- The inclusion of a region in the sixth schedule ensures protection of local language, cultural practices and customs. **For ex-** Bodo language of Bodoland were protected.

3. Protection of tribal Land rights- Sixth schedule has also helped in protection of agrarian and land rights by granting the autonomous councils the powers to legislate on matters like land, forests, and fisheries.

4. Grant-in Funds- Sixth schedule areas are provided with enhanced quantum of Grant-in Funds for rapid development and transformation. **For ex-** Finance commission recommendations for Grant-in aids for sixth scheduled areas

5. Sustainable Socio-Economic Development- The inclusion of a region in the sixth schedule ensures socio-economic development of a region in consonance with the cardinal virtue of sustainability.

What are The Issues with The VI Schedule of the Constitution?

1. Limited Geographical Coverage- The sixth schedule areas are limited in their geographical coverage and exclude numerous tribal communities, leading to unequal treatment and exclusion. **For ex-** Only limited to certain tribal pockets of Assam, Meghalaya, Tripura and Mizoram.

2. Lack of Effective decentralisation- The sixth schedule areas often lack effective and real decentralisation of powers and administration. **For ex-** Only one District council for entire Bodo Territorial Area districts.

3. Legislative power of state over autonomous councils- The laws made by the councils require the assent of governor. Also, in case of conflict of interest between the District Councils and the state legislature, the latter would prevail.

4. Financial dependency- Autonomous councils are dependent on their respective state governments for funds in addition to the occasional special package from the Centre. **For ex-** Lack of timely constitution of State Finance Commission for recommending devolution of funds to District Councils and Regional Councils.

5. Corruption and Financial Mismanagement- The functioning of different councils in the sixth schedule areas has been marred by corruption and financial mismanagement.

6. Lack of skilled professionals- The autonomous councils lack skilled planning professionals, which results in ill-conceived development projects without proper technical and financial consideration.

7. Lack of Codification of customary Laws- The councils have failed in codifying customary laws of the local tribal population.

Read More UPSC Topics-

• **Farmer's Suicides In India UPSC- Explained Pointwise**
• **New Guidelines for Coaching Centres UPSC- Explained Pointwise**

What Should be The Way Forward?

1. Creation of elected Village Councils- Village councils must be created with their accountability to the local Gram Sabhas.

2. Ensuring regular Elections- The state governments must ensure regular, free and fair elections to these autonomous councils. **For Ex-** Reduce the dominance of Tribal Elites.

3. Representation of Women and other Ethnic Minorities- Women and other ethnic minorities must be provided adequate representation in these autonomous councils.

4. Increase geographical coverage- Constitutional amendment must be brought to expand coverage of 6th scheduled areas in other tribal dominated regions which need protection. **For ex-** Ladakh inclusion in 6th schedule.

5. Transparency- Transparency in funds, functionaries and functioning of the autonomous district councils must be enhanced for effective socio-economic development.

Read More- The Indian Express **UPSC Syllabus-** GS-2 Issues related to Federal Structure

MSP Guarantee Law and Farmer's Protest- Pros and Cons- Explained Pointwise

MSP guarantee Law to provide a legal guarantee for MSP for all crops is the headline demand out of the 12-point demands of the recent farmers' protest. The farmer's cite inaction of the Central Govt on MSP guarantee law, which was negotiated by the Govt during the farmer's protest of 2020-21, as one of the prime reasons for their recent protests. The farmers have also been demanding the determination of MSP in accordance with the Dr M S Swaminathan Commission's report.

Created By Forum IAS

What is MSP? What are the Different Methods of Calculation?

MSP- The Minimum Support Price (MSP) for a commodity refers to the price at which the government is obligated to purchase the produce from farmers in the event that the market price falls below this threshold.

Process of awarding MSP-

a. MSP is based on the recommendations of the Commission for Agricultural Costs and Prices (CACP). The CACP submits its recommendations to the government in the form of Price Policy Reports every year. It considers various factors such as cost of production, demand and supply, market price trends, inter-crop price parity.

b. The Cabinet Committee on Economic Affairs (CCEA) chaired by the Prime Minister of India takes the final decision (approve) on the level of MSPs, after considering the Price Policy Report, views of the state governments and overall demand-supply situation in the country.

c. Food Corporation of India (FCI) is the nodal agency for procurement, along with State agencies, at the beginning of the sowing season.

MSP for Different Crops- Government fixes MSP for 22 mandated agricultural crops and Fair and Remunerative Price (FRP) for sugarcane.

CROPS COVERED UNDER MSP

KHARIF CROPS (14)

1. Paddy
2. Jawar
3. Bajara
4. Ragi
5. Maize
6. Arhar
7. Moong
8. Urad
9. Cotton
10. Ground Nuts
11. Sunflower
12. Soyabean
13. Sesamum
14. Nigerseed

RABI CROPS (7)

1. Wheat
2. Barley
3. Gram
4. Masur
5. Rapeseed& Mustard
6. Safflower
7. Torai

CALENDAR YEAR CROPS (4)

1. Copra
2. De-husked Coconut
3. Jute
4. Sugar Cane (FRP)

- **CACP recommends MSP for 22 crops before the sowing period each year**
- **MSP derived for Toria based on MSP for Rapeseeds and Mustard and for De-husked Coconut on the Basis of MSP of Copra.**
- **Fair and Remunerative prices for Sugar is also declared**

Created By Forum IAS

Different Production Costs Considered While Fixing MSP Regime

A2	All paid-out costs directly incurred by the farmer, either in cash and kind, on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, irrigation.
A2+FL	Imputed value of unpaid family labour is added to the A2 cost to derive A2+FL.
C2	Estimated land rent and the cost of interest on the money taken for farming is added to A2+FL to get the C2 production cost. It is a more comprehensive production cost.

CACP reckons only to A2+FL cost for return. Currently, the MSP is fixed at 50% over the A2+FL cost.

NOTE-
1. C2 costs are used by CACP primarily as benchmark reference costs (opportunity costs) to see if the MSPs recommended by them at least cover these costs in some of the major producing States.
2. National Commission on Farmers 2004 popularly known as the Swaminathan Commission, recommended a minimum MSP of 50% over the C2 cost.

Read More- Minimum Support Price (MSP)

What is the argument in favour of MSP Guarantee Law?

1. Financial security- Legally guaranteed MSP would ensure farmers fixed remunerations to the farmers by financially securing them against the vagaries of price instability in the market.

2. Risk Cover- Legal guarantee to MSP would provide security to farmers from the risk of crop failure due to climate change, pests attacks and crop diseases.

3. Promotion of crop diversification- MSP law would promote crop diversification as farmers would be incentivised to grow less water-intensive crops like pulses and millets rather than water guzzling crops like rice, wheat and sugarcane.

4. Baseline or benchmark price- MSP sends a price-signal to the market that if merchants don't offer higher than MSP prices, the farmer may not sell them his produce. Thus, it ensures that the market prices will not be drastically lower than MSP.

5. Solution to rural economic Distress- Minimum Support Price (MSP) can help in injecting financial resources into the rural sector. This will help in solving the problem of rural economic distress, which has been exacerbated due to demonetisation and COVID-19. **For ex-** Increase in MSP would increase the disposable income of farmers and agricultural labourers which in turn would boost the economy.

6. Right to Farmers- According to Shanta Kumar Report, only 6% of the farm households are able to sell wheat and rice to the government at the MSP rates. MSP Law would give legal rights to farmers to sell their produce to Govt agencies like FCI at MSP, in case they fail to get commensurate prices from the market.

What are the arguments MSP Guarantee Law?

1. Huge Fiscal burden on Govt exchequer- Legal guarantee to MSP would put huge fiscal burden on the Govt exchequer. This would increase the fiscal deficit of the Government and will have deleterious effects on the economy. **For ex-** According to an estimate, Rs. 5 trillion would be required for implementation of MSP Law.

2. Risk of undervaluation of crops with low yields- It would change the production pattern of crops in the country as farmers would try to grow crops with higher yields even if they are not suitable to their region. **For ex-** Farmers growing Cotton (Kharif crop) instead of millets in the drought prone region of Marathawada.

3. Increase in Food Inflation- Higher procurement cost due to MSP will result in increased prices of foodgrains, which would eventually affect the lower middle class and the poor.

4. Market Distortionary and economically unsustainable practice- Legal guarantee to MSP will push away private traders whenever production is more than demand. This, in turn, will lead to government becoming the de-facto primary buyer of most MSP- farm produce, which will be economically unsustainable. **For ex-** Withdrawal of the Maharashtra government 2018 order, which made it illegal for a private trader to purchase any agricultural produce below the government-fixed MSP.

5. Adverse Impact on India's farm exports- If the MSP is higher than the prevailing rates in the international market, it will adversely affect India's farm exports, which has seen remarkable growth in recent years.

6. Violation of WTO subsidies principle- MSP law would lead to violation of the WTO subsidies principles and India would face opposition in the WTO dispute settlement bodies by the developed nations. **For ex-** US win against China at WTO in 2019 in case related to China's MSP support to its agricultural sector.

7. Induce MSP demands from other agri-allied sectors- Farmers engaged in agri-allied sectors like dairy, horticulture, pisciculture will start demanding MSP, if the Centre makes a law to guarantee 100% MSP procurement for the crops.

8. Storage and disposal Problems- MSP guarantee will create storage and disposal problems for crops such as Niger seed, Sesamum or safflower which will have few takers through PDS system.

What has been the government of India's approach to ensure support to farmers?

The government has taken the 'income support' approach (like Centre's PM-Kisan Samman Nidhi or the Telangana government's Rythu Bandhu) approach instead of the 'price support' approach (in the form of legal guarantee to MSP).

Government has also been providing support to farmers through other schemes which are not violative of the WTO principles.
a. Supplementary income transfers under PM-KISAN
b. Crop insurance under Pradhan Mantri Fasal Bima Yojna (PMFBY)
c. Better access to irrigation under Pradhan Mantri Krishi Sinchai Yojana (PMKSY)
d. Creation of agriculture infrastructure through Agri Infrastructure Fund (AIF) with a size of Rs. 100,000 crore
e. Production loan to dairy & fishery farmers besides agricultural crops through Kisan Credit Cards (KCC).

What should be the way forward?

1. Price Deficiency Payment Schemes- Both NITI Aayog and Economic Survey have recommended Price Deficiency Payment schemes, in which the government pays the farmers the difference between modal rate (the average prices in major mandis) and the MSPs. For ex- Price deficiency payment schemes of Madhya Pradesh (Bhavantar Bhugtan Yojana), Haryana (Bhavantar Bharapai Yojana) can be launched as Central Sector Scheme.

2. Market Intervention Scheme- Market Intervention Schemes can be launched, under which the state government procures perishable commodities like vegetable items to ensure minimum assured price to the farmers.

3. Creation of Agriculture infrastructure- Instead of bypassing the market by using MSPs, the government should make efforts to enable farmer participation in the market by creating modern world-class agriculture infrastructure like Cold Storage facilities.

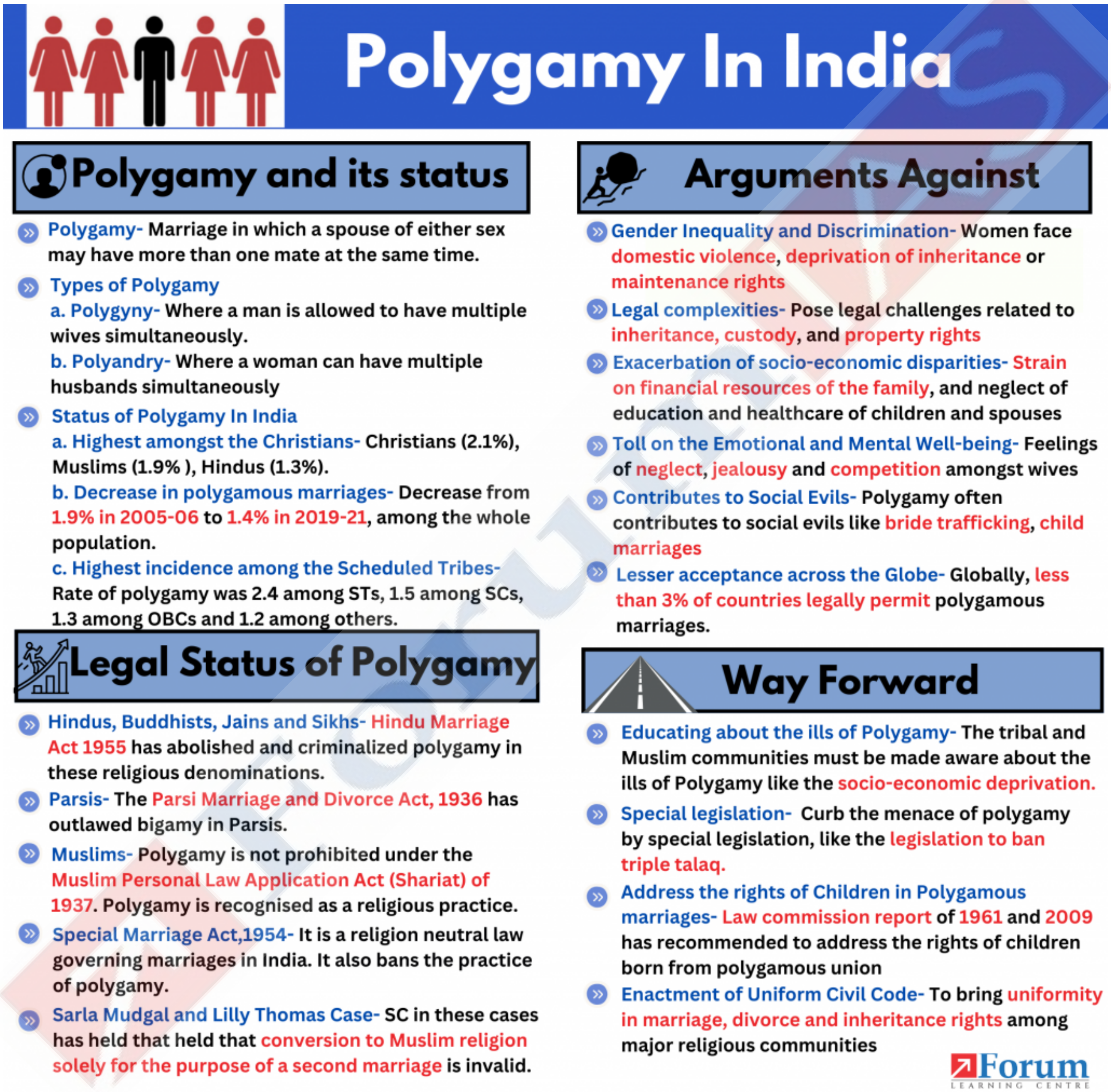
4. Support to the Farmer's Producers Organisations (FPOs)- Adequate financial support to FPOs, would result in better price realisation for farmers. **For ex-** Aim to replicating the success of AMUL in agriculture through FPOs.

5. Gradual expansion of crops under MSP- The government can gradually expand the list of crops eligible for MSP support, to encourage crop diversification and reduce the dominance of rice and wheat. This will provide farmers with more choices and promote the cultivation of crops in line with market demand.

Read More- The Indian Express
UPSC Syllabus- GS-3 Issues related to MSP

Polygamy In India- Explained Pointwise

The recently passed Uttarakhand Uniform Civil Code (UCC) has banned the practice of polygamy in the State. The Assam government has also made a move to ban the practice of polygamy through 'legislative action', and has constituted an 'expert committee' to examine the issue. Polygamy has become a recurring topic in the ongoing discussions about the Uniform Civil Code (UCC) in India.



Created By Forum IAS

What is Polygamy? What are the Different types of Polygamy?

Polygamy- Polygamy comes from two words- "**poly**" which means "**many**" and "**gamos**" which means "**marriage**". Polygamy is marriage in which a spouse of either sex may have more than one mate at the same time.

Types of Polygamy- The practice of Polygamy can take various forms which are explained below:

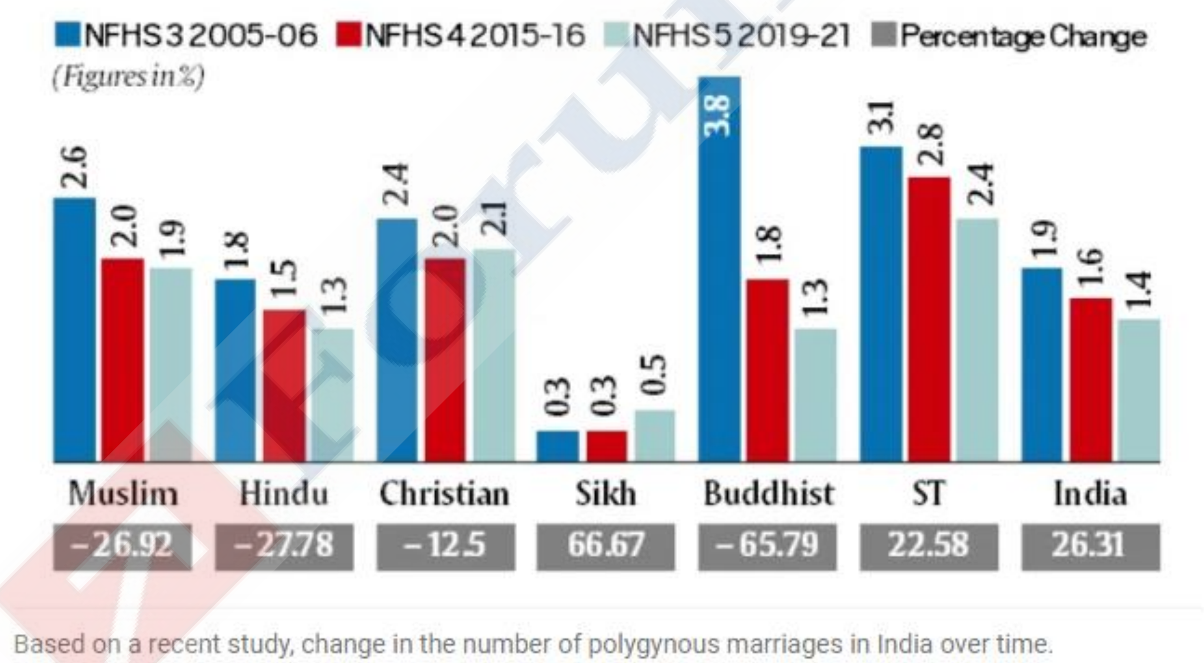
Polygyny	This is a polygamous marriage, where a man is allowed to have multiple wives simultaneously. This is the most common form of polygamy and is the recurring issue of debate in India.
Polyandry	This is polygamous marriage, where a woman can have multiple husbands simultaneously. This is a less common form in India.
Group Marriage	This form involves multiple men and multiple women entering into a marriage arrangement together.

The prevalence of polygamy varies across different cultures and societies, and it often carries significant social and cultural implications.

What is the status of Polygamy in India?

1. Religion wise percentage of Polygamy – According to the National Family Health Survey-5 (2019-20), the prevalence of polygamy was 2.1% among Christians, 1.9% among Muslims, 1.3% among Hindus, and 1.6% among other religious groups.

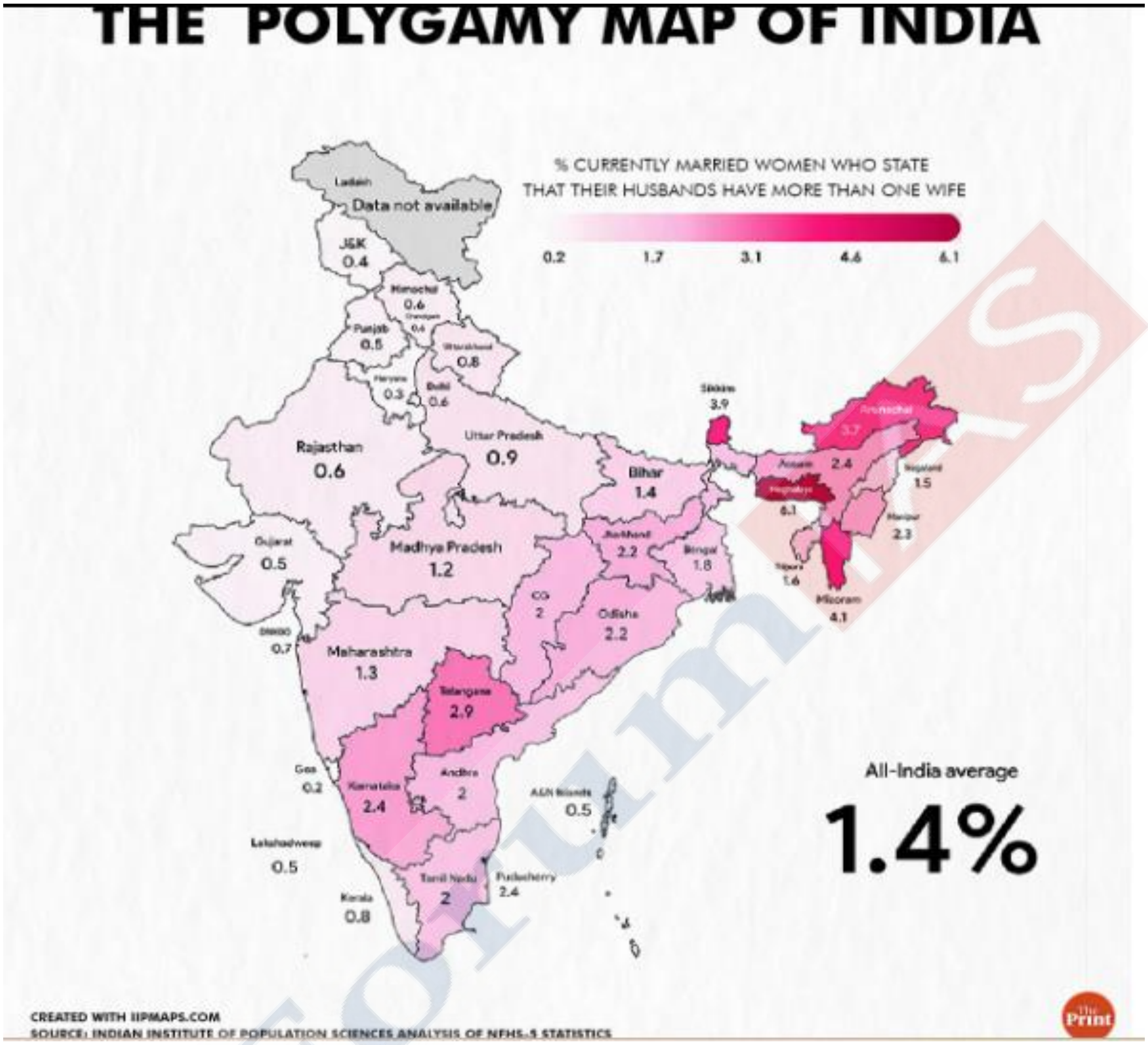
2. Decrease in polygamous marriages- A study by the International Institute of Population Sciences (IIPS) titled 'Polygyny in India: Levels and Differentials' has analysed data from the NFHS-3 (2005-06), NFHS-4 (2015-16) and NFHS-5 (2019-21). It showed that polygynous marriages (one man married to more than one woman at a time) have decreased from 1.9% in 2005-06 to 1.4% in 2019-21, among the whole population.



Source- Indian Express

3. Highest incidence among the Scheduled Tribes- Compared to the national average of 1.4 per cent (NFHS-5), the rate of polygamy was 2.4 among STs, 1.5 among SCs, 1.3 among OBCs and 1.2 among others.

4. High prevalence in North Eastern states District- East Jaintia Hills (20%), Kra Daadi (16.4%), West Jaintia Hills (14.5%), and West Khasi Hills (10.9%) have particularly high rates of polygynous marriages.



Source- The Print

What is the legal status of Polygamy in India?

Hindus	The Hindu Marriage Act 1955 has abolished and criminalized Hindu polygamy. There are provisions of punishment for Hindu Polygamy under Section 17 of the Hindu Marriage Act 1955 and Sections 494 and 495 of the Indian Penal Code, 1860.
Buddhists, Jains and Sikhs	The Hindu Marriage Act 1955 is applicable to Buddhists, Jains and Sikhs, and hence polygamy is prohibited in these three religious denominations as well.
Parsis	The Parsi Marriage and Divorce Act, 1936 has outlawed bigamy in Parsis.
Muslims	Polygamy is not prohibited under the Muslim Personal Law Application Act (Shariat) of 1937. Polygamy is recognised as a religious practice under the Shariat Act 1937. Sections of IPC penalising polygamy are not applicable.

Special Marriage Act,1954 which is a religion neutral law governing marriages in India also bans the practice of polygamy.

What are the reasons for the practice of polygamy in India?

1. Cultural and Religious Practice- Polygamy is considered a traditional or religious practice, in certain communities. **For ex-** Polygamy is recognised as a religious practice under the Shariat Law.

2. Infertility or Health Issues- Polygamy is also practised when a spouse is unable to bear children due to infertility or health issues.

3. Widow Remarriage and Social Security- In certain communities, Polygamy is practised to provide social security to young widows in the family. **For ex-** Practised in certain tribal communities

4. Exercise of Personal Choice and Freedom- Polygamy is used to assert the right to choose one's marital arrangement with the consent of all parties involved.

What are the arguments against the practice of Polygamy in India?

1. Gender Inequality and Discrimination- Polygamy leads to unequal power dynamics within the family and leads to discrimination and emotional distress of the wives. **For ex-** Women face domestic violence, deprivation of inheritance or maintenance rights. Also, the right to polygamy is often exploited by the males in the family, which highlights the deeply entrenched patriarchy in Indian society.

2. Legal complexities- Polygamous marriages pose legal challenges related to inheritance, custody, and property rights, which increase legal disputes in the family and increase the burden on already over-burdened judiciary.

3. Exacerbation of socio-economic disparities- The financial burden of supporting multiple wives and children leads to a strain on financial resources of the family, which affects the socio-economic well-being of the family members. **For ex-** Neglect of education and healthcare of children and spouses.

4. Toll on the Emotional and Mental Well-being- Polygamous marriages lead to emotional distress for women as they often face mental health issues due to feelings of neglect, jealousy and competition.

5. Contributes to Social Evils- Polygamy often contributes to social evils like bride trafficking, child marriages.

6. Criminalization versus personal law rights- Predominance of Muslim personal law over general law like IPC, has often stirred furious debates in the country.

7. Lesser acceptance across the Globe- Globally, less than 3% of countries legally permit polygamous marriages. India is one of the few countries outside of Africa and the Middle East where polygamy is legally sanctioned for certain communities.

What are the judicial observations regarding polygamy?

1. Parayankandiyal v. K. Devi & Others (1996)- The Supreme Court (SC) concluded that monogamous relationships are the standard and ideology of Hindu society.

2. Javed & Others v. State of Haryana & Others (2003)- The SC held that Article 25 which guarantees religious freedom is subject to social harmony, dignity, and wellness. It is not compulsory for a Muslim to indulge in polygamy.

3. Sarla Mudgal Case (1994)- SC held that conversion to Muslim religion solely for the purpose of a second marriage is invalid.

4. Lilly Thomas Bigamy Case (2000)- SC ruled that a marriage would be considered void if a man entered into a second marriage without first divorcing his first wife, who is still alive.

What should be the Way Forward?

1. Educating about the ills of Polygamy- The tribal and Muslim communities must be made aware about the ills of Polygamy like the socio-economic deprivation.

2. Special legislation- **Special legislation need to be brought** to curb the menace of polygamy, like the legislation to ban triple talaq.

3. Address the rights of Children in Polygamous marriages- Law commission report of 1961 and 2009 has recommended to address the rights of children born from polygamous union.

4. Enactment of Uniform Civil Code- Uniform civil code needs to be enacted at the earliest to bring uniformity in marriage, divorce and inheritance rights among major religious communities, in consonance with constitutional values.

Read More- The Indian Express **UPSC Syllabus-** GS 2- Issues related to Fundamental rights and constitution

Electoral Bonds Scheme Verdict- Explained Pointwise

The electoral Bonds scheme was held as "unconstitutional" in a unanimous judgment by the five-judge bench of Supreme Court (SC) headed by the CJI, which was examining the legality of the electoral bonds scheme. SC held that anonymous electoral bonds are violative of right to information and Article 19(1)(a). The Bench has directed the issuing bank (SBI) to stop the issue of electoral bonds. SBI also needs to submit the details of the electoral bonds purchase to the Election Commission of India (ECI).

SC Verdict on Electoral Bonds Scheme

The electoral Bonds scheme was held as "unconstitutional" in a unanimous judgment by the five-judge bench headed by the CJI, which was examining the legality of the electoral bonds scheme.

SC Verdict Explained in Detail

Issue 1: Does the electoral bond scheme violate the Right to Information under Art 19(1)(a)?

SC Verdict- The electoral bonds scheme violates the right to information under Article 19(1)(a), which guarantees the freedom of speech and expression.

SC Rationale- There is deep association between money and politics. Money enhances access to legislators and raises the legitimate possibility of quid pro quo or mutually beneficial arrangements such as favourable policy changes. Economic inequality contributes to political inequality. Hence, Information on the funding of political parties is essential for voting.

Issue 2: Is curbing circulation of black money in electoral financing a legitimate reason to restrict the right to information (RTI)?

SC Verdict- RTI can only be restricted based on Article 19(2), which mentions the reasonable restrictions to freedom of speech and expression. The reasonable restrictions do not include curbing black money as a restriction under Art 19 (2)

SC Rationale- The restrictions on the right to information in the electoral Bonds scheme fails the court's proportionality test, laid down in the KS Puttaswamy case verdict over the right to privacy. An infringement of the right to information is not proportionally justified to curb black money in electoral financing.

Issue 3: Whether the right to privacy of donor is a valid ground for the infringement of RTI

SC Vedict- The court held that the right to privacy of political affiliation does not extend to those corporate contributions, which may be made to influence policies. It only extends to contributions made as a genuine form of political support.

SC Rationale- Huge contributions made by corporations should not be allowed to conceal the reason for financial contributions made by other sections of the population.

Issue 4: Whether unlimited political contributions by companies are unconstitutional

SC Verdict- The court held that the amended section 182 (3) of the companies act 2013 as unconstitutional, as it is violative of Art 14. This amended section permitted unlimited political contributions by companies.

SC Rationale- Contributions made by companies are purely business transactions made with the intent of securing benefits in return.The ability of companies to influence the political process through contributions is much higher compared to individuals.

Forum

Created By Forum IAS

What are Electoral Bonds?

Definition	Electoral bonds are interest-free "bearer instruments". (Bearer Instruments are similar to promissory notes. These are payable to the bearer on demand)
Introduction	Electoral Bonds were introduced with the Finance Bill 2017. The scheme was notified on January 29, 2018.
Eligibility of Donors	(1)Any citizen of India or entities incorporated or established in India can purchase these Bonds. (2)Citizens can buy electoral bonds either singly or jointly with other individuals.
Eligibility of Political Parties	Only political parties registered under Section 29A of the Representation of the People Act, 1951 and which secured not less than 1% of votes polled in the last general election to the House of the People or the Legislative Assembly of the State, are eligible to receive electoral bonds.
Functioning of the Electoral Bond Scheme	(1)The State Bank of India (SBI) issues electoral bonds in the months of January, April, July and October. (2)The electoral bonds are available in denominations from Rs 1,000 to Rs 1 crore. (3)The donors can buy electoral bonds and transfer them into the accounts of the political parties as a donation. The name of the donor is kept confidential. (4)Political parties create a specific account. This account is verified by the ECI. The political parties encash the electoral bonds only in this verified account. (5)The bonds remain valid for 15 days. Within that time, the political parties have to encash the electoral bond in the designated accounts.

What was Govt's rationale behind the introduction of Electoral Bonds Scheme in 2018?

1. Transparency in political funding- Electoral bonds would provide a transparent route for parties to collect funds, as electoral bonds are allowed to be sold only through SBI and to KYC validated individuals only.

2. Reduced chances of misuse of bonds- A limited window for the sale of these bonds and a very short maturity period (life of bonds is only 15 days),would make the misuse of these bonds difficult.

3. Protection of anonymity- The bearer bonds would provide anonymity to donors which prevent their post-poll intimidation or harassment by political opponents.

4. Political accountability- The political parties are required to submit the details about contributions received through electoral bonds to the Election Commission which would ensure their accountability.

5. Reduction of use of black money for Political Funding- Under the Electoral bond scheme, the amount of money that a party can accept in cash from anonymous sources has reduced from Rs 20,000 to Rs 2,000. This would reduce the use of black money in the elections.

What were the arguments against Electoral Bonds?

1. Against the 'Right to Know'- Electoral bonds donations to political parties hide the identity of the donors and recipients. Before the introduction of electoral bonds, political parties had to disclose details of all its donors, who have donated more than Rs. 20,000. Hence, electoral bonds compromise the citizen's 'Right to Know', which is part of the right to information under Article 19 (1) of the Constitution.

2. Information asymmetry– Principle of anonymity does not apply to the government of the day, which can always access the donor details by demanding the data from the State Bank of India (SBI). The bonds provide a ruling party with a chance to threaten the donors of the opposition party.

3. Loopholes in transparency of donation limits from corporate entities- The electoral Bond scheme removed the clause of the Companies Act 2013. As per the previous clause of the Companies Act 2013, a company could make a political contribution only if its net average profit of three preceding financial years was 7.5%. The removal of this clause has raised concerns of black money in political funding through shell companies.

4. Compromised the rights of shareholders of company- The electoral bonds scheme allows companies to "funnel money" to political parties without any oversight from shareholders. This denies the shareholders who are also the owners of the company, the ability to decide how their company should act in the political sphere.

5. Flaws in the argument of donor anonymity- For decades, corporations have made donations to Indian political parties, and often, the same donors have funded rival parties. There haven't been instances of any ruling party targeting a donor who contributed to its political opponents.

6. Leading to Crony-Capitalism- Electoral bonds may become a convenient channel for businesses to round-trip their cash parked in tax havens to political parties for a favour through shell companies.

7. Rise in large donations from corporates- One of the main arguments for introduction of electoral bonds was to allow common people to easily fund political parties of their choice, but more than 90% of the bonds have been of the highest denomination (Rs. 1 crore).

8. Passage of electoral Bonds Scheme as Money Bill- The passage of Electoral Bonds scheme as money bill by-passed the scrutiny of Rajya Sabha.

9. Issue of Foreign funds- Representation of the People Act, 1951, prohibits political parties from accepting contributions from foreign sources, and Section 3 of the 2010 Foreign Contributions (Regulation) Act restricts foreign contributions to candidates, legislative members, political parties and party office holders. However, the government passed a retroactive amendment which effectively shields any foreign financing of Indian elections from scrutiny.

10. Undermines the basic structure- Free and fair elections and the integrity of our electoral process have been repeatedly declared by the Supreme court as a part of the basic structure of the constitution. Free and fair elections are impossible without transparency in political funding.

Read More- Issues in Electoral Funding in India – Explained, pointwise

What should be the Way Forward?

1. State funding of Elections- The Indrajit Gupta Committee on State Funding of Elections has supported partial state funding of recognised political parties. State funding has proved its effectiveness in a number of countries like Germany, Japan, Canada, Sweden etc.

2. Explore setting up of National Electoral Fund- An alternative to electoral bonds is a National Electoral Fund to which all donors can contribute. The funds can be allocated to political parties in proportion to the votes they get. This will protect the identity of donors. Apart from that, it would also weed out black money from political funding.

3. Capping of anonymous donations to political parties- The Law Commission of India in its 255th Report has recommended to cap the entire donation received through anonymous sources at Rs. 20 crores or 20% of the total funding of a political party.

4. A complete ban on cash donations- One of the transparency measures for political funding is to put a complete ban on cash donations by individuals or companies to political parties. At present, political parties can receive cash donation below Rs.2000.

5. Audit of accounts of political parties- Venkatachaliah Committee Report (2002) has recommended strict regulatory frameworks for auditing and disclosure of party income and expenditure.

6. Learning and implementing global best practices-
a. The Publicity Act (USA), Elections and Referendums Act 2000 (UK) and the EU regulations have all set restrictions on the donations that a political party can accept and mandates the disclosure of source of the donations.
b. France banned all forms of corporate funding in 1995 and capped individual donations at 6,000 Euros.
c. Brazil and Chile have also banned corporate donations after a series of corruption scandals emerged related to corporate funding.

Law Commission's Recommendations on Electoral Finance (255th Report)

- Extend regulation of election expenses from date of nomination to **date of notification**.
- Authorization of political funding by a corporate should be done at the Annual General Meeting (AGM) and not Board of Director (BoD) meeting.
- Extension of norms of disclosures by candidates about their election expenses including funding received from non-Government corporate or a person and from the parent political party.
- **Public disclosure of electoral expenses documents** submitted by the candidates.
- Submission of **audited annual reports** by Political Parties detailing all the funds received and the expenditure incurred which shall be **disclosed publicly** by the ECI.
- **Disclose contributions** less than INR 20,000 if such contributions exceed INR 20 crore or 20% of the party's total contributions, whichever is less.
- Failure to disclose expenses results in disqualification for 3 years. This should be **extended to 5 years** to render the candidate ineligible for next election.
- **Penalty of 5 times the contribution received**, if such contribution is received from an ineligible donor under Companies Act and RoPA.
- **State funding of elections not feasible**. In-kind subsidies should be provided.

Created by | ForumIAS©

Source- Forum IAS

Conclusion

A clean & transparent electoral funding process is vital to ensure a fair electoral democracy. Most developed countries in the West have robust mechanisms to ensure transparency in their political systems. As India aspires to emulate the West by setting the ambition of achieving developed country status by 2047, it must aspire for similar standards of transparency in the political sphere. Cleaning up electoral finance can be the first step in this regard.

Read More- Indian Express
Syllabus- GS-2 -Salient Features of the Representation of People's Act.